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THE PUBLIC UTILITIES BOARD ACT) Order No. 60/11
) April 21, 2011

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

RURAL MUNICIPALITY OF FISHER
WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves combining the water and sewer utilities of the Rural Municipality of Fisher (RM) into one utility (to provide service in Fisher Branch). As well, the Board confirms and finalizes interim rates as set by Order 3/11 and provides additional increases, as set out below:

\$/1,000 gallons	Previously Approved	Final	2012	2013
Water	\$ 2.60	\$ 5.20	\$ 5.35	\$ 5.50
Sewer	-	\$ 4.60	\$ 4.65	\$ 4.75
Quarterly Service charge	\$ 3.50	\$ 15.50	\$ 15.90	\$ 16.35
Minimum Quarterly*	\$11.30 (Water Only)	44.90 (water and sewer)	\$ 45.90	\$ 47.10
Sewer Only**	-	\$ 96.50	\$ 97.75	\$ 99.95
Bulk Water	\$ 5.00	\$ 7.50	\$ 7.60	\$ 7.75
Reconnection	\$30.00	\$ 30.00	\$ 30.00	\$ 30.00
Hydrant Rental	-	\$150.00	\$150.00	\$150.00

*Includes 3,000 gallons

**Based on 17,600 gallons

Water rates have not been revised since 1997. Previously, sewer costs were recovered through property tax bills, and the basis for the billings did not include water consumption.

Furthermore, the Board approves recovery of the 2007 (\$1,120) and 2008 (\$2,260) operating deficits of the water utility (to be offset by transfers from utility accumulated surplus).

Background

The RM operates a water and sewer utility which serves the residents of Fisher Branch. Water services are provided to 210 customers while there are 226 sewer customers (16 sewer-only customers have private wells).

The water utility has been regulated by the Board since its inception in 1997, while the sewer utility was only declared to be a public utility subject to the provisions of *The Public Utilities Board Act* in 2009: regulation includes requiring Board approval of rates.

The sewer system was constructed in 1985 and, until recently, operated as an integrated component of the RM's general operations - in short, costs were recovered by way of property tax assessments and billings. The sewer system is a gravity flow system requiring the use of three lift stations (upgraded in 2009).

The sewer collection system connects to a two-celled lagoon, and effluent is released into the Fisher River (pursuant to a provincial Environmental License). The capital cost of the sewer system is \$1,238,371, and annual amortization expense of those costs reported, in 2009, as \$26,370, to be reduced in 2010 to \$18,770 as the result of one lift station now being fully depreciated.

The water system was constructed in 1997 and includes a

pumphouse, reservoir and distribution system. The system is deemed to be in good condition. The capital cost of the water system is \$1,649,632, of which \$185,000 was financed. (Annual payments of \$20,453 are expected to retire the debenture in 2016.)

The remainder of the water system was funded through grants and customer contributions, and the annual amortization expense is \$63,810.

The RM reports its 2009 unaccounted for water level to have been 20.2% (well above industry standards, the generally acceptable level is 10%). Unaccounted for water includes water consumed by flushing sewer lines, hydrant use and meter inaccuracies.

Water customer service is metered, and usage is charged on the basis of a volumetric rate.

The RM reports a low volume of bulk water sales. The RM does not provide utility service to customers beyond its boundaries. Septic haulers are not permitted to use the lagoon.

Interim Approvals

The Board set initial separate utility rates for the sewer utility for the first time in 2009 (Order 78/09), and, at that time, requested the RM to consider meeting sewer costs through billings based on water consumption, rather than flat levies through property taxes.

While an application for such an approach was to be filed by November 19, 2009, it was not filed until May 2010.

Board Order 3/11 approved interim water and sewer rates for the RM's utility on an *ex parte* basis. Rates were set interim awaiting additional information from the RM, which provided the information on February 1, 2011.

Orders 78/09 and 3/11 can be viewed on the Board's website:
www.pub.gov.mb.ca.

Application

The RM's application was initially filed in May 2010, with proposed rates set out in accordance with By-law 1130/10; the filing was supported by a rate study. Additional filings and clarification have been provided; what follows is a summary of that information.

The RM's proposal included combining its water and sewer utility, implementing revised water and sewer utility rates, and, gaining the Board's approval of the RM's Shared Cost Allocation Policy (the policy allocates common costs between the RM's general operations and those of its utility).

The RM records \$12,500 for administrative costs (in 2010) for the utility. The amount is based on a percentage of time that staff spends on the utility as follows:

CAO - 1%

Accounting Clerk - 4%

Office Clerk - 33%

The RM does not assess other shared costs such as legal, audit, building, council time, etc. to the utility. The RM advises that the utility does not share public works staff, equipment, buildings, etc. with the general operations.

