

MANITOBA ) Order No. 129/12  
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THE PUBLIC UTILITIES BOARD ACT ) October 2, 2012

BEFORE: Susan Proven, P.H.Ec., Acting Chair  
Karen Botting, B.A., B.Ed., M.Ed., Member  
Hon. Anita Neville, B.A. Hons, Member

RURAL MUNICIPALITY OF ROCKWOOD  
TOWNSITE OF GUNTON  
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 Gunton in the Rural Municipality of Rockwood (RM). The Board also confirms as final the rates previously established on an interim *ex parte* basis on September 23, 2011 by Board Order No. 125/11.

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 rates as established under Order 125/11 and revised commodity rates are noted below:

	Current	2012	Increase/ Decrease	2013	Increase/ Decrease	2014	Increase/ Decrease
Quarterly Service Charge	\$15.00	\$15.00	0.0%	\$15.50	3.3%	\$15.95	2.9%
Water \$/cubic meter	\$4.65	\$2.75	-40.9%	\$2.75	0.0%	\$2.75	0.0%
Sewer \$/cubic meter	\$2.75	\$2.30	-16.4%	\$2.30	0.0%	\$2.25	-2.2%
Minimum Quarterly*	\$126.00	\$90.75	-28.0%	\$91.25	0.6%	\$90.95	-0.3%
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 cubic meter per quarter

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

## **Introduction**

The Gunton Utility began operations in late 2010, with initial rates having been established in 2011 on an interim *ex parte* basis, pending the completion and submission of a detailed rate study.

At that time, the Board recognized the need for the Utility to have a basis for charging its customers and established initial rates pending receipt of a rate study. That rate study was submitted to the Board on January 26, 2012.

The submission by the RM in 2011 requested that the Board approve the rates for Gunton Utility based on the rates being charged by the Balmoral Utility, also operated by the RM. However, in reviewing that application, the Board noted that the Balmoral Utility was experiencing deficits as a result of the rates in effect at that time. Therefore, in the absence of detailed information in the 2011 submission, the Board varied the application and approved higher interim rates for the Gunton Utility. The rates were based on an estimate of the rates that would be required by Balmoral to operate on a breakeven basis.

Rates approved on an interim *ex parte* basis are subject to revision once a complete review process has been conducted. Such a process includes the examination of detailed information as well as a Public Notice advising customers of the proposal and affording them the opportunity to provide comments to both the Board and the Municipality.

The Board then has at its disposal two alternative processes to

deal with applications. It may determine that an oral hearing is warranted or that a paper review process is sufficient. In the case of the Gunton Utility, the Board received sufficient response from customers to indicate that an oral public hearing would best serve the interests of the Community and the Utility.

A Notice of Public Hearing was issued on July 13, 2012 and the Hearing was held on September 5, 2012 in the Gunton Greenwood Community Hall in the RM.

### **Background**

The Gunton Utility began service in late 2010 and provides service to 78 customers, all residential, as well as 27 fire hydrants.

It receives its water supply from the Community of Balmoral Sewer and Water Utility System. The water supply is then stored in the Gunton reservoir for re-chlorination prior to distribution.

The sewer is gravity flow with one lift station and two pumps. Sewage is pumped from the lift station to the Balmoral Sewage Treatment facility for treatment.

Both the drinking water standards and environmental license requirements are being met.

The system, being relatively new, is in good condition; since this is a new utility, there are no statistics available on unaccounted for water. It is expected that it is well below the industry standard of 10%.

The capital budget includes water and sewer projects in Gunton at an estimated cost of \$4.5 million with \$2.8 million to be funded by borrowing, with the rest expected to be received in grants. The timing and effects of these projects 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 No. 06/12 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 Gunton:

<b>Rates Per Cubic Meter</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Quarterly service charge	\$15.00	\$15.50	\$15.95
Water	\$2.75	\$2.75	\$2.75
Sewer	\$2.30	\$2.30	\$2.25
Minimum Quarterly*	\$90.75	\$91.25	\$90.95
Reconnection fee	\$50.00	\$50.00	\$50.00
Hydrant rental (annual)	\$150.00	\$150.00	\$150.00

\*Water and Sewer customers - 15 cubic meters per quarter.

