

M A N I T O B A                    )  
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THE PUBLIC UTILITIES BOARD ACT    )    Order No. 119/11  
  )    September 13, 2011

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

TOWN OF PLUM COULEE  
WATER AND SEWER RATES  
2011, 2012 AND 2013

### Executive Summary

The Public Utilities Board (Board) herein varies an application of the Town of Plum Coulee (Town) and provides approval of water and sewer rates as follows:

\$/cubic meter	Previous	2011*	2012	2013
Water				
First 450 m <sup>3</sup>	\$ 2.04	\$ 3.05	\$ 3.15	\$ 3.20
Over	\$ 1.66	\$ 3.05	\$ 3.15	\$ 3.20
Sewer	\$ 0.54	\$ 1.85	\$ 1.90	\$ 1.95
Quarterly Service charge	\$ 3.00	\$ 13.50	\$ 14.00	\$ 14.25
<b>Minimum Quarterly**</b>	<b>\$49.44</b>	<b>\$ 82.10</b>	<b>\$ 84.60</b>	<b>\$ 86.40</b>
Bulk water	\$ 2.67	\$ 3.05	\$ 3.15	\$ 3.20
Hydrant rental (annual)	\$50.00	\$125.00	\$125.00	\$125.00

\*Effective October 1, 2011, consistent with the Town's rate by-law

\*\*Includes 14 cubic meters (previously 18 cubic meters).

Details of other charges and fees are shown on Schedule "A" attached.

This represents an immediate increase of approximately 50% in water rates and 245% in sewer rates. The minimum quarterly charge increases by some 66%, but it must be noted that this now includes 14 cubic meters, reduced from the 18 cubic meters previously included in the charge. Annual increases thereafter primarily reflect the effects of projected inflation.

## **Introduction**

The Town filed for revised rates in April 2011. The application was supported by a Rate Study prepared by the Town's consultant, Mr. G. O. Barron, FCGA.

Because of the significant increases being proposed, and because a detailed rate review had not occurred since 2004, the Board determined that a public hearing would be held to afford customers the opportunity to review the application and express any concerns. That hearing was held in the Town Hall on August 2, 2011.

This order represents the Board's decision based on the submissions made and facts presented to the Board both at the hearing and through other communications, both before and following the hearing.

## **Background**

The Town's utility serves approximately 268 metered customers, both residential and commercial. The population is reported to be 770.

The Town purchases its water supply from the Pembina Valley Water Co-operative (PVWC). The water is stored in a local reservoir and pumped to the distribution system, which the Town chlorinates. The waterlines are said to be in good shape with water losses of 8%, well within the 10% industry standard.

Manitoba Water Stewardship confirms that the Town has fulfilled its obligations for water quality with the exception of Trihalomethane levels. This is being investigated.

The Town plans to install remote metering over a five year period at a total cost of some \$40,000.

An engineering assessment suggests that when the population exceeds 800, expansion would be required, but none is being planned at this time.

The sewer system consists of a 4-cell lagoon. Most sewer lines are made of clay-tile and are generally in poor condition. Some re-lining had begun, but has not been completed, due to budgetary considerations.

The utility is operated by three staff with various levels of training, with a plan, including a budgetary provision, to have all three attain proper certification in due course.

#### **Application for rates**

The Town applied for revised water and sewer rates and other fees and charges as set out in By-law No. 725-11, read the first time on April 11, 2011.

The Town initially proposed the following rates, based on a residential meter size of  $\frac{3}{4}$ " :

Commodity rate \$/cubic metres (m<sup>3</sup>)

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>	<u>Quarterly Service Charge</u>
Existing	\$2.04	\$0.54	\$2.58	\$ 3.00
2011	\$3.50	\$2.80	\$6.30	\$13.50
% increase	72%	419%	144%	350%

The minimum quarterly charge was then calculated to be \$126.90 based on quarterly consumption of 18 cubic meters.

