

M A N I T O B A) Order No. 43/10
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THE PUBLIC UTILITIES BOARD ACT) April 28, 2010

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

TOWN OF BOISSEVAIN
WATER AND SEWER RATES

Summary

By this Order, and following a public hearing held on February 4, 2010, the Public Utilities Board (Board) varies an application by the Town of Boissevain (Town) and establishes revised water and sewer utility rates, to be reflected on the next quarterly bill (to be issued in May 2010).

Current and revised rates are as follows:

\$/1,000 gallons	Current		Revised
Water/quarter		Water	
First 20,000 gallons	\$9.60	All consumption	\$11.25
Next 60,000 gallons	\$8.40		-
All over 80,000 gallons	\$7.25		-
Sewer	\$2.00	Sewer	\$3.31
Service Charge	\$7.50	Service Charge	\$10.23
Bulk	\$9.60 (minimum \$4.80*)	Bulk (minimum \$6.00*)	\$12.00
Minimum Quarterly**	\$42.30	Minimum Quarterly	\$53.91
Hydrant Rentals	\$60.00	Hydrant Rentals	\$90.00

*Includes up to 500 gallons

**For 5/8" meter includes 3,000 gallons

The Board also approves recovery of the Town's 2009 utility operating deficit of \$116,116.33 through rates over the next three years. The Board requires the Town to confirm actual utility operating results once the utility financial accounts are prepared in accordance with required Public Sector Accounting Board (PSAB) accounting standards.

Background

The Town's utility consists of:

- Water treatment plant - newly constructed in 2001,
- Reservoir and five wells - the Town reports the reservoir to be 'fine' and that all wells were reconditioned in 2008,

- Water and sewer lines - 60% have been replaced between 1996 and 2009,
- Three lift stations - reconditioned in 2001, and
- Lagoon - installation of an improved aeration system in 2009.

The utility has 727 customers, of which 11 are large volume users.

Application

The Town applied to the Board on October 28, 2009 for approval of By-law No. 2009-22 (which contains a rate proposal), which was read the first time on October 27, 2009. The application was supported by a rate study that had been prepared by the Town's Chief Administrative Officer (CAO).

With rates last established in 2007, the Town indicated that the costs of operating the new water plant and unexpected costs related to events such as leaks in the water tower, together with the costs to meet new provincial regulatory requirements resulted in its utility experiencing a \$42,571 deficit in 2008 (Order 68/09 approved recovery through rates over three years) and the anticipation of another deficit for 2009, the projection then being \$120,000.

The Town advised that the majority of the 2009 anticipated deficit was the result of an unplanned expense required to address a lagoon odour problem. The Town advised that approximately \$95,000 was utilized to install an aeration system, so as to address the problem. As well, a significant contribution to operating costs arose as the result of the implementation of the new PSAB accounting standards.

The Town proposed to retain a three-step declining rate structure, which was as follows:

\$/1,000 gallons	Current	Proposed	Increase
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Water/quarter			
First 20,000 gallons	\$9.60	\$10.25	6.7%
Next 60,000 gallons	\$8.40	\$8.85	5.4%
All over 80,000 gallons	\$7.25	\$7.80	7.6%
Sewer	\$2.00	\$2.35	17.5%
Service Charge	\$7.50	\$8.60	14.7%
Bulk	\$9.60 (minimum \$4.80*)	\$10.30 (minimum \$5.15*)	7.3%
Minimum Quarterly**	\$42.30	\$46.40	9.7%
Hydrant Rentals	\$60.00	\$90.00	50%

*Includes up to 500 gallons

**For 5/8" meter includes 3,000 gallons

The Town's application reflected the inclusion of the following estimated expenses:

Administration	\$ 25,279
Water Production	291,166
Water Distribution	65,210
Sewage Collection	<u>83,198</u>
Total projected costs	<u>\$464,853</u>

Administration expense includes a portion of office staff salaries and billing, postage, telephone, audit and legal costs. The Town advises that shared costs (between the general operations and the utility) were developed by recording actual time spent by staff for each entity over a period of time.

The estimates also include a provision for utility operator training costs, and the Town advised that their public works staff spend approximately 45% of their time with the utility. Those costs are then distributed within the utility as noted below:

Water production	- 48%
Water distribution	- 20%
Sewer distribution	- 32%

The Town raises annually \$126,310 through rates to service the debenture debt for the water plant (as of December 31, 2009, the outstanding balance of the loan was \$929,716). As is now required

by PSAB, the Town expensed the interest portion of the annual debt payment and an annual amortization expense.

No provisions were made in the proposed rates for either a contingency allowance, reserve fund contribution or an 'equity surcharge' (an amount required by the Board to be included in rates to build equity, surplus, to a minimum of 20% of operating expenses).

While as at December 31, 2008, the utility reserve fund balance was \$33,047, the audited financial statements for the Utility reflected an accumulated deficit of \$31,073, for an overall utility accumulated surplus of less than \$2,000.

