

MANITOBA) Order No. 83/12
)
THE PUBLIC UTILITIES BOARD ACT) July 9, 2012

BEFORE: Susan Proven, P.H.Ec, Acting Chair
Monica Girouard, CGA, Member
Raymond Lafond, CA, Member

RURAL MUNICIPALITY OF DE SALABERRY
ST. MALO WATER AND SEWER RATES
2012, 2013 and 2014

Summary

The Public Utilities Board (Board) hereby varies the application made by the Rural Municipality of De Salaberry (RM) and approves revised water and sewer rates for 2012, 2013 and 2014 for the St. Malo Water and Sewer Utility.

The 2012 rates are to be effective July 1, 2012; the 2013 and 2014 rates will be effective on January 1 of those years.

The current and revised commodity rates are noted below:

COMMODITY RATES	Current	2012	Increase	2013	Increase	2014	Increase
Service charge	\$7.00	\$7.00	0%	\$7.16	2%	\$7.37	3%
Water (\$/cu meter)	\$1.21	\$2.00	65%	\$2.05	2%	\$2.09	2%
Sewer (\$/cu meter)	\$0.52	\$0.59	14%	\$0.60	2%	\$0.60	0%
Minimum quarterly charge	\$30.55	\$43.26	42%	\$44.26	2%	\$45.03	2%
Unmetered sewer customers*	\$30.50	\$48.30	58%	\$49.16	2%	\$49.37	0%

*Quarterly plus service charge

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

Introduction

The RM applied on October 14, 2011 for revised rates to be effective on January 1 of each of 2012, 2013 and 2014. The last rate change was in 2010.

A Public Notice of application was issued in February 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. Based on customer response to the Public Notice (only two were received by the Board), the Board concluded that a paper review process, one which avoids the expense attendant to an oral hearing, was in the best interest of all concerned.

Background

The St. Malo Utility has 371 customers, 350 of which receive both water and sewer services, 10 customers receive water only and 11 customers receive sewer only.

The St. Malo water treatment plant was constructed in 1993. In 2006, the wells were upgraded, and in 2009 the reservoir and building were expanded. Further upgrades to the water treatment plant are ongoing and are being paid through grants and debentures.

The original St. Malo lagoon was commissioned in 1973. St. Malo has two lift stations, with one commissioned on January 1, 1985 and the second on January 1, 1995. The RM is considering plans to replace the first lagoon.

The sewer lines were commissioned on January 1, 1975 and are nearing the end of their life expectancy. Two forcemains were put into use on December 31, 1984 and December 20, 2007 respectively.

Water losses average approximately 26%, well in excess of the industry-standard 10%. These losses are attributed to water main breaks and water used for firefighting and line flushing. The RM is repairing breaks as soon as possible. They have also replaced three sections of defective water line, covering 1.6 km, and believe this will greatly reduce the water losses. They have also gone to brass fittings, rather than the original nylon fittings, in all new water line repairs.

A water system assessment, conducted in February 2010, although concluding that the system provides safe drinking water, reports poor taste and a chlorine smell in the drinking water. Residents have reportedly experienced discoloration in their laundry, although the latter concern seems to have been resolved. The RM is currently working on a compliance plan to be submitted to the Manitoba Water Stewardship Department.

The RM is in compliance with its Environmental License for wastewater treatment.

The RM has two utility operators who meet certification requirements.

Application

The application for revised rates was submitted on October 14, 2011 supported by a rate study conducted by the RM's consultant, J. R. Cousin Consultants Ltd., and accompanied by By-law 2300-12 read for the first time on January 31, 2012.

While the rate study calculated the revenue requirements in accordance with recommended Board methodology, the RM proposed to phase in the increases in order to mitigate against rate shock. The new rates were proposed to be effective January 1 of each of 2012, 2013 and 2014, as follows:

	2010	2012	Increase	2013	Increase	2014	Increase
Service Charge	\$7.00	\$7.00	0%	\$7.16	2%	\$7.37	3%
Water	\$1.21	\$1.63	35%	\$2.05	26%	\$2.09	2%
Sewer	\$0.52	\$0.56	8%	\$0.60	7%	\$0.60	0%
Minimum Quarterly Charge	\$30.55	\$37.66	23%	\$44.26	18%	\$45.03	2%
Unmetered sewer customers*	\$30.50	\$43.25	42%	\$49.16	14%	\$49.37	1%

*Quarterly plus service charge

The rates were based on the following projected expenses:

	2011	2012	2013
Administration	8,500.00	8,755.00	9,017.65
Equity surcharge	3,360.08	3,360.00	3,407.00
Less: Penalties	1,500.00	1,500.00	1,500.00
Net revenue requirement general	\$10,360.08	\$10,615.00	\$10,924.65

