

M A N I T O B A) Order No. 14/13
)
THE PUBLIC UTILITIES BOARD ACT) February 4, 2013

BEFORE: Susan Proven, P.H.Ec., Acting Chair
 Marilyn Kapitany, B.Sc. (Hons.), M.Sc., Member

RURAL MUNICIPALITY OF PEMBINA
LOCAL URBAN DISTRICT OF DARLINGFORD
SEWER RATES
2013, 2014 and 2015

Summary

The Public Utilities Board (Board) hereby approves revised sewer rates for the Darlingford Sewage Collection System (Utility) in the Rural Municipality of Pembina (RM). The new rates are effective January 1, 2013, 2014 and 2015.

The current rates, as established under Order No. 96/97, and revised rates are noted below:

	<u>Current</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Customer Service Charge	\$6.00	\$7.36	\$8.42	\$8.65
Unmetered Services Flat Rate per REU*	\$58.24	\$215.35	\$219.11	\$222.99

*a complete list of REU assignments is available from the RM office

Details of other rates may be found in the attached Schedule "A".

Introduction

The RM made an application for rates for the sewer Utility located in the Local Urban District of Darlingford (LUD) on April 23, 2012.

The last rate increase was in 1997, by Board Order No. 96/97. The Utility has experienced challenges with the conversion to Public Sector Accounting Board (PSAB) standards, and currently only has audited financial statements up to the year 2009. Based on internal financial statements, the Utility has indicated the 2010, 2011 and 2012 audits may result in deficits. They have submitted their rate study to increase sewer rates in an effort to keep up with the rate of inflation and maintain sewer infrastructure.

The Board has at its disposal two alternative processes to deal with applications. It may determine an oral hearing is warranted or a paper review process is sufficient. In the case of the Darlingford Utility, the Board received no response from stakeholders and the RM received only informal feedback indicating ratepayers would prefer smaller, regular increases, rather than a large increase after an extended period of time. The Board concluded a paper review process, saving the Utility the cost of a Public Hearing, was in the best interests of the stakeholders and the Utility.

Background

The Darlingford Utility provides sewer service to 85 customers, including residential and commercial/public customers. Each customer is assigned residential equivalency units (REU) determined in accordance with the Public Utilities Board's Guidelines. All customers of the Utility use private wells for their water supply. There are a total of 89 REUs assigned by the Utility. Customers are billed annually in June with their property taxes.

The system includes a two-cell lagoon, which based on Manitoba Conservation records, was built sometime prior to 1974. The Community of Darlingford has a gravity flow sewer system and pipes their wastewater via a forcemain to the lagoon's primary cell. Rural residents use septic tanks, from which septage is truck hauled to the lagoon. Haulers are encouraged to use the Manitou lagoon, and at this time there are only two (2) haulers dumping in the Darlingford lagoon. These haulers are not charged tipping fees by the Utility.

The environmental license requirements of the lagoon are not being met. The lagoon has no impermeable liner and is undersized for the hydraulic load. The lagoon was not constructed to Manitoba Conservation requirements, and is in need of repair and expansion or replacement. The RM has indicated the completion of any lagoon upgrades will be entirely dependent upon funding through capital grants. The RM has not secured any funding at this time.

Application

The RM submitted its application on April 23, 2012 accompanied by a Sewer Utility Rate Study prepared by the RM's consultant. Rates were last reviewed in 1997.

The application was also accompanied by By-law No. 4-2012 read for the first time on April 10, 2012. A Notice of Application was issued on July 6, 2012.

The rate study proposed the following rates for Darlingford:

	<u>Current</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Customer Service Charge	\$6.00	\$7.36	\$8.42	\$8.65
Unmetered Services Flat Rate per REU*	\$58.24	\$215.35	\$219.11	\$222.99

*a complete list of REU assignments is available from the RM office

The rates were based on the following projected expenses:

	2010	2011	2012	2013	2014
<i>General expenses:</i>					
Administration	600	500	500	515	530
Equity surcharge (1% of annual expenses)	-	-	125	200	204
<i>Total general revenue</i>	-	-	-	-	-
Net revenue general	600	500	625	715	735
Net rate revenue requirement - water	-	-	-	-	-
<i>Sewer expenses:</i>					
Sewage Collection System	2,400	2,400	2,400	2,472	2,546
Other Sewage Collection & Disposal Costs	15,014	7,149	7,149	7,363	7,584
Continuing Education	2,000	2,000	2,000	2,060	2,122
Reserves	500	500	5,000	5,000	5,000
Contingency	-	-	3,000	3,000	3,000
<i>Total sewer expenses</i>	19,914	12,049	19,549	19,895	20,252
<i>Revenue</i>					
Contribution from Revenue Fund					
Transfer from General Reserve	13,202	5,000			
Taxation revenues	-	-	-	-	-
Other Revenue	146	384	384	395	407
<i>Total non-rate revenue- sewer</i>	13,349	5,384	384	395	407
Net rate revenue requirement - sewer	6,565	6,665	19,165	19,500	19,845

This represents the RM's best estimate of future operating costs.