The RM proposed to recover sewer costs from January 1, 2010 to June 30, 2010 through utility billings after July 1, 2010. Thereafter, sewer costs would be collected quarterly through utility bills and not by way of property taxes. (At that time, the RM estimated a property with an assessed value of \$50,000 would likely note a reduction in their taxes of \$129, while also expecting separate sewer billings.)

The RM proposed the following rates for 2010:

\$/1,000 gallons	Previously Approved	Proposed
Water	\$ 2.60	\$ 5.20
Sewer	-	\$ 4.60
Quarterly Service charge	\$ 3.50	\$ 15.50
Minimum Quarterly*	\$11.30 (Water Only)	\$ 44.90 (water and sewer)
Sewer Only**	-	\$ 96.50
Bulk Water	\$ 5.00	\$ 7.50
Reconnection	\$30.00	\$ 30.00
Hydrant Rental	-	\$150.00

*Includes 3,000 gallons

**Based on 17,600 gallons

The rate study suggested a need for further incremental increases in 2011 and 2012, this to allow the utility to operate without deficits and develop over time a reasonable surplus

allowing for future planning for capital asset improvements.

The additional increases are represented in the proposed rates for 2011 and 2012, as follows:

\$/1,000 gallons	2011	2012
Water	\$ 5.35	\$ 5.50
Sewer	\$ 4.65	\$ 4.75
Quarterly Service charge	\$15.90	\$16.35
Minimum Quarterly*	\$45.90	\$47.10
Sewer Only**	\$97.75	\$99.95
Bulk Water	\$ 7.60	\$ 7.75

*Includes 3,000 gallons

**Based on 17,600 gallons

There is one commercial customer connected to the RM's water and sewer system for "domestic" use, but its car wash bays relies on a private well and RM sewer services only. The RM proposes to assess each bay in the car wash two times that of the average residential property (the average being 17,600 gallons per quarter). The interim rate for this customer is \$161.90 plus the quarterly service charge. The RM proposed to increase this rate to \$163.70 in 2011 and, \$167.20 in 2012; again, plus the approved quarterly service charge.

By combining the two utilities into one, the RM anticipates management of its utility services will improve. Budgeting for two separate utilities which share general maintenance costs is cumbersome.

The RM also expects to improve the fairness of its utility billing approach by removing sewer costs from the tax bill and employing a 'user pay system' based on consumption.

The RM expects the proposed rates to recover the anticipated expenses as noted below:

	2010	2011	2012
General			
Administration	\$12,500	\$12,875	\$12,261
Equity surcharge	1,829	1,844	1,865
Revenues	-346	-346	-346
General Net Revenue Requirements	\$13,863	\$14,373	\$14,780
Water			
Expenses	\$43,600	\$44,908	\$46,256
Amortization*	64,696	64,696	64,696
Interest on Long Term Debt	4,303	3,321	2,808
Reserve	2,500	2,500	2,500
Contingency	4,330	4,460	4,594
Revenues	-72,599	-71,617	-71,104
Water Net Revenue Requirements	\$46,830	\$48,268	\$49,749
Sewer			
Expenses	\$20,060	\$20,662	\$21,281
Amortization**	25,484	25,484	25,484
Reserve	2,500	2,500	2,500
Contingency	2,890	2,890	2,890
Revenues	-9,343	-9,343	-9,343
Sewer Net Revenue Requirements	\$41,591	\$42,280	\$42,989

*Reduces to \$63,810

**Reduces to \$18,770

The RM advised of an accumulated sewer utility surplus of \$4,783 as at December 31, 2009. As of the same date, the RM reports a water utility reserve fund balance of \$10,043 and an accumulated surplus of \$21,867. (Audited financial statements for 2009 and 2010 have yet to be filed with the Board.)

The RM has reflected in its proposed rates an "equity" surcharge equivalent to approximately 1% of its annual utility operating expenses. This to increase the utility's working capital, which includes reserve fund balances (now less than 20% of operating

expenses).

The RM also reported operating deficits in its water utility in 2007 (\$1,120) and 2008 (\$2,260), advising that the deficits were a result of a shortfall in revenues (2007) operator training costs (2008) which was not included in the budget.

In its 2011 applications, the RM proposed to address both deficits by drawing down from the water utility's accumulated surplus.

The RM advises of no planned capital projects for the next five years, excepting for possibly extending services to a new area. If this proceeds, the extension is to be paid for by the developer.

The RM submitted a copy of the Executive Summary and Recommendations sections of the assessment completed of its public water system. This engineering assessment is required every five years to fulfill the requirements of Section 9 of *The Drinking Water Safety Act*.

