

M A N I T O B A ) Order No.69/13  
)  
THE PUBLIC UTILITIES BOARD ACT ) June 18, 2013

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

VILLAGE OF BINSCARTH  
ACTUAL DEFICITS 2009, 2010 AND 2011  
INTERIM WATER AND SEWER RATES - 2013

**Summary**

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, revised water and sewer rates for the Village of Binscarth (Village) water and sewer utility (Utility). The Board also approves as final a quarterly rate rider for the recovery of actual deficits incurred by the Utility during the period of 2009-2011.

The new rates are to be reflected on the next quarterly billing, effective August 1, 2013, and on January 1, 2014.

The approved rates are shown below.

Commodity Rate \$/1,000 gallons	Current (2003)	Aug 1, 2013	Jan 1, 2014
Water	\$6.00	\$13.12	\$13.36
Sewer	\$0.85	\$4.72	\$4.75
Quarterly Service Charge	\$10.00	\$23.08	\$23.57
Minimum Quarterly*	\$30.55	\$76.61	\$77.89
Bulk Water \$/100 gallons	\$0.80	\$ 1.31	\$1.34
Quarterly rate rider **	n/a	\$23.42	\$23.42
Hydrant Rental Charge	\$75.00	\$75.00	\$75.00

\*Based on 3,000 gallons

\*\*36 month rate rider to recover deficits from 2009, 2010 and 2011; in addition to the Minimum Quarterly charge

## **Background**

The Village applied in September 2012 for revised water and sewer rates for the Utility. The application was accompanied by a rate study prepared by the Village and By-law 631-12 read for the first time on September 12, 2012.

Rates have not been amended since 2003.

When reviewing an application, the Board has at its disposal several approaches. It can hold a public oral hearing at which the applicant can present its case and customers can present their concerns. In other cases, where it is deemed to be in the best interest of the Utility and its customers, the Board may review the application using a paper review process. The Board can also establish interim *ex parte* rates, which are rates that are subject to review, following a more complete process.

In the case of the Village of Binscarth, the Board has chosen to take the unusual step of requesting the Village redraft their rate study and application to comply with the Minimum Filing Requirements and the Board's Guidelines. The Board has also decided to approve interim *ex parte* rates, in the interest of avoiding or minimizing further deficits. To make this possible, the Board had requested the Village provide information regarding budgeted expenditures in the Appendix "B" format found in Board Order No. 93/09. This information was submitted to the Board June 3, 2013.

## **Application**

Upon reviewing the application submitted September 2012, the Board determined the rate study and application did not follow the Board Guidelines or meet the Minimum Filing Requirements. Several integral components were found to be missing, making processing the application impossible.

The initial application and Public Notice proposed a flat increase of 25% per year for two years; based on the 2011 commodity revenues, this would result in an increase to revenue of approximately \$15,000 in the first year, and an additional \$19,000 in the second year. The audited financial statements provided by the Village indicated that the Utility experienced deficits in 2009, 2010 and 2011 in the amount of \$32,723, \$40,633 and \$41,395 respectively.

A crucial part of the process for determining just and reasonable rates is the estimating of future expenditures and consumption. This information was not provided, as the proposed rates were based on a flat rate increase of 25%. Based on revenue requirements from 2011 this increase would be insufficient, unless there is reason to expect future expenditures will decrease significantly.

These factors led to the Board requesting the Village redraft and submit a new rate study and application, using the Minimum Filing Requirements and Board Guidelines. Once the new application is received, a new Public Notice will be posted welcoming stakeholder response to the proposed rates.

In addition to the Village's rate application as described above, the Village was also required to submit to the Board an application for approval of any operating deficits incurred. The Village submitted applications for actual deficits in 2009, 2010 and 2011. The audited financial statements provided by the Village indicated these deficits are in the amount of \$32,723, \$40,633 and \$41,395 respectively, for a total deficit of \$114,751 over a three year period.

The stated cause of these deficits is the conversion to Public Sector Accounting Board (PSAB) standards, which includes the recording of amortization expense.

The Village applied to recover the 2009 and 2010 deficits each through a \$10 per year rate rider, and to recover the 2011 deficit from the Utility's accumulated surplus.

