

MANITOBA) Order No. 101/12
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THE PUBLIC UTILITIES BOARD ACT) August 9, 2012

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

RURAL MUNICIPALITY OF ROCKWOOD
TOWNSITE OF BALMORAL
WATER AND SEWER RATES
2012, 2013 and 2014

Summary

The Public Utilities Board (Board) hereby approves revised water and sewer rates for 2012, 2013 and 2014 for the Townsite of Balmoral (Townsite) in the Rural Municipality of Rockwood (RM).

The 2012 rates are effective July 1, 2012; the 2013 and 2014 rates will be effective on January 1 in each of those years.

The current and revised commodity rates are noted below:

	Current	2012	Increase/ Decrease	2013	Increase/ Decrease	2014	Increase/ Decrease
Quarterly Service Charge	\$13.00	\$15.00	15.4%	\$15.50	3.3%	\$15.95	2.9%
Water -\$/per cubic meter	\$2.14	\$1.10	-48.6%	\$1.05	-4.5%	\$1.05	0.0%
Sewer -\$/per cubic meter	\$0.43	\$1.85	330.2%	\$1.90	2.7%	\$1.90	0.0%
Deficit recovery rate rider- \$/per cubic meter		\$0.70		\$0.70		\$0.70	
Minimum Quarterly*	\$64.60	\$69.75	8.0%	\$70.25	0.7%	\$70.70	0.6%
Bulk water rates**	\$3.43	\$3.20	-6.7%	\$3.10	-3.1%	\$3.15	1.6%
Reconnection fee	\$50.00	\$50.00	0.0%	\$50.00	0.0%	\$50.00	0.0%
Hydrant rental (annual)	\$150.00	\$150.00	0.0%	\$150.00	0.0%	\$150.00	0.0%

*water & sewer customers -15 cu m per quarter

**plus \$50.00 per fill

Details of other rates may be found in the attached schedule "A".

Introduction

The RM of Rockwood applied on January 26, 2012 for revised rates to be effective for 2012, 2013 and 2014. Existing rates were established in 2007.

A public Notice of application was issued in March 2012 affording customers the opportunity to comment to both the Board and the Utility with respect to the proposed increases.

The Board has at its disposal two alternative processes to deal with rate applications. It may determine that an oral hearing is warranted or that a paper review process is sufficient. Based on customer response to the Public Notice (only one was received), the Board chose a paper review process. This avoids the expense of an oral hearing and was in the best interest of all concerned.

Background

The Balmoral Utility began operations in 2003. In addition to servicing 19 hydrants, the Balmoral Utility has 108 customers including a recreational center and two commercial accounts. All services are metered.

Balmoral provides treated water to the Gunton Townsite Utility, a utility also operated by the RM, and provides Gunton with sewage treatment services by an interconnected sewer line. Services to Gunton began in 2010.

Raw water is obtained from a production well and, according to an engineering assessment conducted in 2011, the treated drinking water meets drinking water quality standards. The treatment system includes membrane filtration and chlorination with corrosion control. The Board notes that the Municipality is currently reviewing short and long-term recommendations contained in the engineering assessment.

The distribution infrastructure is in good condition, reporting unaccounted for water losses of 4%, well within the industry average of 10%.

The sewer collection system is gravity flow. The Utility has a two-cell lagoon and treated effluent discharges are made in conformance with its environmental license. The lagoon is reportedly experiencing hydraulic loading issues and the Municipality is considering installation of another cell.

The 2011 capital budget includes \$85,000 for work on the water plant which is expected to be paid for from existing reserves. It also identifies \$1.5 million for lagoon study and related lagoon upgrades. This capital cost is to be paid for by borrowings. Because of the uncertainty around lagoon expansion requirements, the lagoon related costs have not been factored into the rate study.

Application

The RM submitted its application on January 26, 2012 accompanied by a water and sewer utility rate study prepared by the RM's consultant, Mr. G. Barron, FCGA.

The application was also accompanied by By-law number 05-12 read for the first time on January 25, 2012.

In its covering letter, the RM notes that while it had considered combining the Balmoral and Gunton utilities, it decided to defer this matter for future consideration because of the rate disparity between the two communities.

The rate study proposed the following rates for Balmoral:

	2012	2013	2014
Quarterly Service Charge	\$15.00	\$15.50	\$15.95
Water- \$/per cubic meter	\$1.10	\$1.05	\$1.05
Sewer- \$/per cubic meter	\$1.85	\$1.90	\$1.90
Deficit recovery rate rider- \$/per cubic meter	\$0.70	\$0.70	\$0.70
Minimum Quarterly*	\$69.75	\$70.25	\$70.70
Bulk water rates**	\$3.20	\$3.10	\$3.15
Reconnection fee	\$50.00	\$50.00	\$50.00
Hydrant rental (annual)	\$150.00	\$150.00	\$150.00

*water & sewer customers -15 cu m per quarter

**plus \$50.00 per fill

The deficit recovery rate rider rate is in relation to the deficits incurred totaling \$38,960 for 2009, 2010 and 2011. This amount is proposed to be recovered over three years through a commodity-based charge of \$.70 per cubic meter. This surcharge would apply only until the end of 2014 at which time the Utility indicates it will prepare a submission for revised rates which will recognize the expiry of this rate rider.