There are 48 hydrants in the Town used for fire protection services, and the Town proposed to increase the annual charge of \$60 per hydrant to \$90. This annual charge is recovered from the general operations of the Town and covers the costs of maintenance of the hydrants and water usage.

The Town reports of no plans for major capital expenditures for the utility over the next five years, excepting for an intent to continue to replace sewer lines on a limited basis. Sewer line replacement at this time is not an absolute necessity, as indicated by the rate study, but is a preventative option to be considered as long as the cost in any one year does not exceed \$50,000, pending the development of an appropriate level of accumulated surplus.

The Town advises that unaccounted for water is approximately 5.1%, below the industry standard of 10%. The Town advises that no services have been disconnected due to non-payment of accounts. And finally, the Town advises while it has no planned approach to promote water conservation, it relies on the daily media to provide

a conservation message. The Town is of the view that increased interest in conservation by ratepayers would likely reduce annual water consumption.

As was required, the Town published the Board's Notice of Public Hearing in the local paper and posted copies in six separate locations throughout the Town. No members of the public attended the hearing.

Public Hearing

On behalf of the Town, the CAO had prepared and read a presentation at the hearing detailing an \$116,116.33 utility operating deficit for 2009. The presentation outlined options for recovery.

As noted earlier, the majority of the deficit is a result of the installation of an aeration system in the lagoon to solve a bad odour problem. The CAO recommended that as the odour problem was related to the sewer system, the deficit should be recovered through the sewer rate.

The Town set out three scenarios to recover the deficit:

- 10 years = \$11,600/year
- 5 years = \$23,200/year
- 3 years = \$38,666/year

The Town advised of their preference to recover the deficit over five years.

The Board sought comment from the Town as to their thoughts of eliminating the current three step water rates and collapsing it to one rate for all usage. The Town acknowledged that such an approach represented an approach that would likely motivate conservation and advised it was not be opposed to collapsing the rate structure if

the Board concluded that was appropriate.

The Town indicated that no major industry in Town would be affected by a changed rate structure, although schools, hospital, care homes, being the only large volume users, would be impacted.

Board Findings

The Board will vary the Town's application and collapse the three-step rate schedule to one rate, and will require the Town to amend its bylaw prior to second reading. The revised rates herein set are to be reflected as per the bylaw on the next quarterly billing.

The Board thanks the Town for the cooperation shown in ensuring all the information required by the Board was provided. The Board also appreciates the Town's efforts to employ the revised PSAB accounting standards. The Board appreciates that the transition is challenging for most municipalities, and represents increased pressure on rates.

The Board requested the Town revise its estimates for 2010 to 2012, and include a provision to recover the 2009 deficit in full over that same period, a provision for contingency, reserve fund contribution as well as an equity surcharge. The Town submitted the following projections:

	2010	2011	2012
<u>General</u>			
Administration	\$ 25,065	\$ 25,817	\$ 26,592
Equity Surcharge	<u>4,396</u>	<u>3,923</u>	<u>3,959</u>
Total General	\$ 29,461	\$ 29,740	\$ 30,551

<u>Water</u>			
Expenses	\$ 192,416	\$ 198,189	\$ 204,135
Amortization	92,583	92,583	92,583
Debenture Debt	126,310	126,310	126,310
Reserve provision	2,000	2,000	2,000
2008 Deficit provision	3,560	3,560	3,560
Contingency provision	1,500	1,500	1,500
Less Hydrant Revenue	<u>- 4,320</u>	<u>- 4,320</u>	<u>- 4,320</u>
Total Water Requirements	\$ 414,049	\$ 419,822	\$ 425,768
<u>Sewer</u>			
Expenses	\$ 43,264	\$ 44,562	\$ 45,899
Amortization	33,136	33,136	33,136
2009 Deficit provision	38,705	38,705	38,705
2008 Deficit provision	1,187	1,187	1,187
Contingency provision	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Total Sewer Requirements	\$ 117,292	\$ 118,590	\$ 119,927

The Board also requested that the Town recalculate the required rates based on the revised estimates and the collapsing of the rate schedule.

The Town based its calculations on estimated 2011 expenses and provided the following charges and rates, which the Board will approve.

Service Charge	-	\$10.23 per quarter
Water commodity	-	\$11.25 per 1,000 gallons
Sewer commodity	-	\$ 3.31 per 1,000 gallons
Bulk water	-	\$12.00 per 1,000 gallons

The Board will also approve recovery of the 2009 operating deficit wholly through the sewer utility rate, as requested by the Town, although that recovery is to take place over a three-year period as opposed to the five years sought by the Town.

The Board notes that in the 2009 financial statements filed by the Town, which provide year end results for the utility, that not all the expenses and transfers have been recorded in accordance with prescribed accounting standards. The Board expects that the Town

provide a report to the Board by July 31, 2010 showing the actual year end results of the utility, and if required, an application for any changes in the amount of the deficit as well as the proposed method of recovery.

