

MANITOBA) Order No.2/14
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THE PUBLIC UTILITIES BOARD ACT) January 9, 2014

BEFORE: Susan Proven, P.H.Ec, Acting Chair
The Hon. Anita Neville, P.C., B.A. (Hons.), Member

RURAL MUNICIPALITY OF ST. CLEMENTS
LOCKPORT SEWER UTILITY
REVISED SEWER RATES
APRIL 2014

Summary

By this Order, the Public Utilities Board (Board) approves revised sewer rates for the Lockport Sewer Utility (Utility) in the Rural Municipality of St. Clements (RM).

The new rates are to be effective April 1, 2014 and will remain in effect until further notice.

The current and revised sewer rates are shown below.

	Current	2014	Increase/Decrease
Quarterly Service Charge	\$0.00	\$23.41	
Sewer \$/cubic meter	\$2.09	\$2.12	1.4%
Residential Equivalency Unit (REU)	\$155.71	\$175.37	12.6%
Minimum Quarterly*	\$31.35	\$55.21	76.1%
Minimum Quarterly, 1 REU**	\$155.71	\$198.78	27.7%
*Meter based services only - based on 15m ³			
**REU based services only			

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

Background

Sewer System

The Rural Municipality of St. Clements operates a wastewater collection and treatment system consisting of approximately 5 kilometers of forcemain, gravity and low pressure sewer mains as well as one lift station and a sewage treatment plant.

The sewer mains were originally installed in the 1990's and minor breaks and repairs have occurred since. The sewage treatment plant is stated to have adequate capacity for the present time with the exceptions noted. A new condominium building is being contemplated as well as a new sewer main to serve residents south of Lockport.

It is also expected that an engineering assessment will be required to consider remediation programs to deal with high infiltration conditions during heavy rains.

To this end, a Utility Reserve Fund has been established to ensure proceeds are available for equipment additions to the sewer treatment plant. The new rate structure is expected to provide additional funds to facilitate replacement of major components of the sewage treatment facility in order to meet environmental guidelines.

The Utility foresees customer growth in the near future and expects a need for increased wastewater treatment capacity. This growth is to be funded through reserves, grants and local improvement levies.

An inflow and infiltration study is expected to be commissioned to determine the viability and capacity of the current sewage lagoon.

Application

The Rural Municipality of St. Clements applied in November 2012 for approval of revised sewer rates for the Lockport Sewer System. The application was accompanied by a rate study prepared by the RM's consultant and By-law No.9-2012 read for the first time on October 23, 2012. A Notice of Application was issued on December 13, 2012; one stakeholder response was received.

The rate application was initially made in 2011, but had to be revised and resubmitted. Rates were last set in 2004; these rates were not approved by the Board as the Utility was not declared a public utility until December 17, 2010.

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, thus avoiding the expenses of an oral public hearing.

In the case of the RM of St. Clements, Lockport Utility, the Board received one stakeholder response to the Notice. The Board determined that a paper review process was in the best interests of all concerned.

The Lockport Utility had 19 customers as of December 31, 2013. This includes ten commercial customers and four condominium buildings, increasing to five in 2014. Each building is charged .5 Residential Equivalency Units (REU's) per condominium unit; however, the Utility bills each building (containing 30 units each) as one customer.

The RM advises that the number of Residential Equivalency Units (REUs) assigned is 67, 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.

REUs are used in communities with unmetered distribution and collection systems, where information regarding actual consumption is unavailable.

The rates were determined based on the following expenditure projections over a three-year period.