Subsequent discussions led to the Town submitting a revised three-year rate proposal as follows:

Commodity rate \$/cubic metres (m<sup>3</sup>)

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>	<u>Quarterly Service Charge</u>
Existing	\$2.04	\$0.54	\$2.58	\$ 3.00
2011	\$3.25	\$2.01	\$5.26	\$13.50
% increase	59%	272%	104%	350%
2012	\$3.29	\$2.01	\$5.30	\$13.90
2013	\$3.36	\$2.07	\$5.43	\$14.30

The Town also agreed to reduce the quarterly minimum consumption to 14 cubic meters, which is more in line with other communities across the Province and consistent with the Board's guidelines. The 2011 minimum quarterly charge was then calculated to be \$87.14.

The Town's proposal included collapsing the two-step rate structure to one rate for all consumption. There was only one customer affected by this proposal and they were notified separately.

The Town's annual water sales are 45,025 cubic meters, which includes bulk sales. Because there are no outstanding tax supported debentures for the water system, the Town proposed that bulk rates would continue to be the same as domestic water rates.

Though water rates have been adjusted periodically to reflect pass-through cost increases for water purchased from PVWC, there has been no detailed review of the Utility's revenue requirements and rates since 2004.

The Town provided the following projected annual utility expenses:

	2011	2012	2013
General			
Administration	\$ 14,430	\$ 14,862	\$ 15,308
Water			
Expenses	\$127,850	\$130,820	\$133,856
Remote meter replacement	8,040	8,280	8,530
Amortization	13,343	13,343	13,343
Reserves	10,000	10,000	10,000
Contingencies	3,150	3,150	3,150
Less Revenues	5,500	5,530	5,561
<b>Net Water Revenue Requirements</b>	<b>\$156,883</b>	<b>\$160,063</b>	<b>\$163,318</b>
Sewer			
Expenses	\$108,343	\$110,888	\$113,510
Amortization	13,343	13,343	13,343
Contingencies	3,150	3,150	3,150
Less: Taxation revenues	36,836	36,836	36,836
<b>Net Sewer Revenue Requirements</b>	<b>\$ 88,000</b>	<b>\$ 90,545</b>	<b>\$ 93,167</b>

Additionally, the Town had added equity surcharge provisions of \$2,000 for 2011 and \$3,000 for 2012 and 2013, as well as deficit recovery provisions of \$37,555 for each of the three years, this related to the 2009 operating results, which had yet to be audited at the time of the submission.

The Town advised that it had embarked on a sewer re-lining project, but ceased in 2010 because of budgetary concerns. Provision to finish the project has been included in the projections, albeit that the project will be long-term.

The proposal included a significant increase in the quarterly service charge as a result of the Town reviewing its cost allocation methodology in accord with Board directives. This consists of 50% of the Assistant Chief Administrative Officer's salary and benefits and a portion of general office expenses. 50% of operator salaries

are also allocated to the Utility, but these are included in water and sewer expenses.

The rate proposal also included an increase in hydrant rental charges from the previous \$50 per year to \$125. These charges are paid by the general operating fund to the utility; fire protection is a Town, not a Utility, responsibility.

### **Hearing**

The hearing was well attended by the community.

Town officials summarized their proposal and discussed the need for the increased rates to move the utility closer to a user pay system. Sewer line upgrades and meter replacement were two items of note the Town included in its plans for the next three year period.

The Town discussed the need to improve the promotion of water conservation, including low flush toilets. Depending on water usage, the Town's lagoon will need improvements/expansion in the next three to eight years.

There was concern expressed over the significant percentage increases being sought, and the Board was asked to consider phasing in the cost increases to reduce rate-shock. Customers understood the need to increase rates as costs rise and infrastructure deteriorates, but a jump in rates of this magnitude is concerning.

Comments from customers indicated the increases were 'ludicrous'; a landlord expressed concerns that rental units would be vacated as the increased utility rates would drive out tenants; and single income households noted that this type of increase is difficult to manage for a family -- smaller incremental increases are more acceptable.

Although, the Board has been forced in recent years to approve significantly higher rate increases than those proposed by municipal utilities, the Board did acknowledge that rate shock is part of its deliberations.

## **Board Findings**

### Rates

The Board takes into account the rate shock concern expressed by the customers, but must also consider the financial viability of the Utility. Discussion took place following the hearing with Town officials to determine if there were ways to reduce rates but still allow the Utility to operate in a safe and efficient manner.