The rates were based on the following projected expenses:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>General</b>			
Administration	3,963	4,089	4,208
Billing and collection	717	739	761
<b>Total general expenses</b>	<b>4,680</b>	<b>4,828</b>	<b>4,969</b>
<b>Water</b>			
Staffing	9,066	9,338	9,618
Vehicle costs	1,560	1,607	1,655
Operator training	390	402	414
Purification and treatment	500	515	530
Water purchases	10,435	10,748	11,070
Transmission and Distribution	1,000	1,030	1,061
Hydrant maintenance	1,000	1,030	1,061
Amortization/ depreciation	61,085	61,085	61,085
Interest on long term debt	17,451	16,642	15,793
Regulatory costs	835	835	835
Equity surcharge	2,075	2,073	2,070
Contingency	2,000	2,000	2,000
<b>Sub-total- water expenses</b>	<b>107,397</b>	<b>107,305</b>	<b>107,193</b>
<i>Less: Revenue:</i>			
Hydrant rentals	4,050	4,050	4,050
Amortization of capital grants	40,000	40,000	40,000
Taxation revenues	33,625	33,625	33,625
Other revenue	6,858	6,858	6,858
<b>Total non-rate revenue - water</b>	<b>84,533</b>	<b>84,533</b>	<b>84,533</b>
<b>Net water expenses</b>	<b>22,864</b>	<b>22,772</b>	<b>22,660</b>
<b>Sewer</b>			
Staffing	6,044	6,225	6,412
Vehicle costs	1,040	1,071	1,103
Operator training	260	268	276
Sewage Lift Station	5,000	5,150	5,305
Sewage Treatment and Disposal	4,590	4,728	4,870
Other Sewage Costs	100	103	106
Amortization/ depreciation	61,085	61,085	61,085
Interest on long term debt	17,451	16,642	15,793
Contingency	2,000	2,000	2,000

<b>Total sewer expenses</b>	<b>97,570</b>	<b>97,272</b>	<b>96,949</b>
<i>Less: Revenue</i>			
Amortization of capital grants	40,000	40,000	40,000
Taxation revenues	33,625	33,625	33,625
Other Revenue	4,572	4,572	4,572
<b>Total non-rate revenue- sewer</b>	<b>78,197</b>	<b>78,197</b>	<b>78,197</b>
<b>Net sewer expenses</b>	<b>19,373</b>	<b>19,075</b>	<b>18,752</b>

This represents the RM's best estimate of future operating costs and includes the cost of purchasing water from Balmoral, the cost of using the lagoon in Balmoral, the cost of operating its own water distribution and wastewater collection system, its share of operator wages and benefits and its share of operator revenue (operator services are contracted out to adjoining municipalities).

The contingency provisions are less than what one might normally find in a rate study because this is a newly constructed utility; unexpected expenses should be minimal. There was no provision for reserves.

The projected expenses also include a provision to begin building the Utility's surplus based on Board recommendations that utilities maintain a working capital surplus equal to at least 20% of their annual operating expenses. This provision has been added to water expenses for rate determination purposes, with the RM estimating that it will take 20 years for the Utility to be compliant with Board recommendations.

The rate study indicates that a revenue deficit for the Gunton Utility is expected in 2011, a matter which will be dealt with

when the actual results for 2011 are available with the audited financial statements.

The submission included a proposed shared cost allocation methodology for approval. Previously, operator wages, vehicle costs and operator training costs were not being allocated fairly. Under the proposed shared cost allocation policy these costs would then be reallocated to each of the Municipality's three Utilities (the others being Balmoral and Stony Mountain) based on the number of customers serviced by each Utility. Gunton services 78 of 819 municipal utility customers. The following percentages of the total administrative costs are to be allocated amongst the three Utilities.

<b>Item</b>	<b>Percentage</b>
Chief Administrative Officer	5%
Assistant	10%
Administrative Assistant	10%
Administrative Secretary	25%
Office Costs	20%

### **Public Response**

The Board received three letters and/or e-mails expressing concern about the rates, one of which consisted of 25 surveys completed by individual residents. Many expressed opinions that the rate increases are too high, and one expressed concern about chlorine levels in the water.

