

M A N I T O B A) Order No. 76/10
)
THE PUBLIC UTILITIES BOARD ACT) July 20, 2010

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

RURAL MUNICIPALITY OF BIRTLE
FOXWARREN SEWER UTILITY
REVISED SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) varies an application by the Rural Municipality of Birtle (RM) and establishes revised sewer rates for the community of Foxwarren.

Existing and revised rates (now to be billed annually) are:

Existing Charges					Revised Charges				
REU*	Customer	Service Charge	Sewer Charge	Total Annual	REU*	Customer	Service Charge	Sewer Charge	Total Annual
1	Residential, Elevators, Credit Union, Shopping Centre, Post Office, United Church	\$27.00	\$35.20	\$62.20	1	Residential, Small Commercial	\$32.00	\$55.20	\$87.20
2	Cafe w/living quarters, Arena	\$27.00	\$70.40	\$97.40	1.5	Foxwarren Arena, Moulson's Welding	\$32.00	\$82.80	\$114.80
3	Service Station, Hotel	\$27.00	\$105.60	\$132.60	2	Foxwarren Leisure Centre, Foxwarren Hotel	\$32.00	\$110.40	\$142.40
4	-	-	-	-	4	-	-	-	-
5	School	\$27.00	\$176.00	\$203.00	5	-	-	-	-

*REU = Residential Equivalent Unit

Notice of the application was mailed to all customers and posted in five prominent locations in the community; rates were last revised in 1981.

Application

The RM applied for revised sewer rates for Foxwarren, as set out in By-law No. 2010-03 read the first time on March 10, 2010. The application was supported by a rate study prepared by Mr. Gerald Barron.

The utility serves 64 customers; the number of customers is projected to decline. Residents in the community rely on private wells for their water supply.

Existing and proposed sewer rates (varied herein) were:

Existing Charges					Proposed Charges				
REU*	Customer	Service Charge	Sewer Charge	Total Annual	REU*	Customer	Service Charge	Sewer Charge	Total Annual
1	Residential, Elevators, Credit Union, Shopping Centre, Post Office, United Church	\$27.00	\$35.20	\$62.20	1	Residential, Small Commercial	\$32.00	\$55.20	\$87.20
2	Cafe w/living quarters, Arena	\$27.00	\$70.40	\$97.40	2	Commercial	\$32.00	\$110.40	\$142.40
3	Service Station, Hotel	\$27.00	\$105.60	\$132.60	3	Commercial	\$32.00	\$165.60	\$197.60
4	-	-	-	-	4	Commercial	\$32.00	\$220.80	\$252.80
5	School	\$27.00	\$176.00	\$203.00	5	Commercial	\$32.00	\$276.00	\$308.00

The Notice invited customers to write the Board with concerns by June 30, 2010; no responses were received.

The sewer utility was declared a public utility in 1981, and rates were then set for quarterly billing. With its application, the RM sought annual billing (to save administrative costs).

The sewer utility system was constructed in the late 1970's, and consists of a low-pressure system with a two-cell lagoon. Solids remain in individual holding tanks and customers are responsible for arranging pump outs as required and at their own expense.

Customers' weeping tiles drain into the sewer system, and, in the past when the water table was high, customer-owned pumps would run continuously to handle the hydraulic load. In 2002, the RM installed an interceptor line at the edge of the community to address the loading; since then, problems have subsided.

The current capacity of the lagoon is adequate and, with reduced population the outlook, the RM does not expect capacity to be an issue. Discharges occur in the spring and fall into local drainage ditches, which is consistent with the environmental licence. The RM notes that there are years when discharges are not needed.

The RM has arrangements with the Town of Birtle (Town) to use the Town's operator to take samples from the lagoon for testing. The Town's operator is certified (as required by Manitoba Conservation).

The capital cost of the sewer system was \$422,674, which includes the addition of the interceptor line in 2002 (that at a cost of \$99,314).

The RM provided its annual billings against the sewer utility for administrative services, as follows:

Chief Administrative Officer	Time Spent-Hourly	\$ 300.00
Administrative Assistant	Time Spent - Hourly	\$ 600.00
Office Costs	Time Spent	\$ 350.00
Audit	10% of total cost	<u>\$ 800.00</u>
Total Utility Administration Costs		\$2,050.00

The RM provided the following estimates:

Net Administration Costs	\$ 2,000
Sewage Expenses	\$ 1,075
Amortization	\$ 6,038
Reserves	<u>\$ 2,000</u>
Subtotal	\$ 9,113
Less Revenues	
Interest	\$ -1,500
Amortization of Grants	<u>\$ -4,026</u>
Total Other Revenues	<u>\$ -5,526</u>
Total Sewer Revenue Requirements	<u>\$ 3,587</u>

Since it filed its application, the RM has advised the Board that the amount shown above for amortization of grants for capital projects is inaccurate as the RM based the original amount on the assumption that all capital projects had received two thirds funding from senior government source. The RM since advised that 50% funding was received from Manitoba Water Services Board for the 2002 interceptor project.

