

M A N I T O B A) Order No. 142/13
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THE PUBLIC UTILITIES BOARD ACT) November 29, 2013

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

RURAL MUNICIPALITY OF LA BROQUERIE
REVISED SEWER RATES

Summary

The Public Utilities Board (Board) hereby varies the application made by the Rural Municipality of La Broquerie (RM) and approves revised rates for the Sewer Utility.

Revised rates will be effective January 1, 2014 and will remain in effect until further notice.

The current and revised sewer rates are noted below:

Annual Rates	Current	Effective January 1, 2014	Increase
Service Charge	\$5.00	\$37.40	648%
REU* Charge	\$77.00	\$97.88	27%
Reconnection Charge (New)	n/a	\$50.00	n/a

*Residential equivalency unit

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

Background

The Utility provides sewer service to the Local Urban District (LUD) of La Broquerie only. RM residents outside of the LUD have their waste hauled to the lagoon by septic haulers. The following table shows the current LUD customer base with projected growth to 2015:

Year	2012	2013	2014	2015
Customers	376	384	403	423
REU's	820	836	878	922

Residents obtain water from private unmetered wells and as a result sewer services have to be charged on a Residential Unit Equivalency (REU) basis.

The RM advises that the number of Residential Equivalency Units (REUs) assigned is 836, one REU 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. REUs are used in communities with unmetered distribution and collection systems, where information regarding actual consumption is unavailable.

The Municipality's population had increased by 43% in the 2011 census or at an average of 8.6% per year. Going forward, growth of 2% per year is a reasonable and conservative estimate.

The LUD is the urban portion of the RM of La Broquerie. Approximately 1,500 residents live in the LUD. The LUD residents are the only homes connected to the municipal sewer system, except for the La Verendrye Golf Club, which has summer only connection.

The Utility's largest customer is HyLife Foods Truck Wash. The arrangement with HyLife for their truck wash facility is material to the operation of the Utility and requires special note. The land sale between HyLife and the RM was prior to 2006 and had a clause in it that stated:

"In the event the RM of La Broquerie adopts a by-law with respect to waste water fees for the Rural Municipality of La Broquerie, the Purchaser (HyLife) shall pay no waste water fees on the first 108,750 gallons of waste water used at the truck wash on a weekly basis by the Purchaser".

At the request of the RM, HyLife installed a water meter and took readings for 1 week in early November 2012. Water consumption was 75,600 gallons for that week.

HyLife estimates that water usage will be slightly lower in summer and slightly higher in winter, with an average of 75,600 gallons per week. The Public Utilities Board guidelines indicate that an average usage of 19,400 gallons per year equal to one REU. Based on this, HyLife is the equivalent of 203 REUs.

HyLife has waived the agreement and effective January 1, 2013 began now paying its full share of the cost of operating the sewer system in the community.

Wastewater Collection/Treatment:

The sewage system is comprised of a gravity flow sewage collection system with four lift stations discharging into a four-cell lagoon.

The sewer collection system and two lagoons were constructed in 1989 and the lagoon was expanded with the addition of two cells in 2006.

There is some concern with lagoon capacity. A pipe was discovered to be plugged in 2012, after completion of the capital plan. With the continued growth in the Local Urban District (LUD) and RM at large, there will be a requirement to expand the lagoon in the next five or so years. A study of the expansion has been completed, and the municipality is in the process of buying the land needed for expansion. An application for infrastructure funding will be forwarded in 2014 with the goal of starting construction in 2015. The total estimated cost of the expansion is now projected at \$6,000,000.

The RM plans to apply for grant funding for two thirds of the project, with the remainder to be funded by debenture. The debenture will be serviced by taxation revenues.

The RM is also investigating ways to encourage conservation in the community, in an effort to reduce the need to expand the lagoon capacity.

The lagoon is discharged twice a year into the Seine River.

Operator certification:

The RM has a contract with the RM of Hanover for the use of their certified operators until next summer. The RM is in the process of having their own staff certified in 2013.

Application

The RM applied in December 2012 for rate increases to be effective July 1, 2013. The Utility rates were last revised in 2008; prior to January 1, 2013 Utility rates were charged annually on the tax bills.

A Public Notice of Application was issued in January 2013 affording customers the opportunity to comment to both the Board and the Utility with respect to the proposed increases. There were no comments received.

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, the Board concluded that a paper review process was in the best interest of all concerned.

The rates then proposed were based on expenditure projections forward to 2015.