In addition, the Public Hearing took place in accordance with the Notice. Approximately 35 customers attended. Those in

attendance reiterated the concerns expressed in the three written submissions received by the Board. Concerns were expressed regarding the rate disparity between the Gunton Utility and the Balmoral Utility.

RM officials responded that rates are believed to be fair and equitable. The RM also agreed with ratepayers that rates should be reasonable and as low as possible, while maintaining the sustainability of the Utility. The RM officials explained that the Balmoral Utility services more customers, which leads to costs being distributed over a larger customer base. The RM requested that when the new rates are approved that they be made retroactive to July 1, 2011 or January 1, 2012.

### **Board Findings**

The Board acknowledges the uncertainty in estimating expenses for a new Utility. The projections provided in the rate study appear reasonable but it is conceivable that actual results might differ substantially. The applicant has expressed uncertainty with regards to operating costs for the Utility, due to the lack of historical data. Nonetheless, the Board will approve the rates as requested by the RM for 2012, 2013 and 2014.

The Board will require that the RM submit its 2011 audited financial statements as soon as they are available. Should the results for the Gunton Utility vary significantly from those contained in the rate study, the Utility may consider applying for new rates at that time. The Board denies the request to make

the rates retroactive, and encourages the RM to consider putting any surpluses towards the Working Capital Deficit.

The Board will also confirm as final the rates previously approved on an interim *ex parte* basis on September 23, 2011 by Board Order No. 125/11.

The Board will approve the shared cost allocation methodology as submitted by the RM. 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 Gunton 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 requested retroactive adjustment of rates to either July 1, 2011 or January 1, 2012, is denied by the Board.

3. The water and sewer rates for the Gunton Townsite Utility, as set out in Board Order No. 125/11 BE AND ARE HEREBY CONFIRMED AS FINAL.
4. The Rural Municipality of Rockwood submit the water and sewer rate By-law for the Gunton Townsite Utility once it has received third and final reading.
5. The allocation methodology for shared services and equipment as submitted by the Rural Municipality of Rockwood BE AND IS HEREBY APPROVED.
6. The Rural Municipality of Rockwood provide the Board with a copy of its audited financial statements for 2011 as soon as they are available.
7. The Rural Municipality of Rockwood advise Gunton Utility customers of water and sewer rates reflected in this Order.

Fees payable upon this Order \$1,500.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."  
Acting Chair

"KURT SIMONSEN, P. Eng."  
Acting Secretary

Certified a true copy of Order No.  
129/12 issued by The Public  
Utilities Board

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Acting Secretary

**SCHEDULE "A"**

**TO BOARD ORDER NO. 129/12**

**THE RURAL MUNICIPALITY OF ROCKWOOD  
 TOWNSITE OF GUNTON**

**WATER AND SEWER RATES**

**SCHEDULE OF QUARTERLY RATES**

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

	<b>WATER</b>	<b>SEWER</b>	<b>TOTAL</b>
2012	\$2.75	\$2.30	\$5.05
2013	\$2.75	\$2.30	\$5.05
2014	\$2.75	\$2.25	\$5.00

**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		Minimum Quarterly Charges
				Water	Sewer	
15 (5/8")	1	15	\$15.00	\$ 41.25	\$ 34.50	\$ 90.75
25 (1")	4	60	\$15.00	\$165.00	\$138.00	\$318.00

**2013:**

Meter Size	Group Capacity Ratio	Minimum Quarterly Volume	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Sewer	
15 (5/8")	1	15	\$15.50	\$ 41.25	\$ 34.50	\$ 91.25
25 (1")	4	60	\$15.50	\$165.00	\$138.00	\$318.50

**2014:**

Meter Size	Group Capacity Ratio	Minimum Quarterly Volume	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Sewer	
15 (5/8")	1	15	\$15.95	\$ 41.25	\$ 33.75	\$ 90.95
25 (1")	4	60	\$15.95	\$165.00	\$135.00	\$315.95

3. **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 Gunton. 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.

4. **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.

5. **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.

6. **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

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 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.

9. **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.

10. **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.