

M A N I T O B A                    )     Order No. 136/12  
  )  
THE PUBLIC UTILITIES BOARD ACT   )     October 18, 2012

BEFORE:   Susan Proven, P.H.Ec, Acting Chair  
           Régis Gosselin, BA, MBA, CGA, Chair  
           Larry Soldier, Member

RURAL MUNICIPALITY OF RIVERSIDE  
LOCAL IMPROVEMENT DISTRICT # 2 NINETTE  
2008 and 2009 DEFICIT APPROVALS  
AND  
REVISED SEWER RATES- 2012

## Summary

The Public Utilities Board (Board) hereby varies the application made by the Rural Municipality of Riverside (RM) and approves revised sewer rates for the Ninette Sewer Utility (Utility) effective for January 1, 2012.

The current, proposed and now approved rates are noted below:

Annual charges <i>Per Residential equivalent Unit</i>	Current	Proposed	Increase/ Decrease	Approved	Increase/ Decrease
Service charge	\$10.50	\$10.50	0%	\$18.38	75%
Commodity charge	\$48.50	\$123.90	155%	\$154.17	218%
Total annual charge	\$59.00	\$134.40	128%	\$172.55	192%

The Board also approves the deficits incurred in 2008 and 2009, to be absorbed within the Utility's fund surplus.

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

## Introduction

The RM submitted an application on November 10, 2011 for revised sewer rates for the Ninette Sewer Utility to be effective for 2012. Existing rates were established in 2000.

A Public Notice of Application was issued on January 27, 2012 affording customers the opportunity to comment to both the Board and the Utility with respect to the proposed increases.

The Board has at its disposal two alternative processes to deal with rate applications.

It may determine that an oral hearing is warranted or that a paper review process is sufficient.

The Board received five responses from stakeholders objecting to the increase, the nature of the objections was such that the Board concluded that an oral hearing was in the best interest of all concerned.

A Notice of Public Hearing was issued on July 23, 2012 and the Hearing was held on September 10, 2012 in the Ninette Centennial Hall in Ninette, Manitoba in the Rural Municipality of Riverside.

### **Background**

The Utility currently services 136 customers but expects the customer base to expand to 142. The application was made based on the existing customer base only. The RM expects the nonresidential customer base to remain stable at ten. The RM has provided 156.5 as the total number of REU's for calculation purposes.

The system consists of sewer lines and a lift station that were built in approximately 1978 with some upgrading in 1999. A new lagoon was completed in September 2010.

Wastewater is collected by conventional gravity means, conveyed to a central lift station and pumped to a conventional two-cell stabilization pond.

The RM has indicated that a certified operator was recently hired and meets certification requirements.

**Application**

The application was submitted November 10, 2011, along with By-law No. 8 of 2011 read for the first time November 9, 2011. The accompanying rate study was prepared by municipal staff.

The application proposed the following rates for Ninette:

ANNUAL CHARGES	REU's*	Current			Proposed 2012			Inc
		Service charge	Commodity	Total	Service charge	Commodity	Total	
Single dwelling	1	\$10.50	\$48.50	\$59.00	\$10.50	\$123.90	\$134.40	128%
Small retail	1.5	\$10.50	\$72.75	\$83.25	\$10.50	\$185.85	\$196.35	136%
Cafe, School	2	\$10.50	\$97.00	\$107.50	\$10.50	\$247.80	\$258.30	140%
Apt Buildings	3	\$10.50	\$145.50	\$156.00	\$10.50	\$371.70	\$382.20	145%
Laundromat	5	\$10.50	\$242.50	\$253.00	\$10.50	\$619.50	\$630.00	149%
Hotel	7	\$10.50	\$339.50	\$350.00	\$10.50	\$867.30	\$877.80	151%
Residential institution	15	\$10.50	\$895.50	\$906.00	\$10.50	\$1,858.50	\$1,869.00	106%

\*Residential equivalent unit

The application was based on the following projected annual expenses:

<b>Administration</b>	<b>1,500</b>
<b>Sewer</b>	
Staffing	6,000
Sewage Lift Station	6,500
Disaster costs	7,500
Other Sewage Collection & Disposal Costs	250
<b>Total sewer expenses</b>	<b>20,250</b>

The projected expense entitled "disaster" is essentially a provision for unexpected expenses such as line replacement and repair, usually referred to as contingency provision.

In separate communications with the Board, the RM confirmed that it had omitted amortization and underestimated administration expenses in its expenditure projections, and provided additional information on these values.

The RM's application did not include any reference to a cost allocation policy between its Utilities in its general operation whereby common costs are apportioned to reflect the true operating cost of the utilities.

### **Public Response**

There were five responses from customers objecting to the increase. Four of the responses objected to the proposed rate increase. The fifth customer added that the RM is mostly made up of seniors on fixed income, and that the increase for the Café, hotel and small retail business is extremely high.

In addition, the Public Hearing took place in accordance with the Notice. Approximately 25 stakeholders attended. Those in attendance reiterated the concerns expressed in the five written submissions received by the Board.

The hearing attendees seemed accepting of the proposed rates once the reasoning behind the increase was explained.

