

M A N I T O B A                    )  
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THE PUBLIC UTILITIES BOARD ACT    )    Order No. 81/11  
  )    June 10, 2011

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

TOWN OF BEAUSEJOUR  
WATER AND SEWER RATES

## **Executive Summary**

By this Order, the Public Utilities Board (Board) confirms interim utility rates (set by Order 117/10) and approves revised rates for the Town of Beausejour's (Town) water and sewer utility effective July 1, 2011.

Interim and revised rates are noted below:

	<b>Interim</b>	<b>Revised</b>
Water (\$/1,000 gallons)	\$ 4.42	\$ 5.63
Sewer (\$/1,000 gallons)	\$ 3.41	\$ 3.60
Quarterly Service Charge	\$16.12	\$ 22.57
Minimum Quarterly*	\$39.61	\$ 50.26
Average Quarterly**	\$85.02	\$103.79
Bulk Water (\$/1,000 gallons)	\$10.00	\$ 5.85
Hydrant Rentals	\$90.00	\$ 95.00
Reconnection Charge	\$30.00	\$ 50.00

\*Includes 3,000 gallons

\*\*Based on 8,800 gallons

This decision follows a public hearing held in the Beausejour Council Chambers on March 16, 2011.

## **Introduction**

By Order 117/10, the Board approved interim *ex parte* water and sewer utility rates for the Town effective January 1, 2011.

The interim rates set did not provide for contributions to reserve funds, contingencies or minor capital projects; consideration of these matters was to be part of a comprehensive review, now concluded.

The Board then-set revised commodity rates due to its understanding of the utility's requirement for an immediate increase in revenue. Other proposed rates, fees and charges, and terms of service, were to remain the same as previously approved by the Board.

The Board then-concluded that higher utility rates were needed to avoid operating deficits and to avoid rate shock from price spikes in the future.

Despite the interim rate increases granted, the Board expected the utility to record deficits in 2010 and 2011.

### **Background**

The original water and sewer system was constructed in the early to mid 1950's. Despite its age, the system remains functional and affordable to operate. The system has reportedly been well maintained over the years, with leading-edge technology (cathodic protection) used to extend the life of metallic water system (ductile iron water lines).

In 1990, the lagoon was expanded to accommodate growth. In 1995, the lift stations were upgraded and a new well was installed.

The Town provides metered services to about 1,300 customers. Drinking water standards are consistently met; there are no colour or taste issues reported.

The Town meets the guidelines of its Environmental Licence. Treated effluent is discharged into the Bachman Drain, which leads to the Brokenhead River.

The Town advises that its senior utility staff members are completely trained in all aspects of water and sewer operations and maintenance.

The Town provides water and sewer services to 14 properties located outside the Town limits. These customers are assessed costs pursuant to the Town's utility rates by-law, and in the same fashion as if the properties were located within the Town limits.

The Town reported unaccounted for water at 36.73% (well above the 10% accepted industry standard). To address the matter, the Town undertook a leak detection program to indentify unnoticeable water main breaks. The report, dated May 26, 2010 is available at the Town office.

Utility staff also reviewed all flow meters at the water plant to ensure accuracy and any unmetered water usage was estimated. The Town reports unaccounted for water has been reduced to 9.76%.

Through an Infrastructure Assessment (IA) of the Town's utility, the 2009 IA report notes the water plant is currently operating near its rated capacity and several components should be upgraded to meet future treated water demands. The report also indicates distribution pumping is operating at or near capacity and difficulties are experienced meeting customer demands during high demand periods (summer months).

The assessment reports sewer lines to be in reasonable condition however this assessment was based on a small number of video inspection reports covering only 5% of the system. The report recommends the Town undertake a sewer inspection program.

Finally, the IA report concludes the Town's lagoon to be operating at design capacity; during wet years, the storage volumes are exceeded. The report recommends that upgrades commence as soon as possible.

### **Application**

The Town applied to the Board for approval of its utility rates By-law 1647/10, which was supported by a rate study and other information as required.

The application and by-law included revised utility rates, based on a three year projection. The proposed rates address increased operating costs and the costs of new accounting requirements such as amortization and salary accruals for sick leave and vacation.

The Town included in its forecasts provisions for contingencies and reserves. The utility reserve fund is also augmented through taxation. The Town proposed to manage minor capital projects through revenues raised for amortization and reserve fund contributions.

