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THE PUBLIC UTILITIES BOARD ACT) Order No. 109/11
) August 24, 2011

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

TOWN OF ERICKSON
FINAL WATER AND SEWER RATES 2011 AND 2012
AND
DEFICIT APPROVAL FOR 2007

Executive Summary

By this Order, the Public Utilities Board (Board) provides the following approvals for the Town of Erickson (Town):

- finalization of previously granted interim water and sewer rates for 2011,
- revised rates for 2012, and
- ratification of the deficit recovery actions for 2007.

Rates for 2011 were effective as of April 1, 2011. Revised rates for 2012 will be effective January 1, 2012.

\$/1,000 gallons	Previous	\$/1,000 gallons	2011	2012
Water		Water		
First 20,000 gallons	\$ 5.50	All Consumption	\$ 8.70	\$ 9.30
Next 130,000 gallons	\$ 4.95		-	-
Over 150,000 gallons	\$ 4.40		-	-
Sewer	\$ 1.75	Sewer	\$ 2.78	\$ 3.15
Quarterly Service charge	\$33.24	Quarterly Service charge	\$18.35	\$19.00
Minimum Quarterly*	\$54.99	Minimum Quarterly*	\$52.79	\$56.35
Bulk water	\$ 7.60	Bulk water	\$10.61	\$11.25

*Includes 3,000 gallons.

The deficit for 2007 of \$14,817 is approved to be recovered from the Town's utility accumulated surplus.

The Town is to provide notice to ratepayers of the revised rates, with supporting information, as an insert to their next quarterly billing.

Introduction

The Town filed for revised rates in June 2010. Because of a backlog at the Board in reviewing and processing applications, approval was granted in interim *Ex parte* Order 6/11, with a commitment for further review before finalization of rates.

In conducting that further review, the Board has the option of addressing such applications on either a paper basis or by public hearing. In this instance, the Board instructed the Town to provide customers notice of the interim approval, inviting comments to be provided to either the Town or directly to the Board. That notice was provided by mail on January 28, 2011. No customers came forward with comments.

The Board has therefore determined that no public oral hearing is required and provides its approval based on the paper process described herein.

Further, on February 15, 2011, the Town applied for approval to recover its 2007 deficit of \$14,817 from accumulated surplus.

Background

The water system consists of two wells, with the water treated by greensand filtration for iron and manganese removal, a Zeolite water softener and chlorine for disinfection. Reports from the Provincial Office of Drinking Water indicates that the Town has met water quality standards, but suggested that water sampling and monitoring practices could be improved.

The Board has not been provided with a description of the sewer system and is directing that this along with all other minimum filing requirements accompany the next rate application.

Application for rates

The Town applied for revised water and sewer rates and other fees and charges (as set out in By-law No. 588-10, read the first time on June 9, 2010). The Town supported its application with a rate study and other documentation.

The Town proposed the following rates:

\$/1,000 gallons	Current	\$/1,000 gallons	Proposed
Water		Water	
First 20,000 gallons	\$ 5.50	All Consumption	\$ 9.30
Next 130,000 gallons	\$ 4.95		
Over 150,000 gallons	\$ 4.40		
Sewer	\$ 1.75	Sewer	\$ 3.15
Quarterly Service charge	\$33.24	Quarterly Service charge	\$20.00
Minimum Quarterly*	\$54.99	Minimum Quarterly*	\$57.35
Bulk water	\$ 7.60	Bulk water	\$ 9.30

*Includes 3,000 gallons

The Town's proposal included collapsing the three-step rate structure to one rate for all consumption. The Town advised that domestic/residential customers account for approximately 70% of water sales, intermediate 14%, and wholesale customers just below 2%. Intermediate and wholesale customers would incur significant bill increases if the Board approved the requested rates.

The Town's utility provides water and sewer services to 249 customers; annual water sales are 9,491,450 gallons (of which approximately 367,000 are bulk sales).

Rates were last revised by Order 46/06, which provided increases that were implemented to 2008.

