

M A N I T O B A)
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THE PUBLIC UTILITIES BOARD ACT) Order No. 6/11
) January 18, 2011

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

TOWN OF ERICKSON
INTERIM WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, revised water and sewer rates for the Town of Erickson (Town). Rates are effective as of April 1, 2011, and will be reflected on the next quarterly billing.

| \$/1,000 gallons | Current | \$/1,000 gallons | Interim |
|---------------------------|----------------|---------------------------|----------------|
| Water | | Water | |
| First 20,000 gallons | \$5.50 | All Consumption | \$8.70 |
| Next 130,000 gallons | \$4.95 | | - |
| Over 150,000 gallons | \$4.40 | | - |
| Sewer | \$1.75 | Sewer | \$2.78 |
| Quarterly Service charge | \$33.24 | Quarterly Service charge | \$18.35 |
| Minimum Quarterly* | \$54.99 | Minimum Quarterly* | \$52.79 |
| Bulk water | \$7.60 | Bulk water | \$10.61 |

*Includes 3,000 gallons.

Customers should note that the reduction in the minimum quarterly bill is a result of the significant decrease in the quarterly service charge.

The Town is to provide notice of the revised rates, with supporting information, to ratepayers, with an invitation to file any concerns directly with the Public Utilities Board.

Backlog

Because of changes to accounting standards mandated by the Public Sector Accounting Board (PSAB), the number of municipal utility applications for rate changes increased substantially.

The Board, with a limited staff, notes that the required reviews have been made more complex by the accounting changes. In an effort to minimize delays, the Board has implemented a quick review process that involves increased reliance on applicant municipalities. This

process applies to utility rate applications received by the Board between June 1 and November 1 of 2010.

For those applications, the Board undertakes a somewhat cursory initial review, and, based on the information provided, the Board's general understanding of the specific utility and utilities in general, the implications of PSAB and Board accounting guidelines, interim *ex parte* rates (*ex parte* means without public notice) are established (which may or may not be those sought by the applicant).

Following the issuance of this Order, the Board will undertake a further review, which includes an opportunity to "hear" from any concerned ratepayers. Following this subsequent review, a final order will be issued which may confirm or vary the rates established herein.

Application

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 proposed 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 utility experienced annual operating deficits in 2005, 2006 and 2007; the Town has yet to file its 2009 financial statements.

The Town provided the following projected annual utility expenses (the proposed rates are 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 |

Board Findings

From the information submitted, the Board will approve interim rates based on anticipated 2010 expenses, with variations as noted below. The Town will be required to amend its bylaw to be consistent with the terms and conditions set out in this Order.

The hydrant rental is to increase from \$75 to \$100 annually, to reflect increased water costs. The Board will not approve the reflection in rates of provisions for reserve contributions and contingencies until a further review is completed.

Customers will note a reduction in the minimum quarterly bill. This is due to the significant decrease in the quarterly service charge as a result of the Town reviewing its administration costs. The Town will be required to provide supporting information with respect to this change.

The interim rates are therefore set to recover expenses as follows:

| | |
|---------------------------------------|-----------------|
| | 2010 |
| General | |
| Administration | \$18,250 |
| | |
| Water | |
| Expenses | \$78,150 |
| Amortization | 6,662 |
| Less Hydrant Rental | - 2,400 |
| Net Water Revenue Requirements | \$82,412 |
| | |
| Sewer | |
| Expenses | \$ 8,160 |
| Amortization | 17,187 |
| Net Sewer Revenue Requirements | \$25,347 |

The Board will again review the Town's application once the Town submits additional information, responses to questions of the Board,

the issuance of a public notice and any responses received from customers as a result of that notice.

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 is required to prepare and enact a by-law to be consistent with the provisions of this Order and the attached Schedule "A", with interim rates to be effective as of April 1, 2011.
2. The Town of Erickson files a copy of its interim rates by-law with the Public Utilities Board once it has received third and final reading.
3. The Town of Erickson provides notice (to be prepared by the Public Utilities Board) of its rate application to its ratepayers.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"GRAHAMLANE, CA"

Chairman

"KRISTINE SHIELDS"

Acting Secretary

Certified a true copy of Order No.
6/11 issued by The Public Utilities
Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 6/11
TOWN OF ERICKSON
WATER AND SEWER RATES

Schedule of Quarterly Rates:

1. Commodity rates per M.G.

| | <u>Water</u> | <u>Sewer</u> | <u>Combined</u> |
|-----------------|--------------|--------------|-----------------|
| All Consumption | \$8.70 | \$2.78 | \$11.48 |

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:

Water Customers - 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 |

3. Bulk Water Rates

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.

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.