The Town confirmed its commitment to operate a financially responsible utility by consistently setting aside funds for future upgrades and capital repairs. The Town evidenced this commitment by the \$595,558 held in its reserve fund as of December 31, 2010.

In 2008, the utility incurred a \$45,153 operating deficit. The Town reported a 2009 net utility operating deficit of \$109,694 and a preliminary 2010 deficit of \$68,766. The Town proposed to address recovery of the deficits through reserves.

As of May 10, 2011, the Town had not yet received its 2009 audited financial statements.

The Town advised that past utility rate by-laws included a clause to bill the minimum quarterly charges in advance. However, Town officials have noted that billing in advance had never taken place and, in a February 8, 2011 letter, asked the Board to amend the clause (Section 2.0) of its by-law to reflect the actual practice. The revised clause would state that the minimum quarterly charges shall be billed quarterly together with charges for metered services in excess of minimum allowances.

The Town sought participation in the provincial program for the installation of back water valves and sump pits/pumps in existing homes. By eliminating weeping tile water in the sewer system, the Town determined additional sewage treatment capacity (equivalent to the sewage created by 450 people) would be available.

Additionally, the Town would save funds now spent treating weeping tile water in the lagoon.

The Town also advised they are developing a policy to deal with property owners currently connected to the sewer system through low pressure; the majority of the system consists of gravity sewer. Low pressure sewer customers are required to install and maintain a septic tank on their properties.

The Town included in its revenue requirements \$3,500 to deal with these customers. The Town's policy would permit a refund to the low pressure users for the clean out of the property owner's septic tank. The dollar amount and frequency of paid clean outs has yet to

be determined.

Rates

The Town proposed the following rates:

	<b>Current</b>	<b>Proposed</b>
Water (\$/1,000 gallons)	\$ 2.69	\$ 5.63
Sewer (\$/1,000 gallons)	\$ 2.22	\$ 3.60
Quarterly Service Charge	\$16.12	\$22.57
Minimum Quarterly	\$30.85	\$50.26
Bulk (\$/1,000 gallons)	\$10.00	\$ 5.85
Hydrant Rentals	\$95.00	\$95.00
Reconnection Charge	\$30.00	\$50.00

Although the Town proposed to include a bulk water charge, the Town is not equipped with a self serve bulk fill station and directs customers to a neighbouring municipality's truck fill station. The Town advises that if bulk water services are requested a minimum \$30 charge is assessed, as an operator is required to be onsite. Bulk water is only used internally by the Town; the Town advises of no external sales.

Revenue Requirements

The Town provided the following summary of expenses, setting out the net revenue requirements for the utility:

	2011	2012	2013
<b>General</b>			
Expenses	\$118,450	\$122,004	\$125,664
Less Revenues	2,060	2,122	2,185
<b>Net Revenue Requirements - General</b>	<b>\$116,390</b>	<b>\$119,882</b>	<b>\$123,479</b>
<b>Water</b>			
Expenses	\$240,278	\$247,487	\$254,911
Amortization	120,435	120,435	120,435
Interest on Long Term Debt	4,343	3,856	3,344
Reserves	48,100	48,100	48,100
Contingency	6,200	6,200	6,200
Less Revenues	94,151	94,196	94,242
<b>Net Revenue Requirements - Water</b>	<b>\$325,205</b>	<b>\$331,882</b>	<b>\$338,748</b>
<b>Sewer</b>			
Expenses	\$158,955	\$163,436	\$168,339
Amortization	97,635	97,635	97,635
Interest on Long Term Debt	6,981	5,659	4,268
Reserves	5,500	5,500	5,500
Contingency	4,900	4,900	4,900
Less Revenues	62,641	62,663	62,686
<b>Net Revenue Requirements - Sewer</b>	<b>\$211,330</b>	<b>\$214,467</b>	<b>\$217,956</b>

Capital Assets, Future Works and Debt

The Tangible Capital Assets continuity schedules record the historical cost of the water and sewer infrastructure at \$11,091,779, with an annual amortization expense of \$218,070. The Town received \$3,248,003 in grants to assist with these capital costs.