The rates were based on the following projected expenses:

	2012	2013	2014
General			
Administration	5,152	5,307	5,466
Billing and collection	1,328	1,368	1,409
Less: Penalties	700	700	700
Net revenue requirement general	5,780	5,974	6,175
Water			
Staffing	11,790	12,144	12,508
Vehicle costs	2,028	2,016	2,184
Operator training	507	546	585
Purification and treatment	4,120	4,244	4,371
Service of Supply	11,160	11,495	11,840
Hydrant maintenance	1,030	1,061	1,093
Amortization/ depreciation	53,298	53,298	53,298
Interest on long term debt	10,608	9,358	8,028
Reserves	5,000	5,000	5,000
Regulatory costs	1,088	1,088	1,088
Equity surcharge	1,662	1,722	1,727
Contingency	3,600	3,600	3,600
Sub-total- water expenses	105,891	105,571	105,321
<i>Revenue:</i>			
Connection Revenue	4,000	4,000	4,000
Hydrant rentals	2,850	2,850	2,850
Amortization of capital grants	28,247	28,247	28,247
Taxation revenues	30,313	30,313	30,313
Shared operator revenue	9,492	9,492	9,492
Other revenue	10,435	10,748	11,070
Total non-rate revenue - water	85,337	85,650	85,972
Net revenue requirement - water	20,554	19,921	19,349

Sewer			
Staffing	7,860	8,096	8,339
Vehicle costs	1,352	1,393	1,434
Operator training	338	348	359
Sewage Collection System	2,575	2,652	2,732
Sewage Lift Station	5,150	5,305	5,464
Sewage Treatment and Disposal	2,000	2,060	2,122
Other Sewage Collection & Disposal Costs	103	106	109
Amortization/ depreciation	38,512	38,512	38,512
Contingency	3,600	3,600	3,600
Total sewer expenses	61,490	62,071	62,670
<i>Revenue</i>			
Amortization of capital grants	20,411	20,411	20,411
Shared operator revenue	3,164	3,164	3,164
Other Revenue	4,590	4,728	4,870
Total non-rate revenue- sewer	28,165	28,303	28,445
Net revenue requirement- sewer	33,325	33,769	34,226

The projections include a provision to build reserves as well as a provision to build the Utility's surplus in accord with Board guidelines which suggest that utilities should maintain a working capital surplus equal to a minimum of 20% of their annual operating expenses. The Utility's projected working capital surplus at the end of 2011 is well below that level.

Included in the determination of the net revenue requirement for both water and sewer are the revenue recoveries from the Gunton Utility for the provision of water and sewer services, denoted above as Other Revenue.

Also reducing the revenue requirement is the recovery of shared operator costs for services provided to neighboring municipalities.

The submission included a proposed shared cost allocation methodology for approval. Previously, operator wages, operator training and vehicle costs were not being allocated fairly.

The proposed shared cost allocation policy would see the following percentages of costs allocated to Municipal Utility operations. These costs would then be reallocated to each of the Municipality's three utilities (the others being Gunton and Stony Mountain) based on the number of customers serviced by each Utility. Balmoral services 108 of 819 Municipal Utility customers.

Item	Percentage of Costs allocated to Balmoral
Chief Administrative Officer	5%
Assistant	10%
Administrative Assistant	10%
Administrative Secretary	25%
Office Costs	20%

Public Response

A Public Notice was published in March, 2012. The Board received one e-mail expressing concern about the rates, suggesting that the Municipality had not provided sufficient support for its proposed increases and that it had not been transparent with its customers.

When asked to comment the Municipality stated "... it has always been up-front with its residents and, as only one (1) resident has a concern, the Municipality believes confirms this fact".

Board Findings

The Board has noted the disclosure, through the rate study, of the errors in the audited financial statements for 2009 whereby tangible capital assets were reported incorrectly and whereby capital grants previously received were not disclosed in the notes as is required by the guidelines prepared by the Department of Local Government. The Board relies on information contained in audited financial statements to make proper decisions for rate setting purposes. While the Board acknowledges the RM for disclosing this information, the RM is advised to work closely with its accountants and auditors to ensure that past errors are corrected in future statements and reported correctly.

The Board has reviewed the forward projections contained in the rate study and finds them to be reasonable. The Board notes that increased expenses are primarily the result of the introduction of generally accepted accounting standards, principally the effects of amortization, and the introduction of an appropriate cost-sharing methodology. Amounts included for contingency provisions and equity building are conservative and in accord with Board guidelines.

The Board will therefore approve the rates as proposed by the RM in their January 26, 2012 submission.

The plan to recover deficits incurred in 2009, 2010 and 2011 through a commodity rate rider will also be approved. It is understood that the rate rider thus introduced, effective July 1, 2012, will be eliminated for the July 1, 2015 rate schedule.

