

M A N I T O B A) Order No. 24/15
)
THE PUBLIC UTILITIES BOARD ACT) February 24, 2015

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

RURAL MUNICIPALITY OF ST. CLEMENTS
GRAND MARAIS SUNSET BAY SEWER UTILITY
INTERIM SEWER RATES

Summary

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, initial sewer rates for the Grand Marais Sunset Bay Sewer Utility (Utility) applied for by the Rural Municipality of St. Clements (RM).

The new rates are to be effective January 1, 2015, 2016 and 2017. The approved rates are shown below.

	January 1, 2015 By-law 15- 2014	Increase/ Decrease	January 1, 2016	Increase/ Decrease	January 1, 2017	Increase/ Decrease
Semi-Annual Service Charge	\$19.93	New	\$20.62	3.46%	\$21.04	2.04%
Semi-Annual Flat Rate Sewer -Vacant Lots	\$51.23	New	\$46.72	-8.80%	\$41.93	-10.25%
Semi-Annual Flat Rate Sewer - Connected Lots	\$102.45	New	\$93.45	-8.78%	\$83.87	-10.25%
Total Semi-Annual charges – Vacant Lots	\$71.16	New	\$67.34	-5.37%	\$62.97	-6.49%
Total Semi-Annual charges – Connected Lots	\$122.38	New	\$114.07	-6.79%	\$104.91	-8.03%
Service Call-Out Fee-Residential /call	\$75.00	New	\$75.00	0.00%	\$75.00	0.00%
Service Call-Out Fee-Business/Institutions /hour*	\$50.00	New	\$50.00	0.00%	\$50.00	0.00%
Reconnection Fee	\$30.00	New	\$30.00	0.00%	\$30.00	0.00%
*After hours charge \$100.00 /hour plus cost of private contractor						

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

Background

The RM of St. Clements built a 2-cell lagoon in 1996 in the vicinity of Grand Marais. The wastewater from the residences in the area is trucked to the lagoon.

Sunset Bay, a new 166 lot sub-division was recently developed. The project included the construction of low pressure sewer lines to service the 166 properties within Sunset Bay. At the time of the filing, 154 of the lots were vacant and twelve were connected. The RM advises that they are projecting that lots will become connected at a rate of 5-10 per year.

The low pressure system is connected to a lift-station, which in turn pumps via a forcemain to the lagoon. The lagoon is located approximately 1 km to the east of Sunset Bay. The construction of the sewer system was finalized in November of 2014.

Application

The Rural Municipality of St. Clements (RM) applied on December 22, 2014 for initial sewer rates for the Grand Marais Sunset Bay Utility. The application was accompanied by a rate study prepared by the RM and By-law No. 15-2014 having received 1st reading on December 9, 2014.

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.

In some cases, the Board can also establish interim *ex parte* rates, which are rates that are subject to review following a more complete process. When setting initial rates for a new utility, the Board will often approve interim *ex parte* rates. These are then confirmed as final once there is sufficient information about customers and expenses to provide accurate projections for rate setting purposes. The Board has determined this is appropriate in the case of the Sunset Bay Utility.

Since there is no cost effective mechanism to measure sewage from the residences, the RM is proposing two flat fees based on connection to services. These flat fees are known as residential equivalency units (REUs), and are used in communities with unmetered distribution and collection systems, where information regarding actual consumption is unavailable.

In its initial submission to the Board, the RM proposed that the number of residential equivalency units (REUs) assigned were 178, calculated by assigning the vacant lots 1 REU and the connected lots 2 REUs.

Since one REU is defined as the volume of water estimated to be used by the average single family residence, the Board requested that the RM revise its submission to allocate 1 REU to each connected lot, and provide supporting information for charging the vacant lots half of the amount being charged to connected lots. The RM responded stating that, "...all customers should pay a fair share of the expenses related to the operation of the system, since almost 80% of the utility costs are fixed costs."

Upon further discussion with the Board, the RM amended the rate application to be based on a total of 127.5 REUs, assigning each vacant lot .75 REUs instead of .5 REUs, to more accurately reflect the fixed costs associated with the utility.

The RM submitted that they plan to bill semi-annually, with the first billing expected to be sent out in June 2015. Letters have reportedly been sent to the property owners in the Sunset Bay Local Improvement District advising that Council has given first reading to By-law No. 15-2014.

The RM has advised that it plans to submit a comprehensive rate study following a full year of service. It will then be able to incorporate actual costs and any other pertinent information to forecast the rates for future years.

Budgeted expenditures

The rates were determined based on the following budgeted expenditures.