The proposed rates, if approved by the Board, will generate \$150,000 to \$200,000 annually to address the following capital plans, estimated to cost approximately \$525,000:

- Water Leak Detection Audit
- Audit of Water Plant Filter
- Audit of Water Tower and Water Reservoir
- Water Cathodic Protection
- Replace/Repair Water Lines
- Sewer Line Replacement Program

Another project previously identified was for the mass replacement of water meters at a cost of \$500,000. The Town has since opted to replace non-functioning meters with automated meters annually, as needed.

The Town engaged a consultant to perform a physical assessment/inspection of the system.

Large capital projects with costs estimated over \$200,000 will be addressed through borrowing. Projects currently identified include water tower controls replacement, water filter reconditioning/replacement, and the lagoon expansion.

The Town raises \$52,610 annually through property taxes to service debentures related to the utility. One of the four debentures was fully repaid in 2010, thereby reducing the annual payment in 2011 to \$46,345. As of December 31, 2010, \$205,679 remained in outstanding utility debt.

Shared Cost Allocation Policy

The Town provided the following breakdown with respect to costs shared between the general operations of the municipality and the utility.

Function	Position	Percentage to Utility
Administration	CAO	25%
Wages & Benefits	Senior Accountant	50%
	Utility Clerk	100%
Water/Sewer	Director of Operations	50%
Wages & Benefits	Operator 1 and 2	100%
	Relief Operator	Actual
	Public Works Ass't	Actual
Equipment	Cost per hour	Actual
<u>Capital Development</u>		
Administration	CAO	25%
Wages & Benefits	Senior Accountant	50%
	Utility Clerk	100%
Water/Sewer	Director of Operations	50%
Wages & Benefits	Operator 1 and 2	100%
	Relief Operator	Actual
	Public Works Ass't	Actual
	Misc.	Per Project

Public Hearing

Pursuant to instructions from the Board, the Town advertised Notice of its application and the March 16, 2011 public hearing, held at the Town's Council Chambers.

Besides municipal officials and staff, four members of the public attended the hearing including one media representative and one from a different community.

The Town's mayor and chief administrative officer presented details of the utility and outlined the need for increased rates. The Town indicated its plan to move away from subsidizing the utility reserve fund through property taxes. One alternative may be to increase the hydrant rental charges currently assessed.

The only comment from parties affected by the utility rates was that the proposed increase was too much all at once.

### **Board Findings**

The Board appreciates any input from members of the public related to a water and sewer rate application and in particular thanks those members of the public who attended the public hearing.

While sympathetic to customers affected by the increases, the Board finds the anticipated expenses to be reasonable and the rates just. The Board will approve the rates sought by the Town.

The Board recognizes the implications of Public Sector Accounting Board accounting changes, the introduction of amortization, and the impact to rates is significant. The Board notes that the amortization of grant revenues included in the projections helps minimize the impact.

The Board commends the Town in its plans to audit, assess and inspect the utility infrastructure. The findings and results of

these undertakings will provide the Town with a clear picture of immediate improvements needed and facilitate with long term planning.

The Board is encouraged with the Town's development of a policy to address differing sewer services provided to customers with low pressure systems. The Board expects the policy will address the necessity of property owners to pump out their septic tanks, which the Board understands needs to be done annually.

The Board will approve the requested amendment to the quarterly billing practice of the Town, and will require the Town to amend its by-law prior to second reading. The Board will also require the Disconnection clause to be amended to be consistent with Board approved wording. This will require an amendment to Schedule A, attached to this Order and the Town's by-law.

The Board has concerns with the length of time it is taking for the completion of the 2009 audited statements, and will defer any decisions with respect to deficits until this filing has been submitted. The Town is to file an application with the Board, once the 2009 audited statements have been finalized, to address recovery of the 2008, 2009 and the 2010 utility deficits.

The Board will approve the Shared Cost Allocation methodology as submitted by the Town based on percentages. The Board reminds the Town that if the now approved methodology is to change, prior Board approval is required.

The Board encourages the Town to work towards removing the tax levy used to raise utility reserve fund contributions. The Board is of

the view that customers need to be aware of costs of operating the utility. 'Burying' a utility provision in a property tax statement does not promote this awareness.

