

MANITOBA) Order No. 108/12
)
THE PUBLIC UTILITIES BOARD ACT) August 16, 2012

BEFORE: Susan Proven, P.H.Ec, Acting Chair
Raymond Lafond, B.A., C.M.A., F.C.A, Member

RURAL MUNICIPALITY OF MOUNTAIN
BIRCH RIVER UTILITY
INTERIM WATER AND SEWER RATES - 2012

Summary

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, revised water and initial sewer rates for the Birch River Utility in the Rural Municipality of Mountain (RM).

The new rates, are to be reflected on the next quarterly billing, effective July 1, 2012.

The rates are shown below.

Current	REU's*	Service Charge	Water	Sewer	Quarterly Minimum
Residence	1	\$5.50	\$58.52		\$64.02
Commercial	2	\$5.50	\$117.04		\$122.54
Arena	3	\$5.50	\$175.56		\$181.06
School	10	\$5.50	\$585.20		\$590.70
Bulk water \$/ 1000 gallons			\$10.00		
Hydrant rental (annual)			\$100.00		

* Residential equivalent units

Proposed	REU's*	Service Charge	Water	Sewer	Quarterly Minimum	Increase
Residence (water only)	1	\$26.74	\$97.20		\$123.94	94%
Residence	1	\$26.74	\$97.20	\$63.92	\$187.86	193%
Commercial (water only)	2	\$26.74	\$194.40		\$221.14	80%
Commercial	2	\$26.74	\$194.40	\$127.84	\$348.98	185%
Arena	3	\$26.74	\$291.60	\$191.76	\$510.10	182%
School	10	\$26.74	\$972.00	\$639.20	\$1,637.94	177%
Bulk water- \$/ 1000 gallons			\$12.00			20%
Hydrant rental (annual)			\$100.00			0%

Background

The RM applied in March 2012 for revised water rates and initial sewer rates for the Birch River Water and Sewer Utility. The application was accompanied by a rate study prepared by the RM's consultant, Sensus Partnership and by By-law 01/12.

Rates have not been amended since 2006.

When reviewing an application, the Board has at its disposal several approaches. It can hold a public oral hearing at which the applicant can present its case and customers can present their concerns. In other cases, where it is deemed to be in the best interest of the Utility and its customers, the Board may review the application using a paper review process, thus avoiding the expenses of an oral public hearing. In some cases, the Board can also establish interim *ex parte* rates, which are rates that are subject to review following a more complete process.

Application

In addition to the RM's rate application as described above, the RM also submitted to the Board an application for approval of deficits incurred in 2009, 2010 and 2011 totaling \$82,180. These deficits were not considered in the rate application. Council has requested that these deficits not be recovered through rates but rather be recovered through special tax levies over the next five years.

The rates were determined based on the following expenditure projections over a four-year period.

	2011	2012	2013	2014
Administration	17,163.00	14,556.00	15,065.46	15,592.75
less: Penalties	300.00	300.00	300.00	300.00
Net revenue requirement general	16,863.00	14,256.00	14,765.46	15,292.75
Water				
<i>Expenses:</i>				
Staffing	28,500.00	30,497.00	31,564.40	32,669.15
Purification and treatment	9,000.00	9,315.00	9,641.03	9,978.46
Service of Supply	8,000.00	8,280.00	8,569.80	8,869.74
Transmission and Distribution	1,500.00	1,553.00	1,607.36	1,663.61
Other Water Supply Costs	500.00	500.00	500.00	500.00
Amortization/ depreciation	8,910.00	8,910.00	8,910.00	8,910.00
Reserves	1,600.00	1,600.00	1,600.00	1,600.00
Contingency	3,524.00	3,524.00	3,524.00	3,524.00
Sub-total- water expenses	61,534.00	64,179.00	65,916.58	67,714.97
<i>Revenue:</i>				
Connection Revenue	400.00	400.00	400.00	400.00
Hydrant rentals	1,300.00	1,300.00	1,300.00	1,300.00
Amortization of capital grants	1,663.00	1,663.00	1,663.00	1,663.00
Total non-rate revenue - water	3,363.00	3,363.00	3,363.00	3,363.00
Net rate revenue requirement- water	58,171.00	60,816.00	62,553.58	64,351.97
Sewer				
Staffing	1,500.00	1,553.00	1,607.36	1,663.61
Sewage Collection System	6,000.00	6,210.00	6,427.35	6,652.31
Sewage Treatment and Disposal	10,000.00	10,350.00	10,712.25	11,087.18
Other Sewage Collection&Disp Costs	1,000.00	1,038.00	1,074.33	1,111.93
Amortization/ depreciation	33,959.00	33,959.00	33,959.00	33,959.00
Interest on long term debt	30,110.00	29,067.00	27,965.00	26,799.00
Reserves	8,400.00	8,400.00	8,400.00	8,400.00
Contingency	17,379.00	17,379.00	17,379.00	17,379.00
Total sewer expenses	108,348.00	107,956.00	107,524.29	107,052.03
<i>Revenue</i>				
Lagoon Tipping Fees	1,250.00	1,250.00	1,293.75	1,339.03
Amortization of capital grants	17,957.00	17,957.00	17,957.00	17,957.00
Taxation revenues	48,326.00	48,326.00	48,326.00	48,326.00
Other Revenue	15,000.00	21,540.00	21,540.00	21,540.00
Total non-rate revenue- sewer	82,533.00	89,073.00	89,116.75	89,162.03
Net rate revenue requirement- sewer	25,815.00	18,883.00	18,407.54	17,890.00

