

MANITOBA ) Order No. 77/10  
)  
THE PUBLIC UTILITIES BOARD ACT ) July 20, 2010

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

TOWN OF ROSSBURN  
REVISED  
WATER AND SEWER RATES

**Executive Summary**

By this Order, the Public Utilities Board (Board) approves the Town of Rossburn's (Town) application for revised water and sewer rates.

Existing and revised rates are as follows:

<b>\$/1,000 gallons</b>	<b>Existing</b>	<b>Revised</b>	<b>Increase</b>
Water Rate			
First 100,000 gallons	\$ 7.40	\$ 12.20	65%
Over 100,000 gallons	\$ 5.70	\$ 12.20	114%
Sewer	\$ 1.25	\$ 2.90	132%
Service Charge	\$ 14.75	\$ 34.50	134%
Bulk Water	\$ 9.00 (min. \$4.50)	\$ 13.00 (min. \$6.50)	44%
Minimum Quarterly <sup>(1)</sup>	\$ 40.70	\$ 79.80	96%
Average Quarterly Bill <sup>(2)</sup>	\$ 68.63	\$128.56	87%
Disconnection/Reconnection	\$ 25.00	\$ 25.00	0
Hydrants	\$100.00	\$150.00	50%

Notes: <sup>(1)</sup>Includes 3,000 gallons for a 5/8" meter

<sup>(2)</sup>Based on 6,230 gallons consumption

Rates were previously revised in 1998.

The Board will also approve the recovery of 2009 and 2010 utility operating deficits (reported as \$33,979 and \$43,432, respectively, the latter a budgeted number) from the Utility's accumulated operating surplus. The deficits do not reflect now-required revised Public Sector Accounting Board (PSAB) accounting standards, so the Town will be required to provide information on the anticipated effect of reflecting the accounting changes on its utility's accumulated surplus.

**Application**

The Town applied for revised water and sewer rates, as set out in By-law No. 2009-972 read the first time on December 30, 2009. The application was supported by a rate study prepared by Meyers Norris Penny, that dated December 21, 2009.

The Town's application proposed to eliminate the-then current two-step rate schedule, and set one rate for all consumption. The Town advised that only one customer, the Rossburn District Health Unit, consumes over 100,000 gallons per quarter. The Town advised that an increase in rates had not been necessary from 1998 to the date of the application, and that only in the last three to four years expenses began to increase significantly. The Town advised that its utility revenues have remained consistent since 2003, while expenses have increased substantially due to increased regulatory requirements and repairs to aging infrastructure.

The utility serves 284 customers and all customers are connected to both the water and sewer system; usage is metered.

The un-depreciated capital costs of the water and sewer system was reported to be:

Water System	\$693,735
Sewer System	<u>\$130,715</u>
Total	\$824,450

The Town has an aging water treatment facility and, accordingly, has reflected a provision for contingencies in its rate proposal. The current water plant was upgraded ~10 years ago; the Town expects it will be necessary to either replace or retrofit the plant within the next five to ten years.

The Utility has an outstanding debenture, due to mature in 2012,

with annual servicing costs of \$8,168, funded through taxes.

The Town advises of ongoing water line replacement, about 80% complete with the remaining 20% to be completed in the next two years. The expected capital costs are being met by transfers from the gas tax revenues.

The Town advises of complaints about the colour, smell and taste of its water, and indicates that an engineering assessment of the water system is not yet complete.

The Town provided a three-year projection for revenue requirements for the utility:

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
General Administration	\$37,760	\$39,082	\$40,449
Less Revenues	<u>\$-1,300</u>	<u>\$-1,300</u>	<u>\$-1,300</u>
General Revenue Requirements	\$36,460	\$37,782	\$39,149
 Water			
Expenses	\$ 85,802	\$ 88,805	\$ 91,914
Amortization	20,177	20,177	20,177
Interest	1,187	812	417
Reserves	10,000	10,000	10,000
Contingency	6,937	6,937	6,937
Less Revenues	<u>- 15,468</u>	<u>- 15,468</u>	<u>- 15,468</u>
Water Revenue Requirements	\$108,635	\$111,263	\$113,977
 Sewer			
Expenses	\$21,735	\$ 22,495	\$ 23,283
Amortization	2,877	2,877	2,877
Contingency	1,307	1,307	1,307
Less Revenues	<u>- 3,500</u>	<u>-3,500</u>	<u>-3,500</u>
Sewer Revenue Requirements	\$22,419	\$ 23,179	\$ 23,967

As of December 31, 2009, the balance in the utility accumulated surplus account was \$206,486 (prior to funding the deficit of 2009 and the expected deficit of 2010). The Town also reports having approximately \$47,500 in its Utility Reserve.

The Town advises that utility administrative costs include one-third of overall Town administrative salaries and office expenses and the full costs of billing, including postage. A training allowance of \$4,500 is included in annual budgets to meet the costs of ensuring utility operators maintain proper certification (to operate the water and sewer system).

The Town advises that it collects \$3,500 in tipping fees for the lagoon. No water or sewer services, other than tipping, are provided to customers from outside the Town's boundaries.

The Town also applied to recover the 2009 utility operating deficit of \$33,979 from the utility accumulated surplus, and sought approval to budget an additional \$43,432 deficit for 2010 utility operations (also proposed to be recovered from the utility's accumulated surplus).

Notice of the Town's application was mailed to each customer and posted in the community. The notice invited customers to write the Board with any concerns by June 30, 2010. One response was received.

### **Complaint**

The complainant advised that while recognizing a need to increase rates, they do not understand why the Town had not sought rate changes previously. The complaint noted the significance of the rate increases being proposed, and expressed concern as to the impact to those on fixed and low incomes. The

complainant suggested that smaller increases over several years would be more acceptable, and asked that the Board vary the Town's application to reduce the proposed increases.