Calculation of the Utility's working capital surplus (calculated as per Board Order No. 93/09) as of December 2011 is as follows:

		2011
Fund Surplus/Deficit (Sched 8)	w	\$549,879
Deduct TCA (Sched 8)	x	\$699,157
Add Long-Term Debt (Sched 8)	y	\$ 92,095
Add Utility Reserves (Sched 6)	z	\$ 15,092
Equals Working Capital Surplus	w-x+y+z	<b>\$(42,091)</b>

This working capital deficit includes the deficits incurred in 2009, 2010 and 2011. Board Order No. 93/09 established a requirement that Utilities retain a working capital surplus equal to 20% of annual operating expenses.

In order to be compliant with this requirement and have a working capital surplus of \$21,425, the Village needs to recover \$63,516 of the deficits. The deficit is to be recovered by a quarterly rate rider of \$23.42 to each of the 226 ratepayers, over a period of three years.

2013 budgeted expenditures	\$ 107,126
20% of expenditures	\$ 21,425
2011 WC deficit	-\$ 42,091
Amount of deficit recovery to be compliant with 93/09	\$ 63,516

The interim rates were determined based on the following expenditure projections.

<b>General</b>		<b><u>2013</u></b>	<b><u>2014</u></b>
<i>Expenses:</i>			
	Administration (building, office, staff, etc.)	20,866.18	21,304.37
	<b>Total general expenses</b>	<b>20,866.18</b>	<b>21,304.37</b>
	<b>Net revenue general</b>	<b>20,866.18</b>	<b>21,304.37</b>
<b>Water</b>			
<i>Expenses:</i>			
	Staffing	20,866.18	21,304.37
	Purification and treatment	7,600.32	7,759.93
	Transmission and Distribution	16,890.40	17,245.10
	Other Water Supply Costs	14,928.04	15,241.53
	Reserve	27,395.00	27,970.00
	Amortization/ depreciation	29,621.00	29,621.00
	<b>Sub-total- water expenses</b>	<b>117,300.94</b>	<b>119,141.92</b>
<i>Revenue:</i>			
	Hydrant rentals	1,950.00	1,950.00
	Amortization of capital grants	16,700.00	16,700.00
	Gas Tax Revenue	27,395.00	27,970.00
	<b>Total non-rate revenue - water</b>	<b>46,045.00</b>	<b>46,620.00</b>
	<b>Net rate revenue - water</b>	<b>71,255.94</b>	<b>72,521.92</b>
<b>Sewer</b>			
<i>Expenses:</i>			
	Sewage Collection System	8,910.00	9,097.11
	Amortization/ depreciation	16,714.00	16,714.00
	<b>Total sewer expenses</b>	<b>25,624.00</b>	<b>25,811.11</b>
	<b>Total non-rate revenue- sewer</b>	<b>-</b>	<b>-</b>
	<b>Net rate revenue - sewer</b>	<b>25,624.00</b>	<b>25,811.11</b>

These expenditure projections were determined based on the June 3, 2013 submission, adjusted by the Board for completeness. The original submission did not include any allocation for amortization expense, which is a significant expense for the Village. The original submission did include the Gas Tax revenue but not the corresponding transfer to Reserves. This represents the best estimate of future operating costs with the information provided.

### **Board Findings**

The Board will, on an interim *ex parte* basis, approve revised water and sewer rates as shown above and in Schedule "A", effective August 1, 2013.

The Board makes this interim rate decision due to the urgent need to increase revenues to avoid further Utility deficits. The Board recognizes that by having the rates effective August 1, 2013, further deficits may well occur in 2012 and 2013.

The Village is to submit an application for approval for all future deficits, as required by Board Order No. 151/08, in a timely fashion.

In the event that operating deficits are alleviated when calculated for regulatory purposes (offset by amortization of capital grants) the Village should submit a properly completed PUB Schedule 9 to the Board for review.

The Board will require the Village to submit the By-law once it has been revised to reflect the decision in this Order and received third and final reading.

