

M A N I T O B A) Order No. 100/12
)
THE PUBLIC UTILITIES BOARD ACT) August 9, 2012

BEFORE: Susan Proven, P.H.Ec., Acting Chair
 Raymond Lafond, CA, Member

VILLAGE OF ST. CLAUDE
DEFICIT APPROVALS,
RESERVE FUND TRANSFERS
AND
REVISED WATER AND SEWER RATES
EFFECTIVE SEPTEMBER 1, 2012

Executive Summary

By this Order, the Public Utilities Board (Board) approves revised water and sewer rates for the Village of St. Claude's (Village) Utility effective September 1, 2012. Rates were last amended in 2009.

Previous and revised rates are as follows:

Commodity Rate	Current	Effective September 1, 2012	Increase
Water - \$/1,000 gallons	\$7.50	\$11.43	52%
Sewer - \$/1,000 gallons	\$2.50	\$3.90	56%
Quarterly Service Charge	\$8.25	\$35.77	334%
Minimum Quarterly*	\$38.25	\$81.76	114%
Average quarterly**	\$78.25	\$143.08	83%
Sewer Only Quarterly***	\$28.25	\$66.97	137%
Bulk Water	\$9.40	\$14.29	52%
Hydrant Rental Charge	\$95.00	\$95.00	0%

*Based on 3,000 gallons

**Based on 7,000 gallons

***Based on 8,000 gallons

The Board also approves herein the deficits for 2009, 2010 and 2011 as well as a request from the Utility to transfer \$149,000 from reserve funds to offset unusual expenses incurred during 2011.

Details of other fees and charges are shown on the attached schedule "A".

Introduction

The Village applied for revised water and sewer rates in September 2011. Following discussions between Board staff and Village officials, the Village revised its application on March 28, 2012, submitting updated calculations of estimated expenses and proposed Utility rates.

In June 2012, a Public Notice was issued, informing customers of the proposed rates and inviting them to attend the Village offices to learn more details about the application, and how the proposed rates increase might affect them. Customers were also advised of their right to express concerns and provide comments directly to the Board.

Having received no expressions of concern from the public, the Board determined that it would assess the application using a paper-based process rather than holding a public hearing.

Background

The Utility's customer base is as follows:

	2010	Projected 2014
Water & Sewer	286	294
Water only	10	10
Un-metered (fire hall)	1	1
	297	305

Water is purchased from the Pembina Valley Water Cooperative (PVWC) and stored in a reservoir, where it is rechlorinated and then pumped through the distribution system.

The reservoir was constructed in 1969 and upgraded in 1975. The reservoir needs expansion, but funds are currently unavailable.

There is a reported trihalomethanes issue, but this originates with PVWC who are trying to address this issue.

The Village services 47 hydrants.

Unaccounted for water is approximately 10% within the water utilities standards in Manitoba.

Sewage collection and treatment consists of gravity mains and two lift stations. The Village's lagoon was constructed in 1969 and consists of two aerated cells and one storage cell.

The Utility has two certified operators with a third scheduled to take the necessary training.

Capital expenditures planned for the next five years total \$950,000, including the reservoir expansion of \$700,000. Except for the reservoir, the other capital items are expected to be funded through reserves or operations.

Application

The Village applied for revised water and sewer rates, as set out in By-law No. 426/12, read the first time on June 19, 2012. The application was supported by a 2011 rate study prepared by the Village's consultant, Associated Engineering.

Following exchanges of information between the Board and the Utility, the Utility submitted amendments to its application which included changes in provisions for both reserves and contingencies and the resulting recalculation of proposed utility rates.

In December 2011, the Village of St. Claude submitted a Council Resolution requesting authority from the Public Utilities Board to transfer funds from Reserves to cover unusual expenses occurred during 2011.

In March 2012, the Utility submitted an application for the approval of deficits incurred in 2009 and 2010, as well as a proposal to deal with an expected 2011 deficit. It was also accompanied by a Revision to the 2011 Utility Rate study and was prepared by Jerome Mauws, the acting CAO.

