

MANITOBA) Order No. 137/11
)
THE PUBLIC UTILITIES BOARD ACT) October 11, 2011

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

RURAL MUNICIPALITY OF GREY
GREY REGIONAL WATER AND SEWER UTILITY
WATER AND SEWER RATES - 2011 and 2012

Summary

By this Order, the Public Utilities Board (Board) confirms the 2011 water and sewer utility rates, effective for April 1, 2011, approved on an interim *ex parte* basis for the Rural Municipality of Grey's (RM) Regional Water and Sewer Utility. The Board also approves a further rate increase for January 1, 2012, as noted below.

Previous and revised rates:

Commodity Rate \$/1,000 gallons	Previous	April 1, 2011	January 1, 2012
Water	\$ 9.80	\$ 10.00	\$ 10.50
Haywood Sewer	\$ 0.80	\$ 3.30	\$ 3.30
Elm Creek Sewer	\$ 1.15	\$ 3.25	\$ 3.25
Quarterly Service Charge	\$ 5.00	\$ 20.00	\$ 20.60
Residential Minimum Quarterly*			
Water Services Only	\$ 34.40	\$ 50.00	\$ 52.10
Elm Creek Customers – water and sewer	\$ 37.85	\$ 59.75	\$ 61.85
Haywood Customers – water and sewer	\$ 36.80	\$ 59.90	\$ 62.00
Bulk Water (plus quarterly service charge)	\$ 9.80	\$ 10.00	\$ 10.50
Hydrant Rental Charge – Annual	\$100.00	\$100.00	\$100.00

*Includes 3,000 gallons

Introduction

Prior to the current application, the rates were last reviewed by the Board in 2008; since then, the only increases that have been implemented were to reflect the cost of water purchased from the Pembina Valley Water Cooperative.

The RM applied in February 2011 for revised rates. Though it had not completed its detailed review of the application, the Board determined that it would grant the RM an interim *ex parte* approval for its 2011 requested rates effective April 1 2011,

pending completion of the review and a public hearing process. Interim approvals are subject to change once the process is complete.

Board hearings may be conducted orally, where a public meeting is convened, or may be done via a paper based process, where written submissions are reviewed and a decision reached. Because no comments were forwarded to the Board following the June 2011 notice, the Board proceeded with a paper based review in order to minimize regulatory costs.

Public Notice of the rate revision was published in June 2011.

Background

The regional utility services a total of 604 customers, 171 of which are metered water and sewer customers, and 433 water-only customers including 35 bulk purchasers and 398 metered customers.

The customer base is a combination of urban and rural customers; use is for both human and livestock consumption.

The Elm Creek Water Treatment Plant (WTP) uses a reverse osmosis process. The Elm Creek sewer system is gravity based. There are 148 water and sewer customers and 57 water-only customers.

Water received from the Cartier Regional Water Co-operative services 237 water-only customers, principally in Fannystelle.

Water supplied from the Pembina Valley Water cooperative supplies water to reservoirs/pumphouses located in both Haywood and the Village of St. Claude. There is a low pressure sewer system in Haywood. Water and sewer customers total 23 and there are 138 water-only customers.

Water from the Dufferin Rural Water System provides water only service to one customer.

The RM has secured infrastructure funds to install a low pressure sewer system in Fannystelle which is expected to be operational by the fall of 2011.

Unaccounted for water is reported to be 7.2%, well within the 10% standard for water systems in Manitoba.

Operator certifications meet the current requirements.

Application

The RM applied for revised water and sewer rates, as set out in By-law No. 3/2011. The application was supported by a rate study prepared on behalf of the RM by its consultant, Ronald D. Hayward.

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

	Projected Expenses	
	2011	2012
General		
Expenses	\$49,523	\$ 52,147
Less Revenues	(1,550)	(1,575)
General Revenue Requirements	\$47,973	50,572
Water		
Expenses	\$441,054	\$ 452,080
Amortization	229,859	229,859
Reserves/Contingency	106,240	106,240
Interest on Long Term Debt	44,670	34,779
Less Revenues	(371,759)	(334,332)
Water Revenue Requirements	\$450,063	\$ 488,626
Sewer		
Expenses	\$10,500	\$ 10,763
Amortization	27,452	27,452
Reserves/Contingency	1,460	1,460
Interest on long term debt	5,180	4,885
Less Revenues	(24,353)	(24,087)
Sewer Revenue Requirements	\$20,239	\$ 20,473

In addition to these expenses, the rate proposal provided for an equity surcharge of \$11,000 and \$12,669 respectively in each year, as the current working capital position of the Utility does not meet the Board's recommended level of 20% of annual expenses.

The RM advised that the contingency provisions, in excess of \$90,000 per annum, were also expected to address the equity deficiency, to the extent that unexpected expenses do not arise.

The RM requested approval of its cost allocation methodology whereby common expenses incurred for the benefit of both municipal and utility operations are allocated appropriately. This is consistent with the Board's user pay principle. The methodology proposed is a combination of direct costs assigned to the utility and indirect costs apportioned based on estimated fair share of cost causation. Direct costs for 2011, i.e. those directly identified and assigned to the utility, totaled \$7,365. Indirect costs attributed to the utility were \$10,151, generally calculated to be 15% of total costs.

Board Findings

The Board will confirm the rates approved on an interim *ex parte* basis for April 1, 2011, and will also approve the requested rate for 2012.

After examination of the 2009 audited financial statements, the Board was able to recalculate the Utility's current working capital position to be in deficit of over \$300,000 as at December 31, 2009. Even with the surpluses generated by the rates approved herein, with all other projections holding true, the Utility will still not have reached its target equity position by the end of 2012.

The Board notes, however, that these approved rates will eventually become excessive as the equity target is reached and

will therefore order the RM to monitor the financial position of the utility closely. When the target level is likely to be reached, the Utility must return to the Board for a rate adjustment to eliminate what is in effect a rate rider, temporarily in place to address the equity shortfall.

The Board understands that the higher rates are largely due to increased operating expenses, including the introduction of amortization expenses as required by generally accepted accounting principles, not used in municipal accounting practices in Manitoba prior to 2009.

The Board also notes a more accurate and fair sharing of joint costs between the RM's General Operations and its Utility with respect to administrative costs. The Board will therefore approve the cost allocation methodology proposed by the RM. The Board notes that future changes to this 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 Rural Municipality of Grey By-law 3/2011, as reflected in the attached Schedule "A", BE AND IS HEREBY APPROVED on a final basis.
2. The Rural Municipality of Grey file a copy of By-law 3/2011 (once it has received third and final reading).
3. The Rural Municipality of Grey monitor its annual results and report to the Board on its current working capital position as soon as its audited financial statements are available for future years' operating results.
4. The Rural Municipality of Grey file for revised rates as soon as there is indication that the current working capital target will be met.

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.
137/11 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 137/11
RURAL MUNICIPALITY OF GREY
WATER AND SEWER RATES

1. Commodity Rates per M.G.

	Effective <u>April 1, 2011</u>	Effective <u>January 1, 2012</u>
All Water Consumption	\$10.00	\$10.50
Haywood Sewer Service	\$ 3.30	\$ 3.30
Elm Creek Sewer Service	\$ 3.25	\$ 3.25

2. Minimum Quarterly Charges:

Notwithstanding the Commodity Rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum quarterly charges set out below, which will include allowances as indicated:

Elm Creek Water & Sewer Customers - Effective April 1, 2011

Meter Size	Gallons Minimum	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
			Water	Sewer	
5/8"	3,000	20.00	30.00	9.75	59.75
3/4"	6,000	20.00	60.00	19.50	99.50
1"	12,000	20.00	120.00	39.00	179.00
1½"	30,000	20.00	300.00	97.50	417.50
2"	75,000	20.00	750.00	243.75	1,013.75