The Board notes the current hydrant rental charge to be low and will provide increases in 2012 to \$125 and in 2013 to \$150 per hydrant. The hydrant rental charge is to cover the costs of maintaining and replacing hydrants. As well, in most municipalities, the rental charge also covers the costs of water used for firefighting purposes in the community. With all costs rising, the increased revenues should prove helpful to the utility.

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 (Rules). The Board's Rules may be viewed on the Board's website at [www.pub.gov.mb.ca](http://www.pub.gov.mb.ca).

**IT IS THEREFORE ORDERED THAT:**

1. Interim rates set by Order 117/10 BE AND ARE HEREBY CONFIRMED.
2. Final rates as set out in this order and the attached Schedule "A" for the Town of Beausejour BE AND ARE HEREBY APPROVED effective July 1, 2011.
3. Town of Beausejour By-law No. 1647/10 with amendments as noted within this Order and the attached Schedule "A", BE AND IS HEREBY APPROVED.

4. The Public Utilities Board approves the Shared Cost Allocation Policy as submitted by the Town of Beausejour, that policy based on a percentage allocated to the utility for a portion of shared services of the Town's operations.
5. The Town of Beausejour file a copy of its 2009 audited financial statement, preliminary 2010 utility operating results and an application for recovery of 2008, 2009 and 2010 deficits with the Public Utilities Board not later than July 31, 2011.
6. The Town of Beausejour file a copy of its 2012 audited financial statements, preliminary 2013 utility operating results and a report as to the adequacy of rates with the Public Utilities Board by May 1, 2014.

Fees payable upon this Order - \$1,500.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SHIELDS"

Acting Secretary

Certified a true copy of Order No.  
81/11 issued by the Public Utilities  
Board

\_\_\_\_\_  
Acting Secretary

**Schedule "A"**

**PUBLIC UTILITIES BOARD ORDER No. 81/11**

**By-law 1647/10  
The Town of Beausejour  
Water and Sewer Rates**

**SCHEDULE OF QUARTERLY RATES:**

**1. Commodity Rates Per M.G. (1,000 Gals)**

	<u>Water</u>	<u>Sewer</u>	<u>Water &amp; Sewer</u>
All Water Consumption	\$5.63	\$3.60	\$9.23

**2. Quarterly Minimum Charges**

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 & Sewer Customers**

<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	\$22.57	\$ 16.89	\$ 10.80	\$ 50.26
3/4"	2	6,000	\$22.57	\$ 33.78	\$ 21.60	\$ 77.95
1"	4	12,000	\$22.57	\$ 67.56	\$ 43.20	\$ 133.32
1 1/2"	10	30,000	\$22.57	\$135.12	\$ 86.60	\$ 244.10
2"	25	75,000	\$22.57	\$270.24	\$172.80	\$ 465.61

**(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 minimum charge will be the same for each meter size, as shown in Clause 2(a) but the water commodity charge will be excluded.

**3. Bulk Sales Rate**

All water sold in bulk by the Town shall be charged for at \$5.85 per 1,000 gallons or portion thereof. All pick ups are subject to a \$30.00 per fill fee in order to cover operating costs incurred as a result of the pick-up.

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

- a. The Council of the Town of Beausejour may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town of Beausejour. 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.
- b. All costs of connecting to the utility's mains and installing and maintaining service connection will be paid by the customer.

**5. Billings and Penalties**

- a. Accounts shall be billed quarterly, and shall be due and payable 30 days after date of billing. A late payment charge of 1 ¼ % 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.



- b. If a customer does not provide their meter reading to the utility, a \$25.00 fee shall be charged if Town Personnel must go to a property to read the meter.

**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 Municipal 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 \$50.00 have been paid.

**8. Outstanding Bills**

Pursuant to Section 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 Town of Beausejour will pay to the utility an annual rental of \$95 for each hydrant connected to the system in 2011, \$125 in 2012 and \$150 in 2013.

**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. Rate Review Period**

The rates included in this by-law are expected to be in effect for a 3-year period (July 1<sup>st</sup>, 2011 to December 31<sup>st</sup>, 2013) and to be reassessed at the conclusion of this period of time. This plan will ensure that the rates charged reflect the actual costs to run the utility as the Town expands in size and population, and that the rates remain fair to the customers.

#### **12. 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 purchase for substances requiring special treatment shall be charged based on the actual costs of treatment required for the particular sewage or industrial waste.