

M A N I T O B A)
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THE PUBLIC UTILITIES BOARD ACT) Order No. 113/08
) July 25, 2008

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

THE RURAL MUNICIPALITY OF SHOAL LAKE
LOCAL IMPROVEMENT DISTRICT No. 1 (OAKBURN)
REVISED SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) amends an application of the Rural Municipality of Shoal Lake (RM) for increased sewer rates for the community of Oakburn. While the Board approves the rate proposal applied for, it also provides increases for 2009 and 2010.

The quarterly charge is to be separated into two components: a service charge and a sewer charge, this to ensure that commercial accounts only pay one service charge.

As a result of this Order, a residential customer's quarterly bill will increase from \$18.00 to \$30.00 in 2008, as proposed by the RM, and thereafter to \$35 and \$40 for 2009 and 2010 respectively.

Other charges, as applied for by the RM, are as per Schedule "A" attached.

The increases, while substantial, are necessary to allow the Utility to meet considerable challenges and provide rate predictability.

Application

The RM of Shoal Lake applied to the Board for revised sewer rates for the community of Oakburn, as set out in By-law No. 2008-9 read the first time on April 23, 2008. The application was supported by a rate study; the last rate

change occurred in 1989 - 19 years ago.

The Utility charges customers on a residential equivalent unit (REU) basis, meaning a residential customer's usage is assessed one unit and commercial account's usage is assessed a multiple of the REU.

The current per REU quarterly charge is \$18.00; the RM proposed to increase this charge to \$30.00 (by 67%).

The RM advised that its rate proposal had been presented at a local public meeting and that the response by ratepayers was favourable, and that rates have been too low for too long.

Infrastructure

The RM advised that the Oakburn Utility was originally constructed in 1967. In 2006 and 2007 sewer lines were found to be collapsing due to poor conditions. The Utility has not been able to financially maintain its operation without a transfer from the General Fund.

In 2007, the Utility would have had a revenue deficit of \$63,134.93 except for repair costs being recovered by a local improvement plan (taxes).

In 2008, the RM began the process of repairing the lagoon in cooperation with the Manitoba Water Services Board (MWSB). Manitoba Conservation has issued a conditional licence to the Utility pending repairs to the lagoon being completed.

The RM has commissioned a study of the sewer lines, so as to evaluate the condition of the lines and determine options for replacement.

In Council's view, the increase in rates is necessary in order to generate sufficient revenue to properly maintain the system and build a reserve fund to meet the expected cost of future upgrades.

Rate Proposal

Consistent with past practices, the RM proposes to charge a flat fee which includes the cost of administration.

Several non-residential customers are charged multiple REUs, up to 4. The Notice of Application invited all customers to review the application, and provided each customer an opportunity to verify their REU assessment. No amendments were requested.

The following annual costs were projected to support the rate application.

Administration	\$ 1,847
Sewer	\$10,108
Reserve Provision	<u>\$ 2,000</u>
Total	<u>\$13,955</u>

In developing the revised flat rate, the RM calculated a service charge of \$3.70 and a commodity charge of \$22.67, for a total of \$26.37. The RM proposed to charge \$30.00 per quarter per REU.

The RM, by agreement, has been charging a single customer 0.5 REU as the customer is required to operate and maintain a pumping system to access the sewer main because the property is in a low area. .

In 2007, the Utility reported a \$4,480.54 surplus, noting that sewer line repairs were paid by a local improvement levy. As of December 31, 2007, the Utility had approximately \$28,790 in accumulated surplus.

The RM advises that the population of Oakburn is declining, representing a further challenge for the Utility.

Notice of the RM's application was mailed to each customer with a request to write the Board directly with any concerns or comments; none were received.

Background

As noted earlier, the sewer system was built in 1967 and requires repair; the sewer lines need replacement and the lagoon requires an upgrade.

The Utility serves 125 customers and has a historical capital cost of \$184,576. The RM advises that the plant operator has been allowed to continue to operate the plant without certification due to his many years of experience. Certification will be completed when required.

The Utility plans to spend \$250,000 on lagoon work with the assistance of the MWSB.

