

MANITOBA ) Order No. 124/12  
 )  
THE PUBLIC UTILITIES BOARD ACT ) September 27, 2012

BEFORE: Susan Proven, P.H.Ec, Acting Chair  
Marilyn Kapitany, BSc. Honours, MSc., Member

RURAL MUNICIPALITY OF VICTORIA BEACH  
VICTORIA BEACH UTILITY SYSTEM  
DEFICIT APPROVAL - 2010 and 2011  
AND  
REVISED WATER RATES- 2013

**Summary**

The Public Utilities Board (Board) hereby varies the application made by the Rural Municipality of Victoria Beach (RM) for the Victoria Beach Utility and approves revised Utility rates effective for 2013.

The current and revised rates are outlined below:

Annual unit charges	Current	Approved	Increase/ Decrease
Service charge	\$13.75	\$15.00	9%
Deficit rate rider*/per REU		\$4.40	n/a
REU charge	\$118.75	\$120.00	1%
Total Charge	\$132.50	\$139.40	5%

\*effective 2013, 2014 and 2015 only

Yearly rates	REU's	Existing	Approved	Increase/ Decrease
Single-family residence/cottage/ grocery store/doctor's office	1	\$132.50	\$139.40	5%
Restaurant, bakery, other commercial	2	\$251.25	\$263.80	5%
Golf course	40	\$4,763.15	\$4,991.00	5%
Non-connected water user	n/a	\$27.75	\$30.00	8%
Vacant lots*		\$25.00	\$30.00	20%

\*Vacant lots along main water lines or near pumps or stand pipes

The Board also approves the 2010 deficit of \$56,702, as well as the RM's transfer from the Utility reserve (\$55,000) to partially offset the deficit; with the remainder (\$1,702) being absorbed by the Operating Fund Surplus. The Board also approves the 2011 deficit (\$15,757) to be recovered through a three year rate rider.

Details of other terms and conditions may be found in the attached schedule "A".

**Introduction**

The RM applied on April 4, 2012 for revised water rates for the Victoria Beach Utility to be effective for 2012, 2013 and 2014. The Victoria Beach rates were last revised in 2011 under authority of Board Order 87/08 which provided discretionary authority to implement rate increases of 5% for 2009, 2010 and 2011.

A Public Notice of application was issued on June 4, 2012 affording customers the opportunity to comment to both the Board and the Utility with respect to the proposed increases.

The Board has at its disposal two alternative processes to deal with rate applications. It may determine that an oral hearing is warranted or that a paper review process is sufficient. Based on customer response to the Public Notice (no comments were received), the Board concluded that a paper review process, one which avoids the expense of an oral hearing, was in the best interest of all concerned.

**Background**

The Utility's customer base is as follows:

Single-family residence/cottage/ grocery store/doctor's office	1,044
Restaurant, bakery, other commercial	1
Golf course	1
Non-connected water users	158
Total customers	1,204

System

The RM constructed a new water treatment plant which was put into operation in 2008. This included a new lake intake, building, reservoir, package water treatment plant, pumps and miscellaneous other equipment for the operation of the plant. The plant is reportedly providing the customers of the Victoria Beach Utility with water that is meeting the Guidelines for Canadian Drinking Water Quality in accordance with the 2011 audit report from the Manitoba Water Stewardship Department.

While the plant is new, the shoreline has been eroding for the last couple of years, posing a threat for structural damage to the plant, and a section is in need of repairs. This project is to be funded from Utility Reserves.

An engineering assessment is planned for 2013, the cost of which is also to be funded from the Utility Reserves.

Financial

The Utility's working capital position, including their reserve balance at December 31, 2010, is as follows:

Fund surplus		\$2,033,099
	Deduct Tangible capital assets	3,059,999
	sub-total	(1,026,900)
	Add long-term debt	1,046,742
	Less current portion of long term debt	137,061
	Add reserves	81,667
Working capital deficit		\$ (35,552)

**Application**

Rates

The RM's application for revised rates was received on April 4, 2012, accompanied by By-law No. 1540 read for the first time on March 29, 2012, as well as a rate study prepared by municipal staff.

The rate study proposed the following rates:

Yearly rates	Existing	Proposed 2012	Increase	Proposed 2013	Increase	Proposed 2014	Increase
Single-family residence/cottage/ grocery store/doctor's office	\$132.50	\$139.15	5%	\$143.35	3%	\$147.65	3%
Restaurant, bakery, other commercial	\$251.25	\$263.85	5%	\$271.75	3%	\$279.90	3%
Golf course	\$4,746.25	\$4,983.55	5%	\$5,133.05	3%	\$5,287.05	3%
Non-connected water user	\$27.75	\$29.15	5%	\$30.00	3%	\$30.90	3%
Vacant lots*	\$25.00	\$29.15	17%	\$30.00	3%	\$30.00	0%

