

Order No. 31/23

**ROSENFELD SANITATION COOPERATIVE LTD
REVISED WASTEWATER RATES**

March 17, 2023

**BEFORE: Shawn McCutcheon, Panel Chair
Irene Hamilton, K.C., Panel Member**

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1.0 Executive Summary

By this Order, the Public Utilities Board grants approval of revised wastewater rates effective January 1, 2023 to 2028, for the Rosenfeld Sanitation Cooperative Ltd (Coop).

The approved rates are shown below:

	Jan 1, 2023	Jan 1, 2024	Jan 1, 2025	Jan 1, 2026	Jan 1, 2027	Jan 1, 2028
Quarterly Charge - wastewater service	\$ 80	\$ 100	\$ 110	\$ 115	\$ 120	\$ 125

*Based on a flat rate charged to all members

The reasons for the Board's decisions are under Board Findings.

2.0 Background

The Rosenfeld Sanitation Cooperative Ltd operates a wastewater utility located in the RM of Rhineland (RM). The charter bylaws of the Coop were filed with the Province of Manitoba on January 3, 1983. The Coop has 117 members and advises it has seen an average increase of one member per year.

The RM, on behalf of the Coop, bills the members quarterly. The RM does not charge the Coop for this service. All members are customers of the municipal water utility and have meters.

Rates were last increased by the Coop in 2006.

3.0 Board Methodology

In Board Order No. 31/09 the Board first introduced the Complaint Based Regulatory Model for use in regulating private and cooperatively owned utilities in Manitoba. The Board decision stated:

“Concurrently, the Board determined that a different regulatory approach should be used for smaller non-municipally owned utilities, and has adopted a Complaints Based Regulatory Model. This approach involves less cost and only requires owners to report annually their financial results and capital plans, and to provide an annual statement providing assurance regarding water quality.

The new approach also requires owners to provide the Board and ratepayers notice of any proposed rate change, this to provide an opportunity for the consumer to complain to the Board. If no complaint is filed, and unless otherwise advised by the Board, the new rates may take effect as proposed.”

4.0 Application

In October 2022, the Coop contacted the Board to communicate its intention to increase its wastewater rates.

The Coop filed a copy of the Notice for members, a quote for desludging the lagoon and the working papers used to calculate the proposed rates.

The Notice explained the increase to wastewater rates was driven largely by the need to desludge the lagoon and the Coop’s plan to do so in 2028, as well as a need to increase rates to cover the basic expenses of operating the Coop. The lagoon has been in operation for 38 years, and the sludge had never been measured. This was done in the summer of 2022 and found the accumulation to be more than anticipated.

The Coop provided the Notice to its members, and the Board received one response to the Notice in January 2023. The member expressed concern about the rate increases and felt the magnitude of the increases was unmanageable for many residents. The member also suggested the Coop implement volumetric rates for wastewater.

The Board asked the Coop to provide further explanation of the rationale for the timeline of the proposed rate increases as well as a copy of the Coop's bylaws. The Coop responded by providing the by-laws and an explanation of the Coop's plan with regards to the desludging of the lagoon. The Coop intends to fund the desludging project over a period of ten years and the goal is to save a minimum of 50% of the estimated cost in advance. The Coop Board considered the rates having remained at the current rate since 2006 and decided a substantial increase was warranted to increase the Coop's ability to save.

The Coop also advised consideration was given to changing the wastewater rates to a volumetric rate and it was decided not to proceed at this time. The reasons given were concern over the need to rely on the RM for billing, because the volumes required are only available from the RM, who owns the meters. With flat rate billing, the Coop can take over its own billing if need be. The Coop expressed concern over the setting of rates on a volumetric basis, and the potential impact on consumption that may result. The Coop Board decided that implementing a significant increase in rates and change in methodology at the same time would potentially create confusion amongst members, and a change in consumption would put the Coop's ability to save towards the desludging project at risk.

The Coop advised it would be willing to revisit the idea of changing to a volumetric rate or reducing rates once the desludging project is completed and financed.

5.0 Board Findings

The Board considered the application, the complaint and the Coop's responses to the complaint and Board inquiries. The Board decided the complaint did not warrant imposing a full rate application process on the Coop and finds the proposed rates and projections to be reasonable. The Board grants approval for the revised rates.

The Board appreciates the concerns expressed, and the rate increases are considered rate shock. Rate shock is common where rate requirements are not addressed for significant periods of time. The Coop has not increased its rates for 16 years. The increase is required in large part due to the need to desludge the lagoon. The Board is supportive of the Coop's plan to save at least half of the required funds in advance of the desludging project, rather than financing the entire project.

Generally, the Board does not approve retroactive rate increases, as they do not allow ratepayers to mitigate the increases by adjusting their consumption. In the case of the Coop, the rates are set on a flat rate, not by consumption and the 2023 first quarter utility bills have not yet been prepared by the RM.

Regular reviews are important for a financially sound utility and the Board encourages the Coop to continue to regularly review its rates and consider the benefits of implementing volumetric rates.

The Board recommends the Coop develop a long term strategy to set aside reserves for large capital needs such as desludging. The Coop submitted evidence from the Province of Manitoba that indicated a utility can expect to desludge a lagoon approximately every 18 years. In order to mitigate intergeneration inequity in paying for these capital investments, the Coop should ensure future needs are built into current rates and funds set aside appropriately.

6.0 IT IS THEREFORE ORDERED THAT:

1. Revised wastewater rates for the Rosenfeld Sanitation Cooperative Ltd BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective January 1, 2023 to 2028.

Fees payable upon this Order - waived

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 Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

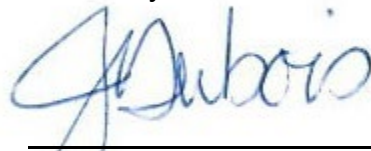
"Shawn M^cCutcheon"

Panel Chair

"Jennifer Dubois, CPA, CMA"

Assistant Associate Secretary

Certified a true copy of Order No. 31/23
issued by The Public Utilities Board



Assistant Associate Secretary

Schedule ARosenfeld Sanitation Cooperative Ltd

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