

MANITOBA) Order No. 160/12
)
THE PUBLIC UTILITIES BOARD ACT) December 7, 2012

BEFORE: Susan Proven, P.H.Ec, Acting Chair
Karen Botting, B.A., B.Ed., M.Ed., Member

RURAL MUNICIPALITY OF MOUNTAIN
LOCAL URBAN DISTRICT OF BIRCH RIVER
WATER AND SEWER RATES
2013, 2014 and 2015
and
2009, 2010 and 2011 DEFICIT APPROVALS

Summary

The Public Utilities Board (Board) hereby approves revised water and sewer rates for 2013, 2014 and 2015 for the Birch River Utility (Utility) located in the Rural Municipality of Mountain (RM). The Board also confirms as final the rates previously established on an interim *ex parte basis* on August 16, 2012 by Board Order No. 108/12.

The rates are effective January 1, 2013, 2014 and 2015.

The current rates as established under Order 108/12 and revised commodity rates are noted below:

Interim approval (July 2012)	REU's	Service Charge	Water Charge	Sewer Charge	Quarterly Minimum
Residence (water only)	1	\$26.74	\$97.20		\$123.94
Residence	1	\$26.74	\$97.20	\$63.92	\$187.86
Commercial (water only)	2	\$26.74	\$194.40		\$221.14
Commercial	2	\$26.74	\$194.40	\$127.84	\$348.98
Arena	3	\$26.74	\$291.60	\$191.76	\$510.10
School	10	\$26.74	\$972.00	\$639.20	\$1,637.94
Bulk water per 1,000 gallons			\$12.00		
Hydrant rental (annual)			\$100.00		

Revised Proposal (January 2013)	REU's	Service Charge	Water Charge	Sewer Charge	Quarterly Minimum	Increase/ Decrease
Residence (water only)	1	\$29.76	\$70.92		\$100.68	57%
Residence	1	\$29.76	\$70.92	\$47.06	\$147.74	131%
Commercial (water only)	2	\$29.76	\$141.84		\$171.60	40%
Commercial	2	\$29.76	\$141.84	\$94.12	\$265.72	117%
Arena	3	\$29.76	\$212.76	\$141.18	\$383.70	112%
School	10	\$29.76	\$709.20	\$470.60	\$1,209.56	105%
Bulk water per 1,000 gallons			\$12.00			20%
Hydrant rental (annual)			\$100.00			0%

Details of other rates may be found in the attached Schedule "A".

Introduction

The Birch River Utility (Utility) began operations with the water distribution system in 1975. The system includes a water treatment plant with a reservoir and filtration system.

The water treatment plant has had various upgrades and additions over time. The system is currently meeting the water needs of the community, but requires additional upgrades due to the age of the plant. The five-year plan includes building a new reservoir and installing a new filtration system. These upgrades were indicated in the Birch River Water System Assessment of March 2011.

The system includes a sewer system that was installed in 2007 and 2008. The system currently provides sewer services to less than half the community.

The R.M.'s five-year plan includes installing sewer lines for the remainder of the community. Of note is that the 2011 budget included a \$10,000 expense under Sewer Treatment and Disposal costs and \$1,000 expense under the Other Sewer Collection and Disposal costs. These were not expensed in prior years because the sewer system was not fully operational until that time.

Where a system has no meters, including systems with sewer service only, measurement of water used and volume of effluent returned to the sewer system is based on residential equivalent units, one unit being the volume of water estimated to be used

by the average single family residence. Units allocated to other customers are based on estimated water they will use, as compared with a residence.

Rates were previously established on an interim *ex parte basis* on August 16, 2012 by Board Order No. 108/12. This Order was Reviewed and Varied on August 31, 2012 by Board Order No. 118/12. This Order amended the effective date of the rates set in Board Oder No. 108/12 to October 1, 2012. The rates, set out in this Order are proposed to be effective on January 1, 2013.