	2012	2013	2014
<i>Expenses:</i>			
Administration	2,060.00	2,121.00	2,185.00
Net revenue general	2,060.00	2,121.00	2,185.00
<i>Sewer Expenses:</i>			
Staffing			-
Sewage Collection System	7,508.00	7,733.00	7,965.00
Sewage Lift Station	1,545.00	1,591.00	1,639.00
Sewage Treatment and Disposal	35,157.00	36,212.00	37,298.00
Amortization/ depreciation	32,938.00	32,938.00	32,938.00
Interest on long term debt	4,020.00	3,458.00	2,857.00
Contingency	10,065.00	10,367.00	10,678.00
Total sewer expenses	91,233.00	92,299.00	93,375.00
<i>Revenue</i>			
Amortization of capital grants	4,280.00	4,280.00	4,280.00
Taxation revenues (2)	12,048.00	12,048.00	12,048.00
Other Revenue			-
Total non-rate revenue- sewer	16,328.00	16,328.00	16,328.00
Net rate revenue requirment - sewer	74,905.00	75,971.00	77,047.00

Cost allocation methodology

A cost allocation methodology was not submitted in the rate study. The following methodology was provided in response to queries from the Board:

1% of wages and benefits for the office staff member that does the utility billings and inquiries. This represents approximately 18 hours per year spent working on the utility.

1% of budgeted general office and audit expenses. The 135 customers in the utility represent 1.35% of the total population of the RM, so 1% cost allocation is reasonable.

Board Findings

The Board will approve revised sewer rates as applied for by the RM effective April 1, 2014.

The Board will require the RM to submit a copy of a revised By-law reflecting the decisions in this Order, once it has received second and third reading.

The Lockport Utility remains integrated with the General Operations on the RM's audited financial statements. The RM advises that the proper segregation will not take place until 2012 or 2013; this information is crucial to determining the adequacy of the rates set. The Board recommends that the RM do everything possible to have compliant financial statements for the 2012 fiscal year, and will direct the RM to submit a statement of rate adequacy, and if necessary, a rate application, no later than December 31, 2015.

The Board will approve the cost allocation methodology as submitted and reminds the RM that it must be used consistently and cannot be changed without Board approval.

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 as shown on Schedule "A" of this Order BE AND ARE HERBY APPROVED effective April 1, 2014.
2. The Rural Municipality of St. Clements file a copy of a revised By-law reflecting the decisions in this Order.
3. The cost allocation methodology is HERBY APPROVED.
4. The Rural Municipality of St. Clements submit audited financial statements for 2012 as soon as they are available.
5. The Rural Municipality of St. Clements has the Lockport Sewer Utility properly accounted for in their audited financial statements no later than the year ended December 31, 2013.

Schedule A
 Rural Municipality of St. Clements
 Sewer Rates
 By-Law 9-2012

SCHEDULE OF QUARTERLY RATES

- | | | |
|----|---|-----------|
| 1. | Quarterly Customer Service Charge | \$ 23.41 |
| 2. | Sewer Commodity rate (per cubic metre) | \$ 2.12 |
| 3. | Residential Equivalent Unit (cubic metre) | \$ 175.37 |

4. Quarterly Charge - Residential Equivalent Unit (REU).

REU	Service Charge	Sewer	Total
0.5	\$23.41	\$87.69	\$111.10
1	\$23.41	\$175.37	\$198.78
2	\$23.41	\$350.74	\$374.15
3	\$23.41	\$526.11	\$549.52

a. REU are assigned as follows:

- 0.5 REU Lockport Condominiums
- 1.0 REU Sonia's Stand, Lockport Grocery Store, Finish Line Café, Single Family Residence

5. Metered Services – Minimum Quarterly Charges

Notwithstanding the Commodity rates set forth in paragraph 2 hereof, all customers will pay the applicable minimum charges set out below, which will include allowances indicated:

Meter Size	Water Included (cm)	Service Charge	Commodity Charge	Total Quarterly Minimum
15 mm (5/8")	15	\$23.41	\$ 31.80	\$ 55.21
19 mm (3/4")	30	\$23.41	\$ 63.60	\$ 87.01
25 mm (1")	60	\$23.41	\$127.20	\$150.61
38 mm (1 1/2")	150	\$23.41	\$318.00	\$341.41

6. Billing, Due Dates and Penalties

All sewer utility accounts shall be billed quarterly and all bills shall be due and payable 30 days after the billing date. A penalty of 1 ¼% per month will be charged if not paid by the due date.

7. Outstanding Utility Charges are a Lien on the Land

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

8. New Services

All new services must be metered. The meter is to be approved by the Municipality prior to installation.