Water			
Staffing	27,540.00	28,366.20	29,217.19
Purification and treatment	10,000.00	10,300.00	10,609.00
Service of Supply	11,800.00	12,154.00	12,518.62
Transmission and Distribution	23,000.00	23,690.00	24,400.70
Other Water Supply Costs	48,000.00	49,440.00	50,923.20
Amortization/ depreciation	72,653.00	72,653.00	72,653.00
Interest on long term debt	28,018.00	28,018.00	28,018.00
Reserves	10,000.00	10,000.00	10,000.00
Contingency	4,000.00	4,000.00	4,000.00
Sub-total- water expenses	\$235,011.00	\$238,621.20	\$242,339.71
<i>Revenue:</i>			
Connection Revenue	8,000.00	8,240.00	8,487.20
Hydrant rentals	1,500.00	1,545.00	1,591.35
Taxation revenues	71,047.00	71,047.00	71,047.00
Other revenue	500.00	515.00	530.45
Total non-rate revenue - water	81,047.00	81,347.00	81,656.00
Net rate revenue requirement - water	\$ 153,964.00	\$157,274.20	\$160,683.71
Sewer			
Staffing	6,885.00	7,091.55	7,304.30
Sewage Collection System	1,200.00	1,236.00	1,273.08
Sewage Lift Station	9,200.00	9,476.00	9,760.28
Other Sewage Collection & Disposal Costs	10,138.00	10,442.14	10,755.40
Amortization/ depreciation	29,792.00	29,792.00	29,792.00
Interest on long term debt	21,283.00	21,283.00	21,283.00
Reserves	10,000.00	10,000.00	10,000.00
Contingency	4,000.00	4,000.00	4,000.00
Total sewer expenses	\$92,498.00	\$93,320.69	\$94,168.06
<i>Revenue</i>			
Connection Revenue	8,000.00	8,240.00	8,487.20
Lagoon Tipping Fees	3,000.00	3,090.00	3,182.70
Taxation revenues	36,504.00	36,504.00	36,504.00
Total non-rate revenue- sewer	47,504.00	47,834.00	48,173.90
Net rate revenue requirement - sewer	\$44,994.00	\$45,486.69	\$45,994.16

The RM acknowledged that due to the timing of the submission, the expenditure projections were one year out of sync with the rate proposals, i.e., the 2012 rates were being based on 2011 expenditures, 2013 rates on 2012 and 2014 rates on 2013. However, seemingly because the expenditure levels were not significantly changed from one year to the other, they were not revised for the proposal. Any resulting revenue deficiencies would be covered through the contingency provisions or reserve contributions.

An equity surcharge was included in the rate calculations due to the fact that the Utility's working capital position does not meet current Board requirements, being 20% of annual expenses.

Calculations for contingency and reserve provisions are both within Board guidelines.

The expenditure provisions include an allocation of operator wages which are charged to utility operations based on hours spent on utility work. 85% of these costs are attributed to the St. Malo Utility with the remaining 15% attributed to the Otterburne Utility, also operated by the RM.

Customer concerns

The Board received two expressions of concern from Utility customers. One customer was of the view that the increases were too high relative to the cost of living and the quality of the service. The other customer was concerned about the effective date and believed that new rates should not be effective before April 1, 2012.

Board Findings

The Board generally follows a practice of not approving retroactive rate increases and will therefore vary the application to approve the proposed rates for 2012 effective July 1, rather than January 1 as requested. However, the Board has also amended the July 1 rate to reflect the calculated revenue requirement, rather than the phased-in approach proposed by the RM. The Board notes that the increased rate will be mitigated by the deferred implementation date.

The Board has also made some minor amendments to the clauses related to *Discontinuation and Disconnection of Service* and *Liability for Charges* to reflect Board policy.

The Board will accept the RM's proposal to base the rates on the expenditure projections delineated earlier in this Order, and approves the rate proposals for January 1, 2013 and 2014.

The Board is aware that the rate increases are substantial. However, such increases are not the highest the Board has been required to approve in recent years, largely because revised rate applications are often lagging behind revenue requirements. Because Utilities are not permitted, by law, to incur operating deficits, the Board must approve rates to reflect reasonable operating projections.

Finally, while the Board will accept the shared cost allocation methodology as reflected in the rate study, it is concerned that sufficient consideration has not been given to other administrative costs, other than operator costs, incurred by the

RM which should be allocated to Utility operations. The Board is a proponent of the user pay principles and believes that utilities should bear their appropriate share of expenditures. The Board will therefore direct that the RM reconsider its cost allocation methodology for future applications and submit this methodology, along with an appropriate Council resolution, for Board approval before the end of this calendar year.

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 water and sewer rates for the St. Malo Water and Sewer Utility in the Rural Municipality of De Salaberry, as set out in Schedule "A" to this order, BE AND ARE HEREBY APPROVED with revised rates for 2012 to be effective July 1, 2012 and rates for 2013 and 2014 to be effective January 1 of each year respectively.
2. The Rural Municipality of De Salaberry amend the Water and Sewer Rate By-law for the St. Malo Water And Sewer Utility to reflect the approvals contained herein and submit the revised By-law to the Board once it has received third and final reading.

