

MANITOBA) Order No. 26/13
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THE PUBLIC UTILITIES BOARD ACT) March 20, 2013

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

RURAL MUNICIPALITY OF BROKENHEAD
LOCAL IMPROVEMENT DISTRICT NO. 1
GARSON, TYNDALL AND HENRYVILLE
WATER AND SEWER RATES 2013, 2014 AND 2015

Summary

By this Order, the Public Utilities Board (Board) approves revised water and sewer rates for the Brokenhead Water and Sewer Utility for Garson, Tyndall and Henryville in the Local Improvement District No. 1 (Utility) in the Rural Municipality of Brokenhead (RM).

The new rates for 2014 and 2015 will be effective January 1 of each year. The 2013 rates are effective April 1, 2013.

The rates are shown below:

<u>Quarterly</u>	<u>Current</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Customer Service Charge	\$ 10.50	\$ 14.56	\$ 15.00	\$ 15.45
Water / m ³	\$ 1.82	\$ 2.88	\$ 2.91	\$ 2.95
Sewer / m ³	\$ 0.39	\$ 0.50	\$ 0.46	\$ 0.42
Minimum quarterly*	\$ 41.44	\$ 61.88	\$ 62.18	\$ 62.63
Sewer only**	\$ 47.55	\$ 62.06	\$ 58.70	\$ 55.35
Bulk water rates / m ³	\$ 3.00	\$ 2.88	\$ 2.97	\$ 3.06
Connection Fee (service charge)	\$ 25.00	\$ 50.00	\$ 50.00	\$ 50.00
Reconnection Fee	\$ 50.00	\$100.00	\$100.00	\$100.00
Hydrant Rental (Annual)	\$100.00	\$100.00	\$103.00	\$106.00

*based on 14m³

**based on 95m³

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

Background

The RM of Brokenhead operates a water and sewer utility in the communities of Garson, Tyndall and Henryville. There are 486 water and sewer customers, and 15 sewer only customers. All water customers are metered, and the sewer only customers are unmetered and charged a flat rate based on estimated consumption of 95m³ per quarter. According to By-Law No. 2079-08, property owners had until December 31, 2009 to connect to the system or they would incur a \$180 annual non-compliance charge.

The water treatment plant, reservoir and distribution system were constructed in 2005, and are in good condition. The Garson lift station and sewer lines were also constructed in 2005. The original Tyndall lagoon was decommissioned and a new lagoon was constructed in 2005. Due to the rapid growth, a study was completed in 2011 on the water plant and lagoon, which found that further development in the communities should be postponed until the organic capacity of the lagoon can be expanded. The RM has already started a reserve fund for the expansion of the lagoon.

The RM applied in July 2012 for revised water and sewer rates for the Utility. The application was accompanied by a rate study prepared by the RM's consultant and By-law No. 2114-12 read for the first time on June 26, 2012.

Rates have not been amended since initially set in 2006 by Board Order No. 150/06. The Utility has experienced significant operating deficits in recent years. These operating deficits are alleviated when calculated for regulatory purposes (offset by amortization of capital grants), however analysis of the audited financial statements show that the Utility is non-compliant with the Board's working capital surplus requirements, as outlined in Board Order No. 93/09.

The Board has at its disposal two alternative processes to deal with applications. It may determine a public hearing is warranted or a paper review process is sufficient. In the case of the Brokenhead Utility, the Board received several responses from stakeholders. The Board concluded a public hearing was warranted and in the best interests of the stakeholders and the Utility.

A Notice of Public Hearing was issued on November 20, 2012 and the Hearing was held on Thursday, December 13, 2012 at the Garson Centennial Community Centre.