In its response to the complaint, the Town accepted that smaller increases could have been sought in previous years but noted that the rate increases were not required until recently. Further, the Town indicated that the rate increases are required to meet increased annual operating costs, and to build reserves for future repairs and replacements.

#### **Board Findings**

While the Board agrees that rate increases in the range of 100% are significant and represent "rate shock", unfortunately, the increases are not the highest that have been approved in recent years.

The combination of ever-increasing costs, aging infrastructure, more stringent regulatory requirements to ensure safe drinking water, efforts to better protect the environment and changes to accounting standards, have placed significant rate pressures on municipal utilities.

While it would have been better for customers if the rate increases had been phased in over a number of preceding years, the Board does compliment the Town for now taking a proactive approach to the operation of the utility. The provision of safe and adequate utility services is critical for the safety of citizens, as well as for the community's economic health.

The utility will likely be adequately stable from a financial perspective as a result of the increased rates, and the revised rates will allow for the development of a more adequate reserve fund (needed to provide for future system upgrades). The Board

also notes, and approves, the collapse from the current two-step rate structure to one rate for all consumption.

The Board will also approve the sharing of administrative costs between the general operations of the Town and the utility. The Board encourages the Town to begin tracking shared public works costs, to best ensure the appropriate entity is paying the proper costs.

The Board will also approve recovery of the 2009 utility operating deficit from the accumulated surplus, and accept the budgeted deficit for 2010. The Town is to advise the Board of the audited deficits for both 2009 and 2010, this will be required prior to the Board approving the 2010 deficit being met by transfers from accumulated surplus.

The Board notes that the Town's rates by-law does not include reference to the Board's Conditions Precedent for disconnection of service. The Board will require the Town to amend its by-law, prior to second reading, to agree to provisions in this order as reflected in attached Schedule "A".

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 Town of Rossburn amends By-law No. 2009-972, to agree with the provisions in this order and attached Schedule "A".
2. The Public Utilities Board approves the Shared Cost Allocation Policy as submitted by the Town of Rossburn, for administrative costs associated with utility.
3. The Town of Rossburn files a certified copy of By-law No. 2009-972, with the Public Utilities Board once it has received third and final reading.
4. The 2009 utility deficit for the Town of Rossburn be recovered from the utility's accumulated surplus, upon final audited operating results being filed with the Public Utilities Board no later than September 15, 2010.
5. The 2010 budgeted deficit proposed for the water and sewer utility of the Town of Rossburn, now estimated at \$43,432, BE AND IS HEREBY APPROVED, with recovery from accumulated surplus upon the Public Utilities Board's approval following an application to be filed not later than April 1, 2011.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"  
Chairman

"KRISTINE SHIELDS"  
Acting Secretary

Certified a true copy of Order No.  
77/10 issued by The Public  
Utilities Board

\_\_\_\_\_  
Acting Secretary



**SCHEDULE "A"**  
**TO BOARD ORDER NO. 77/10**  
**TOWN OF ROSSBURN**  
**WATER AND SEWER RATES**  
**BY-LAW NO. 2009-972**

**SCHEDULE OF QUARTERLY RATES**

**1. Commodity Rates** Rates per One Thousand Gallons

Water	Sewer	Total
\$12.20	\$2.90	\$15.10

**2. Minimum Charges Quarterly**

All customers will pay the applicable minimum charge set out below, which will include water allowance indicated:

(a) Water and Sewer Customers

Meter Size	Water Included (Gallons)	Customer Service Charge	Commodity Charge		Total Quarterly Minimum
			Water	Sewer	
5/8"	3,000	\$34.50	\$36.60	\$8.70	\$79.80
3/4"	6,000	\$34.50	\$73.20	\$17.40	\$125.10
1"	12,000	\$34.50	\$146.40	\$34.80	\$215.70
1 1/2"	30,000	\$34.50	\$366.00	\$87.00	\$487.50
2"	75,000	\$34.50	\$915.00	\$217.50	\$1,167.00

**3. Bulk Sale Rates**

All water sold in bulk by the Town of Rosssburn shall be charged for at the rate of \$13.00 per 1,000 gallons, with a minimum charge of \$6.50 for any quantity of 500 gallons or less.

**4. Sale of Water to Consumers Outside of Town Boundaries**

The rate to be charged to such outside user shall be the same rates charged to consumers in the Town of Rosssburn for comparable service. In addition, these customers shall pay a surcharge equivalent to utility tax levies and

where applicable, frontage charges paid by customers located in the Municipality. Also, all costs of connecting to the system, and installation and maintaining any service connections and piping required shall be paid by these customers.

#### **5. Billing Due Date and Penalties**

Accounts shall be billed quarterly, and shall be due and payable within fifteen (15) days of the billing date and that a penalty of 1.25% of the bill shall be charged if the utility bill is not paid by the due date.

#### **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**

A customer, who his service disconnected for any reasons, shall not be reconnected until all regulations have been complied with and all arrears paid along with a reconnection fee of \$25.00.

#### **8. Outstanding Bills**

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges of 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 penalties. If a tenant becomes in arrears and the water account can not be collected, the amount may be added to the landlord's property taxes.

#### **9. Hydrant Rentals**

The Town of Rossburn will pay to the utility an annual rental of \$150.00 for each hydrant connected to the system, which includes the cost of water used for fire fighting.

**10. Water Allowance Due to Line Freezing**

That in 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. Meter Malfunction**

If a customer feels his/her meter is registering improperly, the customer shall pay a deposit of \$25.00. The meter will then be calibrated for accuracy, and if the meter registers correctly, the customer shall lose his deposit.