

M A N I T O B A                    )     Order No. 164/07  
  )  
THE PUBLIC UTILITIES BOARD ACT    )     December 20, 2007

BEFORE:   Graham Lane, CA, Chairman  
           Monica Girouard, CGA, Member  
           Susan Proven, P.H.Ec., Member

THE RURAL MUNICIPALITY OF MINIOTA  
REVISED SEWER RATES

**Executive Summary**

By this Order, the Public Utilities Board (Board) approves rate increases applied for by the Rural Municipality of Miniota (RM) for the community of Miniota.

<u>Customer</u>	<u>Existing</u> (2001)		<u>Revised</u>	
	<u>R.E.U.</u>	<u>Annual</u> <u>Bill</u>	<u>R.E.U.</u>	<u>Annual</u> <u>Bill</u>
Single family residences; Churches; Small commercial; Halls up to 250 seats	1	\$37.09	1	\$90.67 <sup>1</sup>
Beauty Salon, with 1 suite; Halls with 251-350 seats	1.5	\$49.96	1.5	\$130.15
Miniota C-Store, with coffee Shop, Convenience Store & Gas Bar; Rinks; Garage, with 1 wash rack	2	\$62.82	2	\$169.62
Miniota School (5 rooms @ 1.0 unit) <sup>2</sup>	6	\$165.74	5	\$406.47
Parkissimo Lodge (8 single rooms @ 1/2 unit each, 2 double rooms @ 1.0 unit each) <sup>3</sup>	7	\$191.47	6	\$485.42
Miniota Inn (7 guest rooms, 94 restaurant Seats, 40 beverage room seats	11	\$294.39	11	\$880.17

<sup>1</sup>Annual bills consist of a service charge of \$11.72 plus an R.E.U. charge of \$78.95 per R.E.U.

<sup>2</sup>6 rooms in 2001

<sup>3</sup>10 single rooms in 2001

Revised rates were necessary to provide the Utility with sufficient revenue to meet the operating requirements of the new sewage system. The new rates take effect January 1, 2008.

**Application**

The RM applied to the Board for revised sewer rates and in support thereof filed By-law No. 4/2007, read the first time on September 11, 2007, and a rate study.

Rates were last amended in 2001; prior to that, in 1993. The Board held a public hearing in 2001 though no ratepayer attended.

The Board employed a paper hearing process for the recent application, and a notice of the process was mailed to each customer inviting comment. The Miniota Inn was the only respondent.

As the Utility is a sewer-only system, meters are not used and usage is determined based upon multiples of estimated residential use, pursuant to a system denoted as Residential Equivalent Units (REU). The RM proposes to reduce the assessment per REU for the Miniota School and the Parkissimo Lodge, based on changed circumstances.

<u>Customer</u>	<u>Existing</u> <u>(2001)</u>		<u>Proposed</u>	
	<u>R.E.U.</u>	<u>Annual</u> <u>Bill</u>	<u>R.E.U.</u>	<u>Annual</u> <u>Bill</u>
Single family residences; Churches; Small commercial; Halls up to 250 seats	1	\$37.09	1	\$90.67 <sup>1</sup>
Beauty Salon, with 1 suite; Halls with 251-350 seats	1.5	\$49.96	1.5	\$130.15
Miniota C-Store, with coffee Shop, Convenience Store & Gas Bar; Rinks; Garage, with 1 wash rack	2	\$62.82	2	\$169.62
Miniota School (5 rooms @ 1.0 unit) <sup>2</sup>	6	\$165.74	5	\$406.47
Parkissimo Lodge (8 single rooms @ 1/2 unit each, 2 double rooms @ 1.0 unit each) <sup>3</sup>	7	\$191.47	6	\$485.42
Miniota Inn (7 guest rooms, 94 restaurant Seats, 40 beverage room seats)	11	\$294.39	11	\$880.17

<sup>1</sup> Annual bills consist of a service charge of \$11.72 plus an R.E.U. charge of \$78.95 per R.E.U.

<sup>2</sup> 6 rooms in 2001

<sup>3</sup> 10 single rooms in 2001

Enclosed with the Public Notice mailed to each customer, the RM provided the following justification for the rate increase.

*"Operating costs of the Miniota Wastewater sewage lagoon have increased. The new lagoon facility was constructed in 2005 and has increased costs to operate this facility with employee labour, maintenance and testing requirements. The old lagoon required little or no operation. With the construction of the new lagoon, reserve funds were drawn down and deficits have been realized in the last 2 years since the new facility has been in operation. The rate increase does provide for a contingency allowance to apply to unforeseen costs with repairs or replacement of the aging sewer lines in Miniota."*

During the 2001 public hearing the RM advised the Board that the sewage system may require significant upgrading and rates would likely require significant change to reflect anticipated revised operating costs. At the 2001 hearing, the Board noted that the Utility's annual contingency allowance, reflected in rates, was inadequate to meet the ongoing operations of the utility. In the current application, the adequacy of contingency allowance was addressed.

The Utility last incurred an operating deficit in 2006, that in the amount of \$1,161. As at December 31, 2006, the Utility had an accumulated surplus of \$13,685 and a reserve balance of \$16,946.

Annual operating costs of the sewage system are approximately \$13,500, including \$1,500.00 related to administration. There are approximately 128 customers, with 152 REUs assessed. Annual administrative costs are \$11.72 per customer and, when added to the REU charge of \$78.95 to recover operating costs, the total REU charge for a residential customer is \$90.67.

The RM intends to charge new customers a \$1,100 hook-up fee plus all costs incurred to connect to the main line. The hook-up fee is intended to recover a fair portion of the costs of the new sewage system paid for by existing customers.

The owner of the Miniota Inn expressed concern about the size of the increase, and requested a downward adjustment to reflect reported lower occupancy levels at the establishment. The RM

responded on November 19, 2007, advising that officials had met with the Inn's owner and reviewed the current operating conditions, determining that the assessment of 11 REUs should not be changed. The report noted no structural changes to the Miniota Inn justifying a reduction. While occupancy levels do vary from time to time, such variations do not justify a reduction as the capacity to use the sewer system has not changed.

The report and the decision of the Village Committee was shared with the owner of the Miniota Inn, who was invited by the Board to make final comments by November 28, 2007. None were received.

### **Board Findings**

The Board has reviewed the application and is satisfied that the proposed rates are just and reasonable to provide the RM with adequate revenue to operate the Utility and set aside sufficient funds to meet any future unexpected expenditures.

While noting the concerns expressed by the owner of the Miniota Inn, in the absence of further response from the owner, the Board accepts the REUs assigned to the Inn. The Board agrees that the assignment of REUs should be based on capacity and not the business cycle of the customer.

