

M A N I T O B A) Order No. 135/10
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THE PUBLIC UTILITIES BOARD ACT) December 22, 2010

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

RURAL MUNICIPALITY OF KELSEY
LUD OF CRANBERRY PORTAGE UTILITY
WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) varies an application by the Rural Municipality of Kelsey (RM) and establishes revised water and sewer rates for the Local Urban District of Cranberry Portage (LUD or Utility).

Existing and revised rates are:

Commodity Rates	Existing	Revised
Water per 1,000 gallons	\$ 4.50	\$ 4.50
Sewer per 1,000 gallons	\$ 1.90	\$ 6.11
Quarterly Service Charge	\$18.00	\$19.00
Bulk water per 1,000 gallons	\$ 5.00	\$ 6.00

Revised Minimum Water and Sewer Charge per Quarter

	Residential	Minimum	Quarterly	Minimum	Quarterly	Minimum
	Equivalent	Water Allowance	Commodity	Charge	Service	Charges
<u>Customer</u>	<u>Units</u>	<u>in Gallons</u>	<u>Water</u>	<u>Sewer</u>	<u>Charge</u>	<u>Sewer & Water</u>
Single Family Residence and All other users not specifically identified	1	2,500	\$11.25	\$15.28	\$19.00	\$45.53
Petryk Bros. Shop	3	7,500	\$33.75	\$45.83	\$19.00	\$98.58
Take A Break	4	10,000	\$45.00	\$61.10	\$19.00	\$125.10
Coffee Shop	5	12,500	\$56.25	\$76.38	\$19.00	\$151.63
South Side Convenience	12.5	31,250	\$140.63	\$190.94	\$19.00	\$350.56
Northern Inn	30	75,000	\$337.50	\$458.25	\$19.00	\$814.75
<u>Frontier School Division</u>						
Single Family Residence and All other buildings not specifically identified	1	2,500	\$11.25	\$15.28	\$19.00	\$45.53
Laundromat	1	2,500	\$11.25	\$15.28	\$19.00	\$45.53
Arts Centre	1	2,500	\$11.25	\$15.28	\$19.00	\$45.53
Elementary School East	10	25,000	\$112.50	\$152.75	\$19.00	\$284.25
Frontier School East	10	25,000	\$112.50	\$152.75	\$19.00	\$284.25
Frontier School South	1	2,500	\$11.25	\$15.28	\$19.00	\$45.53
Single Parent Residence	20	50,000	\$225.00	\$305.50	\$19.00	\$549.50

Elementary School	10	25,000	\$112.50	\$152.75	\$19.00	\$284.25
Boys Residence	40	100,000	\$450.00	\$611.00	\$19.00	\$1,080.00
Girls Residence	1	2,500	\$11.25	\$15.28	\$19.00	\$45.53
Cafeteria	100	250,000	\$1,125.00	\$1,527.50	\$19.00	\$2,671.50

Notice of the application was published in the Flin Flon
Reminder and the Oapsquia Times newspapers, and posted in five
prominent locations in the community; rates were last revised in
1997.

Application

The RM applied for revised sewer rates for the LUD, as set out in By-law No. 2/2010 (read the first time on January 14, 2010). The application was supported by a rate study and other additional filings; rates were last revised in 1997.

Existing and proposed rates:

Commodity Rates	<u>Existing</u>	<u>Proposed</u>
Water per 1,000 gallons	\$ 4.50	\$ 4.95
Sewer per 1,000 gallons	\$ 1.90	\$ 2.10
Quarterly Service Charge	\$18.00	\$20.00

Proposed Minimum Water and Sewer Charge per Quarter

<u>Customer</u>	Residential Equivalent <u>Units</u>	Minimum Water Allowance <u>in Gallons</u>	Quarterly Commodity <u>Water</u>	Minimum Charge <u>Sewer</u>	Quarterly Service <u>Charge</u>	Minimum Charges <u>Sewer & Water</u>
Single Family Residence and All other users not specifically identified	1	2,500	12.38	5.25	20.00	37.63
Petryk Bros. Shop	3	7,500	37.12	15.75	20.00	72.87
Take A Break	4	10,000	49.50	21.00	20.00	90.50
Coffee Shop	5	12,500	61.88	26.25	20.00	108.13
South Side Convenience	12.5	31,250	154.68	65.63	20.00	240.31
Northern Inn	30	75,000	371.25	157.50	20.00	548.75