Rates:

The requested rates, as proposed in March 2012, were as follows:

	Current	Proposed June 1, 2012	Increase/ Decrease
Water \$/1,000 gallons	\$7.50	\$11.43	52%
Sewer \$/1,000 gallons	\$2.50	\$3.90	56%
Quarterly Service Charge	\$8.25	\$35.77	334%
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*Based on 3,000 gallons

**Based on 7,000 gallons

***Based on 8,000 gallons

The Village's expenditure projections for 2012
were as follows:

Administration	17,008.00
Shared costs- recoveries by General Fund	27,640.00
Total general expenses	44,648.00
<i>Revenue:</i>	
Less: Investment income	500.00
Less: Penalties	1,500.00
Net revenue requirement general	42,648.00
Water	
<i>Expenses:</i>	
Shared costs recoveries by General Fund	4,481.00
Purification and treatment	2,525.00
Water purchases	161,258.00
Service of Supply	17,675.00
Transmission and Distribution	8,585.00
Other Water Supply Costs	2,000.00
Connections - Net Loss	1,010.00
Amortization/ depreciation	28,570.00
Interest on long term debt	4,995.00
Reserves	20,000.00
Minor capital upgrades	13,333.00
Contingency	15,000.00
Sub-total- water expenses	279,432.00
<i>Revenue:</i>	
Hydrant rentals	4,465.00
Amortization of capital grants	2,900.00
Taxation revenues	18,962.00
Total non-rate revenue - water	26,327.00
Net rate revenue requirement- water	253,105.00
Sewer	

<i>Expenses:</i>	
Shared costs recoveries by General Fund	13,442.00
Sewage Collection System	1,768.00
Sewage Lift Station	9,696.00
Sewage Treatment and Disposal	24,240.00
Amortization/ depreciation	31,966.00
Interest on long term debt	13,487.00
Reserves	20,000.00
Minor capital upgrades	8,333.00
Contingency	15,000.00
Total sewer expenses	137,932.00
<i>Revenue</i>	
Amortization of capital grants	19,384.00
Taxation revenues	51,990.00
Transfer from reserve fund	8,200.00
Total non-rate revenue- sewer	79,574.00
Net rate revenue requirement- sewer	58,358.00

The original capital cost of the Water and Sewer Plant, according to the 2010 audited financial statement, was approximately \$4.2million.

The contingency provisions of \$30,000 are within the Board recommended guidelines of 1% of the capital cost of the Plant.

The proposals for contributions to the Reserve funds are also within Board guidelines, given the depletion of those Reserves to address deficits and unusual expenses in 2011.

The following cost items were included:

- Operator training of \$2000.00 per annum,
- A provision of \$2500.00 per year to cover the cost of an engineering assessment,
- A provision of \$13,333.00 per year (for 3 years) to cover the unexpected costs incurred to replace water mains and

- A provision of \$8,333.00 per year (for 3 years) to recover the costs incurred as a result of the 2011 flooding.

The items denoted as *Shared Cost Recoveries By The General Fund* represent an allocation of general costs incurred by the Village, a portion of which is to be allocated to Utility operations in order to reflect the true cost of delivering water and sewer services.

Council has proposed the following allocation methodology:

- Legislative Indemnities 25% of actual expenses
- General Administration - Salaries 30% of actual expenses
- General Administration - Benefits 30% of actual expenses
- Office (Cleaning Staff) - Benefits 25% of actual expenses
- Legislative - Contract Services 25% of actual expenses
- General Admin - Contract Services 25% of actual expenses
- Office - Contract Services 25% of actual expenses
- Legal - Contract Services 25% of actual expenses
- Audit - Contract Services 25% of actual expenses
- Office - Utilities 25% of actual expenses
- Legislative - Materials & Supplies 25% of actual expenses
- Office - Materials & Supplies 25% of actual expenses
- Damage Claims & Liability Insurance 25% of actual expenses
- Intergov't Relations - Mat & Sup 25% of actual expenses
- Other General Gov't - Mat & Sup 25% of actual expenses

Transportation Services (to be recovered 25% from the water expenses and 75% from the sewer expenses)

- Unallocated Equip Operators Wages 25% of actual expenses
- Unallocated Equip Operators Benefits 25% of actual expenses
- Equipment Repairs & Maint - Cont Serv 20% of actual expenses
- Workshop & Yard Oper - Cont Serv 20% of actual expenses
- Workshop & Yard Oper - Utilities 20% of actual expenses
- Equipment Fuel - Materials & Supplies 20% of actual expenses
- Equip Repairs & Maint - Mat & Sup 20% of actual expenses
- Workshop & Yard Oper - Mat & Sup 20% of actual expenses

Deficits:

The Village reported the following deficits:

2009	\$26,815
2010	\$39,069
2011	\$31,500
Total	\$97,384

Their submission noted that a levy of \$12,792 had already been assessed against the residents of the Village in 2011 leaving a balance of \$14,023 to be recovered. The Village proposed to recover this amount as well as the 2010 deficit from the Reserve fund.

The Village proposed to recover the 2011 deficit from operating surpluses which it expects may arise during 2012, 2013 and 2014 because of the contingency and reserve provisions.

The Village also noted in passing that they expect to incur a deficit in 2012, the magnitude of which is not yet determined, especially pending approval of the revised rates for 2012.

