

M A N I T O B A) **Order No. 137/15**
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THE PUBLIC UTILITIES BOARD ACT) **December 10, 2015**

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

VILLAGE OF ST. PIERRE-JOLYS
WASTEWATER UTILITY
WASTEWATER RATES - JANUARY 1, 2016

Executive summary

By this Order, the Public Utilities Board (Board) varies the application made by the Village of St. Pierre-Jolys and approves revised wastewater rates effective January 1, 2016.

Rates are as follows:

	Current (By-law No. 2012-4)	Approved	Increase/ Decrease
Quarterly Service Charge	\$3.75	\$9.35	149.33%
Residential Equivalency Unit (REU)	\$95.00	\$94.75	-0.26%
TOTAL (REU + Service Charge)	\$98.75	\$104.10	5.42%

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

Rationale for the Board's decisions may be found under "Board Findings".

Introduction

The Village of St. Pierre-Jolys applied for revised wastewater rates on December 1, 2014, said rates to be effective January 1, 2015.

A Public Notice of Application was issued on December 29, 2014 affording customers the opportunity to comment to both the Board and Village with respect to the proposed increases.

The Board received no comments.

When reviewing an application, the Board has at its disposal two approaches, either a paper or a public hearing review. After the publication of the Notice of Application, the Board will consider the application and stakeholder responses, and determine which method of review is most appropriate.

A public hearing process allows the Utility and stakeholders the opportunity to present their application and any concerns to the Board in person.

Whenever reasonable, the Board will review the application using a paper review process, which saves the cost of a public hearing process. The Board has chosen this option for this application.

Background

This is a wastewater-only utility currently servicing 406 customers (635 REU's), estimated to grow to 439 customers (690 REU's) by 2017 based on historical population growth analysis as follows:

	% Growth	Customers	REU's
2014		406	638
2015	2%	414	650
2016	3%	427	670
2017	3%	439	690

Wastewater - Collection/Treatment:

The system consists of gravity wastewater with two lift stations into a main lift station pumping into the sewage lagoon, the original portion of which was built in the mid 1960's.

The lagoon discharges are made in the fall. The lagoon drains into the Rat River. There have been occasions when chlorine treatment has been required prior to discharge. There is no dumping of sewage into the lagoon by septic haulers.

The Utility is in compliance with its environmental license.

There are two operators, one of which has wastewater treatment I and wastewater collection certification and the other has a wastewater collection I certification.

The Village is committed to proceeding with a Lagoon expansion project and has spent a considerable amount already in engineering fees and land acquisition. The projected costs and funding sources are as follows:

Total Capital Cost	\$2,300,000
Less: 2/3rds Grant Funding	\$1,533,333
Net Cost	\$ 766,667
Funding Through Taxation	\$ 383,333
Funding Through Rates	\$ 383,333

Some of the spent costs may not be eligible for infrastructure funding. The Village recognizes that there is a possibility that grant funding may be less than the estimated two thirds (the Village applied twice through the Building Canada Fund and have so far been declined) and intends to fund any shortfall through property taxation, maintaining constant the Utility portion of the amount as included in its submission.

Further, the Village has not yet made application to the Municipal Board for debenture payment approval as it is waiting for the Public Utilities Board to approve the proposed new rates.

Application

Rates:

The Village applied for revised wastewater rates, to be effective January 1, 2015 as set out in By-law No. 2014-13 (read the first time on November 19, 2014). The application was supported by a 2014 rate study prepared by the Village's consultant.

The proposed rates were as follows:

	Current (By-law No. 2012-4)	Proposed (By-law No. 2014-13)	Increase/ Decrease
Quarterly Service Charge	\$3.75	\$9.07	141.87%
Residential Equivalency Unit (REU)	\$95.00	\$103.26	8.69%
TOTAL (REU + Service Charge)	\$98.75	\$112.33	13.75%

The proposed rates were expected to generate sufficient annual revenue to cover the following then projected annual expenses for 2017. Subsequent to Board queries, these projections were amended as highlighted:

	Original	Amended
Administration	\$2,275	\$2,275
Training costs	1,712	1,712
Net expenses general	3,987	3,987
Wastewater expenses		
Lift station costs	22,710	22,710
Public works salaries	4,322	4,322
Amortization	63,417	74,084
Reserves	10,000	10,000
Contingency	6,717	6,717
Interest on long term debt	30,364	22,633
Total wastewater expenses	137,530	140,466

Non-Rate Revenue		
Amortization of capital grants	30,667	37,778
Wastewater fees	2,083	2,083
Property tax for debt repayment-existing	5,341	5,341
Property tax for debt repayment- new(lagoon expansion)	28,206	27,798
Total Non-Rate revenue	66,297	73,000
Net Rate revenue requirements	\$71,233	67,466

Cost allocation methodology:

As a revised cost allocation methodology, the Village proposed that the costs be made up of 2% of administration wages plus actual training costs and 3% of public works wages. The Village ascertained that approximately one week of total administration staff time is spent per year on the wastewater utility. Public works time is fairly minimal related to the Utility and is estimated at one and one-half weeks per year. With staff not on time cards, this is deemed to be the best estimate available.