	2011	2012	2013	2014	2015
General					
Administration	6,700	1,200	15,265	15,570	15,882
Penalties	0	0	500	510	520
Net revenue requirement general	6,700	1,200	14,765	15,060	15,362
Sewage Collection System	6,692	8,932	9,111	9,293	9,479
Sewage Treatment and Disposal	4,103	10,286	10,492	10,702	10,916
Lift Station costs	18,534	18,000	18,360	18,727	19,102
Amortization/ depreciation	78,588	82,430	82,430	82,430	82,430
Interest on long term debt	28,664	26,952	24,812	23,306	21,713
Contingency	0	0	12,373	12,373	12,373
Total sewer expenses	136,581	146,600	157,578	156,831	156,013
Sewer Fees	6,000	6,000	12,445	12,515	12,587
Amortization of capital grants	0	13,989	13,989	13,989	13,989
Taxation revenues	44,440	44,440	44,425	44,425	44,425
Total non-rate revenue- sewer	50,440	64,429	71,059	70,929	71,001
Net Revenue requirement-sewer	86,141	82,171	86,519	85,902	85,011

The contingency provision is based on 0.5% of the original capital cost of the system, which is in accordance with currently published Board guidelines.

The Utility has no reserve funds and no provision has been made in this application to provide revenue for this purpose.

Tippling fees

Board Order No. 48/08 required the RM to provide a proposal for a tipping fee assessment to replace the current annual fixed levy for non-resident usage of the sewage disposal system.

The RM has evaluated the options to implement a tipping fee system but has been unable to determine a cost effective way to do this. As an alternative, the RM submitted the following proposal.

The RM has been contributing \$6,000 a year to the La Broquerie Utility as a general levy at large, to recognize that the lagoon is used by the whole RM. The LUD contributes the vast majority of the flow discharged to the lagoon due to the direct discharge into the lagoon. The non-LUD portion of the RM contributes insignificant flow, but significant loading strength due to the concentrated nature of the sewage trucked to the lagoon.

It is proposed that the RM at Large, which consists of all taxpayers in the RM including those in the LUD, pay 1/3 of annual sewage treatment and disposal costs and 1/3 of sewage lagoon related annual amortization expense, net of applicable capital grants. This results in the RM at Large cost for the lagoon increasing from \$6,000 at present to \$12,587 for 2015. All lagoon repairs and maintenance costs are still being paid for by the RM at Large.

The rates were proposed to be as follows effective July 1, 2013:

Annual Rates	Current	2013	Increase
Service Charge	\$5.00	\$36.33	627%
REU* Charge	\$77.00	\$92.19	19.73%
Reconnection Charge (New)	n/a	\$50.00	n/a

*Residential Equivalent Unit

The proposed rates were calculated based on the 2015 projected revenue requirements.

The Board requires all municipalities to review the costs shared between the general operations of the Municipality and the Utility, and to allocate appropriate and reasonable costs to the Utility, based on a policy known as a Cost Allocation Methodology. This policy must be submitted to the Board for approval and cannot be changed without receiving approval from the Board. The Board's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.

Costs shared between the Utility and general operations have been allocated to the Utility using a ratio of the Utility operating expenses to total general operating expenses. This has resulted in a 3.1% allocation of the clerk and staff costs, office costs, legal costs and audit fees.

Board Findings

The Board will approve revised rates for the Sewer Utility effective January 1, 2014. However, the application has been varied as follows.

The Board does not support retroactive rate increases and therefore the request for a July 1, 2013 effective date has been deferred to January 1, 2014.

The Board has also increased the rates proposed by the RM, this as a result of two factors.

First, in reviewing application and the audited financial statements for 2011, the Board noted that the Utility has a significant working capital deficiency as at December 31, 2011:

	2011
Fund Surplus	\$ 2,040,398
Less: Tangible Capital Assets	\$ (2,635,628)
Plus: Long-Term Debt	\$ 456,052
Reserves	\$ -
Working Capital Deficit	\$ (139,178)

In Board Order No. 93/09, the Board established that utilities should maintain a minimum Working Capital Surplus, in an amount equal to 20% of annual expenses. The Working Capital Surplus is defined as the Utility Fund balance, excluding any capital related items plus Utility Reserves.

Based on the submission, the working capital position should be approximately \$35,500; this means that the current working capital position is deficient by approximately \$175,000.

Secondly, the proposed rates would result in a further operating deficit in the 2014, further exacerbating the working capital deficit.

By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, the Utility is required to obtain Board approval for a recovery methodology. The Board is therefore duty bound to approve reasonable rates based on reasonable expense projections.

The Board has therefore increased the rates for both the customer service charge and the commodity charge effective January 1, 2014. All else being equal, the Utility should achieve a breakeven position for the year 2014 with a surplus in excess of \$5,000 for 2015, this to assist in redressing the working capital deficiency.

The Board recognizes the RM's effort to establish tipping fees as it had recommended in 2008. The alternative proposal appears reasonable and the Board will accept it, with the understanding that the RM will continue to give thought to this issue.