The RM reported an operating deficit of \$3,789 for 2009, which includes amortization (as is required by Public Sector Accounting Board, PSAB). However, it did not include the amortization of capital grants related to the corresponding asset, as is required by the Board.

As at December 31, 2008, the financial statements report a nominal utility surplus of \$60,401 and no reserve fund.

In its application, the RM also sought approval from the Board to allow the assignment of REU's to be based on Council resolutions. The RM proposed including the following clause in its by-law:

"Assignment of Customer REU:

- i. By resolution, the Council shall, using the Guidelines developed by the Public Utilities Board (PUB) and its own assessment, assign a Residential Equivalent Unit to each customer.*
- ii. The REU shall not be changed or altered with an amending resolution.*
- iii. All resolutions shall be retained on file and provided to the PUB upon request.*
- iv. All customers will be charged the customer service charge and the per REU charge as approved by the PUB from time to time."*

The RM reported that although no connected services are provided beyond Foxwarren's boundaries it does accept septage from customers outside the service area that are not connected to the sewer system for no charge.

Board Findings

The Board will approve revised rates but denies the request to assign REU's to customers based only on a resolution of Council. This will require the RM to amend both their by-law as well as attached Schedule "A".

Customers should be aware of proposed and/or revised assignments of REUs ahead of implementation, and should also be made aware that any proposed change may be appealed to the Board.

The Board believes the general revenue requirement and thus required rates will be just and reasonable, and able to sustain the utility for some time into the future.

The Board notes although rates had not been reviewed in almost 30 years, no deficits have been reported until recently. The Board is pleased to note that the RM plans to establish a reserve fund, and that a minimum \$2,000 per year contribution is to be made through rates.

Presently, no fee is assessed to a small number of persons, with properties located outside the service area, understood to be using the Foxwarren lagoon (where access is unregulated). The Board notes the RM's advice that its lagoon capacity is not a concern, particularly given that its customer base is likely to fall in the future.

While the Board respects the RM's desire not to seek a mechanism to assess a fee for deliveries of septage from outside the community's boundaries, it does encourage the RM to, as best as possible given the current lack of access regulation, monitor the level of outside use. If it should become evident that outside users are adding to either operating or capital costs as a result of their accessing the lagoon, the Board will expect the RM to consider establishing tipping fees for "outside" persons using the lagoon.

The Board will also approve the Shared Cost Allocation policy as established by the RM for administrative services related to the utility. The Board expects that if these costs should change, or

additional costs are discovered connected to the utility, the RM will seek Board approval prior to implementing a change.

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 Rural Municipality of Birtle amends By-law No. 2010-03, to agree with the provisions in this order, and the attached Schedule "A".
2. The Public Utilities Board approves the Shared Cost Allocation Policy as submitted by the Rural Municipality of Birtle, for administrative costs associated with utility.
3. The Rural Municipality of Birtle files a certified copy of By-law No. 2010-03, with the Public Utilities Board once it has received third and final reading.
4. The Rural Municipality of Birtle file a certified copy of the by-law establishing the utility reserve fund, once it has received third and final reading.

Fees payable upon this Order - \$300.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SHIELDS"

Acting Secretary

Certified a true copy of Order No.
76/10 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 76/10

RURAL MUNICIPALITY OF BIRTLE

SEWER RATES

BY-LAW NO. 2010-03

Schedule of Annual Rates

1. Annual Customer Service Charge: \$32.00

2. Total Annual Charge/Residential Equivalent Unit (REU)

REU*	Customer	Service Charge	Sewer Charge	Total Annual
1	Residential, Small Commercial	\$32.00	\$55.20	\$87.20
1.5	Foxwarren Arena, Moulson's Welding	\$32.00	\$82.80	\$114.80
2	Foxwarren Leisure Centre, Foxwarren Hotel	\$32.00	\$110.40	\$142.40
4	-	-	-	-
5	-	-	-	-

3. Billings and Penalties

A late payment charge of 1 1/4% monthly shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen days after the mailing of the bills.

4. Disconnection and Reconnection

The Public Utilities Board has approved Conditions Precedent to be followed by the municipality with respect to 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 municipal office.

Any customer disconnected for non-payment shall pay a reconnection charge based on the actual costs of doing the work plus payment of the arrears with penalty charges and \$10.00 for a reconnection permit.

5. Outstanding Bills

Pursuant to subsection 252(2) of *The Municipal Act*, the amount of all outstanding charges for water and 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.