

M A N I T O B A) Order No. 31/09
)
THE PUBLIC UTILITIES BOARD ACT) March 26, 2009

BEFORE: Graham Lane, CA, Chairman
 Susan Proven, P.H.Ec., Member

ST-GEORGES UTILITIES WATER CO-OPERATIVE
REVISED WATER RATES

Executive Summary

By this Order the Public Utilities Board (Board) approves revised water rates for the St-Georges Utilities Water Co-operative (Utility) effective April 1, 2009.

Residential rates are revised to \$45.00 from \$30.00 per month, to be billed quarterly with a one month discount if a ratepayer pays annually.

The Utility withdrew a preliminary application for a commercial rate and, furthermore, advised that once sufficient monies have been set aside to meet future costs, rates may be reduced.

Background

The Public Utilities Board (Board) regulates approximately 250 water and/or sewer utilities in the Province pursuant to *The Public Utilities Board Act (Act)*. Historically, the Board has exercised regulatory forbearance over small water utilities, which include some owned privately and others on a co-operative basis.

In 2008, the Board discontinued the practice of regulatory forbearance, noting that utilities provide essential services, and most often in a monopoly environment. Furthermore, the need for ensuring safe drinking water and effective long range planning has never been greater.

Also, the Board noted that the owners' right to disconnect service for non-payment represents an increasing health-related risk for some low-income families. Consequently, the Board

determined disconnections require reasonable regulatory oversight.

The Board also noted that on a fairly regular basis the ownership of small water and sewer utilities are being transferred to municipalities, and, given this, reasonable regulatory oversight of smaller utilities may provide municipalities a higher degree of assurance that the system operations of utilities being transferred to a municipality have been reviewed for prudence on a regular basis.

Nothing has come to light to suggest that non-municipal owners of small water and sewer utilities are not doing a good job; the Board's decision to cease regulatory forbearance is strictly based on a least risk strategy given the importance of safe water.

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.

In the Board's view such an approach allows the Board to discharge its statutory responsibilities in a least cost manner.

St-Georges Utilities Water Co-operative (Utility) Rate Proposal

Pursuant to the Complaints Based Regulatory Model, the Utility, on November 12, 2008, provided notice to its members (113 connected ratepayers) that a water rate increase was proposed to take effect April 1, 2009.

And, for the first time, the Utility proposed to introduce residential and commercial rates, as noted below.

\$/month⁽¹⁾	Existing	Proposed	Increase
Residential	\$30.00	\$45.00	50%
Commercial	\$30.00	\$90.00	200%

⁽¹⁾Ratepayers are billed quarterly and if the ratepayer chooses to pay annually the Utility offers a one month discount.

The Utility justified the rate increase as follows:

1. As required by Federal and Provincial regulations, the contingency fund must hold a minimum balance that is equal or greater than the current member shares in case of emergency repairs and/or other unforeseen scenarios.
2. As per Water Stewardship, the Utility needs to conduct an engineering assessment on the system by March 2010 and this assessment could cost in excess of \$15,000.00.

3. The Water Treatment plant must produce water to certain standards, of which it currently cannot. The Utility will encounter a considerable cost to comply with regulations. Upgrades will be required to the pump house and water lines and an increase of trained staff will be required.

As the first Notice did not advise the ratepayers of the ability to complain to the Board, the Utility forwarded a revised notice to ratepayers on February 18, 2009.

In response to this Notice, the Board received several complaints regarding the proposed increase from the St-Georges Community Club Inc., a citizen, the Rural Municipality of Alexander (RM), the Allard Regional Library and Caisse La Prairie all opposing the commercial rate and suggesting the Utility ought to install water meters throughout its system.

On March 10, 2009, the Utility advised it was temporarily setting aside the proposed Commercial rate but was still seeking a rate increase in the form of a monthly flat charge, as noted above.

The Utility advised its ratepayers that the commercial rate concept will be reviewed at future meetings of its members.

In its correspondence, the Utility reiterated that it requires funds for the engineering assessment required by Regulations and, furthermore, if the system were to be transferred to the RM there were insufficient funds to pay out members' shares.

The Utility advised that the rate increase would allow the Utility to be in a stronger financial position, and that once sufficient funds have been set aside to meet future costs the Utility may be able to reduce rates.

The Board noted that Manitoba Water Stewardship provided a report to the Utility on May 5, 2008 and the report concluded as follows:

"The St-Georges Water Co-op Public Water System has fulfilled its obligations in 2007 for bacterial monitoring and reporting; however, regulatory obligations with regard to the following must improve in 2008:

- * Disinfectant monitoring and reporting
- * Turbidity monitoring and reporting
- * Trihalomethane sampling requirements"

And in follow-up to Board staff, the Utility, on November 5, 2008, advised that the Utility had improved its monitoring and reporting requirements.

The latest financial information, provided to the Board for the period ending March 31, 2008 (audited financial statements), indicated that the Utility earned a net income of \$13,679, and that the total expenses of the Utility were \$34,412.

Member's Equity for the same period ending was \$105,688 - an increase of \$10,368.

The Board also noted that the balance of capital assets recorded at cost with an amortization rate of 5% was \$74,129.

Board Findings

Given ratepayers were properly advised of the pending rate increase and having received several complaints under the Complaints Based Regulatory Model, the Board reviewed the justification for the rate increase.

The complaints were related to the introduction of the new commercial rate, a proposal that was subsequently withdrawn by the Utility, and as to the use of meters. There were no complaints regarding the Utility's need for additional funds.

The Board agrees that meters are the best way to ensure costs of operating a utility are recovered fairly from all customers, though installation would be costly and requires considerable analysis as to relative value.

In absence of meters, the Board's Guidelines for the development of fair and equitable rates, which can be found at the Board's website at www.pub.gov.mb.ca, addresses the procedures to be followed for unmetered systems. The Guidelines make reference to the use of Residential Equivalent Units (REU). In absence of meters, all residential customers are assessed one REU and commercial customers are assessed a multiple of the REU depending on expected consumption.

The Board finds the Utility to be correct in its determining a need for a differentiation between residential and commercial customers. However, the Board also agrees with the ratepayers that before a commercial rate is set a careful review is required to best ensure the differentiation from the lower residential rate is justifiable.

The Utility has yet to provide information as to the differentiation of rates between residential and commercial. The Board encourages the Utility to conduct a review to provide support for the differentiation, and to propose a new rate schedule to the Board while sharing its proposal with its members.

With respect to the Utility revenue requirements the Board will approve the rate increase being sought.

The Board is aware of the requirement for engineering assessments and the projected cost of the planned assessment is reasonable, compared to similar reviews conducted elsewhere. The increase in rates will allow the Utility to fund the engineering assessment, and, further, possibly meet such necessary capital improvements and need for trained staff as may be determined.

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 monthly water rate of \$45.00 to be applied to all customers of the St-Georges Utilities Water Co-operative collected quarterly and discounted one month if paid annually, BE AND IS HEREBY APPROVED effective April 1, 2009.

Fees payable upon this Order - \$50.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"GERALD BARRON, FCGA"

Acting Secretary

Certified a true copy of Order
No. 31/09 issued by The Public
Utilities Board

Acting Secretary