\*lots along Main water line or in the vicinity of municipal pumps or standpipe

The application also included expenditure projections over the proposed rate period as follows:

	2012	2013	2014
Administration	16,500.00	16,500.00	16,500.00
Less: Penalties	2,750.00	2,000.00	2,500.00
<b>Net revenue requirement – general</b>	<b>13,750.00</b>	<b>14,500.00</b>	<b>14,000.00</b>

<b>Water</b>			
Staffing	38,500.00	41,000.00	42,500.00
Benefits & other	7,500.00	7,600.00	7,800.00
Employee training & certification	4,000.00	4,000.00	4,000.00
Purification and treatment	28,000.00	30,500.00	31,500.00
Water lines	17,000.00	11,882.00	11,984.00
Misc/ water testing	1,279.00	1,400.00	1,500.00
Plant equipment & repairs	14,000.00	15,500.00	15,800.00
Other water supply costs	3,000.00	3,500.00	4,000.00
Hydro	15,800.00	16,470.00	17,000.00
Shoreline protection works	55,440.00		56,000.00
Amortization/ depreciation	122,492.00	122,492.00	122,492.00
Debenture debt charges	184,189.00	184,189.00	184,189.00
Reserves	10,000.00	10,000.00	10,000.00
Engineering assessment		9,500.00	
Contingency	1,000.00	1,500.00	2,488.00
<b>Sub-total- water expenses</b>	<b>502,200.00</b>	<b>459,533.00</b>	<b>511,253.00</b>
<i>Revenue:</i>			
Connection fees	500.00	500.00	500.00
Taxation revenues	184,189.00	184,189.00	184,189.00
Transfer from the reserves	56,000.00	9,500.00	56,000.00
<b>Total non-rate revenue - water</b>	<b>240,689.00</b>	<b>194,189.00</b>	<b>240,689.00</b>
<b>Net rate revenue requirement- water</b>	<b>261,511.00</b>	<b>265,344.00</b>	<b>270,564.00</b>

The submission indicated that shared costs, including budgeting, record keeping, invoicing, office supplies, etc., were estimated to be \$16,500 annually based on the proportion of time spent to administer the Victoria Beach Utility.

The projections include transfers from Reserves in both 2012 and 2014 to cover the cost of shoreline repairs as well as \$7,640 from Reserves in 2013 required to fund the engineering assessment and the preparation of an Emergency Response Plan.

In addition to an estimated 3% inflationary provision, the increases are attributed to the increased cost of Hydro costs to run the water treatment plant as well as the need to replace a section of water pipes in 2012.

### Deficits

On March 30, 2012, RM had also submitted an application for approval of the 2011 Victoria Beach Utility operating deficit, reported to be \$15,757. The deficit is attributed to the required pump replacement and administrative software requirement. The application recommended that this deficit be recovered from the Utility Reserves.

## **Board Findings**

### Rates

The Board will vary the application made by the RM and approve revised rates. The Board has learned that the 2012 Utility bills had already been mailed out in June 2012; therefore the revised rates will be effective for 2013. Readers will note that, rather than establishing a rate schedule which varies each year, as requested by the RM, the Board has established one rate schedule which, except for the deficit recovery rate rider discussed below, will remain constant until the next rate review. The single rates were established based upon an averaging of the revenue requirements over the three-year period being reviewed.

The Board has made the following changes to the revenue requirements submitted by the RM:

- the debenture debt charges submitted by the RM of \$184,189 includes the principal repayment component which is not an expense;
- the annual contributions to the Reserve Fund have been increased from \$10,000 to \$15,000; the Board has observed that the planned withdrawals from the Reserve Fund would otherwise exceed the Reserve Fund balances;
- the Board has added an annual provision to address the working capital deficit; Board guidelines require that a working capital balance be maintained at a minimum of 20% of annual operating expenses;

The adjusted expenditure projections on which the Board has based its approved rates is as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Administration</b>	16,500.00	16,500.00	16,500.00
Working capital replenishment surcharge	4,676	3,866	3,364
Penalties	2,750.00	2,000.00	2,500.00
<b>Net revenue general</b>	<b>18,425.81</b>	<b>18,366.39</b>	<b>17,363.55</b>