Board Findings

Having carefully reviewed the application, the Board will accept the proposal for 2008 while amending the application to approve further increases (to \$35 and \$40 per REU per quarter, for 2009 and 2010 respectively). Increases for all customers are detailed in Schedule "A" attached.

The Board agrees that the existing rates have been "too low for too long" and now represent a real risk for the Utility to meet its current and future obligations without reliance either on subsidies from the General Fund or taxes (approaches not generally favoured by the Board).

The increases now granted will provide needed additional revenue, and the provision of increases for 2009 and 2010 will avoid regulatory costs for the Utility for those later years.

The Board believes and directs that the service and sewer charges should be separated to prevent a multiple REU customer from paying multiple service charges.

Due to the separation, the revenues collected from multiple REU customers will decline slightly for the balance of 2008, but rise to and beyond the applied-for level in 2009 and thereafter.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 2008-9 of the Rural Municipality of Shoal Lake for the community of Oakburn be amended to agree with Schedule "A" to this Order.

Fees payable upon this Order - \$150.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"G.O. BARRON, FCGA"

Acting Secretary

Certified a true copy of
Order No. 113/08 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 113/08

THE RURAL MUNICIPALITY OF SHOAL LAKE

LOCAL IMPROVEMENT DISTRICT NO. 1 (OAKBURN)

SEWER RATES

BY-LAW NO. 2008-9

1. Minimum Charges, Quarterly

All customers will pay the applicable minimum charges set out below:

		2008			2009		
		SC ⁽¹⁾	REU	Total	SC ⁽¹⁾	REU	Total
Residence	0.5	\$4.00	\$ 13.00	\$ 17.00	\$5.00	\$ 15.00	\$ 20.00
Residence	1	\$4.00	\$ 26.00	\$ 30.00	\$5.00	\$ 30.00	\$ 35.00
MB Housing	1	\$4.00	\$ 26.00	\$ 30.00	\$5.00	\$ 30.00	\$ 35.00
MB Housing	2	\$4.00	\$ 52.00	\$ 56.00	\$5.00	\$ 60.00	\$ 65.00
CommunityHall	2	\$4.00	\$ 52.00	\$ 56.00	\$5.00	\$ 60.00	\$ 65.00
Ukr. Peoples Home	2	\$4.00	\$ 52.00	\$ 56.00	\$5.00	\$ 60.00	\$ 65.00
Oakburn Rink	2	\$4.00	\$ 52.00	\$ 56.00	\$5.00	\$ 60.00	\$ 65.00
Old School	3	\$4.00	\$ 78.00	\$ 82.00	\$5.00	\$ 90.00	\$ 95.00
MB Housing	4	\$4.00	\$104.00	\$108.00	\$5.00	\$120.00	\$125.00

⁽¹⁾Service Charge

		2010					
		SC ⁽¹⁾	REU	Total			
Residence	0.5	\$5.00	\$ 17.50	\$22.50			
Residence	1	\$5.00	\$ 35.00	\$ 40.00			
MB Housing	1	\$5.00	\$ 35.00	\$ 40.00			
MB Housing	2	\$5.00	\$ 70.00	\$ 75.00			
Community Hall	2	\$5.00	\$ 70.00	\$ 75.00			
Ukr. Peoples Home	2	\$5.00	\$ 70.00	\$ 75.00			
Oakburn Rink	2	\$5.00	\$ 70.00	\$ 75.00			
Old School	3	\$5.00	\$105.00	\$110.00			
MB Housing	4	\$5.00	\$140.00	\$145.00			

⁽¹⁾Service Charge

2. Billings and Penalties
A late payment charge of 1% per month shall be charged on the dollar amount owing after the billing due date.
3. Disconnection
Service may be disconnected and discontinued for non-payment of the account. If the account remains unpaid **30 days** past the due date, customers will be sent a reminder notice. If after a further 30 days, the account remains unpaid, a second notice will be issued providing disconnection advice unless payment is received within **30 days**. All disconnection notices shall advise the customer of the specific date of the disconnection and of their right to appeal to The Public Utilities Board and include the Board's relevant contact information.
4. Connection Charges
Any new sewer service shall be charged a connection fee of \$2500.00.
5. Outstanding Bills
Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for sewer services are a lien and charge upon the land serviced, and shall be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies.