

M A N I T O B A) Order No. 136/11
)
 THE PUBLIC UTILITIES BOARD ACT) October 6, 2011

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

THE TOWN OF GILBERT PLAINS
WATER AND SEWER RATES
FINAL - 2011

Summary

The Public Utilities Board (Board) hereby makes final the interim water and sewer utility rates for the Town of Gilbert Plains (Town) as were approved on an interim *ex parte* basis in Order No. 10/11.

Previous and revised rates are as follows:

Commodity Rate \$/1,000 gallons	Previous		Revised
Water		Water	
First 20,000 gallons	\$10.10	All Consumption	\$17.00
Next 80,000 gallons	\$ 9.85	-	-
Over 100,000 gallons	\$ 9.05	-	-
Sewer	\$ 1.90	Sewer	\$ 0.90
Quarterly Service Charge	\$10.80	Quarterly Service Charge	\$11.55
Minimum Quarterly*	\$46.80	Minimum Quarterly*	\$65.25
Bulk Water	\$11.90	Bulk Water	\$17.00
Reconnection charge	\$35.00	Reconnection charge	\$35.00

*Includes 3,000 gallons

Details of other rates and charges may be found in Schedule "A", attached.

Introduction

Utility rates for the Town of Gilbert Plains were last reviewed by the Board in 2004.

The Town applied in July 2010 for revised rates. In January 2011, the Board, which had not yet had the opportunity to review the details in the submission, determined that an interim rate was in order so that the utility could reasonably cover its reported operating expenses.

This interim approval was subject to variation upon completion of a more detailed review. The process included a requirement that notice of the proposed increase be provided to customers. This was done in June 2011 and customers were encouraged to attend the Town offices to view the details of the proposal.

The Board may conduct hearings in two ways. It may hold an oral hearing, where customers attend and present concerns, or a paper based hearing where written submissions are analyzed, and unless there is a compelling reason, no oral hearing is required, this to save on regulatory costs where possible. As no concerns were expressed to the Board by the customers of the utility, the Board has completed its process on a paper based approach.

Background

At the time of the application, the Utility served 395 customers. All customers are metered, all, except one, have remote metering devices. This was done to save the administrative costs of manually reading meters.

Water system

The Town operates a water and sewer system which was originally constructed in the 1960's.

In 2008, the Town entered into discussion with the Rural Municipality of Gilbert Plains and the Town of Grandview towards the development of a regional water system. A regional cooperative was subsequently formed and a new water treatment plant (WTP) was constructed, including a pipeline system to

deliver the treated water to the three members. It was built and is operated by the Manitoba Water Services Board (MWSB). The previous water system had also been constructed and operated by MWSB until 1998 when ownership was devolved to the Town for \$1.

The WTP went into production in February of 2010. Once financing costs are paid, MWSB will transfer ownership to the cooperative. In the meantime, MWSB charges each of its clients on a volumetric basis. The 2010 water rate is \$6.15 per thousand imperial gallons (IMG's) plus \$3.85 per IMG for the pipeline. These costs escalate each year.

Each member of the cooperative operates its own distribution system consisting of reservoirs to hold water delivered from the WTP for subsequent distribution to local customers.

Sewer System

The lagoon is a three-cell system which discharges into the Valley River. It is considered adequate for the foreseeable future. The Town operates one lift station, built in 1963.

Application

Rates

The Town applied for revised water and sewer rates, as set out in its By-law No. 2010-04 (read the first time on July 13, 2010). The application was supported by a rate study prepared by its consultant, Mr. G.O. Barron, FCGA, in 2010.

The proposed rates were expected to generate sufficient annual revenue to recover the following projected annual expenses:

	Projected Expenses
General	
Expenses	\$ 19,100
Less Revenues	- 825
General Revenue Requirements	\$ 18,275
Water	
Staffing Expenses	\$ 40,000
Water Purchase Costs	148,074
Other expenses	30,000
Interest on long term debt	-
Amortization	-
Reserves/Contingency	-
Minor Capital	-
Less Revenues	-8,900
Water Revenue Requirements	\$209,174
Sewer	
Expenses	\$ 10,800
Amortization	-
Reserves/Contingency	-
Interest on long term debt	-
Less Revenues	-50
Sewer Revenue Requirements	\$ 10,750

The rate study was prepared without the benefit of audited financial statements for 2009, which have only been recently completed. Readers will note that the projected expenses exclude amortization costs, an expense introduced into utility funding requirements with the introduction of generally accepted accounting principles as defined by Canada's Public Sector Accounting Board (PSAB).

Projected expenses were based on a best efforts basis, considering that the water production and treatment processes will change radically with the introduction of the purchased water arrangement with MWSB, following construction of the new plant. Water purchase costs are new and estimated at \$148,074. However, this is offset by decreases of some \$48,000 in purification and treatment costs.

The Town notes that there are amortization costs related to the new WTP built in to the rates being charged by the MWSB. However, since the asset is not owned by the Town, this is not considered a separate amortization expense. Amortization of the new WTP will only enter into the equation once ownership is ceded to the cooperative.

The application included the elimination of declining block rates, citing that water purchase costs are now at one rate, with no volume discounts. Additionally, the Town recognized that this would encourage conservation.

The application also proposed to increase hydrant rental costs from \$75 to \$100 to reflect higher costs of water.

The Town reported water losses of 15 to 20%, which is higher than the industry standard of 10%. Losses are attributed to a combination of firefighting expenses and some line breakage. Steps are being taken to more accurately measure the water used for firefighting.

Cost allocation methodology

The Town proposed the following cost allocation methodology, noting that the percentage of time previously assigned to the utility for the Chief Administrative Officer and assistant have been reduced to reflect the efficiency achieved by the remote meter reading system:

	Total costs	Utility allocation		Utility cost
		Previous	Revised	
CAO	\$54,573	35%	15%	\$ 8,185
Assistant	25,000	50%	35%	8,750
Foreman	43,680	75%	75%	32,760
Operators	37,740	35%	35%	13,209
				<hr/>
				\$62,904
				<hr/>

Board Findings

The Board will not change the rates approved on an *ex parte* basis in January 2011.

The Board accepts that the lack of customer response to the notice is tacit acceptance on the part of consumers for the need for higher rates.

The Board notes that the major component of the system, namely the water production and treatment system is new, and that costs are uncertain.

The Board is concerned that the rate study did not include amortization costs for owned assets other than the WTP, despite

the fact that the audited financial statements report this cost at \$21,500. This may trigger a deficit for the 2011 year.

Notwithstanding these two concerns, the Board is not prepared to amend these estimates without further actual experience.

The Board will therefore require the Town to review its costs when its 2010 audited financial statements are ready and prepare a report to the Board comparing the actual results to those projected in the rate study, on which the interim and now final rate has been based, complete with variance explanations.

Should that review reveal any major discrepancies, the Board will require that the Town prepare an updated rate study and rate proposal to ensure that the utility is viable and self-sustaining.

The Board will also approve the cost allocation methodology adopted by the Town, noting that any future changes to that methodology will require approval by the Board.

That said, the Board requires one amendment to Schedule A of the Town's by-law to make the by-law consistent with Board-approved wording with respect to the approach to disconnection of services due to nonpayment of account.

6. Disconnection

The Public Utilities Board has approved 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 Municipal office.

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 water and sewer rates, effective for 2011, as shown in the attached Schedule "A" for the Town of Gilbert Plains BE AND ARE HEREBY CONFIRMED as final.
2. The Town of Gilbert Plains amend its by-law to reflect Public Utilities Board approved wording for Disconnection of Services for non-payment of account as noted in the attached schedule and file a copy of the by-law with the Board once it has received third and final reading.
3. The Town of Gilbert Plains file a copy of its audited 2010 utility results with the Public Utilities Board, not later than November 15, 2011.
4. The Town of Gilbert Plains conduct an analysis of its audited 2010 results, comparing them to the projections contained in its rate study, and prepare and file a report on same with the Board before the end of the 2011 calendar year.
5. The Town of Gilbert Plains consult with the Board following said analysis to determine if a revised rate application is warranted and if so determined, prepare and file such application by March 31, 2012.

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.
136/11 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 136/11
TOWN OF GILBERT PLAINS
WATER AND SEWER RATES
BY-LAW NO. 2010-04

SCHEDULE OF QUARTERLY RATES:

1. Commodity Rates per 1,000 Imperial Gallons

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Single Step Rate per Quarter	\$17.00	\$0. 90	\$17.90

2. Minimum Charges, Quarterly

Notwithstanding the commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charge set out below, which will include a single step rate with a minimum quarterly charge of 3,000 gallons.

(a) Water and Sewer Customers

Meter Size	Consumption (gallons)	Service Charge	Commodity Rates		Minimum Quarterly Charges
			Water	Sewer	
5/8" (16mm)	3,000	11.55	51.00	2.70	65.25
3/4" (19mm)	3,000	11.55	51.00	2.70	65.25
1" (25mm)	3,000	11.55	51.00	2.70	65.25
1 1/2" (38mm)	3,000	11.55	51.00	2.70	65.25
2" (50mm)	3,000	11.55	51.00	2.70	65.25

(b) Water Only Customers

Customers with water only services shall be charged the minimum quarterly rate applicable to the customer's meter size less the sewer charge.

3. Bulk Sales Rate

All water sold in bulk by The Town of Gilbert Plains shall be charged for at the rate of \$17.00 per 1,000 gallons with minimum charge of \$0.50 per 30 gallons.

4. Service To Customers outside Town Limits

The Council of The Town of Gilbert Plains may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town. Such agreements shall provide for payment of the appropriate rates set out in the Schedule, as well as the surcharge set by resolution of Council, which shall be equivalent to the frontage levy, general taxes and special taxes for the 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 those boundaries. In addition, all cost of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

5. Billing And Penalties

Accounts shall be billed quarterly, and shall be due and payable 14 days after date of billing. A penalty of 1 ¼ % of the amount of the bill shall be added if not paid by the due date.

6. Disconnection -By-law

The Public Utilities Board has approved 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 Municipal office.

7. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and reconnection fee of \$35.00 have been paid. Any customer wishing to have billing disconnected due to vacancy of premises shall be required to have service disconnected and to pay \$35.00 reconnection fee when service resumes.

8. Outstanding Bills

Pursuant to section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water and sewer service may be collected by the municipality in the same manner as a tax may be collected or enforced under this Act.