The RM's submission included a proposed shared cost allocation methodology for Board approval. A nominal administration charge was included in the projected expenses. This flat charge was determined by the RM to be adequate as the Utility rates are collected through tax billing, rather than quarterly rates.

Public Response

The Board received no responses from stakeholders, indicating ratepayers understand, given the length of time since the last increase in rates, that the proposed rates are reasonable.

The RM office advised the Board they received some informal commentary from ratepayers, who expressed the opinion the RM should be reviewing the rates more often and having smaller, more frequent increases.

Board Findings

The Board has long been a proponent of user-pay and looks for fair and reasonable rates that can sustain a Utility.

Consumers are generally more tolerant of regular, smaller increases. In cases where regular rate reviews have not been conducted by municipal utilities, it has not been unusual for the Board to be required to approve these large percentage increases.

To avoid this, it is advised that municipalities continuously review their revenue requirements to ensure their rates are up to date, thus avoiding rate shock.

The Board will approve the shared cost allocation methodology as submitted by the Municipality. This methodology must be applied consistently in the future and can only be varied with approval by the Board.

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure.

IT IS THEREFORE ORDERED THAT:

1. The sewer rates for the Darlingford Utility in the Rural Municipality of Pembina, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED with revised rates for 2013, 2014 and 2015 to be effective January 1 in each of those years.
2. The Rural Municipality of Pembina submit the sewer rate By-law for the Darlingford Utility once it has received third and final reading.
3. The allocation methodology for shared services and equipment as submitted by the Rural Municipality of Pembina BE AND IS HEREBY APPROVED.

4. The Rural Municipality of Pembina submit a new sewer rate application, or a statement of rate adequacy by June 2015 for the 2016 year.

Fees payable upon this Order \$500.00.

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."
Acting Chair

"JENNIFER DUBOIS, CMA"
Acting Secretary

Certified a true copy of Order No.
14/13 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 14/13

**RURAL MUNICIPALITY OF PEMBINA
 LOCAL IMPROVEMENT DISTRICT NO. 2
 L.U.D OF DARLINGFORD SEWER RATES**

SCHEDULE OF YEARLY RATES:

2013 Rates

1. Commodity rates Sewer
 Unmetered Services Flat Rate per Unit \$215.35

2. Minimum Charges, Yearly

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges set out below:

(a) Sewer Customers

<u>Classification</u>	<u>Group Capacity Ratio</u>	<u>Customer Service Charge</u>	<u>Sewer Charge</u>	<u>Total Yearly Charge</u>
Residence (Single Dwelling)	1	\$7.36	\$215.35	\$222.71
Town Hall	3	\$7.36	\$646.05	\$653.41
Museum/Meeting Room	3	\$7.36	\$646.05	\$653.41

2014 Rates

1. Commodity rates Sewer
 Unmetered Services Flat Rate per Unit \$219.11

2. Minimum Charges, Yearly

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges set out below:

(a) Sewer Customers

<u>Classification</u>	<u>Group Capacity Ratio</u>	<u>Customer Service Charge</u>	<u>Sewer Charge</u>	<u>Total Yearly Charge</u>
Residence (Single Dwelling)	1	\$8.42	\$219.11	\$227.53
Town Hall	3	\$8.42	\$657.33	\$665.75
Museum/Meeting Room	3	\$8.42	\$657.33	\$665.75

2015 Rates

1. Commodity rates

Sewer

Unmetered Services Flat Rate per Unit \$222.99

2. Minimum Charges, Yearly

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges set out below:

(a) Sewer Customers

<u>Classification</u>	<u>Group Capacity Ratio</u>	<u>Customer Service Charge</u>	<u>Sewer Charge</u>	<u>Total Yearly Charge</u>
Residence (Single Dwelling)	1	\$8.65	\$222.99	\$231.64
Town Hall	3	\$8.65	\$668.97	\$677.62
Museum/Meeting Room	3	\$8.65	\$668.97	\$677.62

3. Service to Customers Outside Municipality, Town, or L.I.D., Limits

The Council of the Rural Municipality of Pembina may sign agreements with customers for the provision of sewer services to properties located outside the legal boundaries of the L.U.D. of Darlingford. Such agreements shall provide for payment of the appropriate rates set out in the schedule, as well as a surcharge, set by resolution of Council, which shall be equivalent to the frontage levy, general taxes and special taxes for utility purposes in effect at the time, or may be in effect from time to time, and which would be levied on the property concerned if it were within these boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

4. Billings

Shall be levied annually