

M A N I T O B A                    )     Order No. 47/09  
  )  
THE PUBLIC UTILITIES BOARD ACT    )     April 27, 2009

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

RURAL MUNICIPALITY OF EAST ST. PAUL  
INTERIM WATER AND SEWER RATES  
EFFECTIVE IMMEDIATELY

## Executive Summary

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, new rates for the Rural Municipality of East St. Paul (RM). The interim rates are effective immediately and are to be reflected in the next billing, now scheduled for mid-July 2009.

Rates are as follows:

### Quarterly sewer rates:

	Interim
Customer Service Charge	\$ 6.71
Volumetric Charge per cubic meter (c.m.)	\$ 1.28
Residential Equivalent Unit - Commodity Charge	\$77.99

Both the volumetric and the Residential Equivalent Unit (REU) commodity charges shall be applied to the existing REU allocation, contained in RM By-law 2005-08, approved by Board Order 164/05, as follows:

Customer	REU	Service Charge	Commodity Charge	Quarterly Charge
Single Family or small business	1	\$6.71	\$ 77.99	\$ 84.70
Building with more than one residence or business:				
Two residences of business:	2	\$6.71	\$ 155.98	\$ 162.69
Three residences or business:	3	\$6.71	\$ 233.97	\$ 240.68
Fire Hall	2	\$6.71	\$ 155.98	\$ 162.69
Bus Garage	2	\$6.71	\$ 155.98	\$ 162.69
Bird's Hill Manor	5	\$6.71	\$ 389.95	\$ 369.66
3111 Bird's Hill Road	7	\$6.71	\$ 545.93	\$ 552.64
Robert Andrews School	7	\$6.71	\$ 545.93	\$ 552.64
Dr. Hamilton School	7	\$6.71	\$ 545.93	\$ 552.64
Service Station/Car Wash	10	\$6.71	\$ 779.90	\$ 786.61
Bird's Hill Plaza	12	\$6.71	\$ 935.88	\$ 942.59

**Quarterly water commodity rates:**

	<b>Interim</b>
Customer Service Charge	\$12.39
Volumetric Charge per c.m.	\$ 1.05
Bulk Volumetric Charge c.m.	\$ 1.27

**Minimum Quarterly Charges - Water Service Only:**

Meter Size	Water Included (c.m.)	Service Charge	Water Charge	Quarterly Minimum
15 mm	25	\$12.39	\$ 26.25	\$ 38.64
19 mm	50	\$12.39	\$ 52.50	\$ 64.89
25 mm	100	\$12.39	\$ 105.00	\$ 117.39
38 mm	250	\$12.39	\$ 262.50	\$ 274.89
50 mm	625	\$12.39	\$ 656.25	\$ 668.64
75 mm	1125	\$12.39	\$1,181.25	\$1,193.64
100 mm	2250	\$12.39	\$2,362.50	\$2,374.89
150 mm	4250	\$12.39	\$4,462.50	\$4,474.89

**Minimum Quarterly Charges - Sewer and Water Service:**

Meter Size	Water Included (c.m.)	Water Service Charge	Water Charge	Sewer Service Charge	Sewer Charge	Quarterly Minimum
15 mm	25	\$12.39	\$ 26.25	\$6.71	\$ 32.00	\$ 77.35
19 mm	50	\$12.39	\$ 52.50	\$6.71	\$ 64.00	\$ 135.60
25 mm	100	\$12.39	\$ 105.00	\$6.71	\$ 128.00	\$ 252.10
38 mm	250	\$12.39	\$ 262.50	\$6.71	\$ 320.00	\$ 601.60
50 mm	625	\$12.39	\$ 656.25	\$6.71	\$ 800.00	\$1,475.35
75 mm	1125	\$12.39	\$1,181.25	\$6.71	\$1,440.00	\$2,640.35
100 mm	2250	\$12.39	\$2,362.50	\$6.71	\$2,880.00	\$5,261.60
150 mm	4250	\$12.39	\$4,462.50	\$6.71	\$5,440.00	\$9,921.60

The Board's interim approval of these rates is provided on a conditional basis and without prior public notice due to the weak financial position of the RM's utility and a concurrent urgent need for higher revenue.

The Board also conditionally approves the 2009 budgeted deficits for the RM's sewer utility (\$230,800) and for the water utility (\$46,300), though the Board withholds a decision on how the deficit is to be funded pending the RM filing a new rate study with the Board by October 31, 2009.

### **Background**

The RM operates a water and sewer utility currently serving:

- a) 2,416 sewer system customers; and
- b) 834 water system customers; a significant number of residents rely on individual wells for their water supply.

Some customers are connected to the water and sewer system, others to one or the other.

Absent meters, the charge for sewer only customers is based on REU allocations. For water-service customers, water meters are used to bill for both water and sewer services.

In Order 164/05, the Board varied the RM's application for revised water and sewer service rates and established rates, charges and allocations of Residential Equivalent Units as of January 1, 2006, all remaining in place ahead of the implementation of this Order.

At that time, the Board found the RM's rate proposals for 2007 and 2008 to be premature, requiring further information.

