

M A N I T O B A) **Order No. 140/15**
)
THE PUBLIC UTILITIES BOARD ACT) **December 21, 2015**

BEFORE: Susan Proven, P.H.Ec., Acting Chair
Régis Gosselin, B ès Arts, MBA, CPA, CGA, Chair
The Hon. Anita Neville, P.C., B.A. (Hons.), Member

**RURAL MUNICIPALITY OF MORRIS
AMALGAMATION OF LOWE FARM, SPERLING,
ROSENORT and RURAL WATER UTILITIES**

Summary

The Public Utilities Board (Board) hereby approves the amalgamation of the Lowe Farm, Sperling, Rosenort (Urban) and Rural Water (Rural) Utilities, previously operated as separate utilities by the Rural Municipality of Morris (RM). The amalgamated utility shall be known as the Rural Municipality of Morris Utility. The amalgamation shall take effect January 1, 2016.

The rates currently approved by Board Order No. 157/11, plus any Board approved pass-through rate increases from the Pembina Valley Water Co-operative, shall remain in force.

Background

The RM currently owns and operates four utilities, namely Rosenort, Lowe Farm, Sperling and the Rural water utility. Rates were last approved by Board Order No. 157/11, with separate rates for the for the Rural and Urban utilities.

The Rural water utility system was constructed between 1998 and 2008. It was built with contributions from customers. There are currently 478 connections.

The Urban utilities (Rosenort, Lowe Farm and Sperling) were constructed in approximately 1985 (Rosenort and Lowe Farm) and 2002 (Sperling). Currently, Rosenort has 318 connections, Lowe Farm has 134 connections and Sperling has 51 connections, for a total of 503 connections for the Urban utilities.

All water is supplied by the Pembina Valley Water Co-operative (PVWC). The Urban centres have reservoirs and the water requires re-chlorination and pressurizing before being distributed to customers. The Rural water system is pressured by the PVWC. All non-bulk customers are metered using remote metering devices.

The Urban wastewater systems are low-pressure collection systems.

Application

On December 22, 2014 the Board received an application from the Rural Municipality of Morris requesting approval to amalgamate the four utilities into one utility operation. When reviewing an application, the Board has at its disposal two approaches, either a paper or a public hearing review. The Board decided to review this application with a public hearing process, to allow the RM to present their application and give stakeholders the opportunity to ask questions and express their concerns regarding the amalgamation to the Board in person.

A Notice of Public Hearing was issued November 5, 2015 for a public hearing to be held in the Town of Morris on December 1, 2015. The Board received no responses to the Notice, and the RM reported two inquiries.

The RM advises that some of the rural area customers are now connecting to Urban centre wastewater systems, where this is feasible. These customers are now Rural water and Urban wastewater customers, another reason the RM wishes to amalgamate. The RM also advises that the regulations set out by Manitoba Conservation limiting the ability to use septic fields has increased the demand for wastewater collection systems in the RM and they anticipate that they will continue to provide extensions into the rural areas.

The RM advised that existing reserve positive fund balances for individual utilities would be set aside for future projects in the specific areas that have funds set aside. In the most recent audited financial statements for the period ending December 31, 2014, only Rosenort and the Rural Water utility had reserve funds.

As resolved in the RM's Council Resolution No. 254/14, the RM will conduct a water rate review/study in 2015 to ensure that the rates being charged are adequate to ensure the long term viability of the Utility.

Public Response and Hearing

The Public Hearing was held in accordance with the published notice. The hearing was attended by the CAO, the public works manager, the Reeve and four members of Council. There were no members of the public in attendance.

The CAO and Reeve presented to the Board on behalf of the RM. The Reeve emphasized that Council has long held the belief that the RM is stronger when it acts regionally, rather focusing on individual communities. This has allowed the RM to provide water distribution service to 97% of the residents of the RM. Council believes that the regional approach allows for greater economic progress in the RM. Given the regional strategy, amalgamation of the four utilities makes sense, and allows for continued efficiency in the management of the RM's water and wastewater services.

The RM advised that they had received two calls regarding the Public Notice. The first was from the postmistress in Sperling, who wanted to be able to explain the posted Notice in the post office to anyone who asked questions about it and the second was from the Rosenort Credit Union, asking about the impact on ratepayers. After it was explained by the RM advised that the application was only to amalgamate the utilities, and did not include any application for rate increases, no further questions or concerns were received from or expressed by those stakeholders.

The Board asked the RM to explain why they plan to continue charging an Urban and Rural rate after amalgamation, since a single utility generally charges a single rate. The RM will charge different rates to allocate the costs associated with the reservoirs serving the Urban centres. Once the utilities have been amalgamated, only the financial results for the combined utility will appear in the RM's audited statements; revenues and costs for each community will no longer be separately reported. The RM advised that the RM's internal accounting system allows those costs to be tracked separately and that the RM will be able to provide appropriate reports to support rate calculations when making future rate applications to the Board.

Board Findings

The Board approves the amalgamation of the Lowe Farm, Sperling, Rosenort and Rural Water Utilities, previously operated as separate utilities by the Rural Municipality of Morris, effective January 1, 2016.

The Board made this decision on the basis that a combined utility for the region is aligned with the RM's regional strategy. The RM will be able to extend wastewater services to those customers or residents not currently served by existing water and wastewater services. The RM is forecasting customer increases in the future and the Board believes that an amalgamated utility will be better able to serve its growing clientele.

The water and wastewater services were already being managed on an amalgamated basis by the RM. The Board's approval provides official recognition of the amalgamation of the utilities.

Ratepayers were given an opportunity to comment on or ask questions about the proposed utility. There were no concerns expressed by the ratepayers about the amalgamation.

It is important that the RM continue to track revenues and expenses of rural and urban customers so as to be able to support separate rates for those two classes of customers when applying for increased utility rates. The Board will require the RM to review the operations of the utility and file a statement of rate adequacy, and rate application if necessary, on or before June 30, 2017.

Board Order No. 157/11 ordered the RM to file an application for a lagoon tipping fee. The Order also required the RM to annually review the rate rider approved for deficit recovery and prepare and submit a report on same by January 31 in each year beginning in 2013. To date, this has not been done and remains outstanding. The

Board will expect the first report on the rate rider to include the historical information going back to 2013.

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 HEREBY ORDERED THAT:

1. The amalgamation of the Lowe Farm, Sperling, Rosenort and Rural Water Utilities to form the Rural Municipality of Morris Utility is HEREBY APPROVED effective January 1, 2016.
2. The Rural Municipality of Morris Utility will review the operations of the utility and file a statement of rate adequacy, and rate application if necessary, on or before June 30, 2017.
3. The Rural Municipality of Morris annually review the rate rider approved for deficit recovery and prepare and submit a report on same to the Public Utilities Board by January 31 in each year.
4. The Rural Municipality of Morris Utility will apply for approval of a lagoon tipping fee on or before June 30, 2016.

Fees payable upon this Order – \$1,500.00

THE PUBLIC UTILITIES BOARD

“SUSAN PROVEN, P.H.Ec.”
Acting Chair

“JENNIFER DUBOIS, CPA, CMA”
Acting Secretary

Certified a true copy of Order No.
140/15 issued by The Public Utilities
Board

Acting Secretary