

M A N I T O B A) Order No. 13/13
)
THE PUBLIC UTILITIES BOARD ACT) February 4, 2013

BEFORE: Susan Proven, P.H.Ec., Acting Chair
Marilyn Kapitany, B.Sc. (Hons.), M.Sc., Member

RURAL MUNICIPALITY OF PEMBINA
LOCAL URBAN DISTRICT OF LA RIVIERE
SEWER RATES
2013, 2014 and 2015

Summary

The Public Utilities Board (Board) hereby approves revised sewer rates for the La Riviere Sewage Collection System (Utility) in the Rural Municipality of Pembina (RM). The new rates are effective January 1, 2013, 2014 and 2015.

The current rates, as established under Order No. 95/97, and revised rates are noted below:

	<u>Current</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Customer Service Charge	\$4.25	\$5.91	\$6.18	\$6.33
Unmetered Services Flat Rate per REU*	\$67.85	\$146.92	\$149.07	\$151.29

*a complete list of REU assignments is available from the RM office

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

Introduction

The RM made an application for rates for the sewer Utility located in the Local Urban District of La Riviere (LUD) on April 23, 2012.

The last rate increase was in 1997, by Board Order No. 95/97. The Utility has experienced challenges with the conversion to Public Sector Accounting Board (PSAB) standards, and currently only has audited financial statements up to the year 2009. Based on internal financial statements, the Utility has indicated the 2010, 2011 and 2012 audits may result in deficits. They have submitted their rate study to increase sewer rates in an effort to keep up with the rate of inflation and maintain sewer infrastructure.

The Board has at its disposal two alternative processes to deal with applications. It may determine an oral hearing is warranted or a paper review process is sufficient. In the case of the La Riviere Utility, the Board received no response from stakeholders and the RM received only informal feedback indicating ratepayers would prefer smaller, regular increases, rather than a large increase after an extended period of time. The Board concluded a paper review process, saving the Utility the cost of a Public Hearing, was in the best interests of the stakeholders and the Utility.

Background

The La Riviere Utility provides sewer service to 121 customers, including residential and commercial/public customers. Each customer is assigned residential equivalency units (REU) determined in accordance with the Public Utilities Board's Guidelines. All customers of the Utility use private wells for their water supply. There are a total of 149 REUs assigned by the Utility. Customers are billed annually in June, with their property taxes.

The system includes a two-cell lagoon, which is not in compliance with Manitoba Conservation requirements. The lagoon soils are not suitable to the permeability requirements of Manitoba Conservation. The condition of the sewer mains and manholes is unknown, and the age of the system is also unknown. There have been no reported problems with the sewage forcemain or lift station.

The facultative lagoon has more than adequate organic capacity, based on calculated loads to the lagoon primary cell. The secondary cell does not have sufficient hydraulic capacity, based on typical per capita water use. There are no septic haulers dumping in the La Riviere lagoon.

The RM has indicated the completion of any lagoon upgrades will be entirely dependent upon funding through capital grants. The RM has not secured any funding at this time.

Application

The RM submitted its application on April 23, 2012 accompanied by a Sewer Utility Rate Study prepared by the RM's consultant. Rates were last reviewed in 1997.

The application was also accompanied by By-law No. 3/2012 read for the first time on April 10, 2012. A Notice of Application was issued on July 6, 2012.

The rate study proposed the following rates for La Riviere:

	<u>Current</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Customer Service Charge	\$4.25	\$5.91	\$6.18	\$6.33
Unmetered Services Flat Rate per REU*	\$67.85	\$146.92	\$149.07	\$151.29

*a complete list of REU assignments is available from the RM office

The rates were based on the following projected expenses:

	2010	2011	2012	2013	2014
<i>General expenses:</i>					
Administration	500	500	500	515	530
Equity surcharge (1% of annual expenses)	-	-	215	232	236
<i>Total general revenue</i>	-	-	-	-	-
Net revenue general	500	500	715	747	766
Net rate revenue requirement - water	-	-	-	-	-
<i>Sewer expenses:</i>					
Sewage Collection System	4,200	4,200	8,200	8,446	8,699
Other Sewage Collection & Disposal Costs	8,230	10,291	1,291	1,329	1,369
Continuing Education	2,000	2,000	2,000	2,060	2,122
Reserves	800	800	7,500	7,500	7,500
Contingency	3,700	3,700	3,700	3,700	3,700
<i>Total sewer expenses</i>	18,930	20,991	22,691	23,035	23,390
<i>Revenue</i>					
Contribution from Revenue Fund	6,498				
Transfer from General Reserve		5,000			
Taxation revenues	-	-	-	-	-
Other Revenue	257	800	800	824	849
<i>Total non-rate revenue- sewer</i>	6,755	5,800	800	824	849
Net rate revenue requirment - sewer	12,175	15,191	21,891	22,211	22,542

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

The RM's submission included a proposed shared cost allocation methodology for Board approval. A nominal administration charge was included in the projected expenses.

