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THE PUBLIC UTILITIES BOARD ACT) Order No. 72/11
 May 10, 2011

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

RURAL MUNICIPALITY OF GIMLI
(REVIEW AND VARY APPLICATION)

Summary

The Rural Municipality of Gimli (RM) filed a Review and Vary Application seeking an amendment to the bulk sewer rate (for customers within the RM). Order 42/11 established rates for the RM's water and sewer utilities.

After a thorough review, the Public Utilities Board (Board) reaffirms Order 42/11, but invites the RM to submit further information to support revised sewer rates.

Background

On March 30, 2011, the Board issued Order 42/11 confirming interim rates set by Order 63/10, with the exception of the bulk sewer rate for customers residing within the RM. The Board approved the RM's proposed bulk sewer rate for customers located outside the RM boundaries, but rejected assessing the rate to customers within the RM.

Without an alternate rate to approve, the Board established the same sewer rate be charged for bulk sewer services for customers within the RM as for customers connected to the sewer system.

The Board concluded that by using the present formula to determine only one bulk sewer rate, customers within the RM boundaries would effectively be charged twice for capital costs associated with the sewage treatment plant.

The Board held that for customers within the RM's boundaries, and until such time as the RM submits a revised rate for these customers, the RM is to administer two rates as noted:

- Bulk sewer rate for customers outside the RM's boundaries
\$4.70/m³
- Bulk sewer rate for customers within the RM's boundaries
\$1.28/m³

The Board also encouraged the RM to work with Board staff to determine a fair rate to assess bulk sewer customers from within the municipality. The Board has noted other capital and administrative costs that might be included in determining a fair rate.

Request to Review and Vary

In its April 29, 2011 letter to the Board, the RM sought a change to the bulk sewer rate for customers within the RM, adjusting the rate from \$1.28/m³ to \$4.70/ m³. The RM indicated that it would return to the Board with a recalculated bulk sewer rate by May 31, 2011.

The RM observed that the \$1.28/m³ was created by the Board and not part of the RM's application. The RM advised that the rate is about 50% of the rate charged to septic haulers prior to the application for revised rates in 2010 (Order 141/00 approved a rate of \$10.00 per 1,000 gallons for 2001).

The RM estimates a 73% reduction in bulk sewer revenue for the sewer utility as a result of the revised bulk rate, or \$107,395.

The RM submitted a 2011 financial forecast for the sewer utility noting anticipated revenues and expenditures. Some of the information is new, differing from that submitted in the rate study. The differences include revenues from the Rural

Municipality of Armstrong (Armstrong), and a \$200,000 to \$300,000 increase in expenses.

The RM did not provide revised sewer rates that were based on these revised financial projections, for the Board to consider.

The RM submitted a copy of a Sewage Dumping Station Usage Agreement it signed with Armstrong in 2006. The agreement, effective from January 1, 2007 to December 31, 2011, provides that Armstrong will submit fees on behalf of defined properties as noted in the schedules to the agreement, on a per capita basis. The current contribution is \$12,787. In a March 30, 2011 email to the Board, the RM advises this fee is to access the site.

The agreement also provides that the identified Armstrong property owners will be responsible for additional fees as regulated by the Board.

Intervener

The RM's request to the Board to reverse its decision was shared with Mr. Brian McClintock, the only approved intervener to the RM's rate application.

In a May 3, 2011 email, Mr. McClintock pointed out that in the RM's original Utility Rate Study (Page 15) the bulk rate for haulers is discussed along with projected annual revenues of \$84,000. In the original calculations the debenture cost is included in the bulk rate of \$4.70/m³ (Table 5.4). Mr. McClintock goes on to state that if the \$4.70/m³ includes capital costs, "then I am in agreement with the PUB order to

reduce bulk rate since the tax payers using the service are already paying for the capital recovery" through property taxes.

"I do feel that the rate of \$ 1.28...is too low since it does not take into account the administration and billing costs that are covered by service charges...to users... connected to the system."

Mr. McClintock suggests that a rate be established somewhere between the \$4.70/m³ and \$1.28/m³.

Board Findings

Following a thorough review of the information filed and the rate Order, the Board concludes that the rate set by Order 42/11 is reasonable and will not be varied.

Therefore, the rates as set out in Order 42/11 shall remain in place.

While the RM provided new information to the Board with respect to access to the sewage treatment plant from customers in the Rural Municipality of Armstrong and revised financial estimated, alternate sewer rates, supported by the revised financial estimates were not provided.

The Board expects that if expenses are significantly higher than those originally filed and new revenues to the sewer utility are recognized, all sewer rates will be affected, not only the bulk sewer rate for customers within the RM.

That said, the Board is prepared to consider an application from the RM seeking new sewer rates based on the revised financial

information. The application is to include detailed calculations supporting the proposed rates.

The Board appreciates the RM's concern that a deficit may occur under the current rate structure and will expedite consideration of an application, noting that any revised rates will be applied on a go forward basis.

The Board agrees with Mr. McClintock that a separate rate needs to be determined somewhere between the two rates now set.

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 HEREBY ORDERED THAT:

1. The application by the Rural Municipality of Gimli to Review and Vary Public Utilities Board Order 42/11 BE AND IS HEREBY dismissed.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, C.A."

Chairman

"KRISTINE SHIELDS"

Acting Secretary

Certified a true copy of Order No.
72/11 issued by The Public
Utilities Board

Acting Secretary