The report noted instances of non-compliance with respect to items such as free chlorine concentration leaving the reservoir, total coliform in treated water and the size of the water main used for fire flow. The report includes recommendations towards improving compliance with provincial standards and reliability of the water system.

Some of the other recommendations contained in the report include modifying the chlorine feed system to provide duty and

standby pumps (to improve reliability of the chlorine feed system), a well head protection plan (to reduce potential sources of contamination), and the provision of a pump to be installed in Cell #1 of the reservoir (so the reservoir can be taken out of service for maintenance and inspection without taking the distribution system out of service).

The RM's application was published on two separate occasions in the local paper (in November 2010). The only correspondence received by the Board was from the Ukrainian Farmers Cooperative, the operator of the car wash. The Board addressed the Cooperative's concern by way of Order 3/11. No other correspondence was received by the Board.

Board Findings

The Board will confirm and finalize interim rates set by Order 3/11.

The Board will also approve the additional increases sought for 2011 and 2012 noting that these increases are minimal and should allow the utility to keep up with inflation. The Board notes the following two items will impact the operations of the utility likely resulting in annual surpluses which will allow it to build equity.

- Overall utility expenses are expected to decrease with the revised amortization expenses (annual sewer expense will decrease by \$7,600).

- The RM has no capital plans proposed for the next five years, and the Board notes that with the inclusion of a reserve fund contribution as well as a provision for equity surcharge and contingency, annual surplus should result (allowing the RM to build cash equity in its utility).

While the Board notes the RM has no immediate capital plans the Board also notes the numerous recommendations contained in the Engineering Assessment of the RM's public water system. The Board will require the RM to provide a report to the Board as to how the RM intends to address each recommendation. The report to the Board is to include detail of the recommendation, the estimated cost, anticipated funding and in which year the item is planned to be completed.

The Board agrees with the RM that by combining the water and the sewer utilities into one combined utility makes sense and efficiencies in the operations should result. Also the costs are more accurately assessed to the user, when those charges are based on the actual usage.

Further when charges are clearly separate from the general operations and if customers are aware of the utility's operational costs, the potential for conservation, which would reduce bills, may be realized.

The Board will approve recovery of the 2007 and 2008 deficits through the water utility's accumulated surplus.

The Board will require the RM to file its 2009 audited financial statements, as well as its utility budget for 2011, as soon as

possible, with an application to address any further utility deficits.

Because the application was not processed in time to set rates in 2010, the Board expects the RM to file an application to address recovery of any deficit which may have occurred, especially for costs related to the sewer utility. This filing will include preliminary 2010 utility results to be reported on PUB Schedule 9 (this schedule is available on the Board's website).

The Board approves the shared cost methodology as submitted, but notes the methodology is based on a percentage of administrative staffing costs only. The Board will encourage the RM to monitor its operations, and in a future submission, ensure all shared costs are fairly allocated. The Board reminds the RM that if the methodology approved herein is proposed to change, prior Board approval is required.

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, available on the Board's website.

IT IS THEREFORE ORDERED THAT:

1. Interim rates set by Order 3/11 BE AND ARE HEREBY CONFIRMED as final, as set out in this order and the attached Schedule "A" for the Rural Municipality of Fisher (Fisher Branch).
2. The merger of the water and the sewer utility into one combined utility in the Rural Municipality of Fisher (Fisher Branch) BE AND IS HEREBY APPROVED.
3. The Rural Municipality of Fisher application for additional increases for 2011 and 2012 BE AND IS HEREBY APPROVED, to be implemented January 1, 2012 and January 1, 2013.
4. The Rural Municipality of Fisher shall provide immediate notice (notice to be vetted by the Public Utilities Board) to its customers of the rate increases approved herein and the rationale for same.
5. The 2007 (\$1,120) and 2008 (\$2,260) operating deficits in the water utility BE AND ARE HEREBY APPROVED to be recovered through the water utility's accumulated surplus.
6. The Rural Municipality of Fisher file a copy of its 2009 audited financial statements and its 2011 utility budget with the Public Utilities Board by May 31, 2011.
7. The Rural Municipality of Fisher file its preliminary 2010 utility financial results (and a completed PUB Schedule 9) as well as an application to address recovery of any deficit which may have been incurred in 2010 by May 31, 2011.

8. The Shared Cost Allocation Methodology as submitted by the Rural Municipality of Fisher BE AND IS HEREBY APPROVED as noted herein, based on percentages.
9. The Rural Municipality of Fisher files with the Public Utilities Board a report to address the recommendations contained in its commissioned Engineering Assessment of its public water system as noted herein, by October 31, 2011.
10. The Rural Municipality of Fisher file its 2012 audited financial statements and 2013 preliminary financial results with the Public Utilities Board, with a report as to the adequacy of rates, by May 1, 2014.