Frontier School Division

Single Family Residence and All other buildings not specifically identified	1	2,500	12.38	5.25	20.00	37.63
Laundromat	1	2,500	12.38	5.25	20.00	37.63
Arts Centre	1	2,500	12.38	5.25	20.00	37.63
Elementary School East	10	25,000	123.75	52.50	20.00	196.25
Frontier School East	10	25,000	123.75	52.50	20.00	196.25
Frontier School South	1	2,500	12.38	5.25	20.00	37.63
Single Parent Residence	20	50,000	247.50	105.00	20.00	372.50
Elementary School	10	25,000	123.75	52.50	20.00	196.25
Boys Residence	40	100,000	495.00	210.00	20.00	725.00

Girls Residence	1	2,500	12.38	5.25	20.00	37.63
Cafeteria	100	250,000	1237.50	525.00	20.00	1782.50
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<u>Proposed Minimum Water Only Charge per Quarter</u>						
Single Family Residence, Home Ec., Industrial Arts, Infirmary, Gym #1, Elementary Gym, Hangar, South Gym	1	2,500	12.38		20.00	32.38

The Utility provides no special conditions for large volume users; the increases proposed were 10% across-the-board.

The Utility serves 268 customers. Although service is metered, quarterly billings are based on Residential Equivalent Units (REU), set for the minimum quarterly amounts. Actual meter readings are used for amounts over the minimum water allowances for quarterly billings. The RM advises that it has reviewed REU allocations and considers its allocations fair.

Water for the utility is surface water, obtained from Lake Athapapuskow. Chlorination is the only treatment.

The RM indicates its system is in need of a major upgrade to meet drinking water requirements. The age of the system is estimated as follows: 20% possibly 50 years old; 60% about 40 years old; with the remaining 20% about 30 years old.

Wastewater is collected into a lagoon, which is discharged into First Cranberry Lake/Grass River Park.

The historical cost of the Utility's capital assets are listed on the RM's Tangible Capital Assets continuity schedules at

\$1,972,440. The current annual debenture payment of \$5,899 will retire the debt in 2013.

The only capital project planned is for a new water treatment plant (estimated to cost \$400,000) which should provide chemically assisted filtration, or slow sand filtration, to reduce turbidity levels and improve colour.

The RM has received approval for 2/3 funding from Canada Manitoba Infrastructure, with the RM's portion to be met by Gas Tax Reserves (\$66,667) and a further \$66,667 to be borrowed and to be repaid by customers in the LUD over five years. The RM advises of no other capital projects for its Utility over the next five years.

The RM does not expect annual operating costs to increase with the new water treatment plant.

The RM submitted its shared allocation methodology as follows:

- The Loader is owned by the Utility, and its use is tracked with allocations made from general operations to the Utility, annually,
- Truck use is tracked and the utility pays to general operations between \$2,500 and \$5,000 annually, and
- Salaries (one administrative staff person and two operators) are allocated annually on a percentage basis (50 to 66%).

The RM reports the Utility's accumulated surplus at \$344,206, with the Reserve account at \$18,508 as at December 31, 2009.

Of the 21.9 million gallons of water produced annually, 14,286,393 gallons are sold and another 2.5 million is estimated to be lost (as a result of bleeders and water main breaks). This leaves 23% unaccounted for, which is of concern to the RM.

High water losses are attributed to both water breaks due to 'freeze ups' and meters that appear to be under registering actual usage. The RM advises of a program to begin replacing non-operative and faulty meters (with ten scheduled for installation in 2010). The meter replacement program is determined by the amount of funds available.

The Utility has 52 hydrants connected to the water distribution system (at a cost to the LUD of \$60.00 per hydrant).

The above expenses do not provide for contributions to either build Utility Reserve funds or provide for contingencies. Further, no provision has been made in rates to meet general inflation.

Board Findings

The Board will vary the rates as proposed by the RM.

The quarterly service charge is to increase to \$19.00, determined by an average of the expenses noted in the below table and calculated equally between the 268 utility customers.

The water rate is to remain at \$4.50 per thousand gallons, this calculation based on an average of the net estimated expenses and the water volumes sold.

The Board will require the hydrant rental rates to increase to \$100 per hydrant per year beginning in 2011. This will help offset the annual expenses by increasing this portion of the revenues to \$5,200 from \$3,120 (This change has been included in the below table). The hydrant rental charge is to cover the costs of maintaining these hydrants and in most cases, the costs of water used for firefighting purposes. As costs increase, so too should the costs for the hydrant rental.