The Town provided the following projected annual utility expenses (the proposed rates were based on projected 2012 expenses):

	2010	2011	2012
General			
Administration	\$18,250	\$18,615	\$18,987
Water			
Expenses	\$78,150	\$79,713	\$81,307
Amortization	6,662	6,795	6,931
Reserves	1,500	1,530	1,561
Contingencies	67	69	70
Less Revenues	-2,860	-2,917	-2,976
Net Water Revenue Requirements	\$83,519	\$85,190	\$86,893
Sewer			
Expenses	\$ 8,160	\$ 8,323	\$ 8,490
Amortization	17,187	17,531	17,882
Reserves	2,000	2,040	2,081
Contingencies	172	175	179
Net Sewer Revenue Requirements	\$27,519	\$28,069	\$28,632

The proposal included a significant decrease in the quarterly service charge as a result of the Town reviewing its administration costs. In large measure, the decrease was a result of a reallocation of operator wages from administrative overhead to commodity costs to better reflect cost causation and to encourage conservation through reduced commodity use.

The application was accompanied by a cost allocation methodology which includes a combination of direct allocation of certain costs identifiable with utility operations, as well as percentage allocations based on the estimated cost of such items and salary and office supplies, for operating the utility.

Application for deficit

On February 15, 2011, the Utility belatedly applied for approval to recover its 2007 deficit of \$14,817 from its accumulated surplus. Since this action had already taken place, ratification by the Board is required in accordance with legislation.

The utility has experienced annual operating deficits in 2005, 2006, and 2007.

Board Findings

Rates

The Board approved interim rates as of April 1, 2011 based on anticipated expenses for 2011 as shown in the following table, with variations being primarily the elimination of reserve and contingency provisions, pending final review.

The hydrant rental was increased from \$75 to \$100 annually, to reflect increased water costs.

The 2012 rates were established based on the projected expenses for 2012 also shown in the following table. The Board did not approve a reserve allocation, but did approve a contingency allowance of 5% for unforeseen expenses based on operating expenses, excluding salary and amortization.

	Rate requirement	
	2011	2012
General		
Administration	\$18,250	\$19,000
Water		
Salaries	17,000	18,207
Other Expenses	61,150	63,100
Amortization	6,662	6,662
Reserves		
Contingencies		3,155
Less Revenues	- 2,400	- 2,400
Net Water Revenue Requirements	\$82,412	\$88,724
Sewer		
Salaries	1,250	1,300
Other Expenses	6,910	7,190
Amortization	17,187	17,187
Reserves		
Contingencies		360
Net Sewer Revenue Requirements	\$25,347	\$28,632

The Board received a copy of the Town's 2009 audited statements in August of 2011. Based on a review of those statements, the Board is concerned that the projected utility expenses may be understated. The 2012 rate approval has been based largely on those projected expenses. The Board is concerned that the rates may be inadequate and directs the Town to revisit its projections, and if necessary and notwithstanding the approval provided by this Order, to prepare a rate application for 2012 (in doing so it may be advisable to request new rates for 2013 and 2014).

Cost allocation methodology

The Board will approve the defined cost allocation methodology as submitted by the Town. Any subsequent changes to that methodology will require Board approval.

Deficits

The Board notes that the application for deficit approval for 2007 occurred well after the fact. The Town is reminded that deficit approval must be sought as soon as deficits are known.

In reviewing the 2009 audited statements, the Board notes that deficits were incurred in 2008 and 2009. Further, the Town advised by letter of April 11, 2011 of a 2010 deficit based on unaudited numbers. The Town is being directed to confirm that its reported 2010 deficit is correctly stated on the basis of generally accepted accounting principles, and is also directed to prepare and submit the necessary documents for approval of 2008, 2009 and 2010 deficits as soon as possible. While it may take some time to confirm 2010 numbers, 2008 and 2009 are now known and the Board expects an application by no later than September 19, 2011.

The 2007 deficit has already been applied against the accumulated surplus and the Board is ratifying that action in this Order.