The Board then-advised the RM to proceed to develop a long-term strategic plan for its utility, with respect to both water and sewer services. With respect to water services, the Board advised the RM that the plan should address the water and wastewater situations of all its customers, whether served by the RM's water service or by individual wells.

The Board at that time anticipated that the RM would file an application for 2007, and possibly, 2008 rates by the fall of 2006.

The expected application was to include:

1. rate schedule proposals;
2. Utility results for 2005;
3. Utility result forecasts for 2006, 2007, 2008 and 2009;
4. current year and projected five-year capital expenditure plans;
5. projected surplus and reserve balances out five years;
6. actual and projected number of customers by service category; and
7. a ten-year Utility strategic plan.

To date, no application has been filed.

#### **Applications for Recovery of Deficits**

In 2008, the Board approved the RM's application for recovery of 2007 deficits, for the water service, \$99,819.04, and for the sewer service, \$70,983.34.

The RM attributed the deficits to lower consumption, higher than budgeted costs for sewer flushing, water line installation, over-sizing of a water main extension, and development of wells.

Shortly thereafter, the RM applied for Board approval of a budgeted deficit for 2008 sewer operations of \$239,900. The Board suggested an

interim increase to address the shortfall and the RM responded with a preference for a full rate review followed by an application for revised rates, the latter to be filed August 2008.

In light of the advice from the RM, and that the recovery of the 2008 anticipated deficit was proposed to be by taxes over three years beginning in 2009, the Board deferred its decision on rates pending receipt of the application, and advised the RM accordingly on July 25, 2008. Yet, no application was filed with the Board.

In February 2009, the RM requested approval for and recovery of a 2008 deficit, incurred in both water and sewer portions of the utility. The Board approved recovery of one-third of the deficit by way of taxes in 2009 (Order 25/09), with approval for years two and three conditional upon the RM filing a rate study with the Board by October 31, 2009.

Most recently, and the reason for this Order, the RM applied for approval of 2009 budgeted deficits for its utility: \$46,300 for the water utility, \$230,800 for the sewer service.

The RM attributed the budgeted deficits to:

- Two major water main breaks that occurred early in 2009;
- Engineering costs to develop a master plan for the water and sewer systems;
- Reserve provisions - \$87,000 for water and \$225,000 for sewer;
- Additional repair and maintenance costs; and
- Electricity and natural gas cost increases.

The RM proposed to recover the deficits through taxation, again over three years, this to begin in 2010.

### **Board Findings**

The Board finds a need for an immediate increase in utility revenue,

and, accordingly, provides on an interim *ex parte* basis the increases noted herein.

The Board requires the RM to amend its water and sewer rate By-law No. 2005-08 to agree with the provisions of this Order, and provide notice to its customers as soon as possible of the immediate increase in rates. The increases will approximate 10% for the water service and 20% for the sewer; service charges will not change with this Order.

The Board will approve the 2009 budget deficits, but will not approve the method of recovery of actual shortfalls but requires the RM to consider another method than recovery by taxes.

The Board believes that utilization of property taxation to recover utility operating deficits is unwise, as it distorts ratepayer equity and contravenes the principles of fairness with respect to the operative user-pay criteria. As well, provincial statute requires break-even operations for utilities.

Therefore, in preparing its rate study and application for revised rates, the RM should consider applying for rates adequate to recover over time recent actual or projected shortfalls in 2008 and 2009.

As was requested in Order 164/05, the application should include:

- rate schedule proposals;
- Utility forecasts for 2010, 2011, 2012 and 2013;
- current year and projected five-year capital expenditure plans;
- projected surplus and reserve balances out five years;
- actual and projected number of customers by service category;  
and
- a ten-year Utility strategic plan.

The Board encourages the RM to review all the recommendations and requirements of Order 164/05, and to provide its responses to the Board not later than October 31, 2009.

Following receipt of that study and the RM's plans, the Board intends to review the application and establish reasonable rates sufficient to provide for future breakeven operations. The Board also requires the RM to issue a public notice to allow ratepayers an opportunity to address current interim and proposed rates.

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



**IT IS THEREFORE ORDERED THAT:**

1. The Rural Municipality of East St. Paul is hereby directed to amend its water and sewer rate By-law No. 2005-08 to agree with this Order and Schedule "A", attached hereto, for interim ex parte rates to be effective immediately.
2. The Rural Municipality of East St. Paul provide notice to its customers of this immediate increase, such notice to be vetted by the Public Utilities Board.
3. Confirmation of interim ex parte increases is conditional, requiring the Rural Municipality of East St. Paul to conduct a rate study and file a rate application with the Board no later than October 31, 2009.
4. The RM's 2009 water and sewer utility budgets, which project deficits in the amounts of \$46,300 (water) and \$230,800 (sewer) be approved.

Fees payable upon this Order - \$250.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SCHWANKE"

Acting Secretary

Certified a true copy of Order No.  
47/09 issued by the Public Utilities  
Board

\_\_\_\_\_  
Acting Secretary

Schedule "A"  
 To  
 Board Order No. 47/09

Rural Municipality of East St. Paul

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