The sewer rate will increase significantly; while operating costs have risen, this increase is mainly due to the large amortization expense attributed to the sewer portion of the utility without the benefit of offsetting revenues.

Estimates garnered from the RM's application are as follows, and include a 3% increase in expenses for inflation.

	2010	2011	2012
General			
Administration Expenses	\$20,000	\$20,600	\$21,218
Less Revenues	(\$370)	(\$370)	(\$370)
Net General Requirements	\$19,630	\$20,230	\$20,848
Water			
Water Expenses	\$74,500	\$76,735	\$79,037
Amortization	\$22,497	\$22,497	\$22,497
Long Term Interest	\$1,856	\$4,667	\$3,855
Less Revenues	(\$31,610)	(\$44,050)	(\$44,050)
Net Water Rate Requirements	\$67,243	\$58,849	\$61,339
Sewer			

Sewer Expenses	\$62,500	\$64,375	\$66,306
Amortization	\$22,953	\$22,953	\$22,953
Net Sewer Rate Requirements	\$85,453	\$87,328	\$89,259

The Board will accept the RM's cost allocation policy as submitted, which was based on actual tracked time for municipal/utility equipment and a percentage of staff time. The Board encourages the RM to monitor and review more carefully the time spent on the general operations and the utility operations (to ensure that the costs are being allocated to the proper entity).

The RM is reminded that any changes to this approved policy are subject to the Board's approval prior to the change being implemented.

In preparing this order, the Board sought additional information from the RM with respect to matters including amortization of capital assets, accumulated surplus, and the 2009 audited financial statements. Despite several reminders, additional filings and clarification of this information was not provided and, accordingly, the Board has arrived at its decisions without information that it would have preferred to have first received.

While the Board could have issued a subpoena for the information and incurred legal and advisor costs to obtain the requested information, given the relatively small size of the Utility and the level of increases sought by the RM, the Board determined to proceed and grant the proposal as made.

Based on the information submitted, including estimated expenses (as noted above), sales volumes and capital costs of the utility, the Board finds it reasonable to establish rates based on this information. The Board also relies on the fact that the circulated notice of its application did not result in any concerns being addressed by ratepayers to the Board.

In its review of the application the Board notes minor typographical errors in the schedule and that the bylaw is not consistent with Board requirements. The RM will be required to amend the by-law prior to second reading to include the following items or changes:

- maximum interest rate of 1- 1/2% per month (by-law still used 10%); and
- With respect to service to customers

The Board will still require the RM to file its 2009 audited financial statements and, if required, an application to address any resulting deficit. Also, following one full year of operating with the revised rates, the RM is to file its 2011 utility financial statements and comments as to the adequacy of rates, no later than April 30, 2012.

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 Rural Municipality of Kelsey amends By-law No. 2/2010, to agree with the provisions in this order, and the attached Schedule "A".
2. The Rural Municipality of Kelsey files a certified copy of By-law No. 2/2010, with the Public Utilities Board once it has received third and final reading.
3. The Public Utilities Board approves the Shared Cost Allocation Policy as submitted by the Rural Municipality of Kelsey, for administrative costs associated with utility.
4. The Rural Municipality of Kelsey file its 2009 Audited Financial Statements with the Public Utilities Board not later than January 31, 2011.
5. The Rural Municipality of Kelsey file its 2011 utility financial statements with the Public Utilities Board, as well as a statement as to the adequacy of rates, not later than April 30, 2012.

Fees payable upon this Order - \$500.00

SCHEDULE "A"

TO BOARD ORDER NO. 135/10

**RURAL MUNICIPALITY OF KELSEY
 LUD OF CRANBERRY PORTAGE
 WATER AND SEWER RATES**

BY-LAW NO. 2/2010

1. Commodity Rates

Water per 1,000 gallons	4.50
Sewer per 1,000 gallons	6.11
Quarterly Service Charge	19.00
Bulk water per 1,000 gallons	6.00

2. Minimum Charge per Quarter

A. Water and Sewer

Notwithstanding the commodity rates set forth in paragraph 1, all consumers shall pay the quarterly minimum charges as set out below, such minimum charges to include the quarterly water allowance indicated:

<u>Customer</u>	<u>Residential Equivalent Units</u>	<u>Minimum Water Allowance in Gallons</u>	<u>Quarterly Commodity Charge Water</u>	<u>Minimum Charge Sewer</u>	<u>Quarterly Service Charge</u>	<u>Minimum Charges Sewer & Water</u>
Single Family Residence and All other users not specifically identified	1	2,500	\$11.25	\$15.28	\$19.00	\$45.53
Petryk Bros. Shop	3	7,500	\$33.75	\$45.83	\$19.00	\$98.58
Take A Break	4	10,000	\$45.00	\$61.10	\$19.00	\$125.10
Coffee Shop	5	12,500	\$56.25	\$76.38	\$19.00	\$151.63
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Northern Inn	30	75,000	\$337.50	\$458.25	\$19.00	\$814.75
<u>Frontier School Division</u>						
Single Family Residence and All other buildings not specifically identified	1	2,500	\$11.25	\$15.28	\$19.00	\$45.53
Laundromat	1	2,500	\$11.25	\$15.28	\$19.00	\$45.53
Arts Centre	1	2,500	\$11.25	\$15.28	\$19.00	\$45.53
Elementary School East	10	25,000	\$112.50	\$152.75	\$19.00	\$284.25
Frontier School East	10	25,000	\$112.50	\$152.75	\$19.00	\$284.25
Frontier School South	1	2,500	\$11.25	\$15.28	\$19.00	\$45.53

Single Parent Residence	20	50,000	\$225.00	\$305.50	\$19.00	\$549.50
Elementary School	10	25,000	\$112.50	\$152.75	\$19.00	\$284.25
Boys Residence	40	100,000	\$450.00	\$611.00	\$19.00	\$1,080.00
Girls Residence	1	2,500	\$11.25	\$15.28	\$19.00	\$45.53
Cafeteria	100	250,000	\$1,125.00	\$1,527.50	\$19.00	\$2,671.50

B Water Only

Single Family

Residence	1	2,500	\$11.25		\$19.00	\$30.25
Home Ec.	1	2,500	\$11.25		\$19.00	\$30.25
Industrial Arts	1	2,500	\$11.25		\$19.00	\$30.25
Infirmary	1	2,500	\$11.25		\$19.00	\$30.25
Gym #1	1	2,500	\$11.25		\$19.00	\$30.25
Elementary Gym	1	2,500	\$11.25		\$19.00	\$30.25
Hangar	1	2,500	\$11.25		\$19.00	\$30.25
South Gym	1	2,500	\$11.25		\$19.00	\$30.25

3. Bulk sales of water at the treatment plant shall be charged at the rate of \$6.00 per thousand gallons with a minimum of \$6.00 per load;
4. All water connections shall be metered. The meter shall be purchased by the consumer but shall remain the property of the Rural Municipality of Kelsey. All normal repair and maintenance shall be the responsibility of the Rural Municipality of Kelsey. Cost of meter repair due to freezing, tampering or vandalism shall be the responsibility of the property owner;
5. The minimum charge set forth above shall be payable in advance quarterly, together with any charges for consumption in excess of the minimum amount for the previous quarter. Unused portion of minimum allowable cannot be carried forward to subsequent billings;
6. All accounts billed to customer under paragraph 1 and 2 hereof
 - a) Shall be issued quarterly and shall be due and payable thirty (30) days after the billing date. A penalty charge of one and one half percent (1 ½ %) per month shall be charged on any such accounts or bills remaining unpaid after the due date.
 - b) The Public Utilities Board has approved the Condition 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.

7. Meters are read quarterly. If the meter reader is unable to gain access to read the meter, and the reading is not phoned in promptly, service may be discontinued and a reconnection fee of \$25.00 will be applicable;
8. All new service/hookups shall pay an advance minimum charge of \$34.00 which will be non-refundable.
9. Hydrant Rentals - The LUD of Cranberry Portage will pay to the utility an annual rental of \$100.00 for each hydrant connected to the system.
10. Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of Twenty-five (\$25.00) dollars have been paid to the Local Urban District of Cranberry Portage office. Reconnections will only be completed during normal business hours.
11. All accounts owed by an individual for a pervious service must be paid in full before being reconnected to the system.
12. Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for sewer and water 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 collectable and with like remedies.
13. The Council of the Rural Municipality of Kelsey may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the LUD of Cranberry Portage. 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.