Application

The rates were determined based on the following expenditure projections:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Administration (building, office, staff, etc.)	26,831.58	29,177.00	29,177.00	30,052.31	30,953.88
Other Revenue	82,980.80	59,500.00	34,500.00	35,535.00	36,601.05
Penalties	1,122.92	1,100.00	900.00	900.00	900.00
Total general revenue	84,103.72	60,600.00	35,400.00	36,435.00	37,501.05
Net revenue general	(57,272.14)	(31,423.00)	(6,223.00)	(6,382.69)	(6,547.17)
Continuing Education		1,650.00	1,650.00	1,699.50	1,750.49
Customer Billings and Collections	31,099.01	26,966.00	28,509.00	29,364.27	30,245.20
Purification and treatment	-	89,940.94	89,950.00	92,648.50	95,427.96
Service of Supply	10,000.00	19,050.00	19,050.00	19,621.50	20,210.15
Transmission and Distribution	55,000.00	69,491.00	69,491.00	71,575.73	73,723.00
Amortization/ depreciation	157,393.00	157,393.00	157,393.00	157,393.00	157,393.00
Interest on long term debt	69,650.92	66,807.51	63,988.41	60,670.40	57,351.55
Contingency		29,500.00	29,500.00	29,500.00	29,500.00
Sub-total- water expenses	323,142.93	460,798.45	459,531.41	462,472.90	465,601.35
Hydrant rentals	7,700.00	7,700.00	7,700.00	7,931.00	8,168.93
Amortization of contributed TCA's	99,545.00	99,545.00	99,545.00	99,545.00	99,545.00
Taxation revenues	123,376.38	123,376.38	123,376.38	123,376.38	123,376.38
Total non-rate revenue - water	230,621.38	230,621.38	230,621.38	230,852.38	231,090.31
Net rate revenue requirement - water	92,521.55	230,177.07	228,910.03	231,620.52	234,511.04
Sewage Collection System	9,000.62	9,379.28	9,400.00	9,682.00	9,972.46
Sewage Lift Station	6,712.00	6,000.00	6,000.00	6,180.00	6,365.40
Sewage Treatment and Disposal	9,000.62	9,379.28	9,400.00	9,682.00	9,972.46
Other Sewage Collection & Disposal Costs		712.00	712.00	733.36	755.36
Continuing Education		1,650.00	1,650.00	1,699.50	1,750.49
Amortization/ depreciation	105,850.00	105,850.00	105,850.00	105,850.00	105,850.00
Interest on long term debt	69,650.92	66,807.51	63,988.41	60,670.40	57,351.55
Contingency	-	22,750.00	22,750.00	22,750.00	22,750.00
Total sewer expenses	200,214.16	222,528.07	219,750.41	217,247.26	214,767.72
Lagoon Tipping Fees	23,445.00	23,400.00	23,400.00	24,102.00	24,825.06
Amortization of Contributed TCAs	33,181.00	33,181.00	33,181.00	33,181.00	33,181.00
Taxation revenues	123,376.38	123,376.38	123,376.38	123,376.38	123,376.38
Total non-rate revenue- sewer	180,002.38	179,957.38	179,957.38	180,659.38	181,382.44
Net rate revenue requirement - sewer	20,211.78	42,570.69	39,793.03	36,587.88	33,385.28

The RM submitted a cost allocation methodology calculated as follows:

Utility/Payroll Clerk	25%
Other Admin staff	10%
Office Expenses	10%
All other work performed for the utility by municipal staff is on a custom work basis and expensed directly to the utility.	

Public Response

The Board received eight letters and/or e-mails expressing concerns about the rates. One communication was on behalf of the Garson Rink. Many expressed opinions that the rate increases are too high. The Public Hearing took place in accordance with the Notice. Approximately 21 stakeholders attended the Hearing.

The RM presented the application and one of the main concerns voiced was whether or not the rate increases could be phased in, to minimize rate shock. The Board explained that while phasing in of rates has been approved in the past, it can lead to further deficits.

Council members in attendance asked if the Board would consider allowing the RM to amend their rate application to a phased in approach over the course of three years, rather than having such a large increase in the first year. Council expressed the belief that the rates applied for will put too much of a financial burden on the rate payers.

Following the Hearing, the RM submitted an amendment to their rate application.