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 Erickson prepare and enact a by-law to be consistent with the provisions of this Order and the attached Schedule "A", with rates to be effective as of April 1, 2011 and January 1, 2012.
2. The Town of Erickson file a copy of its revised rates by-law with the Public Utilities Board once it has received third and final reading, but not later than October 31, 2011.
3. The Town of Erickson provide notice, as approved by the Board, to its ratepayers of the revised rates via inserts with the next quarterly billing.
4. The methodology for allocation of shared costs between the Town of Erickson's general operations and its Utility BE HEREBY APPROVED as submitted.
5. The Town of Erickson file its audited statements for 2010 with the Board as soon as available, but not later than October 31, 2011.
6. The Town of Erickson review its projected utility expenses for 2012 and if required, file a revised rate application for 2012 on or before October 31, 2011.
7. The Town of Erickson prepare and file a rate application for 2013 and 2014 rates on or before July 1, 2012, including all minimum filing requirements as defined by the Public Utilities Board on its website.

8. The Town of Erickson prepare and file with the Board an application to address recovery of its 2008 and 2009 deficits, including the prescribed forms and an appropriate Council resolution, on or before September 19, 2011.
9. The Town of Erickson confirm its 2010 deficit on the basis of generally accepted accounting principles, and file an application for approval of its 2010 deficit on or before October 31, 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.
109/11 issued by The Public Utilities
Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 109/11
TOWN OF ERICKSON
WATER AND SEWER RATES

Schedule of Quarterly Rates:

1. <u>Commodity rates per M.G.</u>	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Effective April 1, 2011			
All Consumption	\$8.70	\$2.78	\$11.48
Effective January 1, 2012			
All Consumption	\$9.30	\$3.15	\$12.45

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 April 1, 2011

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Gallons</u>	<u>Customer Service Charge</u>	<u>Commodity Charges</u>		<u>Total Quarterly Minimum</u>
				<u>Water</u>	<u>Sewer</u>	
5/8 "	1	3,000	\$ 18.35	\$ 26.10	\$ 8.34	\$52.79
3/4"	2	6,000	\$ 18.35	\$ 52.20	\$ 16.68	\$87.23
1"	4	12,000	\$ 18.35	\$ 104.40	\$ 33.36	\$156.11
1.5"	10	30,000	\$ 18.35	\$ 261.00	\$ 83.40	\$362.75
2"	25	75,000	\$ 18.35	\$ 652.50	\$208.50	\$879.35
3"	45	135,000	\$ 18.35	\$1,174.50	\$375.30	\$1,568.16

Effective January 1, 2012

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Gallons</u>	<u>Customer Service Charge</u>	<u>Commodity Charges</u>		<u>Total Quarterly Minimum</u>
				<u>Water</u>	<u>Sewer</u>	
5/8 "	1	3,000	\$19.00	\$27.90	\$9.45	\$56.35
3/4"	2	6,000	\$19.00	\$55.80	\$18.90	\$93.70
1"	4	12,000	\$19.00	\$111.60	\$37.80	\$168.40
1.5"	10	30,000	\$19.00	\$279.00	\$94.50	\$392.50
2"	25	75,000	\$19.00	\$697.50	\$236.25	\$952.75
3"	45	135,000	\$19.00	\$1,255.50	\$425.25	\$1,699.75

3. Bulk Water Rates

Effective April 1, 2011

All water sold in bulk by the Town of Erickson shall be charged for at the rate of \$10.61 per 1,000 gallons on a prorated basis for all quantities of water greater than 500 gallons with a minimum charge of \$5.30.

Effective January 1, 2012

All water sold in bulk by the Town of Erickson shall be charged for at the rate of \$11.25 per 1,000 gallons on a prorated basis for all quantities of water greater than 500 gallons, with a minimum charge of \$5.60.

4. Billings and Penalties

A late payment charge of 1 ¼% per month shall be charged on the dollar amount owing after the utility bill due date. The due date will be at least 14 days after the mailing of the bills.

5. Disconnection and Reconnection of Service for Non-Payment

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 this Conditions Precedent is available for inspection at the Town of Erickson's office.

6. 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.

7. Outstanding Bills

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water and sewer services 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.

8. Hydrant Rental

The Town of Erickson will pay to the utility an annual rental of \$100.00 for each hydrant connected to the system. In addition, the Town of Erickson will pay for the water used for firefighting.

9. 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 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.

10. 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 waste.