**IT IS THEREFORE ORDERED THAT:**

1. The Village of Binscarth By-law 631-12 BE AND IS HEREBY APPROVED on an interim *ex parte* basis, with the varied water and sewer rates to be effective August 1, 2013.
2. The Village of Binscarth 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 Village of Binscarth provides Notice to its customers, with a copy to the Board, of the rate increases set on an interim *ex parte* basis as soon as possible.
4. The Village of Binscarth submits a corrected and complete rate application for revised water and sewer rates, using the Minimum Filing Requirements and Board Guidelines, no later than January 1, 2014.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

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

"JENNIFER DUBOIS, CMA."  
Acting Secretary

Certified a true copy of  
Order No. 69/13 issued by The  
Public Utilities Board

\_\_\_\_\_  
Acting Secretary

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](http://www.pub.gov.mb.ca).

SCHEDULE "A"  
 THE VILLAGE OF BINSCARTH  
 WATER & SEWER RATES  
 BY-LAW #631-12

SCHEDULE OF QUARTERLY RATES:

1. **a) 2013 Commodity Rates per M.G. (effective August 1, 2013)**

WATER	SEWER	WATER/SEWER
\$13.12	\$4.72	\$17.84

2. **b) 2014 Commodity Rates per M.G. (effective January 1, 2014)**

WATER	SEWER	WATER/SEWER
\$13.36	\$4.75	\$18.11

**c) 36 month Rate Rider of \$23.42 to recover deficits from 2009, 2010 and 2011; in addition to the Minimum Quarterly charge (effective August 1, 2013)**

3. **Minimum Charges, Quarterly**

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

a) **Water & Sewer Customers – August 1, 2013**

METER SIZE	GALLONS MINIMUM	CUSTOMER SERVICE CHARGE	WATER	SEWER	TOTAL QUARTERLY MINIMUM	DEFICIT RATE RIDER
5/8 "	3,000	\$23.08	\$39.37	\$14.16	\$76.61	\$23.42
¾"	6,000	\$23.08	\$78.74	\$28.31	\$130.13	\$23.42
1"	12,000	\$23.08	\$157.47	\$56.63	\$237.18	\$23.42
1 ½"	30,000	\$23.08	\$393.68	\$141.57	\$558.33	\$23.42
2"	75,000	\$23.08	\$984.20	\$353.92	\$1,361.20	\$23.42

b) **Water & Sewer Customers – January 1, 2014**

METER SIZE	GALLONS MINIMUM	CUSTOMER SERVICE CHARGE	WATER	SEWER	TOTAL QUARTERLY MINIMUM	DEFICIT RATE RIDER
5/8 "	3,000	\$23.57	\$40.07	\$14.26	\$77.89	\$23.42
¾"	6,000	\$23.57	\$80.13	\$28.52	\$132.22	\$23.42
1"	12,000	\$23.57	\$160.27	\$57.04	\$240.88	\$23.42
1 ½"	30,000	\$23.57	\$400.67	\$142.60	\$566.84	\$23.42
2"	75,000	\$23.57	\$1,001.68	\$356.51	\$1,381.76	\$23.42

c) **Water Only Customers**

Minimum charge will be the same for each meter size as shown, above, but the Sewer Commodity Charge will be excluded.

d) **Sewer only Customers**

There are no sewer only customers in the Village of Binscarth.

4. **Bulk Sales Rate**

All water sold in bulk by the Village of Binscarth shall be charged for at the rate of \$1.31 per 100 gallons effective August 1, 2013 and \$1.34 per 100 gallons effective January 1, 2014.

5. **Service to Customers outside Village Limits**

The Council of the Village of Binscarth may sign agreements with customers for the provision of water & sewer services to properties located outside the legal boundaries of the Village of Binscarth. Such agreements shall provide for quarterly payments of water at \$14.00 per 1000 gallons plus \$12.50 service charge.

In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

6. **Billings and Penalties**

Accounts shall be billed quarterly, and shall be due and payable 20 days after date of billing. A penalty of 10% of the amount of the bill shall be added if not paid by the due date.

7. **Non-Payment of Accounts**

Service may be disconnected and discontinued immediately and without further notice in the event of non-payment of account shall not be reconnected until all areas, penalties and a reconnection fee of \$20.00 have been paid.

8. **Outstanding Bills**

Pursuant to Section 252 (2) of The Municipal Act, the amount of all outstanding charges for water and sewer service shall be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies.

9. **Hydrant Rentals**

The Village of Binscarth will pay to the utility an annual rental fee of \$75.00 for each hydrant connected to the system which includes the cost of water for fire fighting.