The Board is pleased to report that certain reductions were achieved through these discussions, but notes that the rate increases being approved, though less than proposed, are still significant.

After considerable review, the Board will approve a three year rate based on the following expenditure projections, adjusted based on further analysis:



	2011	2012	2013
General			
Administration	\$14,430	\$14,862	\$15,308
Water			
Expenses	\$127,850	\$130,818	\$133,859
Amortization*	2,017	2,550	3,084
Reserves	10,000	10,000	10,000
Contingencies	3,150	3,150	3,150
Less Revenues	5,500	5,530	5,561
<b>Net Water Revenue Requirements</b>	<b>\$137,517</b>	<b>\$140,989</b>	<b>\$144,531</b>
Sewer			
Expenses	84,850	87,395	90,017
Amortization	26,264	26,264	26,264
Interest on long term debt	23,493	23,493	23,493
Contingencies	3,150	3,150	3,150
Less: Taxation revenues	(45,693)	(45,693)	(45,693)
: Amortization of capital grants	(9,675)	(9,675)	(9,675)
<b>Net Sewer Revenue Requirements</b>	<b>\$82,389</b>	<b>\$84,935</b>	<b>\$87,556</b>

\*Includes provision for amortization of remote meter installation costs.

The Board received a copy of the Town's 2009 audited statements in August of 2011, well after the original application and at the time the hearing was held. It is a standing concern of the Board that those preparing rate studies continue to be handicapped by the tardiness in the completion of audited statements. This is requiring considerably more time to be spent by the Board, and indeed by applicants, having to make adjustments to reflect the actual results.

Recognizing that this is primarily the result of the introduction of generally accepted accounting standards beginning in 2009, the Board is hopeful that this issue will disappear shortly and audited statements will be submitted on a timely basis.

Based on its staff's review of those statements, the Board was able to discern the following adjustments:

- Amortization expenses have been reallocated between water and sewer.
- Taxation revenues have been adjusted to reflect actual tax supported debenture payments.
- Grants received for capital projects have been capitalized and amortized in accord with Board guidelines.
- Installation costs for remote meters have been capitalized and amortized, rather than expensed as proposed. The Board has assumed an asset life of 15 years for this purpose.
- The audited results for 2009 show that only a minimal deficit was incurred that year and that the Utility actually has a fund and working capital surplus. Therefore the provisions for deficit recovery and the equity surcharge are unnecessary.

The Board notes that there are significant provisions for reserves and future projects contained in the projections. The Town is being directed to monitor these results to ensure that the requirements remain. In any event, an application for revised rates is to be filed for 2014 rates no later than July 1, 2013.

#### 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.

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 Plum Coulee prepare and enact a by-law to be consistent with the provisions of this Order and the attached Schedule "A", with 2011 rates to be effective as of October 1, 2011, 2012 and 2013 of each year.
2. The Town of Plum Coulee file a copy of its revised rates by-law with the Public Utilities Board once it has received third and final reading.
3. The Town of Plum Coulee 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 Plum Coulee and its Utility BE AND IS HEREBY APPROVED as submitted.
5. The Town of Plum Coulee file its audited statements for 2010 with the Board as soon as available, but not later than November 30, 2011.
6. The Town of Plum Coulee review its projected utility expenses for 2011, 2012 and 2013 and, if required, file a revised rate application for the relevant years.
7. The Town of Plum Coulee prepare and file a rate application for 2014 rates on or before July 1, 2013, including all minimum filing requirements as defined by the Public Utilities Board on its website.

