

REVISED OCTOBER 25, 2012

M A N I T O B A) Order No. 138/12

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THE PUBLIC UTILITIES BOARD ACT) October 23, 2012

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

RURAL MUNICIPALITY OF WOODLANDS
LOCAL IMPROVEMENT DISTRICT NO. 3 (WOODLANDS)
SEWER UTILITY
REVISED SEWER RATES - 2012, 2013 and 2014

Summary

The Public Utilities Board (Board) hereby varies the revised sewer rates for the Rural Municipality of Woodlands, Woodlands Sewer Utility (Utility) for 2012, 2013 and 2014.

The rates are effective October 1, 2012 and January 1, 2013 and 2014.

The current rates established in 2008 under Board Order No. 43/08 and revised rates are noted below:

	Current	October 1/12	Increase/ Decrease	January 1/13	Increase/ Decrease	January 1/14	Increase/ Decrease
Quarterly Service Charge	\$7.00	\$7.70	10.00%	\$7.95	3.25%	\$8.15	2.52%
Residential Equivalent Unit (R.E.U.)	\$28.50	\$59.65	109.30%	\$71.58	20.00%	\$85.90	20.01%
Minimum Quarterly	\$35.50	\$67.35	89.72%	\$79.53	18.08%	\$94.05	18.26%
Reconnection Fee	\$30.00	\$30.00	0.00%	\$30.00	0.00%	\$30.00	0.00%

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

Introduction

The Rural Municipality of Woodlands (RM) owns and operates a sewer only utility serving the community of Woodlands. Approximately 99 customers are connected to the sewer system. All wastewater collected by the sewage collection system is treated in a two-cell lagoon.

Customers are charged on a flat rate system based on Residential Equivalency Units (REU's). Residential Equivalency Units are used when no mechanism of metering is available. One REU is the volume of water estimated to be used by the average single family residence.

REU's allocated to other customers are based on estimated usage compared to a single residence.

Currently ratepayers are charged \$28.50 per quarter per REU plus a quarterly customer service charge of \$7.00 for a total charge of \$35.50 per quarter.

The Board has at its disposal two alternative processes to deal with applications. It may determine that an oral hearing is warranted or that a paper review process is sufficient. In the case of the Woodlands Utility, the Board received a request from the RM that an oral public hearing would best serve the interests of the Community and the Utility.

Background

The RM owns and operates a sewer only utility in the Community of Woodlands. Approximately 99 customers are connected to the sewer system. Rates are based on a flat rate system known as REU, with all residential properties being assigned one (1) REU and non-residential customers being assigned a single or multiple of the REU depending on the customer's estimated discharges to the system. Eight (8) customers are non-residential and all of these customers pay a multiple of one Residential Equivalency Unit (REU) from 1.5 REUs to 14 REUs.

The Woodlands sewer system is a gravity flow system, with PVC sewer lines that were installed in 1996. The lift station was constructed in 1978 and a 2-cell lagoon was constructed in 2002.

In 2011, the RM was forced to conduct an emergency release from the lagoon due to high hydraulic loads. This resulted in an engineering assessment of the current lagoon's capacity. It is expected that a lagoon expansion will be required in the future to accommodate additional loadings to the lagoon.

Due to lagoon capacity limitations, no truck hauling of septic waste is allowed. Haulers are able to dump septic waste in the Warren lagoon, which is also owned and operated by the RM.

The RM estimates that the utility operators spend approximately 90% of their time in Warren and the remainder in Woodlands. The regular and overtime rates for selected operator services subcontracted from the RM of Rockwood have recently increased from \$40 - \$60 per hour to \$75 and \$125 per hour respectively. It is of note that this reflects a 90% increase in operator service costs, but is still estimated to provide cost savings over hiring an operator to work for the RM.

Application

The RM's application for revised rates was received on February 8, 2012, accompanied by By-law No. 2608/12 read for the first time on January 31, 2012, as well as a rate study prepared by G. Barron, FCGA.