	2015	2016	2017
Administration	4,000	4,120	4,244
Billing and collection	1,000	1,030	1,061
Working capital surcharge	1,616	1,694	1,681
Net revenue required - General	6,616	6,844	6,985
Sewer Expenses			
Staffing	10,000	10,300	10,609
Sewage Lift Station	12,000	12,360	12,731
Other Sewage Collection & Disposal Cost	12,000	12,360	12,731
Amortization/ depreciation	33,333	33,333	33,333
Interest on long term debt	90,100	87,375	84,514
Reserves	2,000	2,000	2,000
Contingency	3,400	3,502	3,607
Total sewer expenses	162,833	161,230	159,525
Sewer revenue			
Taxation revenues	144,597	144,597	144,597
Total non-rate revenue- sewer	144,597	144,597	144,597
Net revenue required - Sewer	18,236	16,633	14,928

Board Findings

The Board will, on an interim *ex parte* basis, approve initial sewer rates as applied for by the RM effective January 1, 2015, 2016 and 2017.

The Board makes this interim rate decision because this is a new utility, without sufficient history to accurately project costs and revenues.

The Board will approve the assignment of 127.5 REUs to the vacant and connected lots as applied for in the amended application submitted by the RM. Given that approximately 80% of costs are fixed, this is a more appropriate allocation than the 50% originally proposed. Though vacant lots are not receiving any collection services, there is a benefit to the owners of vacant lots that have access to sewage collection systems, and those owners should bear a fair share of fixed costs for the advantage of having access to the Utility.

The RM has advised the Board that a letter was sent to residents, but failed to provide a copy of this letter with the rate application. The Board will direct the RM to send a Notice advising the owners of property in the Sunset Bay subdivision of the decisions in this Order, with a copy provided for the Board's files, on or before March 31, 2015.

The Board will also require the RM to submit a rate study on or before September 30, 2016.

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.

The Rural Municipality of St. Clements

SCHEDULE "A"
 SEWER RATES (Amended)
 BY-LAW NO.15-2014

1. COMMODITY SEWER RATES- SEMI ANNUAL SEWER RATES

<u>Sewer</u>	<u>Vacant Lots</u>	<u>Connected Lots</u>
January 1 st , 2015	\$53.64	\$71.52
January 1 st , 2016	\$48.92	\$65.23
January 1 st , 2017	\$43.91	\$58.54

2. FIXED SEMI ANNUAL SEWER CHARGES

	<u>Sewer Admin. Charges</u>	<u>Sewer Rates</u>	<u>Total Sewer Charges</u>
January 1, 2015:			
Vacant Lots	\$19.93	\$53.64	\$73.57
Connected Lots	\$19.93	\$71.52	\$91.45
January 1, 2016:			
Vacant Lots	\$20.62	\$48.92	\$69.54
Connected Lots	\$20.62	\$65.23	\$85.84
January 1, 2017:			
Vacant Lots	\$21.04	\$43.91	\$64.95
Connected Lots	\$21.04	\$58.54	\$79.58

3. SEPTAGE DUMPING

All septic haulers will need to have a municipal business licence and indicate the trucks and their capacities. A Dumpage fee shall be set in 2016, after further review of the utility operations.

4. SERVICE CALL-OUTS

(a) The Property owners of the residential premises will be charged a set fee of \$75.00 for each and every call out concerning blocked sewer services, maintenance of service, thawing of frozen services, repairs, etc.

- (b) There will be a charge to businesses and/or institutions for a call out rate of \$50.00 per hour, during regular working hours, for municipal staff plus actual costs for any private contractor to clean out, disconnect, reconnect, and/or thaw out sewer services..

After hours call out rate is \$100.00 per hour plus actual cost for a private contractor.

5. BILLINGS TO PENALTIES

Accounts shall be billed semi-annually, and shall be due and payable fourteen days after the date of billing. A late payment charge of 1 ¼% per month shall be charged on the dollar amount owing after the billing due date and shall compound monthly.

6. DISCONNECTING FOR NON-PAYMENT

- (a) The Public Utilities board has approved the Conditions Precedent to be followed by the municipality with respect to the disconnection of service for non-payment including such matters, as notice and the right to appeal such action to the Public Utilities Board. A copy of the Conditions Precedent is available for inspection at the Municipal office.
- (b) In the event that services are disconnected in accordance with the above noted Conditions Precedent, there shall be a termination fee of \$30.00 charged to the consumers account.
- (c) Prior to services being reconnected, payment of all arrears, penalties, disconnection charges, etc. as well as a reconnection fee of \$30.00 must be paid in full or suitable payment arrangements made.

7. OUTSTANDING UTILITY CHARGES

Any account that remains outstanding for more than 30 days may be added to the property taxes in accordance with Subsection 252(2) of *The Municipal Act*. Because water and sewer services may be provided and billed to a tenant, information about accounts outstanding may be shared with the property owner.