Rates approved on an interim *ex parte basis* are subject to revision once a complete review process has been conducted. Such a process includes the examination of detailed information as well as a Public Notice advising customers of the proposal and affording them the opportunity to provide comments to both the Board and the R.M.

The Board has at its disposal two alternative processes to deal with applications. It may determine that an oral hearing is warranted or that a paper review process is sufficient.

In the case of the Birch River Utility, the Board received significant response from customers and given that the application included initial sewer rates, it was decided that an oral public hearing was in the best interests of the Stakeholders and the Utility.

A Notice of Public Hearing was issued on October 4, 2012 and the Hearing was held on Wednesday, November 14, 2012 at the Birch River Legion Hall.

Background

The Birch River Utility began operations in late 1975 and provides service to 143 customers; 137 residential, 4 commercial, the arena and the school. The system also supplies 13 fire hydrants.

The water system is comprised of two wells, a water treatment plant and distribution system. One well, located inside the Water Treatment Plant, supplies a truck fill. The second well supplies the distribution system and the community.

The sewer is gravity flow and the lagoon is now fully operational. Both the drinking water standards and environmental license requirements are being met.

The RM reports unaccounted for water at 4%. This is well within the acceptable industry standard of 10%.

The RM has a recently hired operator who is expected to complete his training and certification within the next operating year.

Application

The RM submitted its application on October 31, 2011 accompanied by a Water and Sewer Utility Rate Study prepared by the RM's consultant.

The application was followed by By-law No. 01/12, read for the first time on February 8, 2012. The RM subsequently submitted a Revised Rate Study dated June 12, 2012.

The June 2012 rate study proposed the following rates for Birch River:

Proposed	REU's*	service charge	water charge	sewer charge	Quarterly minimum	Increase
Residence (water only)	1	\$26.74	\$97.20		\$123.94	94%
Residence (water and sewer)	1	\$26.74	\$97.20	\$63.92	\$187.86	193%
Commercial (water only)	2	\$26.74	\$194.40		\$221.14	80%
Commercial (water and sewer)	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 per 1000 gallons			\$12.00			20%
Hydrant rental (annual)			\$100.00			0%

* Residential equivalent units

The rates were based on the following projected expenses:

	2009 Actual	2010 Projected	2011	2012	2013	2014
General- Expenses						
Administration	\$ 42,936.00	\$ 37,004.00	\$ 17,163.00	\$ 14,556.00	\$ 15,065.00	\$ 15,592.00
Billing and collection	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total general expenses	\$ 42,936.00	\$ 37,004.00	\$ 17,163.00	\$ 14,556.00	\$ 15,065.00	\$ 15,592.00
General- Revenue						
Surcharges		\$ 10,000.00				
Penalties	\$ 304.00	\$ 284.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00
Total general revenue	\$ 304.00	\$ 10,284.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00
Net Revenue General	\$ 42,632.00	\$ 26,720.00	\$ 16,863.00	\$ 14,256.00	\$ 14,765.00	\$ 15,292.00
Water-Expenses						
Staffing	\$ -	\$ -	\$ 28,500.00	\$ 30,497.00	\$ 31,564.00	\$ 32,669.00
Purification and treatment	\$ 5,927.00	\$ 12,827.00	\$ 9,000.00	\$ 9,315.00	\$ 9,641.00	\$ 9,978.00
Water purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Service of Supply			\$ 8,000.00	\$ 8,280.00	\$ 8,569.00	\$ 8,869.00
Transmission and Distribution	\$ 6,911.00	\$ 1,697.00	\$ 1,500.00	\$ 1,553.00	\$ 1,607.00	\$ 1,663.00
Other Water Supply Costs	\$ -	\$ -	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00
Amortization/ depreciation	\$ 12,458.00	\$ 12,639.00	\$ 8,910.00	\$ 8,910.00	\$ 8,910.00	\$ 8,910.00