These proposed rates would result in the following revenue shortfalls for the Utility, calculated using the values provided on the rate study:

Revenue comparison	2013	2014	2015	
Admin charges - original	\$ 29,178	\$ 30,060	\$ 30,962	
Admin charges - revised	\$ 24,208	\$ 27,836	\$ 30,962	
Difference:	-\$ 4,970	-\$ 2,224	\$ -	-\$ 7,194
Water commodity - original	\$227,520	\$229,890	\$233,050	
Water commodity - revised	\$165,110	\$189,600	\$233,050	
Difference:	-\$ 62,410	-\$ 40,290	\$ -	-\$102,700
Sewer commodity - original	\$ 39,500	\$ 36,340	\$ 33,180	
Sewer commodity - revised	\$ 32,390	\$ 33,180	\$ 33,180	
Difference:	-\$ 7,110	-\$ 3,160	\$ -	-\$ 10,270
Sewer flat rate - original	\$ 931	\$ 881	\$ 830	
Sewer flat rate - revised	\$ 765	\$ 807	\$ 830	
Difference:	-\$ 165	-\$ 74	\$ -	-\$ 239

The RM has proposed that any resulting deficits would be recovered through the nominal surplus, which the RM stated to be in excess of \$7 million. Calculation of working capital surplus, using the guidelines established by the Board on Order No. 93/09, shows the following:

Fiscal year	2009	2010	2011
Fund surplus	7,194,427	7,056,248	7,048,954
Deduct Tangible capital assets	9,854,583	9,609,855	9,493,840
sub-total	-2,660,156	-2,553,607	-2,444,886
Add long-term debt	2,629,545	2,522,094	2,408,956
Add reserves:	-	-	-
Utility reserve	118,614	136,614	111,389
Lagoon reserve	105,723	120,723	135,723
Working capital surplus (deficit)	75,112	89,210	99,793

Working capital surplus should be 20% of operating costs, or in the case of this Utility, approximately \$135,000. At this time, the Utility does not have enough working capital surplus to fund their existing reserve accounts, and the proposed deficits will reduce the fund surplus to the point where the Utility has a working capital deficit.

Board Findings

The Board will approve revised water and sewer rates as originally applied for by the RM in July 2012, varying the amended rates applied for in January 2013. The new rates for 2014 and 2015 will be effective January 1 of each year. The 2013 rates are effective April 1, 2013.

By law, Manitoba utilities are not allowed to incur deficits. Should a 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.

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 information provided by the Municipality.

The budgeted expenditures supplied with the rate application include a contingency amount to rebuild the working capital surplus, indicating to the Board that the RM understands the need to bolster the cash position of the Utility. For this reason, deferring the implementation of rates that are sufficient to meet budgeted expenditures is not advisable.

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

The RM is to submit an application for approval for all outstanding deficits, as required by Board Order No. 151/08.

In the event that operating deficits are alleviated when calculated for regulatory purposes (offset by amortization of capital grants) the RM should submit a PUB Schedule 9 to the Board for review. The correct form is available on the Board website.

The Board will require the RM to submit the By-law once it has received third and final reading.

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. Revised water and sewer rates for 2014 and 2015, effective January 1 of each year and 2013 rates effective April 1, 2013, as shown on Schedule "A" attached to this Order for the Rural Municipality of Brokenhead BE AND ARE HEREBY APPROVED.
2. The Rural Municipality of Brokenhead file with the Board a revised water and sewer By-law to reflect the decision in this Order, once it has received third and final reading.
3. The allocation methodology for shared services and equipment as submitted by the Rural Municipality of Brokenhead BE AND IS HEREBY APPROVED.

4. Rural Municipality of Brokenhead submit an application for approval for all outstanding deficits, as required by Board Order No. 151/08.

