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THE PUBLIC UTILITIES BOARD ACT) Order No. 23/11
) February 7, 2011

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

RURAL MUNICIPALITY OF ST. CLEMENTS
EAST SELKIRK WATER AND SEWER UTILITY
RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves, in principle and on an interim *ex parte* basis, the reflection in utility rates of a portion of borrowing required by the RM to fund construction of the East Selkirk water and sewer utility (located in the Rural Municipality of St. Clements, RM).

The Board will approve recovery of up to \$1.63 million through utility rates, over the term of the borrowing, on the condition that the RM first files a comprehensive rate study and application (at least four months ahead of the Utility providing water and/or sewer services to customers) with the Board and gains the Board's approval of the proposed rates.

The Board intends to review such an application in detail, provide an opportunity for customers affected to express concerns (through a public hearing process,) and then set final rates.

Application

The RM seeks approval to fund a portion of its annual debenture debt servicing costs for its East Selkirk Sewer and Water project through utility billings. The RM indicated that with such an approval, construction would move forward and, once complete, allow for the removal of a ten-year old "boil water" advisory. Properties are serviced by individual wells and septic systems.

The RM received Municipal Board approval for funding the project and the borrowing required to construct a water and low pressure sewer system. The project is estimated to cost \$13,146,620, with outside,

senior government, funding of \$4,066,666 (\$3,066,666 from Canada/Manitoba Infrastructure and \$1,000,000 from the Federation of Canadian Municipalities Green Municipal Fund).

The balance of \$9,079,954 is to be borrowed by the RM for a term of 20 years, at an estimated interest rate of 6.5% per annum. The Municipal Board approved the method of borrowing as proposed by the RM as follows:

Description	Total Cost	Funded by Grants	Borne by LID 2 & 3	Borne by LID 2	Borne by Utility	Borne by General Municipal
Water Treatment Plant, Wells, Lift Station & Forcemain	3,258,228				1,629,114	1,629,114
Water and Sewer Mains	7,321,135	2,176,023	3,314,828			1,830,284
Private Connections	2,567,257	1,890,643		676,614		
TOTAL	13,146,620	4,066,666	3,314,828	676,614	1,629,114	3,459,398

The plan includes a provision that 50% of the capital cost of the lift station, forcemain, water treatment plant and wells (estimated to aggregate \$1,629,114), will be funded through utility rates, and pending Public Utilities Board approval. The RM estimates the annual servicing of that debt will be \$147,853.

The RM anticipates that approximately 265 customers will connect to the system.

Council considered two options for the recovery of the utility portion of the debt:

Option 1:

A flat rate to be shared by customers over the 20 year period, estimated to be \$558 per property per year. With this option, each utility customer would receive a \$139.50 charge on their quarterly bills, in addition to the costs to operate and maintain the system (the latter to be based on consumption).

Option 2:

A volumetric charge, estimated at \$2.80 per cubic meter for a domestic user, to be assessed for each cubic meter of water used. A customer consuming more water than another would pay a higher amount through quarterly bills.

As examples, a single person assessed only the minimum quarterly billing of 15 cubic meters would be charged \$42 per quarter, while a family of four using 70 cubic meters of water would be charged \$196 per quarter. Again, this charge would be in addition to a yet to be determined rate for the operation and maintenance of the utility.

The RM indicates that a volume based charge would likely best address the issues of fairness and conservation.

The RM completed a rate study in 2008, but the study requires updating prior to making a submission to the Board for final initial rates.

The RM advises not being able to undertake updating the rate study at this time due to many unknowns, including the location, size and type of sewage treatment to be used in East Selkirk.

Board Findings

The Board agrees with the RM that the application of a volumetric rate is a fair way to assess utility costs. Further, water conservation is promoted when customers are aware of the volumes used.

The Board will approve, in principle and on an *ex parte* basis, that a portion of the expected capital costs of constructing the utility be recovered through utility rates.

The RM is to file an updated rate study and application, at least four months ahead of the utility providing water and/or sewer services.

Upon receipt of the RM's application, the Board will conduct a review, provide for ratepayers to be aware of the proposal, and, subsequently, will set final 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.

IT IS THEREFORE ORDERED THAT:

1. The Rural Municipality of St. Clements may, in principle, plan to recover a portion of its expected annual capital borrowing costs for its planned East Selkirk water and sewer utility through utility rates.
2. The approval in principle is HEREBY APPROVED on an interim *ex parte* basis, upon the following conditions:
 - a) The portion of the debt to be collected as a utility charge shall not exceed \$1.63 million.
 - b) The rate shall be assessed to customers of the East Selkirk utility based on a volumetric charge.
 - c) The Rural Municipality of St. Clements file a rate study and application for rates, with the Public Utilities Board, at least four months ahead of the utility providing water and/or sewer service to customers, and receive final approval of the Public Utilities Board.

Fees payable - \$150.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SHIELDS"

Acting Secretary

Certified a true copy of Order No.
23/11 issued by the Public Utilities
Board

Acting Secretary