Transfer from Reserves:

The Village submitted Resolution Number 241/11 which sought Board authority to approve the transfer from the Utility Reserve Fund to cover the cost of the following capital expenditures incurred during 2011:

Water Breaks	\$ 60,551
Lift Station Flooding	\$ 17,075
Sewer Line Flushing	\$ 7,375
Lagoon - Diking of Berm	\$ 8,580
Repairs to Manhole	\$ 55,419
Total	\$ 149,000

The net effect on the Reserve Fund, prior to any transfers in from 2012, 2013 and 2014 operations, is summarized as follows:

Balance - January 1, 2011		\$ 302,585
Less Recoveries;		
2009 Deficit	\$ 14,023	
2010 Deficit	\$ 39,869	\$ 53,892
		\$ 248,693
Less Transfers for Capital Expenditures in 2011		\$ 149,000
Fund Balance – December 31, 2011		\$ 99,693

Board Findings

Rates:

The Board has reviewed the expenditure projections and finds them reasonable. The Board will approve the proposed rates as requested in the revised submission of March 2012.

The Board adds the proviso that the Village will be required to submit another rate application to the Board for revised rates for 2015, 2016 and 2017 by no later than July 1 2014. The Board notes that the special three-year provisions for the line replacements and the 2011 flood related costs should disappear. The Board will also be interested in revisiting Reserve fund contributions.

Cost Allocation Methodology

The methodology submitted by the Village is generally acceptable and the Board will approve its use. The Board reminds the Village that any subsequent changes to the methodology will require Board approval.

Deficits

The Board will approve the Village's proposal for the handling of deficits for 2009, 2010 and 2011, as submitted.

The Board notes the Village's anticipation of a deficit for 2012 and expects that should such a deficit arise, the Village will submit its application, along with an appropriate Council Resolution, to the Board recommending a recovery methodology.

Transfers from Reserves

The Board will also authorize the Reserve transfers as submitted in Council Resolution Number 241/11.

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.

IT IS THEREFORE ORDERED THAT:

1. The water and sewer rates for Village of St. Claude Utility, as reflected in Schedule "A", BE AND ARE HEREBY APPROVED, effective September 1, 2012.
2. By-law 426/12 be amended to reflect Schedule "A" and that a copy of that By-law be submitted to the Board following third and final reading.
3. The Village of St. Claude submit a rate study for approval of 2015 rates on or before July 1, 2014.
4. The cost allocation methodology proposed by the Village of St. Claude Utility BE AND IS HEREBY APPROVED.
5. The deficits for 2009, 2010 and 2011, as reported by the Village of St. Claude, BE AND ARE HEREBY APPROVED, with 2009 to be partly recovered from Reserve funds and partly recovered from a special levy previously assessed to the residents of the Village. The 2010 deficit will be recovered from Reserve funds. The 2011 deficit will be recovered from anticipated operating surpluses in 2012, 2013 and 2014.
6. The Village advise customers of these revised rates in the next quarterly billing.

Fees payable upon this Order are \$ 500.00

THE PUBLIC UTILITIES BOARD

Susan Proven, P.H.Ec.
Acting Chair

"KURT SIMONSEN, P.Eng"
Acting Secretary

Certified a true copy of
Order No. 100/12 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 100/12

THE VILLAGE OF ST. CLAUDE
WATER AND SEWER UTILITY
WATER AND SEWER RATES

1. Commodity Rates Per 1000 Of Gallons (effective September 1, 2012)

Water	Sewer	Combined
\$11.43	\$3.90	\$15.33

2. Minimum Charges, Quarterly

a. Water And Sewer Customers

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	1	3,000	\$35.77	\$34.29	\$11.70	\$81.76
3/4	2	6,000	\$35.77	\$68.58	\$23.40	\$127.75
1	4	12,000	\$35.77	\$137.16	\$46.80	\$219.73
1 1/4	10	20,000	\$35.77	\$228.60	\$78.00	\$342.37
2	25	75,000	\$35.77	\$857.25	\$292.50	\$1,185.52

b. Water Only Customers

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

c. Sewer Only Customers

A resident or small commercial customer with sewer service only shall pay flat quarterly rate of \$66.97 (\$3.90 x 8 + \$35.77), provided such a customer is a single-family dwelling or equivalent.

Any other sewer only customers who are estimated to be consuming more than 8,000 gallons of water per quarter (from their well water supply) shall have their water supply metered at their own expense and the rate shall be based on the sum of the customer service charge and the appropriate other charges set out in clauses (a) and (b) above.

3. Bulk Sales Rate

All water sold in bulk by the Village of St. Claude shall be charged the rate of \$14.29 per 1,000 Imperial Gallons.