The Board will expect the Utility to file a revised rates proposal effective July 2015 by December 31, 2014.

The Board will approve the shared cost allocation methodology as submitted by the Municipality. This methodology must be applied consistently in the future and can only be varied with approval by the Board.

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 water and sewer rates for the Balmoral Townsite Utility in the Rural Municipality of Rockwood, as set out in Schedule "A" to this order, BE AND ARE HEREBY APPROVED with revised rates for 2012 to be effective July 1 with rates for 2013 and 2014 to be effective January 1 in each of those years.

2. The Rural Municipality of Rockwood file with the Board the Water and Sewer Rate By-law for the Balmoral Townsite Utility once it has received third and final reading.
3. The cost allocation methodology for shared services and equipment as submitted by the Rural Municipality of Rockwood BE AND IS HEREBY APPROVED.
4. The Rural Municipality of Rockwood file with the Board an application for revised rates effective July 1, 2015 by no later than December 31, 2014.
5. The Rural Municipality of Rockwood advise its customers of the revised rates in its next quarterly billing.

Fees payable upon this Order \$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. 101/12 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE "A"
THE RURAL MUNICIPALITY OF ROCKWOOD
THE BALMORAL WATER & SEWER UTILITY SYSTEM

SCHEDULE OF QUARTERLY RATES

1. **COMMODITY RATES PER CUBIC METRE:**

	WATER	SEWER	DEFICIT* RECOVERY
2012	\$1.10	\$1.85	\$0.70
2013	\$1.05	\$1.90	\$0.70
2014	\$1.05	\$1.90	\$0.70

*This is a rate rider to recover deficits incurred in 2009, 2010 and 2011. This rate rider expires on June 30, 2015.

2. **MINIMUM QUARTERLY RATES:**

Notwithstanding the commodity rates set forth in Paragraph 1 hereof, all customers will pay the applicable minimum charges set out below which will include the water allowances indicated:

WATER & SEWER CUSTOMERS:

2012:

Meter Size	Group Capacity Ratio	Minimum Quarterly Volume	Service Charge	Commodity Rates		Deficit Recovery	Minimum Quarterly Charges
				Water	Sewer		
15 (5/8")	1	15	\$15.00	\$ 16.50	\$ 27.75	\$ 10.50	\$ 69.75
25 (1")	4	60	\$15.00	\$ 66.00	\$111.00	\$ 42.00	\$234.00

2013:

Meter Size	Group Capacity Ratio	Minimum Quarterly Volume	Service Charge	Commodity Rates		Deficit Recovery	Minimum Quarterly Charges
				Water	Sewer		
15 (5/8")	1	15	\$15.50	\$ 15.75	\$ 28.50	\$ 10.50	\$ 70.25
25 (1")	4	60	\$15.50	\$ 63.00	\$114.00	\$ 42.00	\$234.50

2014:

Meter Size	Group Capacity Ratio	Minimum Quarterly Volume	Service Charge	Commodity Rates		Deficit Recovery	Minimum Quarterly Charges
				Water	Sewer		
15 (5/8")	1	15	\$15.95	\$ 15.75	\$ 28.50	\$ 10.50	\$ 70.70
25 (1")	4	60	\$15.95	\$ 63.00	\$114.00	\$ 42.00	\$234.95

3. **BULK SALES:**

All water sold in bulk by the Rural Municipality of Rockwood shall be charged for at the following rates per cubic meter:

- i) 2012: \$3.20
- ii) 2013: \$3.10
- iii) 2014: \$3.15

plus a flat fee of \$50.00 per fill to cover wages and travelling costs associated with the fill.

4. **SERVICE TO CUSTOMERS OUTSIDE THE BOUNDARIES:**

The Council of the Rural Municipality of Rockwood may sign Agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Community of Balmoral. 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 the 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 the Community boundaries. In addition, all costs of connecting to the Utility's mains, installing, and maintaining, the customer will pay service connections.

5. **BILLINGS AND PENALTIES:**

Accounts shall be billed quarterly and the due date shall be at least 14 days after the mailing of the bills.

A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

6. **DISCONNECTION:**

The Public Utilities Board has approved the Conditions Precedent attached hereto as Appendix B, to be followed by the Municipality with respect to disconnection of service for non-payment including such matters as notice and the right to appeal such action to The Public Utilities Board.

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.

Upon written request and payment of the applicable fee to the Rural Municipality of Rockwood as noted hereunder, service may be:

- i) Disconnected - \$50.00 fee
- ii) Removed - \$50.00 fee
- iii) Reconnected - \$50.00 fee

8. **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.

9. **HYDRANT CHARGES:**

The Rural Municipality of Rockwood shall pay to the Utility an annual hydrant charge of \$150.00 for each hydrant connected to the System, which includes the cost of water for fire fighting.

10. **SEWER SURCHARGES:**

- a) There may be levied annually, in addition to the 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.

11. **WATER ALLOWANCE DUE TO LINE FREEZING:**

Where, at the request of Council, a customer is allowed to run water 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 billings for the last two quarters for the same customer, or the same premises if the occupant has changed.