Interest on long term debt	\$ -	\$ 31.00	\$ -	\$ -	\$ -	\$ -
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	\$ 25,296.00	\$ 27,394.00	\$ 61,534.00	\$ 64,179.00	\$ 65,915.00	\$ 67,713.00
<i>Less: Revenue:</i>						
Connection Revenue	\$ 275.00	\$ 325.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00
Hydrant rentals	\$ 650.00	\$ 650.00	\$ 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
Taxation revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other revenue	\$ 54,252.00	\$ 53,875.00	\$ -	\$ -	\$ -	\$ -
Total non-rate revenue - water	\$ 55,177.00	\$ 54,850.00	\$ 3,363.00	\$ 3,363.00	\$ 3,363.00	\$ 3,363.00
Net rate revenue -water	\$ 29,881.00	\$ 27,456.00	\$ 58,171.00	\$ 60,816.00	\$ 62,552.00	\$ 64,350.00
<i>Sewer-Expenses</i>						
Staffing	\$ -	\$ -	\$ 1,500.00	\$ 1,553.00	\$ 1,607.00	\$ 1,664.00
Sewage Collection System	\$ 2,594.00	\$ 2,924.00	\$ 6,000.00	\$ 6,210.00	\$ 6,427.00	\$ 6,652.00
Sewage Lift Station	\$ 487.00	\$ -	\$ -	\$ -	\$ -	\$ -
Sewage Treatment and Disposal	\$ -	\$ -	\$ 10,000.00	\$ 10,350.00	\$ 10,712.00	\$ 11,087.00
Other Sewage Costs	\$ -	\$ -	\$ 1,000.00	\$ 1,038.00	\$ 1,074.00	\$ 1,112.00
Amortization/ depreciation	\$ 33,830.00	\$ 33,958.00	\$ 33,959.00	\$ 33,959.00	\$ 33,959.00	\$ 33,959.00
Interest on long term debt	\$ 30,379.00	\$ 31,097.00	\$ 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	\$ 67,290.00	\$ 67,979.00	\$ 108,348.00	\$ 107,956.00	\$ 107,523.00	\$ 107,052.00
<i>Less: Revenue</i>						
Lagoon Tipping fees	\$ -	\$ -	\$ 1,250.00	\$ 1,250.00	\$ 1,293.00	\$ 1,339.00
Amortization of capital grants	\$ -	\$ -	\$ 17,957.00	\$ 17,957.00	\$ 17,957.00	\$ 17,957.00
Taxation revenues	\$ 44,223.00	\$ 48,326.00	\$ 48,326.00	\$ 48,326.00	\$ 48,326.00	\$ 48,326.00
Other Revenue	\$ -	\$ 3,028.00	\$ 15,000.00	\$ 21,540.00	\$ 21,540.00	\$ 21,540.00
Total non-rate revenue-sewer	\$ 44,223.00	\$ 51,354.00	\$ 82,533.00	\$ 89,073.00	\$ 89,116.00	\$ 89,162.00
Net rate revenue-sewer	\$ 23,067.00	\$ 16,625.00	\$ 25,815.00	\$ 18,883.00	\$ 18,407.00	\$ 17,890.00

This represents the R.M.'s best estimate of future operating costs.

The submission included a proposed shared cost allocation methodology for approval. It is estimated that 5% of indirect overhead costs belong to the Birch River Utility yearly.

The Audited Financial Statements indicated revenue deficits for the Birch River Utility for 2009 of (\$35,818), 2010 (\$18,889) and 2011 (\$26,573) for a total of \$81,280. The RM has applied to the Board for approval of these deficits.

The RM of Mountain's Resolution No. 387/12 requested that the aforementioned deficits, for a total of \$81,280, be recovered by rate rider over a five year period in the amount of \$16,256 per year.