<b>Water</b>			
Staffing	38,500.00	41,000.00	42,500.00
Benefits & other	7,500.00	7,600.00	7,800.00
Employee training & certification	4,000.00	4,000.00	4,000.00
Purification and treatment	28,000.00	30,500.00	31,500.00
Water lines	17,000.00	11,882.00	11,984.00
Misc/ water testing	1,279.00	1,400.00	1,500.00
Plant equipment & repairs	14,000.00	15,500.00	15,800.00
Other water supply costs	3,000.00	3,500.00	4,000.00
Hydro	15,800.00	16,470.00	17,000.00
Shoreline protection works	55,440.00		56,000.00
Amortization/ depreciation	122,492.00	122,492.00	122,492.00
Debenture debt charges	47,128.00	39,511.00	43,259.00
Reserves	15,000.00	15,000.00	15,000.00
Engineering assessment		9,500.00	
Contingency	1,000.00	1,500.00	2,488.00
<b>Sub-total- water expenses</b>	<b>370,139.00</b>	<b>319,855.00</b>	<b>375,323.00</b>
<i>Revenue:</i>			
Connection fees	500.00	500.00	500.00
Taxation revenues (1)	184,189.00	184,189.00	184,189.00
Transfer from the reserves	56,000.00	9,500.00	56,000.00
<b>Total non-rate revenue - water</b>	<b>240,689.00</b>	<b>194,189.00</b>	<b>240,689.00</b>
<b>Net rate revenue requirement- water</b>	<b>129,450.00</b>	<b>125,666.00</b>	<b>134,634.00</b>

Deficits

The Board noted that the RM had already transferred \$55,000 from the Utility Reserve Fund in 2010 to partially offset the deficit incurred. In approving the 2010 deficit, the Board will ratify the RM's action.

With respect to the 2011 deficit, the Board notes that the 2011 financial statements are not yet available and that the reported amount of the deficit is not yet an audited figure. Nonetheless, the Board will accept the RM's estimate of the 2011 results.

However, the Board will vary the RM's proposal to transfer sufficient funds from the reserves to cover the 2011 deficit. As noted above, there will not be sufficient reserves available to accommodate this action in addition to other transfers contemplated by the RM. Therefore, the Board will require that the deficit be recovered through a rate rider; the recovery will take place over a three year period after which the rate rider will be removed.

The Board will approve the shared cost allocation methodology as submitted by the Municipality. It is expected that, even though these expenses are expected to remain constant through the application period, for future rate proposals, they will likely increase resulting in a larger allocation to the Victoria Beach Utility.

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 water rates for the Victoria Beach Utility System in the Rural Municipality of Victoria Beach, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED.
2. The Rural Municipality of Victoria Beach amend its water rate By-law for the Victoria Beach Utility System and submit a copy to the Board once it has received third and final reading.

3. The deficits incurred for 2010 and 2011 BE AND ARE HEREBY APPROVED; the 2010 deficit of \$56,702 will be offset by a transfer of \$55,000 from the Utility Reserve Fund with the remainder to be absorbed by the Operating Fund Surplus; the 2011 deficit estimated at \$15,757 will be recovered over a three year period through rate rider; 2013, 2014 and 2015.
4. The cost allocation methodology for shared services and equipment as submitted by the Rural Municipality of Victoria Beach BE AND IS HEREBY APPROVED.

Fees payable upon this Order \$500.00.

THE PUBLIC UTILITIES BOARD

"Susan Proven, P.H.Ec."  
Acting Chair

"Jennifer Dubois, CMA"  
Acting Secretary

Certified a true copy of  
Order No. 124/12 issued by  
The Public Utilities Board

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

**SCHEDULE “A”**

**THE RURAL MUNICIPALITY OF VICTORIA BEACH**

**VICTORIA BEACH UTILITY SYSTEM**

1. **ANNUAL RATES – SEASONAL SERVICE – CONNECTED CUSTOMERS**

Service charge per customer	\$15.00
Deficit rate rider per REU*	\$4.40
Residential equivalent unit charge	\$120.00
	\$139.40

\*In effect for 2013, 2014 and 2015 only.

	REU's	Approved
Single-family residence/cottage/ grocery store/doctor's office	1	\$139.40
Restaurant, bakery, other commercial	2	\$263.80
Golf course	40	\$4,991.00

2. **ANNUAL RATES – SEASONAL SERVICE – NON– CONNECTED CUSTOMERS**

Customers receiving seasonal service not directly connected to the water system, but using water obtained from municipal pumps or standpipes shall be levied an annual fee of \$30.00.

3. **ANNUAL RATES – SEASONAL SERVICE –VACANT LOTS**

Owners of vacant lots along main water lines or in the vicinity of municipal pumps or standpipes shall be levied an annual fee of \$30.00.

4. **BILLINGS AND PENALTIES:**

The rates set forth in paragraphs 1 and 2 hereof shall be billed to each customer on a separate Utility invoice and shall be payable on or before July 31 of each year. A late payment charge of 1.25% shall be charged on the dollar amount owing after the billing due date and shall be calculated on the first day of each month, until paid in full. Its due date will be at least 14 days after the mailing of the bills.

5. **RELOCATION OF WATER LINES:**

Any residence requesting to have water lines relocated on their property or who have damaged water lines on or near their property will be charged a fee to cover any time spent on relocating and or repairing water lines based on \$25 per hour per municipal employee plus the cost of any equipment and material used.

6. **OUTSTANDING BILLS:**

If following reasonable collection efforts, bills that remain outstanding, pursuant to Section 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.