SCHEDULE "A"

THE RURAL MUNICIPALITY OF DE SALABERRY

ST. MALO WATER AND SEWER UTILITY

1. Commodity rates per cubic meter.

Effective July 1, 2012

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>All consumption</u>	\$2.00	\$0.59	\$2.59

Effective January 1, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>All consumption</u>	\$2.05	\$0.60	\$2.65

Effective January 1, 2014

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>All consumption</u>	\$2.09	\$0.60	\$2.69

2. Minimum Charges, Quarterly

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

Effective July 1, 2012

Meter size	Group Capacity Ratio	Water Included	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
				Water	Sewer	
5/8	1	14	\$7.00	\$28.00	\$8.26	\$43.26
3/4	2	28	\$7.00	\$56.00	\$16.52	\$79.52
1	4	56	\$7.00	\$112.00	\$33.04	\$152.04
1 1/2	10	140	\$7.00	\$280.00	\$82.60	\$369.60
2	25	350	\$7.00	\$700.00	\$206.50	\$913.50
2 1/2	50	700	\$7.00	\$1,400.00	\$413.00	\$1,820.00

Effective January 1, 2013

Meter size	Group Capacity Ratio	Water Included	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
				Water	Sewer	
5/8	1	14	\$7.16	\$28.70	\$8.40	\$44.26
3/4	2	28	\$7.16	\$57.40	\$16.80	\$81.36
1	4	56	\$7.16	\$114.80	\$33.60	\$155.56
1 1/2	10	140	\$7.16	\$287.00	\$84.00	\$378.16
2	25	350	\$7.16	\$717.50	\$210.00	\$934.66
2 1/2	50	700	\$7.16	\$1,435.00	\$420.00	\$1,862.16

Effective January 1, 2014

Meter size	Group Capacity Ratio	Water Included	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
				Water	Sewer	
5/8	1	14	\$7.37	\$29.26	\$8.40	\$45.03
3/4	2	28	\$7.37	\$58.52	\$16.80	\$82.69
1	4	56	\$7.37	\$117.04	\$33.60	\$158.01
1 1/2	10	140	\$7.37	\$292.60	\$84.00	\$383.97
2	25	350	\$7.37	\$731.50	\$210.00	\$948.87
2 1/2	50	700	\$7.37	\$1,463.00	\$420.00	\$1,890.37

3. Water only Customers

Minimum charges will be the same as shown above for each meter size; however, the sewer commodity charges will be excluded.

4. Sewer only Customers

The quarterly commodity charge, based on the average residential water consumption in the community, plus the service charge, shall be \$48.30, effective July 1, 2012, \$49.16 effective January 1, 2013, and \$49.37 effective January 1, 2014.

5. Billings and Penalties

All connected customers shall be billed quarterly and payment shall be due and payable within twenty-one (21) days of the billing date. A late payment charge of 1 1/4% shall be charged on the dollar amount owing after the billing due date and the notice to this effect shall be clearly printed on all bills sent to customers.

6. Discontinuation and Disconnection of Service

Services may be discontinued and disconnected without further notice if the account is not been paid within 30 days after the due date. Disconnection of service is to include the closing of the curb stop. A customer who has had his service line disconnected for any reasons shall not be reconnected until all regulations have been complied with and all arrears (including any penalties) and a reconnection fee of \$50 has been paid.

The Public Utilities Board has approved 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.

7. Hydrant Rentals

The RM of De Salaberry shall pay the utility an annual rental fee of \$100 per hydrant connected to the system for the year 2012, \$103 per hydrant connected to the system for the year 2013 and \$106.09 per hydrant connected to the system for the year 2014.

8. Liability for Charges

Where, failing all collection efforts, charges and penalties pursuant to this bylaw are not paid within 90 days from the date when they were incurred, said charges and penalties shall be added to the taxes on the property and collected in the same manner as other taxes Asper authority of Section 252(2) of the Municipal Act of Manitoba

9. New Customers

All new residential customers for water and sewer shall be metered at customer cost. Ownership, inspection and maintenance of meters will remain of the responsibility of the utility system. Maintenance for meters with the size of 25mm. or larger (commercial) will be the responsibility of the utility system but will be billed to the commercial user.

10. Testing of Water Meters for Accuracy

Any customer desiring and requesting their meter to be tested for accuracy shall deposit with the municipality the sum of \$40, which will be retained if the meter, when tested, is found to be within the allowable limits of variation from accuracy. If the meter is found to register in excess of the allowable limits, the deposit shall be refunded in the customer's account adjusted to reflect an accurate consumption. The allowable limit of variation shall be 4% of the average low.

11. Service to Customers outside Municipality limits

The Council of the Rural Municipality of De Salaberry may sign agreements with customers for the provision of water and sewer services to properties located outside of the legal boundaries of the LUD of St.-Malo. Such agreements shall provide for payment of the appropriate rates set out in Sections 1 and 2 of this schedule (for each applicable year), as well as a surcharge set by resolution of Council, which shall be equivalent to the frontage levee, general taxes and special taxes for utility purposes in effect at the time, or may be in effect from time to time which would be levied on the property concerned if it were within these boundaries. In addition, all costs for connecting to the utility's mains and installing and maintaining service connections shall be paid by the customer.