The Board also notes that the RM is proposing a \$6 million capital lagoon project to be completed in the next few years. Once in operation, this will affect the revenue requirements for the Utility. The Board will therefore order that the RM return to the Board with a rate application to include the effects of that capital project.

The application should be filed as soon as the financial arrangements and the capital cost estimates have been confirmed and should propose revised rates effective for the year in which the lagoon expansion project will be put into service.

The Board will approve the Cost Allocation Policy described in the rate application as being a percentage of Utility operating expenditures versus total operating expenditures for the RM, recognizing that this was 3.1% based on 2011 actual results.

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 (Rules). The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.

IT IS THEREFORE ORDERED THAT:

1. The sewer rates for the Rural Municipality of La Broquerie Sewer Utility, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED with revised rates to be effective January 1, 2014.
2. The Cost Allocation Methodology BE AND IS HEREBY APPROVED as proposed.
3. The Rural Municipality of La Broquerie revise its sewer rate By-law to be consistent with the attached Schedule and submit a copy to the Board once it has received third and final reading.
4. The Rural Municipality of La Broquerie file a rate application to include the effects of the lagoon expansion project as soon as the capital cost and financing arrangements have been confirmed.

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. 142/13 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE "A"
THE RURAL MUNICIPALITY OF LA BROQUERIE
SEWER SYSTEM

1. **Customer Service Charge-effective January 1, 2014**

Annual	\$37.40
Quarterly	\$ 9.35

2. **Commodity rates**

The commodity rate for all sewer usage shall be based on one residential equivalent unit and prorated in accordance with the Schedule of Minimum Quarterly Charges as detailed in clause 3 hereafter. The residential equivalent unit rate shall be:

Annual	\$97.88
Quarterly	\$24.47

3. **Schedule of Minimum Quarterly Charges:**

Customer		Residential Equivalency Units	Quarterly Customer Service Charge	Quarterly Commodity Charge	Total Quarterly Charges
Churches		1	\$9.35	\$24.46	\$33.81
Garages	no wash rack	1	\$9.35	\$24.46	\$33.81
	with one wash rack	2	\$9.35	\$48.92	\$58.27
	per wash rack after first		\$9.35	\$0	\$9.35
Hall's	for every 230 seats, *	1	\$9.35	\$24.46	\$33.81
Hylife Truck Wash		203	\$9.35	\$4,965.38	\$4,974.73
Hospitals	for every two beds, *	3	\$9.35	\$73.38	\$82.73
Hotels And Motels	for every two rooms, *	1	\$9.35	\$24.46	\$33.81
	for every 15 beverage room seats, *	1	\$9.35	\$24.46	\$33.81
Laundromats	per washing machine	1	\$9.35	\$24.46	\$33.81
Offices	1 to 40 staff	1	\$9.35	\$24.46	\$33.81
	41 to 80 staff	2	\$9.35	\$48.92	\$58.27
	81 to 120 staff	3	\$9.35	\$73.38	\$82.73
Residential	single-family dwelling	1	\$9.35	\$24.46	\$33.81
	multi-family dwelling-per dwelling unit	1	\$9.35	\$24.46	\$33.81
Restaurants And Cafés	per 20 seats, *	1	\$9.35	\$24.46	\$33.81
Retail And Commercial	without public washroom	1	\$9.35	\$24.46	\$33.81
	with public washroom	2	\$9.35	\$48.92	\$58.27

Customer		Residential Equivalency Units	Quarterly Customer Service Charge	Quarterly Commodity Charge	Total Quarterly Charges
Schools	per classroom	1	\$9.35	\$24.46	\$33.81
Senior Citizen Homes	two single rooms, *	1	\$9.35	\$24.46	\$33.81
	double room	1	\$9.35	\$24.46	\$33.81

*Rounded up

4. **Service to customers outside Local Urban District of La Broquerie limits:**

The Council of the RM of La Broquerie may sign agreements with customers for the provision of sewer services to properties located outside the legal boundaries of the LUD. Such agreements shall provide for payment of the appropriate rates set out in section 1 of this 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 maybe 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.

5. **Billings and penalties:**

Accounts shall be billed quarterly based on water used and the due date shall be at least 20 days after the mailing of the bills.

A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

6. **Disconnections**

The Public Utilities Board has approved the Conditions Precedent to be followed by the RM 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 RM Office.

7. **Reconnection:**

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties, and a reconnection fee of \$50.00 have been paid.

8. **Outstanding bills:**

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for sewer services, including fines and penalties, 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. Where charges and penalties pursuant to this bylaw are not paid within 60 days from the date when they were incurred, said charges and penalties shall be added to the taxes on the property and collected in the same manner as other taxes.