

MANITOBA) Order No. 125/12
)
THE PUBLIC UTILITIES BOARD ACT) September 28, 2012

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

RURAL MUNICIPALITY OF VICTORIA BEACH
ALBERT BEACH UTILITY SYSTEM
DEFICIT APPROVAL - 2011
AND
WATER RATES
2012, 2013 and 2014

Summary

The Public Utilities Board (Board) hereby varies the application made by the Rural Municipality of Victoria Beach (RM) for the Albert Beach Utility and approves revised Utility rates for 2013 and 2014.

The current and revised rates are outlined below:

Annual	Current	2013	Increase/ Decrease	2014	Increase/ Decrease
Service Charge	\$18.30	\$17.00	(7%)	\$17.00	0%
Commodity	\$96.70	\$108.39	12%	\$112.06	3%
Total – Connected Customers	\$115.00	\$125.39	9%	\$129.06	3%
Non-Connected Property	\$25.00	\$25.00	0%	\$25.00	0%

The Board also approves the 2011 deficit estimated at \$5,445 to be recovered from the Utility Reserve.

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 Albert Beach Utility to be effective for 2012, 2013 and 2014. The Albert Beach rates were last revised in 2009.

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 has 82 customers, 81 of which receive water services with one property not yet connected.

System

The Utility's water is drawn from a well and is disinfected with sodium hypochlorite before being distributed to dwellings. The only access to Albert Beach treated water is by distribution or by pail fill at the pump house. The pump house is reported to be in good condition and there are no capital projects planned for the next five years.

An engineering assessment is currently in progress and is expected to be completed by the fall of 2012.

The system is meeting the Guidelines for Canadian Drinking Water Quality according to a 2011 audit conducted by Manitoba Water Stewardship.

Financial

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

Fund surplus		\$18,849
	Deduct Tangible capital assets	8,231
	sub-total	10,618
	Add reserves	17,184
Working capital surplus		\$27,802

Application

The RM's application for revised rates was received on April 4, 2012, accompanied by By-law No. 1541 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:

	Existing	2012	Inc	2013	Inc	2014	Inc
Connected customers	\$115.00	\$118.45	3%	\$122.00	3%	\$125.66	3%
Non-connected property	\$25.00	\$25.75	3%	\$26.50	3%	\$27.30	3%

The proposed rates were based on a flat 3% increase in each of the three years of the application.

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

	2012	2013	2014
Administration	1,500.00	1,500.00	1,500.00
Less: Penalties	100.00	150.00	150.00
Net Revenue General	1,400.00	1,350.00	1,350.00

Water			
Staffing	5,050.00	5,088.00	5,200.00
Benefits & Other	450.00	450.00	450.00
Purification And Treatment	125.00	125.00	150.00
Water Lines	100.00	100.00	150.00
Misc/ Water Testing	530.00	330.00	399.00
Plant Equipment & Repairs	1,000.00	1,000.00	1,000.00
Hydro	900.00	900.00	900.00
Amortization/ Depreciation	247.00	247.00	247.00
Reserves	500.00	500.00	500.00
Engineering Assessment	7,140.00		
Contingency	65.00	65.00	107.00
Sub-Total- Water Expenses	16,107.00	8,805.00	9,103.00
<i>Revenue:</i>			
Vacant Lot	25.75	25.75	25.75
Other Revenue	7,640.00		
Total Non-Rate Revenue - Water	7,665.75	25.75	25.75
Net Rate Revenue - Water	8,441.25	8,779.25	9,077.25

The submission indicated that shared costs, including budgeting, record keeping, invoicing, office supplies, etc., were estimated to be \$1,500 annually based on the proportion of time spent to administer the Albert Beach Utility.

The projections include a one-time transfer of \$7,640 from Reserves in 2012 required to fund the engineering assessment and the preparation of an Emergency Response Plan, due in August of 2012.

On March 29, 2012, RM had also submitted an application for approval of the 2011 Albert Beach Utility operating deficit, reported to be \$5,445. The deficit arose as a result of the replacement of a pump motor. The application recommended that this deficit be recovered from the Accumulated Surplus account of the Utility.

Board Findings

The Board will vary the RM's proposal and approve revised rates for the Utility. Based on the RM's projected expenses, the service charge is being decreased from that proposed and the commodity charge increased. Since the Board has learned that the 2012 Utility invoices were issued in June of 2012, the new rates will only be effective for 2013.

The Board has also amended the rate for the non-connected property to remain at \$25 per year. The vast majority of this charge is based on the service fee which is actually decreasing.

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.

The Board will also approve the 2011 deficit which reportedly was incurred as a result of the unexpected requirement for a new pump motor.

However, rather than recover this expense from the Fund Surplus, the Board will direct that the deficit be recovered from the Reserve account. The Reserve account is established in part to address unexpected expenses such as the one that occurred in 2011. This transfer, when combined with the budgeted transfer in 2012 to fund the Engineering Assessment and Emergency Plan, will significantly deplete the Reserve Fund. However, The Board further notes that the expenditure projections include an annual contribution to the Reserve Fund thus rebuilding the Reserve Fund over time.

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 Albert 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 Albert 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 the water rate bylaw for the Albert Beach Utility System and submit a copy to the Board once it has received third and final reading.
3. The deficit incurred for 2011, expected to be \$5,445.00, BE AND IS HEREBY APPROVED, to be recovered by transfer from the Utility reserve fund.
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. 125/12 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE “A”

THE RURAL MUNICIPALITY OF VICTORIA BEACH

ALBERT BEACH UTILITY SYSTEM

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

2013	Single-family residence/cottage	
	Service charge	\$17.00
	Commodity charge	\$108.39
	Total	\$125.39
2014	Single-family residence/cottage	
	Service charge	\$17.00
	Commodity charge	\$112.06
	Total	\$129.06

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

2013	Per Property	
Through	Service charge	\$17.00
2014	Commodity charge	\$8.00
	Total	\$25.00

3. **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. It due date will be at least 14 days after the mailing of the bills.

4. **DISCONNECTION:**

The Public Utilities Board has approved the 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 Municipality’s office.

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.