Public Response

The Board received five letters and/or e-mails expressing concerns about the rates, one of which was signed by nine individual residents. One communication was on behalf of the congregation of the Grace Lutheran Church. Many expressed opinions that the rate increases are too high. The Public Hearing took place in accordance with the Notice. Approximately ten customers attended the Hearing.

The RM presented the application and one of the main concerns was the length of time over which the deficit would be recovered. The RM believed the maximum length of time for a rate rider would be three (3) years, and had initially applied

for a special service levy to recover the 2009, 2010 and 2011 deficits over five years. The RM felt that recovering the deficits over three years, instead of five, would put too much of a financial burden on the rate payers. After the Hearing, the RM submitted Resolution 387/12 requesting a five (5) year rate rider to recover these deficits.

Board Findings

The Board will confirm as final the rates previously established on an interim *ex parte basis* on August 16, 2012 by Board Order No. 108/12.

By law, Manitoba utilities are not allowed to incur deficits. Should the Utility incur a deficit, the Utility is required to submit an application for Board approval. The Board is therefore duty bound to approve reasonable rates based on reasonable expense projections.

The Board will approve the recovery of the 2009, 2010 and 2011 deficits by rate rider over a five (5) year period.

The Board will approve the shared cost allocation methodology as submitted by the R.M. This methodology must be applied consistently in the future and can only be varied with approval by the Board.

Rates should be reasonable and as low as possible, while maintaining the sustainability of the Utility. The Board is sensitive to the fact that the percentage increases are significant. Such large rate increases have not been unusual in

recent years, and are necessary given the deficits experienced by the Utility since the implementation of Public Sector Board Accounting standards.

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 and sewer rates for the Birch River Utility in the Rural Municipality of Mountain, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED with revised rates for 2013 to be effective January 1, 2013, 2014 and 2015.
2. The water and sewer rates previously established on an interim *ex parte basis* on August 16, 2012 by Board Order No. 108/12 BE AND ARE HEREBY CONFIRMED AS FINAL.
3. The deficits for the year of 2009 of \$35,818, \$18,889 in 2010 and \$26,573 in 2011 for a total of \$81,280 are HEREBY APPROVED to be recovered by a rate rider over the next five years, in the amount of \$16,256 per year as requested in Resolution No. 387/12.
4. The Rural Municipality of Mountain submit the water and sewer rate By-law for the Birch River Utility once it has received third and final reading.

5. The allocation methodology for shared services and equipment as submitted by the Rural Municipality of Mountain BE AND IS HEREBY APPROVED.
6. The Rural Municipality of Mountain prepare and submit an application for revised rates for the Birch River Water and Sewer Utility no later than July 31, 2015 for the year 2016.

Fees payable upon this Order \$1,500.00

THE PUBLIC UTILITIES BOARD

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

"JENNIFER DUBOIS, CMA"
Acting Secretary

Certified a true copy of Order No.
160/12 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO
BOARD ORDER NO. 160/12
THE RURAL MUNICIPALITY OF MOUNTAIN
LOCAL URBAN DISTRICT OF BIRCH RIVER
WATER RATES
BY-LAW NO. 01/12

1. Customer Service Charge:
 The customer service charge shall be \$29.76 per quarter.
2. Commodity Rates:
 The commodity rates for all water consumption shall be \$70.92.
3. Schedule of Minimum Quarterly Charges:

New Approved (January 2013, 2014 and 2015)	REU's	Service Charge	Water Charge	Sewer Charge	Quarterly Minimum	Increase/ Decrease
Residence (water only)	1	\$29.76	\$70.92		\$100.68	57%
Residence	1	\$29.76	\$70.92	\$47.06	\$147.74	131%
Commercial (water only)	2	\$29.76	\$141.84		\$171.60	40%
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Arena	3	\$29.76	\$212.76	\$141.18	\$383.70	112%
School	10	\$29.76	\$709.20	\$470.60	\$1,209.56	105%
Bulk water per 1,000 gallons			\$12.00			20%
Hydrant rental (annual)			\$100.00			0%

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.