4. Service To Other Municipalities

The Council of the Village of St. Claude may sign agreements with another municipality for the provision of water and sewer services outside the legal boundaries of the Village. Such agreement shall provide for payment of the appropriate rates set out in the schedule, as well as terms and conditions, including fees and other charges set by counsel for providing the service. Such terms and conditions may differ from ones that apply in the Village.

5. Billings And Penalties

Accounts shall be billed quarterly, based on the minimum charges plus excess commodity charges for water and sewer services for the preceding quarter for metered services. Payment shall be due and payable not sooner than 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. For every month after that, a further penalty of 1 ¼ % of the amount of the bill shall be added if the debt is unpaid.

6. Water And Sewer Connections

- a. Each customer applying for water turn- on or turn-off of service during any quarter shall pay that portion of part of the current minimum quarterly charge provided that, in calculating the sewer and water bill, any portion of the month shall be considered as a full month. In all cases any excess water used will be charged at the rates set forth under Commodity Rates.
- b. A service charge of \$25.00 shall be paid before any water is turned on, and shall be the responsibility of the owner.

7. Disconnection

Service may be disconnected and discontinued for nonpayment of the account. If the account remains unpaid 30 days past due date, customers will be sent a reminder notice. If after a further 30 days the account remains unpaid, the second notice will be issued providing disconnection service advice unless payment is received within 30 days. All disconnection notices shall advise the customer of the specific date of the disconnection and their right to appeal to the Public Utilities Board and include the Board's relevant contact information.

8. Reconnection

Any service disconnected due to nonpayment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$50.00 have been paid. Any customer wishing to have billings discontinued due to vacancy of premises shall be required to have service disconnected and pay \$50.00 reconnection fee when service resumes.

9. 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 the tax may be collected or enforced under this Act.

10. Hydrant Rentals

The Village of St. Claude shall pay to the Utility an annual rental of \$95.00 for each hydrant connected to the system. This includes water for fire purposes.

11. Sewer Surcharge

- a. There may be levied annually, in addition to the rates set forth above, a special surcharge on sewage having a Five Day Biochemical Oxygen Demand in excess of 300 mg/L, 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.

12. Water Allowances Due To Line Freezing

Where, at the request of Council, 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 the customer for the current quarter shall be the average billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.

13. Water Metering

All new residential customers for sewer and water shall be metered at the customer's cost. Ownership, inspection and maintenance of the meters will remain the responsibility of the Utility system.

Commercial meter maintenance will be the responsibility of the Utility system but will be billed to the commercial customer.

14. Water Meter Repairs And Testing

- a. Where a water meter is damaged as a result of negligence of a user, such user shall pay the cost of repairing the damage meter in a set amount will immediately become a debt due and owing to the Utility within 10 days of demand of same. The water service of said user may be disconnected for repairs. A fee of \$25.00 shall be charged or reconnection of the service disconnected under this paragraph.
- b. Any consumer who desires and requests that their water meter be tested for accuracy shall deposit with the Utility the sum of \$40.00. If the meter, when tested, is found to be in excess of the allowable limits, the deposit shall be refunded in the consumer's account shall be adjusted for the preceding four months use. The allowable limit of variation shall be 3% of average flow.

15. Meter Reading

- a. Every customer of the Village of St. Claude's water and sewer Utility will be responsible for reading their own meter up to three times each year upon notice at the end of the applicable billing quarter, and will be responsible for providing the meter reading to the Village's office. The Village will undertake to read the water meters at least once each year.
- b. In the event that a customer fails to deliver the water meter reading during the appropriate time period, the Village will read the meter and will assess a fee of \$10.00 for this service. If the Village is unable to access and read the meter within an appropriate time period, an estimate of the water consumption will be made and the customer will remain liable for the service fee.

16. New Utility Service Connection's

- a. Any property owner wanting to connect to either the Village of St. Claude water and/or sewer utilities must make application for same at the Village office. The property owner shall arrange for the work and pay all costs associated with the connection to the water and /or sewer mains, and shall be responsible for all maintenance and repair of the service connections thereafter.
- b. The applicant for new service connections is liable for a fee set from time to time by resolution of Council to be applied to the cost of inspecting and recording the new services.
- c. Only contractors licensed or otherwise approved by the Village are permitted to work within the limits of the Village's of road allowances.

17. Changing Meter Size

A customer may, upon application to the Village council, be granted a change in water meter size so as to more accurately reflect the required consumption of water throughout the year. However, if for some reason that same customer applies for a reversal involving new water meter change back to the original size, the customer then must pay for all costs pertaining to the reversal plus a fee of \$25.00.