

M A N I T O B A                    )     Order No. 130/09  
  )  
THE PUBLIC UTILITIES BOARD ACT    )     September 16, 2009

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

THE RURAL MUNICIPALITY OF STUARTBURN  
LOCAL IMPROVEMENT DISTRICT NO. 1 (VITA)  
REVISED SEWER RATES

### **Executive Summary**

By this Order, the Public Utilities Board (Board) approves the application of the Rural Municipality of Stuartburn (RM) for revised sewer rates for the community of Vita, as set out in the RM's By-law No. 088/2009.

Existing (from 1998) and revised rates, on a per residential equivalent unit (REU) basis, are:

<b>Annual Charge</b>	<b>Existing (1998)</b>	<b>Revised</b>	<b>Increase (Decrease)</b>
Service	\$ 2.29	\$ 1.76	(23%)
REU	<u>\$ 114.71</u>	<u>\$ 138.24</u>	<u>21%</u>
<b>Total</b>	<b>\$ 117.00</b>	<b>\$ 140.00</b>	<b>20%</b>

For billing purposes, residential customers are assigned one REU, while commercial customers are assigned multiples of the REU based on the estimated consumption -- assignments are reviewed annually by the RM.

While the new rates do not reflect an annual provision for amortization of plant and equipment, now to be required for municipal financial statements pursuant to changed accounting rules, the Board accepts the application while directing the RM to consider the matter further for reflection in the next rate change.

Notice of the RM's application was mailed to each customer with an invitation to write the Board with comments or concerns and none were received.

## **Application**

On August 5, 2009, the RM applied to the Board for approval of revised annual sewer charges for services provided to the community of Vita (to take effect in 2010 and to be collected with property tax bills as set out in By-law No. 088/2009 -- read the first time on August 4, 2009).

Projected annual operating costs for the RM's Utility reflected in the rate application were:

Administration	\$ 330.00
Operating	<u>\$44,550.00</u>
Total	\$44,880.00

Included in projected operating costs are provisions for contingency (\$2,000) and reserves (\$1,300).

The implications of adopting amended accounting rules (required by the Public Sector Accounting Board) and more specifically the recognition of annual amortization expense, was not included in the proposed rates filed by the RM.

Projected annual amortization expense, as per the RM's Tangible Capital Asset (TCA) schedule, is approximately \$13,749. However, as the RM included a \$1,300 annual provision to build the Utility Reserve Fund, for rate purposes this provision may be considered a proxy for amortization expense.

If rates were to continue to increase to generate additional revenue of \$1,300 per year it would take approximately 10 years to recover the full annual amortization expense of the Utility, assuming no new plant is built or major upgrades are conducted.

The RM confirmed that all costs associated with the Utility have been properly assigned; the only shared cost with the RM is office expense, which is allocated based on an estimate of time spent.

The RM's proposal to reduce the annual service charge from \$2.29 to \$1.76 takes into account its forecast of Utility operating costs.

The RM advised that as at December 31, 2008, the Utility had an accumulated surplus of \$143,413, and that exceeds the Board's guideline which calls for a minimum of 20% of prior year's expenses which be held in reserves, this to approximate \$7,250. Further, the Utility had a reserve fund balance as at August 31, 2009 of \$31,016. Therefore, no provision was required to be included in rates to increase the surplus position of the RM.

The RM also advised of no Utility capital expenditure plans over the next five years.

As required by the Board, Notice of the RM's Application was mailed to each customer with a request to advise the Board with any concerns or comments and no response was received.

While sewer charges form part of the property tax bill, the RM advised that such charges are offset by the Education Property Tax Credit.

The RM provided a transfer of \$20,000 from General Operations for Utility expenses in its 2009 Utility budget, to be made if

required. The RM believes the transfer is reasonable as the RM residents outside the community benefit from the sewer system in Vita. The transfer is made only if the RM has a General Operating Account surplus. In 2008, no monies were transferred.

### **Background**

The RM operates a sewer only Utility serving 187 customers. The last rate change occurred in 1997 and since 1999, the Utility has incurred operating surpluses.