Fees payable upon this order - \$600.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"
Chairman

"K. SHIELDS"
Acting Secretary

Certified a true copy of Order No.
60/11 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"

TO PUBLIC UTILITIES BOARD ORDER No. 60/11

**THE RURAL MUNICIPALITY OF FISHER
WATER AND SEWER RATES
BY-LAW NO. 1030/10**

SCHEDULE OF QUARTERLY RATES:

1. Commodity rates per M.G.

All water consumption	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
January 1, 2011	\$5.20	\$4.60	\$ 9.80
January 1, 2012	\$5.35	\$4.65	\$10.00
January 1, 2013	\$5.50	\$4.75	\$10.25

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:

(a) Water and Sewer Customers

January 1, 2011

Meter	Group	Water	Customer	Commodity Charges		Total
	Capacity	Include	Service			Quarterly
<u>Size</u>	<u>Ratio</u>	<u>Gallons</u>	<u>Charge</u>	<u>Water</u>	<u>Sewer</u>	<u>Minimum</u>
5/8"	1	3,000	\$15.50	\$15.60	\$13.80	\$44.90
¾"	2	6,000	\$15.50	\$31.20	\$27.60	\$74.30
1"	4	12,000	\$15.50	\$62.40	\$55.20	\$133.10
1½'	10	30,000	\$15.50	\$156.00	\$138.00	\$309.50
2"	25	75,000	\$15.50	\$390.00	\$345.00	\$750.50

January 1, 2012

Meter	Group	Water	Customer	Commodity Charges		Total
	Capacity	Include	Service			Quarterly
<u>Size</u>	<u>Ratio</u>	<u>Gallons</u>	<u>Charge</u>	<u>Water</u>	<u>Sewer</u>	<u>Minimum</u>
5/8"	1	3,000	\$15.90	\$16.05	\$13.95	\$45.90
¾"	2	6,000	\$15.90	\$32.10	\$27.90	\$75.90
1"	4	12,000	\$15.90	\$64.20	\$55.80	\$135.90
1½'	10	30,000	\$15.90	\$160.50	\$139.50	\$315.90
2"	25	75,000	\$15.90	\$401.25	\$348.75	\$765.90

January 1, 2013

Meter	Group Capacity	Water Include Gallons	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
Size	Ratio			Water	Sewer	
5/8"	1	3,000	\$16.35	\$16.50	\$14.25	\$47.10
3/4"	2	6,000	\$16.35	\$33.00	\$28.50	\$77.85
1"	4	12,000	\$16.35	\$66.00	\$57.00	\$139.35
1 1/2"	10	30,000	\$16.35	\$165.00	\$142.50	\$323.85
2"	25	75,000	\$16.35	\$412.50	\$356.25	\$785.10

(b) Water Only Customers

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

(c) Sewer Only for Residential Customers

The Rural Municipality of Fisher do charge the owners or occupants of land serviced with sewer but no water the sum of \$96.50 per quarter (17,600 gallons x \$4.60/1,000 gallons + \$15.50 = \$96.50), with the quarterly charge to increase as follows:

January 1, 2012 \$97.75
January 1, 2013 \$99.95

(d) Sewer Only for Car Wash

The Rural Municipality of Fisher do charge the owners of the Car Wash that is serviced with sewer but not water the sum of \$177.40, which is an amount equivalent to two times that of a residential property as noted above in (c) (35,200 x \$4.60/1,000 gallons + \$15.50 = \$177.40), with the quarterly charge to increase as follows:

January 1, 2012 \$179.60
January 1, 2013 \$183.55

3. Bulk Sales Rate

All water sold in bulk by the Rural Municipality of Fisher shall be charged for at the rate of \$7.50 per 1,000 gallons on a pro-rated basis for all quantities greater than 500 gallons. For any quantity of 500 gallons or less, the minimum charge will be \$1.50 per 200 gallons, with rates to increase as follows:

January 1, 2012 \$7.60 per 1,000 gallons
January 1, 2013 \$7.75 per 1,000 gallons

4. Service to Customers Outside Municipality, Town, or L.I.D.,
Limits

The Council of Rural Municipality of Fisher may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of Local Improvement Districts Nos. 1 and 2 in Fisher Branch. Such agreements shall provide for payment of the appropriate rates set out in the 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 of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

5. Billings and Penalties

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 at least fourteen days after the mailing of the bills.

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 Rural Municipality of Fisher Office.

7. 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.

8. Outstanding Bills

Pursuant to Subsection 252(2) of *The Municipal Act*, the amount of all outstanding charges for 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 remedies.

9. Hydrant Rentals

The Rural Municipality of Fisher will pay to the utility an annual rental of \$ 150.00 for each hydrant connected to the system.

10. 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 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. 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 wastes.