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.
26/13 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 26/13
RURAL MUNICIPALITY OF BROKENHEAD
LOCAL GOVERNMENT DISTRICT NO. 1
(GARSON, TYNDALL AND HENRYVILLE)
BY-LAW NO. 2114-12

Year 2013

1.0--SCHEDULE OF QUARTERLY RATES

A schedule of rates per cubic metre per quarter

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
2013 Commodity Rates	\$2.88	\$0.50	\$3.38
2014 Commodity Rates	\$2.91	\$0.46	\$3.37
2015 Commodity Rates	\$2.95	\$0.42	\$3.37

2.0 --MINIMUM QUARTERLY CHARGES

Notwithstanding the Commodity Rates set forth in paragraph 1.0 hereof, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

a) Water & Sewer Customers (metered)

2013

<u>Meter Size</u>	Group Capacity <u>Ratio</u>	Water Included <u>cu m</u>	Customer Service <u>Charge</u>	<u>Commodity Charges</u>		Total Quarterly <u>Minimum</u>
				<u>Water</u>	<u>Sewer</u>	
5/8"	1	14	\$14.56	\$40.32	\$7.00	\$61.88
3/4"	2	28	\$14.56	\$80.64	\$14.00	\$109.20
1"	4	56	\$14.56	\$161.28	\$28.00	\$203.84
1 1/2"	10	140	\$14.56	\$403.20	\$70.00	\$487.76
2 1/2"	25	350	\$14.56	\$1,008.00	\$175.00	\$1,197.56

2014

<u>Meter Size</u>	Group Capacity <u>Ratio</u>	Water Included <u>cu m</u>	Customer Service <u>Charge</u>	<u>Commodity Charges</u>		Total Quarterly <u>Minimum</u>
				<u>Water</u>	<u>Sewer</u>	
5/8"	1	14	\$15.00	\$40.74	\$6.44	\$62.18
3/4"	2	28	\$15.00	\$81.48	\$12.88	\$109.36
1"	4	56	\$15.00	\$162.96	\$25.76	\$203.72
1 1/2"	10	140	\$15.00	\$407.40	\$64.40	\$486.80
2 1/2"	25	350	\$15.00	\$1,018.50	\$161.00	\$1,194.50

2015

<u>Meter Size</u>	Group Capacity <u>Ratio</u>	Water Included <u>cu m</u>	Customer Service <u>Charge</u>	<u>Commodity Charges</u>		Total Quarterly <u>Minimum</u>
				<u>Water</u>	<u>Sewer</u>	
5/8"	1	14	\$15.45	\$41.30	\$5.88	\$62.63
3/4"	2	28	\$15.45	\$82.60	\$11.76	\$109.81
1"	4	56	\$15.45	\$165.20	\$23.52	\$204.17
1 1/2"	10	140	\$15.45	\$413.00	\$58.80	\$487.25
2 1/2"	25	350	\$15.45	\$1,032.50	\$147.00	\$1,194.95

3.0 SEWER ONLY CUSTOMERS

Connected to Piped System

All customers connected to the piped sewage collection system but not to the water system, shall pay the quarterly bill based on the service charge plus a flat rate usage of 95 cu.m/quarter for sewer. Quarterly billing is as follows:

<u>Year</u>	Water Included <u>cu m</u>	Customer Service <u>Charge</u>	Commodity Charges <u>Sewer</u>	Total Quarterly <u>Minimum</u>
2013	95	\$14.56	\$0.50	\$62.06
2014	95	\$15.00	\$0.46	\$58.70
2015	95	\$15.45	\$0.42	\$55.35

4.0--WATER AND SEWER CONNECTIONS

- i) Each consumer applying for water turn on or turn off of service during any quarter, shall pay the proportionate part of the current minimum quarterly charge provided that in computing same a broken half month shall be considered as a full month. In all cases any excess water used will be charged at the rates set forth under Commodity Rates.
- ii) All costs for new connections and maintenance thereafter, shall be paid by the customer or developer, as the case may be, and such connections are to be approved by the Council of the Rural Municipality of Brokenhead.
- iii) A service charge of Fifty (\$50.00) Dollars shall be paid before any water is turned on and shall be the responsibility of the owner.