This flat charge was determined by the RM to be adequate as the Utility rates are collected through tax billing, rather than quarterly rates.

Public Response

The Board received no responses from stakeholders, indicating ratepayers understand, given the length of time since the last increase in rates, that the proposed rates are reasonable.

The RM office advised the Board they received some informal commentary from ratepayers, who expressed the opinion the RM should be reviewing the rates more often and having smaller, more frequent increases.

Board Findings

The Board has long been a proponent of user-pay and looks for fair and reasonable rates that can sustain a Utility.

Consumers are generally more tolerant of regular, smaller increases. In cases where regular rate reviews have not been conducted by municipal utilities, it has not been unusual for the Board to be required to approve these large percentage increases. To avoid this, it is advised municipalities continuously review their revenue requirements to ensure their rates are up to date.

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

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 sewer rates for the La Riviere Utility in the Rural Municipality of Pembina, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED with revised rates for 2013, 2014 and 2015 to be effective January 1 in each of those years.
2. The Rural Municipality of Pembina submit the sewer rate By-law for the La Riviere Utility once it has received third and final reading.
3. The allocation methodology for shared services and equipment as submitted by the Rural Municipality of Pembina BE AND IS HEREBY APPROVED.
4. The Rural Municipality of Pembina submit a new sewer rate application, or a statement of rate adequacy by June 2015 for the 2016 year.

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.
13/13 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER 13/13
RURAL MUNICIPALITY OF PEMBINA
LOCAL IMPROVEMENT DISTRICT NO. 1
L.U.D OF LA RIVIERE SEWER RATES

SCHEDULE OF YEARLY RATES:

2013 Rates

1. Commodity rates Sewer
 Unmetered Services Flat Rate per Unit \$146.92

2. Minimum Charges, Yearly

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges set out below:

(a) Sewer Customers

<u>Classification</u>	<u>Group Capacity Ratio</u>	<u>Customer Service Charge</u>	<u>Sewer Charge</u>	<u>Total Yearly Charge</u>
Residence (single dwelling)	1	\$5.91	\$146.92	\$152.83
Holiday Mountain Ski Lodge	10	\$5.91	\$1,469.20	\$1,475.11
Motel/Restaurant	10	\$5.91	\$1,469.20	\$1,475.11
La Riviere Lodge	10	\$5.91	\$1,469.20	\$1,475.11
Rec Center Skating Rink and Meeting Room	2	\$5.91	\$293.84	\$299.75

2014 Rates

1. Commodity rates Sewer
 Unmetered Services Flat Rate per Unit \$149.07

2. Minimum Charges, Yearly

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges set out below:

(a) Sewer Customers

<u>Classification</u>	<u>Group Capacity Ratio</u>	<u>Customer Service Charge</u>	<u>Sewer Charge</u>	<u>Total Yearly Charge</u>
Residence (single dwelling)	1	\$6.18	\$149.07	\$155.25
Holiday Mountain Ski Lodge	10	\$6.18	\$1,490.70	\$1,496.88
Motel/Restaurant	10	\$6.18	\$1,490.70	\$1,496.88
La Riviere Lodge	10	\$6.18	\$1,490.70	\$1,496.88
Rec Center Skating Rink and Meeting Room	2	\$6.18	\$298.14	\$304.32

2015 Rates

1. Commodity rates Sewer

Unmetered Services Flat Rate per Unit \$151.29

2. Minimum Charges, Yearly

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges set out below:

(a) Sewer Customers

<u>Classification</u>	<u>Group Capacity Ratio</u>	<u>Customer Service Charge</u>	<u>Sewer Charge</u>	<u>Total Yearly Charge</u>
Residence (single dwelling)	1	\$6.33	\$151.29	\$157.62
Holiday Mountain Ski Lodge	10	\$6.33	\$1,512.90	\$1,519.23
Motel/Restaurant	10	\$6.33	\$1,512.90	\$1,519.23
La Riviere Lodge	10	\$6.33	\$1,512.90	\$1,519.23
Rec Center Skating Rink and Meeting Room	2	\$6.33	\$302.58	\$308.91

3. Service to Customers Outside Municipality, Town, or L.I.D., Limits

The Council of the Rural Municipality of Pembina may sign agreements with customers for the provision of sewer services to properties located outside the legal boundaries of the LUD of La Riviere. Such agreements shall provide for payment of the appropriate rates set out in the schedule, as well as a surcharge, set by resolution of Council, which shall be equivalent to the frontage levy, general taxes and special taxes for utility purposes in effect at the time, or may be in effect from time to time, and which would be levied on the property concerned if it were within these boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

4. Billings

Shall be levied annually