Board Findings

The Board is concerned about the funding arrangements for the lagoon upgrade. While the Village has indicated that it intends to fund any shortfall in grant funding through property taxation thus maintaining the Utility rate funding portion, it is not clear that this plan of action is sustainable. With the Village not yet having received Municipal Board approval for their debenture, it is not clear to the Board whether or not the Village will be in a position to pursue the lagoon project once the application process to the Municipal Board, as well as its application for infrastructure grant funding, are finalized. Because there is a potential impact on the rates, notwithstanding the Village's intent to hold these rates steady, the Board will require that the Village keep the Board apprised of progress and developments related to the lagoon project.

Tangible capital assets

The Board will ratify the Village council approval to extend the amortization period for the lagoon from the current 30 years to 50 years, such revised amortization reflected in the projections underpinning this approval.

Financial Statement Presentation

The Board notes that the Audited Financial Statements for the Village denote the REU fees collected as Property Taxes. Although the Board has approved that the fees be collected through property tax billings as an administrative convenience, these amounts are not property taxes and should not be so characterized in the financial statements. The Board makes a strong recommendation to the Village to change the description in future audited statements to "Wastewater Fees".

Rates

The Board notes that the rate study used an outdated methodology in determining contingency requirements. The Board's new guidelines, which are posted on its website, recommend a contingency provision of 10% calculated on the basis of the variable costs. The rate study had proposed a contingency based on the capital cost of the physical plant, a methodology no longer recommended by the Board. Consequently, the Board has adjusted the contingency requirements using its more recent guidelines, thus reducing the contingency provision from \$6,717 to \$2,703.

The rate study also projected population growth of 3% per year. This affects the denominator upon which rates are calculated. The Board is concerned that, if these growth rates are not attained, the rates will not generate sufficient revenue to cover Utility expenses. It will therefore base its rates on the projected 2016 customer base, rather than the 2017 numbers used in the rate study.

Rates are therefore being approved based on the revised 2017 financial projections adjusted for the change in the contingency provision and the more conservative population projections.

Cost Allocation Methodology

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.

The Board has considered the Village 's proposed change in their cost allocation methodology and will approve the revision while reminding the Village that this new methodology must be used consistently in the future, and requires Board approval should any further changes be considered.

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 wastewater rates for the Village of St. Pierre-Jolys as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED with revised rates to be effective January 1, 2016.
2. The Village of St. Pierre-Jolys submit a revised wastewater rate by-law reflecting this Order once it has received third and final reading.
3. The increase in the amortization period for the lagoon to 50 years BE AND IS HEREBY APPROVED.
4. The Village of St. Pierre-Jolys file a report with the Board concerning the lagoon expansion project when it has received the approvals or denials of its applications to both the Municipal Board and the grant funding provider, and should these approval processes take longer than anticipated, the Village is to provide an interim report no later than December 31, 2016.
5. The Village of St. Pierre-Jolys review its wastewater rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates if required, by no later than June 1, 2018.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."

Acting Chair

"JENNIFER DUBOIS, CPA, CMA"

Acting Secretary

Certified a true copy of Order No. 137/15 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE "A"
VILLAGE OF ST.PIERRE-JOLYS
WASTEWATER RATES

1. Commodity rates

Annual Fees	2016 and future years
Service Charge	\$9.35
Residential Equivalency Unit (REU)	\$94.75
TOTAL	\$104.10

2. Wastewater Connection fees:

- a) Residential & Commercial \$ 350
- b) Capital Contribution Lot fee \$2,000
- c) Non Residential Connection Fee \$4,000

<u>Customers with REU of 2.5 (5 Units)=</u>	2	5.0
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13100 40771212 MB Ltd. - Le Routier Restaurant
 28460 Oma's Restaurant

<u>Customer with REU of 3(6 Units) =</u>	2	6.0
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400 Apartment- Luc Peloquin
 600 Regis Nayet - Apartment Block

<u>Customers with REU of 4 (12 Units) =</u>	3	12.0
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23100 Jos Robidoux - 4-Plex
 28200 Eloi Nayet - Apartment Block
 30300 Andre Braun - 4-Plex

<u>Customers with REU of 5 (10 Units) =</u>	2	10.0
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9100 R.M. Of DeSalaberry
 20525 Her Majesty the Queen - RCMP

<u>Customer with REU of 6 (6 Units)=</u>	1	6.0
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3700 Anita Terrick - Apartment Block

<u>Customer with REU of 8(16 Units) =</u>	2	16.0
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12300 Village of/de St-Pierre-Jolys (Rec. Centre)
 20600 Chubey Villas

<u>Customers with REU of 12 (12 Units) =</u>	1	12.0
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20570 Alvin & Lydia Falk - Harvey & Lorraine Barkman - Apartment Block

<u>Customer with REU of 19 (19 Units) =</u>	1	19.0
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12400 Red River Valley School Division (School)