5.0--HYDRANT RENTALS

The Rural Municipality of Brokenhead will pay to the utility an annual rental per year for each hydrant connected to the system as per the following:

<u>Year</u>	<u>Rental Rate per Hydrant</u>
2013	\$100.00
2014	\$103.00
2015	\$106.00

6.0--RATES TO CUSTOMERS LOCATED OUTSIDE THE LIMITS OF THE RURAL MUNICIPALITY OF BROKENHEAD LID #1

- a) Customers located outside the Rural Municipality of Brokenhead LID #1 shall be required to sign agreements with the Municipality that sets out the rights and obligations of each party. Such agreements shall provide that the consumer shall pay;
 - i) The appropriate rate as set out in paragraph 1.0 and 2.0 hereof, based on the units allotted to the services;
 - ii) All costs of constructing and maintaining all connection pipes and other items required to allow service to be used;
 - iii) And in addition, a surcharge to cover all taxes for utility purposes which they would be required to pay if located in the LID.
- b) That the above levies are due and payable as per the due date established.

7.0--BILLING AND PAYMENTS

- i) All accounts shall be billed after the end of each quarter. Bills will be due and payable as per due date as stated on the bills presented. A penalty as per due date as stated on the bills presented. A penalty of one and one quarter percent per month of the bills shall be charged if not paid by the due date.
- ii) Pursuant to section 252 of the Municipal Act. L.R.M.1996, c. 58, the amount of all outstanding charges, including penalties, for water and sewer service are a lien and charge upon that land, and shall be collected in the same manner in which ordinary taxes on the land are collectable, and with like remedies.
- iii) If any account is not paid within 30 days after the due date, the service may be disconnected without further notice. Any service so disconnected shall not be reconnected until all arrears, penalties and a reconnection fee of Fifty Five (\$100.00) Dollars has been paid.

8.0--WATER METERS

- i) That all water connections be metered. All residential customers for water shall be metered at customer cost. Ownership, inspection and maintenance of meters will remain the responsibility of the utility system. Commercial meter maintenance will be the responsibility of the utility system but will be billed to the commercial user.

Meter Repairs

- ii) Where a water meter is damaged as a result of negligence of a user, such user shall pay the cost of repairing the damaged meter and the said amount will immediately become a debt due and owing to the Rural Municipality of Brokenhead within ten (10) days of the demand of same, the water service of the said user may be disconnected. A fee of fifty (\$100.00) dollars shall be charged for a re-connection of the service disconnected under this paragraph.

Meter Testing

- iii) Any consumer who desires and requests that his/her water meter be tested for accuracy, shall deposit with the Rural Municipality of Brokenhead, the sum of One Hundred (\$100.00) Dollars which will be retained if the, meter, when tested, shall be found to be accurate within allowable limits. The deposit shall be refunded and the consumer's account adjusted for the preceding six month's use if the meter is found to register in excess of the allowable limits..

9.0--BULK SALES

That a said, the rates as shown in the table below, per cubic metre be charged for treated water.

<u>Year</u>	<u>Truckfill Rate per m³</u>
2013	\$2.88
2014	\$2.97
2015	\$3.06

10.0 SEWER SURCHARGE

- a) There may be levied annually, in addition to the rates set forth above, a special surcharge on sewage having a Biochemical Oxygen Demand in excess of 300 mg/L, to be set by Resolution of Council.
- b) A special surcharge for substances requiring special treatment shall be charged based on the actual costs of treatment required for the particular sewage or industrial waste.

11.0--BILLINGS

All accounts for minimum quarterly charges for metered services as set forth in this Schedule of Quarterly rates shall be billed at the end of each quarter together with any excess charges for metered water and sewer services supplied to them at the rates and terms set out in this Schedule.

12.0—TRUCKED SEWAGE TO LAGOON

All customers trucking sewage to the lagoon system, where such sewage has been generated outside of the LID but within the RM of Brokenhead, shall pay the quarterly bill based on the service charge as per By-Law 2075-08, which is summarized below:

THAT each Septic Hauler registered with the municipality shall be charged on a per load basis of \$15.00/per load for a standard size vacuum truck and \$30.00/per load for a tandem vacuum truck, to be billed monthly.

By-Law 2075-08 provides specifics on deposits, reports and violations. Sewage generated outside of the RM of Brokenhead shall not be delivered to the lagoon.