Elm Creek Water & Sewer Customers - Effective January 1, 2012

Meter Size	Gallons Minimum	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
			Water	Sewer	
5/8"	3,000	20.60	31.50	9.75	61.85
3/4"	6,000	20.60	63.00	19.50	103.10
1"	12,000	20.60	126.00	39.00	185.60
1½"	30,000	20.60	315.00	97.50	433.10
2"	75,000	20.60	787.50	243.75	1,051.85

Haywood Water & Sewer Customers - Effective April 1, 2011

Meter Size	Gallons Minimum	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
			Water	Sewer	
5/8"	3,000	20.00	30.00	9.90	59.90
3/4"	6,000	20.00	60.00	19.80	99.80
1"	12,000	20.00	120.00	39.60	179.60
1½"	30,000	20.00	300.00	99.00	419.00
2"	75,000	20.00	750.00	247.50	1,017.50

Haywood Water & Sewer Customers - Effective January 1, 2012

Meter Size	Gallons Minimum	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
			Water	Sewer	
5/8"	3,000	20.60	31.50	9.90	62.00
3/4"	6,000	20.60	63.00	19.80	103.40
1"	12,000	20.60	126.00	39.60	183.50
1½"	30,000	20.60	315.00	99.00	434.60
2"	75,000	20.60	787.50	247.50	1,055.60

Water Only Customers - Effective April 1, 2011

Meter Size	Gallons Minimum	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
			Water	Sewer	
5/8"	3,000	20.00	30.00	-	50.00
3/4"	6,000	20.00	60.00	-	80.00
1"	12,000	20.00	120.00	-	140.00
1½"	30,000	20.00	300.00	-	320.00
2"	75,000	20.00	750.00	-	770.00

Water Only Customers - Effective January 1, 2012

Meter Size	Gallons Minimum	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
			Water	Sewer	
5/8"	3,000	20.60	31.50	-	52.10
3/4"	6,000	20.60	63.00	-	83.60
1"	12,000	20.60	126.00	-	146.60
1½"	30,000	20.60	315.00	-	335.60
2"	75,000	20.60	787.50	-	808.10

3. Bulk Sales Rate:

All water sold in bulk by the municipality shall be billed quarterly and charged at the commodity rate set forth in paragraph 1 hereof, subject to minimum charge based on 1,000 gallons. In addition to the commodity charge bulk customers will be charged the applicable customer service charge per quarter as set forth in paragraph 2 hereof.

4. Billings and Penalties for Non-payment of Account:

A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen (14) days after the mailing of the bills.

5. Non-Payment of Account:

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.

6. Outstanding Bills:

Where charges and penalties pursuant to this by-law remain unpaid for a period of 30 days or more after the due date, said charges and penalties shall be added to the taxes on the property and collected in the same manner as other taxes as per authority of Section 252(2) of *The Municipal Act of Manitoba*.

7. Hydrant Rentals:
The municipality shall pay the utility an annual rental fee of \$100.00 for each hydrant connected to the system which includes the cost of water for fire fighting.
8. Meter Accuracy:
Any customer requesting their water meter be tested for accuracy shall be required to make a deposit of \$100.00 with the municipality. If said meter is found to be accurate then the deposit will be retained by the municipality. If the meter is found to be inaccurate then the deposit will be returned to the customer.
9. Service to Customers outside the limits of Rural Municipality of Grey Regional Water And Sewer Utility:
The Council of the Rural Municipality of Grey may sign agreements with customers for the provision of water services to properties located outside the legal boundaries of the Municipality. Such agreements shall provide for payment of the appropriate rates set out in Sections 1 and 2 of 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 may be in effect from time to time and which would be levied on the property concerned if it were within these boundaries. In addition, all costs for connecting to the utility's mains and installing and maintaining service connections shall be paid for by the customer.