The Board is aware that because a full year of revised rates will not be realized in 2010, that the utility may end the year in another deficit position and that the 2009 deficit may not be fully recovered by the end of 2012. The Board will expect the Town to file a report with the Board of the year-end results by April 1, 2011, and if a deficit is incurred, an application for recovery.

The Town submitted the Tangible Capital Asset (TCA) schedules for the utility. The historical capital costs of the assets, and the 2009 amortization provision, were recorded as follows:

Asset	Cost	Amortization
Sewer	\$1,249,596	\$ 28,356.88
Machinery/equipment	\$ 47,791	<u>\$ 4,779.10</u>
Sewer Expense		\$ 33,135.98
Water	\$1,469,668	\$ 29,393.37
Water plant/pumps	\$2,527,594	<u>\$ 63,189.85</u>
Water Expense		\$ 92,583.22

The Board will approve the shared costs between the general operations of the Town and the utility as noted herein and based on tracked time and allocated within the utility based on percentages. The Board reminds the Town that any changes to this methodology require prior Board approval.

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 water and sewer rates for the Town of Boissevain are approved in accordance with Schedule "A" attached hereto.
2. The Town of Boissevain is hereby directed to amend its water and sewer rate by-law to agree with this Order and Schedule "A", attached hereto.
3. The Town of Boissevain shall file with the Public Utilities Board a certified copy of its water and sewer rate by-law after having been given third and final reading.
4. The Town of Boissevain shall provide a report to the Public Utilities Board showing the actual year end results of the utility, and if required, an application for any changes in the amount of the deficit as well as the proposed method of recovery no later than July 31, 2010.
5. The Town of Boissevain shall file with the Public Utilities Board a report of the 2010 year end results, and if necessary an application for deficit recovery, no later than April 1, 2011.
6. The shared cost methodology between the general operations of the Town of Boissevain and the utility as noted herein and based on tracked time and allocated within the utility based on percentages is approved.

Schedule "A"
 To
 Board Order No. 43/10

Town of Boissevain
 By-Law No. 2009-22

1. Water and sewer commodity rates

Customer Service Charge	\$10.23
Volumetric Charge per 1,000 gallons for water	\$11.25
Volumetric Charge per 1,000 gallons for sewer	\$ 3.31

2. Minimum Quarterly Charges - Sewer and Water Service

Meter Size	Water Included Gallons	Customer Service Charge	Water Charge	Sewer Charge	Quarterly Minimum
5/8"	3,000	\$10.23	\$ 33.75	\$ 9.93	\$ 53.91
3/4"	6,000	\$10.23	\$ 67.50	\$ 19.86	\$ 97.59
1"	12,000	\$10.23	\$135.00	\$ 39.72	\$ 184.95
1-1/4"	18,000	\$10.23	\$202.50	\$ 59.58	\$ 272.31
1-1/2"	30,000	\$10.23	\$337.50	\$ 99.30	\$ 447.03
2"	75,000	\$10.23	\$843.75	\$248.25	\$1,102.23

Water Only Customers

Minimum charge will be the same for each meter size as shown above, but the Sewer Commodity Charge will be excluded.

Sewer Only Customers

Since these Customers are all single family residences, without meters and the average quarterly consumption of water by residential customers was 18,500 gallons, the Flat Rate Charge per quarter for these customers will be:

Customer Service Charge	\$10.23
Commodity Charge	<u>61.24</u>
Total Quarterly Charge	\$71.47

3. Bulk Sales Rate

All water sold in bulk by the Town of Boissevain shall be charged for at the rate of \$12.00 per 1,000 gallons on a pro-rated basis for all quantities greater than 500 gallons. For any quantity of 500 gallons or less the minimum charge will be \$6.00.

4. Service to Customers Outside Municipality

The Council of the Town of Boissevain may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town of Boissevain. Such agreements shall provide for payment of the appropriate rates as set out in this 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 as may be in effect from time to time and 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.

5. Billings and Penalties

A late payment charge of 1 1/4% per month shall be charged on the dollar amount owing after the billing due date. The due date will be will be at least fourteen days after the mailing of the bills.

6. 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.

7. Reconnection Fee

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$15.00 have been paid.

8. Outstanding Bills

Pursuant to Section 252(2)(d) 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.

9. Hydrant Rentals

The Town of Boissevain will pay to the Utility an annual rental of \$90.00 for each hydrant connected to the system.

10. Water Allowance Due to Line Freezing

That in any case where, at the request of the Council, a customer allows water to run continuously for any period of time to prevent the water lines in the water system from freezing, the charge to that customer for the current quarter shall be the average of the billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.

11. Providing Water Meter Read On/Or Before Due Date

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Anyone not providing their water meter reading on or before the due date of their quarterly billing will automatically receive a \$10.00 surcharge on their next water billing.