Fees payable upon this Order - \$1,200.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"  
Chairman

"KRISTINE SHIELDS"  
Acting Secretary

Certified a true copy of Order No.  
119/11 issued by The Public Utilities  
Board

Acting Secretary

**SCHEDULE "A"**  
  
**TO BOARD ORDER NO. 119/11**  
  
**TOWN OF PLUM COULEE**  
  
**WATER AND SEWER RATES**

**A. SCHEDULE OF QUARTERLY RATES:**

1. Commodity Rates per Cubic Meter:

	<u>Water</u>	<u>Sewer</u>	<u>Water &amp; Sewer</u>
October 1, 2011	\$3.05	\$1.85	\$4.90
October 1, 2012	\$3.15	\$1.90	\$5.05
October 1, 2013	\$3.20	\$1.95	\$5.15

2. Minimum Quarterly Charges:

Notwithstanding the Commodity rates set forth in Paragraph one (1) hereof, all customers will pay the applicable minimum charges set out below, which will include water allowance indicated:

**October 1, 2011**

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Cubic Meters</u>	<u>Customer Service Charge</u>	<u>Commodity Charges</u>		<u>Total Quarterly Minimum</u>
				<u>Water</u>	<u>Sewer</u>	
3/4"	2.0	14	13.50	42.70	25.90	82.10
1"	4.0	28	13.50	85.40	51.80	150.70
1 1/2"	10.0	70	13.50	213.50	129.50	256.50
2"	25.0	175	13.50	533.75	323.75	871.00

**October 1, 2012**

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Cubic Meters</u>	<u>Customer Service Charge</u>	<u>Commodity Charges</u>		<u>Total Quarterly Minimum</u>
				<u>Water</u>	<u>Sewer</u>	
3/4"	2.0	14	13.90	44.10	26.60	84.60
1"	4.0	28	13.90	88.20	53.20	155.30
1 1/2"	10.0	70	13.90	220.50	133.00	367.40
2"	25.0	175	13.90	551.25	332.50	897.65

**October 1, 2013**

Meter Size	Group Capacity Ratio	Water Included		Customer Service Charge	Commodity Charges		Total Quarterly Minimum
		Cubic	Meters		Water	Sewer	
3/4"	2.0	14		14.30	44.80	27.30	86.40
1"	4.0	28		14.30	89.60	54.60	158.50
1 1/2"	10.0	70		14.30	224.00	136.50	374.80
2"	25.0	175		14.30	560.00	341.25	915.55

**3. Water Only Customers**

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

**4. Sewer Only for Residential Customers**

The Town of Plum Coulee will charge the owners or occupants of land serviced with sewer but no water the sum of (based on 45 m<sup>3</sup>):

October 1, 2011 \$ 96.75 per quarter  
October 1, 2012 \$ 99.40 per quarter  
October 1, 2013 \$102.50 per quarter

**B. BULK WATER SALES:**

All Bulk Water sold by the Utility will be charged at the rate of

2011 \$3.05 per cubic meter  
2012 \$3.15 per cubic meter  
2013 \$3.20 per cubic meter

**C. SERVICE TO CUSTOMERS OUTSIDE THE TOWN'S LIMITS.**

The Council of the Town of Plum Coulee may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Municipality. Such agreements shall provide for payment of the appropriate rates as set forth in paragraphs 1 and 2 of this schedule, as well as a surcharge, set by resolutions of Council, which shall be equivalent to the frontage levy, and general 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.

- D. **THAT** the Town of Plum Coulee pay to the Utility an Annual Rental Fee of \$125.00 per water hydrant to cover the cost of maintaining and replacing all hydrants connected to the system; water used in fire fighting will also be paid by the Town.
- E. **THAT** a late payment charge of 1¼% per month shall be charged on the dollar amount owing after the billing due date. The due date will be a minimum of thirty days after the mailing of the bills.
- AND THAT FURTHERMORE** a late fee of \$10.00 shall apply for any water meter cards not completed and returned to the office by the due date specified on the quarterly card readings.
- F. **THAT** The Public Utilities Board has approved the Conditions Precedent to be followed by the municipality with respect to the disconnection of service for nonpayment 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.
- G. **THAT** any service disconnected due to non-payment of an account shall not be reconnected until all arrears, penalties and a reconnection fee of \$ 50.00 have been paid.
- H. **THAT** any unpaid account, including any penalties will be added to the Tax Roll pursuant to Section 252, Subsection (2) of *The Municipal Act*.
- I. **THAT** a customer who requires a replacement of a meter which s/he feels is not accurate shall pay a charge of \$50.00 for each such replacement, but such charge shall be refunded if the meter is found to be not accurate in excess of the legal limit.