The rates were based on the following projected expenses:

	2010	2011	2012	2013	2014
General					
Administration	1,538	1,630	3,048	3,139	3,233
Billing and collection	0	0	0	0	0
Penalties	128	150	150	150	150
Net revenue general	1,410	1,480	2,898	2,989	3,083
Sub-total- water expenses	0	0	0	0	0
Total non-rate revenue - water	0	0	0	0	0
Net rate revenue - water	0	0	0	0	0
Sewer	0	0	0	0	0
Staffing	2,740	3,500	6,120	6,303	6,492
Sewage Collection System	642	800	824	849	874

Sewage Treatment and Disposal	371	400	412	424	437
Sewage Lift station	9,391	9,040	9,311	9,590	9,878
Other Sewage Collection & Disposal Costs	312	1,030	1,061	1,093	1,125
Amortization/ depreciation	11,676	11,676	11,676	11,676	11,676
Interest on long term debt	9,140	9,140	7,577	5,892	4,074
Reserves	165	5,921	2,000	2,000	2,000
Line Flushing			10,000	10,300	10,600
Contingency	0	0	3,000	3,000	3,000
Total sewer expenses	34,437	41,507	51,981	51,127	50,156
<i>Revenue</i>	0	0	0	0	0
Connection Revenue	50	150	150	150	150
Lagoon Tipping Fees	0	0	0	0	0
Amortization of capital grants	0	0	0	0	0
Taxation revenues	20,816	20,816	19,253	17,568	15,750
Other Revenue	120	1,000	120	120	120
Total non-rate revenue- sewer	20,986	21,966	19,523	17,838	16,020
Net rate revenue - Sewer	13,451	19,541	32,458	33,289	34,136

On August 29, 2012, the RM amended their application to include a tipping fee of \$13.00 per load for Woodlands Lagoon. The Woodlands Lagoon is currently not receiving any septage hauling due to lagoon capacity issues. The Board is hesitant to approve a tipping fee which is not based on calculated expenses.

The Board understands a new lagoon is still in the planning phase. The RM is to make an application for lagoon tipping fees when and if it is required.

The submission indicated that shared operator costs are allocated based on the number of customers. The allocations were based on 268 customers in Warren and 99 in Woodlands.

Office staff's time is tracked and allocated based on time spent on each Utility. CAO time and office space are allocated at 5% each to each Utility. The RM advised that the cost of operator services obtained from the RM of Rockwood have increased 90%, from \$32,290 annually to \$61,188. The RM estimates operators spend 90% of the time at Warren and the rest at Woodlands.

Public Response

The RM requested an Oral Public Hearing due to the rate increase being significantly high and the significant public reaction to the last rate increase. Based on this request a Public Hearing was held on September 12, 2012. There were two stakeholders in attendance.

The limited number of stakeholders at the Public Hearing and the lack of any stakeholder comments received are viewed by the Board as an indication that the customers served by the Utility recognized the need for the proposed expenditures and rates to operate and maintain the sewer system.

The CAO and the RM's Consultant presented the submission.

Board Findings

The Board will vary the RM's proposal and approve revised rates for the Utility. Based on the RM's projected expenses, the service charge remains as proposed but the Board will increase the REU charge from the proposed rate of \$61.20 to \$71.58 in 2013 and from \$62.80 to \$85.90 in 2014. This is due to the impact of maturing debentures in 2015. After 2015 there will no longer be any funds in the form of tax revenues to offset the amortization expense. The utility rates will

then be required to carry the full amortization expense. According to the rate study, the increase in utility rates required is estimated to be 72% by 2016.

The rates proposed by the RM do not include any provision for this future change in income requirement. However, the exact impact on rate requirements is unknown. When the lagoon upgrade takes place, it will change the amortization expense and depending how the project is financed (i.e. grants or debt) it will further influence potential taxation revenues as well as amortization expense. In view of all of the information available to the Board, and to mitigate future rate shock, the Board varies the application and approves an increase to the REU rates in the submission for 2013 and 2014, and that any additional monies be added to the Utility reserve.

These rates will also make the Utility stronger financially, and permit a regular line flushing program to be implemented.

Currently there is no line flushing program in place and plugged sewer lines are addressed on an emergency basis. The estimated cost is \$10,000 per year allowing 1½ streets to be flushed per year on a five year cycle basis.

