

M A N I T O B A
THE PUBLIC UTILITIES BOARD ACT

Order No. 22/12

February 27, 2012

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

VILLAGE OF ST-PIERRE-JOLYS
SEWER RATES

Summary

The Public Utilities Board (Board) hereby varies the application made by the Village of St-Pierre-Jolys (Village) for revised sewer utility rates, approves revised rates for 2012 and 2013 and confirms as final the rates approved on an interim basis in Order No. 50/11 issued on April 4, 2011.

The new rates will be reflected on ratepayers' property tax bills, consistent with the Village's rate By-law.

Previous, interim 2011 and revised 2012 and 2013 rates are as follows:

Annual fees	Existing	2011	2012	2013
Service Charge	\$ 3.60	\$ 3.55	\$ 3.65	\$ 3.75
Residential Equivalency Unit (REU)	\$43.00	\$72.50	\$94.00	\$95.00
TOTAL	\$46.60	\$76.05	\$97.65	\$98.75

These rates do not include any provision for recovery of deficits which may have been incurred in 2009 and 2010, as the Board awaits audited financial statements to be submitted. The deficit recovery plan may require rates to be further amended.

Introduction

Prior to approving the interim rates for 2011, the Board last reviewed rates in 2008.

The Village first applied in early 2011 for revised rates for 2011, 2012 and 2013. At the time of application, the Board was not in a position to conduct an in-depth review of the submission, but determined that a rate increase was required for 2011 in order to avoid recurring deficits which had reportedly been incurred in 2009 and 2010. Accordingly, the Board issued Order No. 50/11 on April 4, 2011 approving revised rates on an interim ex parte basis.

Rates approved on an interim basis are subject to revision once a complete review has been conducted, including a public process which affords customers the opportunity to review the application and provide commentary. A Notice of Application was issued in July 2011 encouraging customers to contact the Village offices to review the details of the application, offering them the opportunity to express concerns directly to the Board if so desired. No comments were filed.

Application

The Village applied for revised sewer rates, as set out in By-law No. 2011-5. This application was supported by a rate study prepared by the Village's consultant, G.O. Barron, FCGA.

The proposed rates were expected to generate sufficient annual revenue to recover the following projected annual expenses:

	2011	2012	2013
General			
Administration (building, office, staff, etc.)	\$ 1,300.00	\$ 1,339	\$ 1,379
Sewer			
Expenses	20,917	21,545	22,190
Amortization	17,514	10,647	10,647
Interest on long-term debt	2,197	1,955	1,701
Contingency	6,435	6,628	6,826
General reserve provision	5,000	5,000	5,000
Lagoon reserve provision		15,000	15,000
Deficit recovery 2010	6,793		
	58,856	60,775	61,364
Offset Revenue			
Amortization of capital grants	3,145.00	3,145.00	3,145.00
Taxation revenues	7,342.00	7,342.00	7,342.00
	10,487.00	10,487.00	10,487.00
Net sewer	48,369.00	50,288.00	50,877.00

The deficit recovery provision was based on preliminary unaudited results for the year. Council submitted a resolution that one-half of the deficit was to be recovered from rates, with the other half coming from surplus.

The Village requested that a reserve provision of \$15,000 per annum be built into rates from 2012 to 2015 in order to provide funding for an anticipated lagoon expansion. While it expected that the cost of the lagoon expansion will be partially covered by grants and debentures, Council proposed a reserve in order to minimize borrowing requirements.

Included in the application was a reassignment of the Residential Equivalency Units (REU's) to reflect both the change in the customer profiles (for example the school has been expanded) as well as the growth in the residential customer base. REU's have been increased from the 516.5 which 2008 rates were based, to 573.5 in the current application. Details of the allocations are shown in the By-law.

Subsequent to the rate study being submitted, the Village provided further information on amortization expense, noting that the gross amortization expense for 2012 and 2013 should be \$14,309 rather than the \$10,647 in the study. The Village proposed no change to the rate on the basis that this would be absorbed by the contingency provision.

The Village also submitted a Council resolution for cost allocation, with administration and computer costs allocated on the basis of one (1) hour per week, and operators' costs on the basis of three (3) hours per week. For the purposes of the rate study, these amounted to \$1,300 and \$3,120 respectively for 2011.

Board Findings

The Board will vary the Village's application to reflect amortization expense at the revised, more accurate value. Further, the provision for deficit recovery will not be included in rates until such a time as audited financial statements are available; at that time it may be necessary to further amend the rates.

The rates approved for 2011 on an interim basis are now confirmed as final, including approval of the revised REU allocation.

The cost allocation methodology is approved as submitted. The Board notes that this methodology is to be applied consistently in the future, with any changes requiring Board approval.

The Board will require an amended By-law to reflect the decisions in this Order.

Generally, municipal utilities bill for water and sewer services separate from property tax bills; however, in this case, the Board accepts the practice of annual billings reflected on the property tax bills, this to save administrative and collection costs, and taking into account the size of the 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 revised sewer rates for 2012 and 2013 for the Village of St-Pierre-Jolys as shown on Schedule "A" attached to this Order BE AND ARE HEREBY APPROVED.
2. The interim rates approved by Order Number 50/11 BE AND ARE HEREBY CONFIRMED as final.
3. The Village of St-Pierre-Jolys file a copy of a revised By-law reflecting the decision in this Order (once it has received third and final reading).
4. The cost allocation methodology BE AND IS HEREBY APPROVED as submitted.

5. The Village of St-Pierre-Jolys file a copy of its 2009 and 2010 audited financial statements as soon as the statements are available along with a deficit recovery proposal, should a deficit have been incurred in either of those years.

Fees payable upon this Order – \$500.00

THE PUBLIC UTILITIES BOARD

“SUSAN PROVEN, P.H.Ec.”
Acting Chair

“KURT SIMONSEN, P.ENG.”
Acting Secretary

Certified a true copy of Order No. 22/12 issued
by The Public Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO 22/12
THE VILLAGE OF ST-PIERRE-JOLYS
APPROVED SEWER RATES

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