The proposed rates were developed by averaging the revenue requirements for the four-year period.

Board Findings

The Board will, on an interim *ex parte* basis, approve revised water and initial sewer rates as applied for by the RM effective July 1, 2012.

The Board makes this interim rate decision due to the urgent need to augment revenues to avoid further Utility deficits. The Board recognizes that by having the rates effective July 1, 2012, another deficit may well occur in 2012.

The Board has received a revised rate study from the RM which will be considered during the process of reviewing the revised application and establishing final rates.

The Board has also considered the RM's application for approval of deficits for 2009, 2010 and 2011, and the RM's request to recover these deficits through future special taxation levies.

The Board, being a proponent of the user pay concept, is reluctant to agree to this approach, as it would usually expect such deficits to be recovered through rates.

It is the users of the Utility that should bear the burden rather than all the taxpayers in the community. Nonetheless, the Board will not rule on this matter at this time.

The Board is also aware, through a review of the financial statements; the Utility is in some financial distress having

significant negative working capital. Board guidelines require that the Utility maintain a working capital surplus equal to 20% of annual operating costs. The working capital deficiency has not been addressed in the RM's rate application. The Board will expect it to be addressed before the rates are finalized.

The Board has also been made aware of concerns expressed by the customers of this Utility.

For these reasons, the Board has decided that it will be in the best interest of all involved that it hold an oral public hearing in the community to consider the rates, the deficits, and the working capital deficiency. To that end, a Notice of Public Hearing will be issued, giving all customers the opportunity to review the details of the proposals and to present their comments and concerns.

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 Mountain By-law 01/12 BE AND IS HEREBY APPROVED on an interim *ex parte* basis, with the revised water rates and initial sewer rates to be effective July 1, 2012.
2. The Rural Municipality of Mountain file a copy of By-law 01/12, once it has received third and final reading.
3. The Rural Municipality of Mountain provide Notice to its customers, with a copy to the Board, of the rate increases and initial rates set on an interim *ex parte* basis and the rationale, as soon as possible.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."
Acting Chair

"HOLLIS SINGH"
Secretary

Certified a true copy of Order No.
108/12 issued by The Public
Utilities Board

Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 108/12

RURAL MUNICIPALITY OF MONTAIN

LCOAL URBAN DISTRICT OF BIRCH RIVER

WATER AND SEWER RATES

By-Law No. 01/12

1. Customer Service Charge:
 The customer service charge shall be \$26.74 per quarter.
2. Commodity Rates:
 The commodity rates for all water consumption shall be \$97.20.
3. Schedule of Minimum Quarterly Charges:

	Group Capacity Customer	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	New Quarterly Charge
Residence (Water Only)	1.0	26.74	\$97.20		\$123.94
Residence (Water/Sewer)	1.0	26.74	\$97.20	\$63.92	\$187.86
Commercial(Water Only)	2.0	26.74	\$194.40		\$221.14
Commercial(Water/Sewer)	2.0	26.74	\$194.40	\$127.84	\$348.98
Arena	3.0	26.74	\$291.60	\$191.76	\$510.10
School	10	26.74	\$972.00	\$639.20	\$1,637.94

4. Bulk Water Sales:
 The charge for bulk water sale shall be at the rate of \$12.00 per thousand gallons of water.
5. Hydrant Rentals:
 An annual charge of One Hundred (\$100.00) per hydrant shall be made by the said utility to the Rural Municipality of Mountain for Fire Protection services, which annual charge shall include water used.
6. Billing and Penalties:
 All accounts billed to customers under Section 1 hereof shall be due and payable, thirty (30) days after billing date and shall be liable to penalty, at a rate of 1 ¼% on any outstanding balance.

7. Disconnection:
Water services may be discontinued immediately and without further notice in the event on non-payment extending to a period of 90 days from the billing date.
8. Reconnection:
A reconnection fee of \$40.00 shall be payable in addition to all arrears and penalty prior to service being provided to any consumer disconnected under Section 6 hereof.
9. Outstanding Water Bills:
Pursuant to Section 252 (2) of The Municipal Act, the amount of all outstanding charges for water service are a lien and charge upon the land services, and shall be collected in the same manner in which ordinary taxes upon the land are collectable, and with like remedies.