The Utility's working capital position, including their Reserve balance, at December 31, 2009 is as follows:

Fund surplus		\$282,641
	Deduct Tangible capital assets	416,292
	Add long term debt	137,493
	Add reserves	2,459
Working capital surplus		\$6,301

The Board requires the Working Capital Surplus to be equal to or exceed the 20% of operating expense. Total sewer expenses for 2012 are projected at \$51,981 which would require a working capital surplus of \$10,396. The Board will require 2010 and 2011 audited financial statements as soon as they are available to ensure this Board requirement is met.

The Board will require the RM to prepare a water and sewer rate By-law that agrees with the provisions of this Order, and provide a copy of same to the Board once it has received third and final reading.

The Board will approve the cost allocation methodology proposed by the RM. This methodology must be applied consistently in the future and can only be varied with Board approval.

Finally, the Board will require the RM to provide its customers with notice of the rate increase, to be included with the next quarterly bill.

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 L.I.D. No. 3 (Community of Woodlands) Sewer Utility in the Rural Municipality of Woodlands, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED with revised rates for 2012 to be effective October 1 with rates for 2013 and 2014 to be effective January 1 in each of those years.
2. The request for tipping fees of \$13.00 per load for Woodlands Lagoon is HEREBY DENIED. The Municipality is to make an application for this rate when and if it is required.

3. The Rural Municipality of Woodlands submit the sewer rate By-law for the Woodlands Sewer Utility once it has received third and final reading.
4. The allocation methodology for shared services and equipment as submitted by the Rural Municipality of Woodlands BE AND IS HEREBY APPROVED.
5. The Rural Municipality of Woodlands provides the Board with a copy of its audited financial statements for 2010 and 2011 as soon as they are available.
6. The Rural Municipality of Woodlands provides its customers with notice of the rate increase, to be included with the next quarterly bill.

Fees payable upon this Order \$1,500.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."
Acting Chair

"JENNIFER DUBOIS, CMA"
Acting Secretary

Certified a true copy of Order
No. 138/12 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 138/12
THE RURAL MUNICIPALITY OF WOODLANDS
LOCAL IMPROVEMENT DISTRICT NO. 3 (VILLAGE OF WOODLANDS)
SEWER RATES
BY-LAW NO. 2608/12

SCHEDULE OF QUARTERLY RATES:

1. Quarterly Rates for Sewer Service:

	REU's	Service Charge	Sewer Only	Total Quarterly Minimum
<u>2012</u>				
	1	7.70	59.65	67.35
	1.5	7.70	89.47	97.17
	2	7.70	119.3	127.00
	3	7.70	178.95	186.65
	4	7.70	238.6	246.30
	12	7.70	715.8	723.50
	14	7.70	835.1	842.80
<u>2013</u>				
	1	7.95	71.58	79.53
	1.5	7.95	107.37	115.32
	2	7.95	143.16	151.11
	3	7.95	214.74	222.69
	4	7.95	286.32	294.27
	12	7.95	858.96	866.91
	14	7.95	1002.12	1010.07
<u>2014</u>				
	1	8.15	85.90	94.05
	1.5	8.15	128.85	137.00
	2	8.15	171.80	179.95
	3	8.15	257.70	265.85
	4	8.15	343.60	351.75
	12	8.15	1030.80	1038.95
	14	8.15	1202.60	1210.75

2. Service to Customers outside L.I.D. limits

The Council of the Rural Municipality of Woodlands may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Local Improvement District No. 3, community of Woodlands. Such agreements shall provide for payment of the appropriate rates set out in the schedule, as well as a surcharge, set by resolution of Council, which shall be equivalent to the frontage levy, general taxes and special taxes for 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 these boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

3. Billings and Penalties

A late payment charge of One Percent (1%) per month shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen days after the mailing of the bills.

4. Disconnection

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 Municipality's office.

5. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$30.00 have been paid.

6. Outstanding Bills

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

7. Sewage Surcharges

(a) There may be levied annually, in addition to rates set forth above, a special surcharge on sewage having a Biochemical Oxygen demand in excess of 300 parts per million, to be set by Resolution of Council.

(b) A special surcharge for substances requiring special treatment shall be charged based on the actual costs of treatment required for the particular sewage or industrial wastes.