The RM filed its TCA schedule indicating as follows:

	<b>Amortization Period</b>	<b>Original Cost</b>	<b>2008 Amortization Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Sewage	50 years	\$675,807.00	\$13,516.14	\$262,375.02	\$413,431.98
Lagoon	30 years	\$ 7,000.00	\$ 233.33	\$ 719.48	\$ 6,280.52
Land	--	\$ 1,800.00	-	-	\$ 1,800.00

The sewage facilities were originally installed in 1979 and various upgrades and additions have occurred over time. The RM advised that the system is meeting the licensing requirements and the system is in fair condition.

There are no outstanding debentures.

Couter Projects in Winnipeg operates the Utility as no local operator is employed.

## **Board Findings**

The Board has reviewed the application and is satisfied the proposed rates are just and reasonable, and will approve the application as made.

In absence of any apparent capital requirements in the near term and with the level of surplus currently on hand, the Board accepts there is no need to increase rates to recover the full annual amortization expense of the Utility at this time.

However, the RM should be aware that the recording of amortization expenses will result in operating deficits commencing in 2009 and such deficits may reduce the surplus and/or reserve fund balances in the future. Such deficits are required to be approved by the Board. An alternate option is to preserve the financial strength of the Utility and for the RM to apply for multi-year rate increases (up to 3 years) to include an increasing portion of the amortization expense in rates. The RM will need to consider this in the near future.

The Board is satisfied that the RM reviewed its REU assignments to ensure they continue to be fair and reasonable.

The Board also approved the RM's allocation of office costs based on time spent. Should there be any change to this method of allocation; the RM should obtain the Board's approval.

Further, if there is any change to the amortization rates set out in the TCA this will require the Board's approval as well.

Board decisions may be appealed in accordance with the provisions

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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 (Rules). The Board's Rules may be viewed on the Board's website, [www.pub.gov.mb.ca](http://www.pub.gov.mb.ca).

IT IS THEREFORE ORDERED THAT:

1. By-law No. 088/2009 BE AND IS HEREBY approved, subject to amendment to agree with Schedule "A" to this Order.

Fees payable upon this Order - \$300.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"G. O. Barron"

Acting Secretary

Certified a true copy of  
Order No. 130/09 issued by  
The Public Utilities Board

Acting Secretary

**SCHEDULE "A"**  
**TO BOARD ORDER NO. 130/09**

**RURAL MUNICIPALITY OF STUARTBURN**  
**LOCAL IMPROVEMENT DISTRICT NO. 1 (VITA)**  
**REVISED SEWER RATES**  
**BY-LAW NO. 088/2009**

**Schedule of Annual Rates:**

1. Customers shall pay an annual flat sewer rate collected with property tax bill at charges noted below:
  - (i) Annual Service Charge per customer \$ 1.76
  - (ii) Annual per Residential Equivalent Unit Charge \$138.24
2. Flat rates.

Residential, Churches,	\$ 140.00
Grocery store, Drug store,	
Hardware store, Meat Market,	
Office Bank, Firehall	
Vita Hotel	\$ 900.32
Vita Motor Inn	\$ 554.72
Smook Fuels	\$1619.16
Vita Hall	\$ 278.24
Curling Rink	\$ 209.12
Arena	\$ 278.24
K-12 School	\$3872.48
Hospital	\$2075.36
Personal Care Home	\$5807.84
Nurses Residence	\$ 278.24
Trailer Park	\$ 692.96
Shady Oak EPH	\$3485.41
Day Care	\$ 471.78
3. The Council of the Rural Municipality of Stuartburn may sign agreements with customers for the provision of sewer services to properties located outside the legal boundaries of the community of Vita. Such agreements shall provide for payment of the appropriate rates set out in Section 1 of this schedule (for each applicable year), 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 which would be levied on the



property concerned if it were within these boundaries. In addition, all costs for connecting to the Utility's mains and installing and maintaining service connections shall be paid for by the customer.

4. The Public Utilities Board has approved the Conditions Precedent to be followed by the municipality with respect to the disconnection of service for non-payment including, such matters, as notice and the right to appeal such action to the Public Utilities Board. A copy of the Conditions Precedent is available for inspection at the Municipality's office.

Any service disconnected due to non-payment shall not be reconnected until all arrears, penalties and a reconnection fee (based on cost) has been paid.