## Board Findings

The Board will vary the application made by the RM and will approve revised rates effective 2012 based on the following amended expenditure projections:

<i>Expenses:</i>	
<b>Administration</b>	<b>2,500</b>
<b>Sewer</b>	
Staffing	6,000
Sewage Lift Station	6,500
Other Sewage Collection & Disposal Costs	250
Amortization/ depreciation	3,877
Contingency	7,500
<b>Total sewer expenses</b>	<b>26,627</b>

The Board has adjusted the projections based on the information provided by the RM. This includes a higher administration charge and amortization expense, which is now required for municipalities in compliance with Public Sector Accounting Board standards.

The Board is sensitive to the customer reaction to the magnitude of the rate increases. The increases herein approved can be considered to be rate shock, something that is common where rate requirements are not addressed for significant periods of time. In this case, it has been 12 years since a rate change has taken place. Consumers are generally more tolerant of regular, smaller increases. The RM needs to be more diligent in conducting regular reviews of its revenue requirements.

In the meantime, by law, Manitoba utilities are not allowed to incur deficits. Should a deficit occur the utility is required to obtain Board approval for a recovery methodology.

The Board is therefore duty bound to approve reasonable rates based on reasonable expense projections. The Board has reviewed the RM's forecasts and finds them to be reasonable.

While the Board is generally hesitant to approve rates retroactively, it notes that notice of the rate increase has been published for some time. Further, the RM bills the consumers once per year and requires the increase for 2012 in order to avoid another operating deficit.

The Board has also made some minor amendments to the terms and conditions shown in Schedule "A" to reflect Board approved practice.

While reviewing the application, the Board became aware of operating deficits incurred in both 2008 (\$871) and 2009 (\$13,221). In analyzing the Utility's financial statements, the Board concluded that there was sufficient working capital to absorb these deficits within the Utility's fund surplus.

The Board will herein approve the deficits incurred in both years. However, with financial statements for 2010 and 2011 not yet available, it is possible that the Utility may have incurred further deficits in those years. If there are deficits for 2010 and 2011, the Municipality will apply to the Board for approval of the deficit and of the recovery method to be considered.

The Board has also noted that the expenditure projections did not include an allocation of common costs or a proposal for a shared cost allocation practice. The Board will require such a proposal to be submitted during the current calendar year. This may or may not require a further revision to rates.

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.

**IT IS THEREFORE ORDERED THAT:**

1. The sewer rates for the Ninette Sewer Utility within the Rural Municipality of Riverside, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED effective, January 1, 2012.
2. The Rural Municipality of Riverside amend its sewer rate By-law for the Local Improvement District of Ninette to reflect the decisions in this Order and submit a copy to the Board once it has received third and final reading.
3. The 2008 and 2009 deficits BE AND ARE HEREBY APPROVED to be absorbed within the Ninette Utility's Fund Surplus.
4. The Rural Municipality of Riverside prepare and submit a formal cost allocation methodology for approval on or before December 31, 2012.



**SCHEDULE "A"**

**TO BOARD ORDER NO. 136/12**

**THE RURAL MUNICIPALITY OF RIVERSIDE**

**NINETTE LOCAL IMPROVEMENT DISTRICT - SEWER UTILITY**

1. **COMMODITY RATES PER RESIDENTIAL EQUIVALENT UNIT:**

2012

Service charge	\$18.38
Commodity charge	\$154.17
Total annual charge	\$172.55

<b>ANNUAL CHARGES</b>	<b>REU's*</b>	<b>Service charge</b>	<b>Commodity</b>	<b>Total</b>
Single dwelling	1	\$18.38	\$154.17	\$172.55
Small retail	1.5	\$18.38	\$231.26	\$249.64
Cafe, School	2	\$18.38	\$308.34	\$326.72
Laundromat	5	\$18.38	\$770.85	\$789.23
Hotel	7	\$18.38	\$1,079.19	\$1,097.57

\*Residential Equivalency Units

2. **SERVICE TO CUSTOMERS OUTSIDE THE NINETTE LIMITS:**

The Council of the Rural Municipality of Riverside may sign Agreements with customers for the provision of sewer services to properties located outside the legal boundaries of the Local Improvement District of Ninette.

Such Agreements shall provide for payment of the appropriate rates as set forth in the table above, as well as a surcharge, set by Resolution of Council, which shall be equivalent to the frontage levy, general taxes, and special taxes for the Utility purposes in effect at the time or may be in effect from time to time, and which would be levied on the property concerned if it were within the LID boundaries. In addition, all costs of connecting to the Utility's mains, installing, and maintaining service connections will be paid by the customer.

3. **BILLINGS AND PENALTIES:**

Accounts shall be billed on an annual basis by June 30, and shall be due October 31 of each year, except that for 2012 the billing date shall be extended to October 31, 2012 and the due date extended to three months hence. A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

4. **CONNECTION**

Application to connect to the sewer system must be \made to the Municipal Office in accordance with the policies for installation and accompanied by a deposit of \$100.00.

5. **DISCONNECTION:**

The Public Utilities Board has approved the Conditions Precedent to be followed by the RM with respect to the disconnection of service for nonpayment 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 RM's office.

6. **RECONNECTION:**

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties, and a reconnection fee of \$100.00 have been paid.

7. **OUTSTANDING BILLS:**

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for sewer services are a lien and charge upon the land serviced and may be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies.