

MANITOBA) Order No. 161/12
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THE PUBLIC UTILITIES BOARD ACT) December 10, 2012

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

VILLAGE OF ETHELBERT
WATER AND SEWER RATES
2013, 2014 and 2015

Summary

The Public Utilities Board (Board) hereby approves revised water and sewer rates for the Village of Ethelbert (Village). The new rates are effective January 1, 2013, 2014 and 2015.

The current rates as established under Order No. 122/04 and revised commodity rates are noted below:

	Current	Approved 2013	Increase/ Decrease	Approved 2014	Increase/ Decrease	Approved 2015	Increase/ Decrease
Water (\$/1,000 gal.)	\$7.95	\$19.70	148%	\$20.17	2%	\$20.65	2%
Sewer (\$/1,000 gal.)	\$3.00	\$8.23	174%	\$8.19	0%	\$8.28	1%
Quarterly Service Charge	\$16.65	\$18.20	9%	\$18.88	4%	\$19.58	4%
Minimum Quarterly*	\$49.50	\$101.99	106%	\$103.96	2%	\$106.37	2%
Bulk Water Rates (\$/1,000 gal.)	\$7.95	\$19.70	148%	\$20.17	2%	\$20.65	2%
Reconnection Fee	\$25.00	\$35.00	40%	\$35.00	0%	\$35.00	0%
Hydrant Rental (Annual)	\$75.00	\$100.00	33%	\$100.00	0%	\$100.00	0%

*Minimum Quarterly based on 3/4" meter size and 3,000 gallon consumption.

Details of other rates may be found in the attached Schedule

"A".

Introduction

The Village of Ethelbert made an application for rates on March 20, 2012. The Utility had deficits in both 2009 and 2010. These deficits have been approved by the Board and were applied against the Fund Surplus as directed in Board Order No. 37/12.

The goal of the Village is to generate enough revenue to sustain the Utility and continue to build reserves. The last rate increase was in 2004. The Utility has experienced operating deficits and requires new rates to avoid future deficits.

The Board 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 Ethelbert Utility, the Board received significant response from stakeholders and an oral public hearing was decided to be in the best interests of the stakeholders and the Utility.

A Notice of Public Hearing was issued on October 4, 2012 and the Hearing was held on Tuesday, November 13, 2012 at the Ethelbert Drop-In Center.

Background

The Ethelbert Utility began service in 1967 and provides service to 167 customers. Eight (8) customers are serviced with water only, and the remaining 159 are serviced with water and sewer.

The Village also services 25 fire hydrants.

The water treatment plant has had various upgrades and additions over time. The system is currently meeting the water needs of the community, and no major expansions or repairs are anticipated at this time. However, an Engineering Assessment is due to be completed in 2012, and it is possible recommendations made in that assessment will require repairs to be completed.

The system includes a sewer system that was installed in 1967 and 2008. It is deemed to meet all current and future needs of the community. The lagoon will need to be de-sludged in the next couple of years at an estimated cost of \$100,000.

Both the drinking water standards and environmental license requirements are being met. The main and backup operators have both completed their certification training. No lagoon access is permitted to outside septic haulers. Currently no services are provided to customers outside the Village's boundaries.

The Bulk Sales Rate as calculated in the Rate Study is not reasonable. The Village has proposed charging a bulk rate equal to the new water rate per 1,000 gallons.

The Village reports unaccounted for water at 23%. This is not within the acceptable industry standard of 10%. It is believed to be caused by meter inaccuracies. This has not been investigated, as the Village was unaware until the Rate study was prepared. The Village will be investigating this issue.

Application

The Village submitted its application on March 20, 2012 accompanied by a Water and Sewer Utility Rate Study prepared by the Village's consultant. Rates were last reviewed in 2004.

The application was also accompanied by By-law No. 2012-6 read for the first time on June 13, 2012. A Notice of Application was issued on August 17, 2012.

The rate study proposed the following rates for Ethelbert:

Calculated Rates	Current	Proposed 2012	%	Proposed 2013	%	Proposed 2014	%	Proposed 2015	%
Water (\$/1,000gal.)	\$7.95	\$14.91	88%	\$19.70	32%	\$20.17	2%	\$20.65	2%
Sewer (\$/1,000gal.)	\$3.00	\$4.49	50%	\$8.23	83%	\$8.19	0%	\$8.28	1%
Quarterly Service Charge	\$16.65	\$17.64	6%	\$18.20	3%	\$18.88	4%	\$19.58	4%
Minimum Quarterly*	\$49.50	\$75.84	53%	\$101.99	35%	\$103.96	2%	\$106.37	2%
Bulk Water Rates (\$/1,000gal.)	\$7.95	\$14.91	88%	\$19.70	32%	\$20.17	2%	\$20.65	2%
Reconnection Fee	\$25.00	\$35.00	40%	\$35.00	0%	\$35.00	0%	\$35.00	0%
Hydrant Rental (Annual)	\$75.00	\$100.00	33%	\$100.00	0%	\$100.00	0%	\$100.00	0%

The rates were based on the following projected expenses:

	2010	2011	2012	2013	2014
Administration (building, office, staff, etc.)	11,966.00	11,500.00	11,832.00	12,247.00	12,675.00
Shared Overhead		1,066.00	1,124.00	1,164.00	1,205.00
less: Penalties	288.00	800.00	800.00	800.00	800.00
Net revenue general	11,678.00	11,766.00	12,156.00	12,611.00	13,080.00
Water					
Staffing	27,466.00	28,500.00	29,498.00	30,530.43	31,599.00
Purification and treatment	2,865.00	3,500.00	3,622.00	3,748.77	3,879.98
Water purchases	12,663.00	19,526.00	20,208.00	20,915.28	21,647.31
Amortization/ depreciation	17,116.00		17,116.00	17,116.00	17,116.00
Reserves	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Contingency		10,025.00	10,025.00	10,025.00	10,025.00
Sub-total- water expenses	61,110.00	62,551.00	81,469.00	83,335.48	85,267.29
<i>Revenue:</i>					
Hydrant rentals	1,876.00	2,500.00	2,500.00	2,500.00	2,500.00
Amortization of capital grants	637.00	637.00	637.00	637.00	637.00
Other revenue	409.00	600.00	621.00	642.74	665.23
Total non-rate revenue - water	2,922.00	3,737.00	3,758.00	3,779.74	3,802.23
Net rate revenue requirement - water	58,188.00	58,814.00	77,711.00	79,555.75	81,465.06
Sewer					
Staffing	1,446.00	1,500.00	1,552.00	1,606.32	1,662.54
Sewage Collection System		800.00	828.00	856.98	886.97
Sewage Lift Station	5,963.00	6,000.00	6,210.00	6,427.35	6,652.31
Sewage Treatment and Disposal	672.00	1,500.00	1,553.00	1,607.36	1,663.61
Other Sewage Collection & Disposal Costs		50.00	52.00	53.82	55.70
Amortization/ depreciation	14,177.00		14,177.00	14,177.00	14,177.00
Reserves	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Contingency		7,088.00	7,088.00	7,088.00	7,088.00
Total sewer expenses	23,258.00	17,938.00	32,460.00	32,816.83	33,186.14
less: Amortization of capital grants	514.00	514.00	514.00	514.00	514.00
Net rate revenue requirement - sewer	22,744.00	17,424.00	31,946.00	32,302.83	32,672.14

This represents the Village's best estimate of future operating costs.

The Village's submission included a proposed shared cost allocation methodology for Board approval. In addition to direct labour and equipment costs allocated directly to the Utility, 1% of general administration costs and 10% of shared office costs are being allocated to the Utility.

Deficits

On February 23, 2012 the Village of Ethelbert applied to the Board for approval of operating deficits for 2009 (\$34,452) and 2010 (\$33,003) naming the implementation of Public Sector Accounting Board (PSAB) standards as the reason for the deficits. The deficits were approved under Board Order No. 37/12. The deficits were to be recovered from the Utility Fund Accumulated Surplus.

Public Response

The Board received two letters and/or e-mails expressing concern about the rates, one of which was signed by 74 individuals. Given the considerable response to the Notice, the Board determined it was in the best interests of all parties to hold a public hearing. The Notice of Public Hearing was issued on October 4, 2012. The Public Hearing took place in accordance with the Notice. Approximately 28 stakeholders attended. The Village presented the application.

Stakeholders expressed the opinion that the Village should be reviewing the rates more often and having smaller, more frequent increases.

It has been eight (8) years since the last increase. The Village has considered this in the rate application, and has proposed a phased-in approach to new rates.

Another concern raised at the Hearing was regarding a water fill station at the Village office. The issue being that the station supplies water that is free to the user, and some individuals expressed concern that this convenience is being abused. For example, it is alleged that some people are taking enough water to fill a swimming pool.

The Village asserted that the station in question is $\frac{3}{4}$ " pipe with no-threading located approximately two (2) feet from the ground. In order for water to flow, someone has to physically hold the tap open, making it quite unlikely that someone could be taking a substantial volume of water. The Village office, as well as the water fill station, is metered and the consumption over the quarterly minimum charge has been nominal and would have no real impact on rates.

The Village staff has investigated the costs associated with making the water fill station user-pay and the costs are prohibitive.

Board Findings

By law, Manitoba utilities are not allowed to incur deficits. Should the Utility incur a deficit, the Utility is required to submit an application for Board approval. The Board is therefore duty bound to approve reasonable rates based on reasonable expense projections.

The Board is generally reluctant to approve retroactive rate increases and will therefore vary the application to approve the rate increase effective January 1, 2013 rather than October 1, 2012 as requested.

The Board has long been a proponent of user-pay and looks for fair and reasonable rates that can sustain the Utility.

The Board has considered the concerns expressed by those consumers who made the effort to contact the Board and participate in the Public Hearing. The Board is sensitive to the significance of the increase approved in this Order. The Board encourages the Utility and the ratepayers to seek water-conserving alternatives that would mitigate the increase in the rates.

Consumers are generally more tolerant of regular, smaller increases. In cases where regular rate reviews have not been conducted by municipal utilities, it has not been unusual for the Board to be required to approve these large percentage increases. In fact, the Board has approved many increases of a larger magnitude than those contained in this Order.

To avoid this, it is vital that municipalities continuously review their revenue requirements to ensure that their rates are up to date. For this reason, the Board will direct that the Village submit an application for revised rates for the year 2016, on or before June 30, 2015.

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 Ethelbert Utility in the Village of Ethelbert, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED with revised rates for 2013, 2014 and 2015 to be effective January 1 in each of those years.
2. The Village of Ethelbert submit the water and sewer rate By-law for the Ethelbert Utility once it has received third and final reading.

3. The allocation methodology for shared services and equipment as submitted by the Village of Ethelbert BE AND IS HEREBY APPROVED.
4. The Village of Ethelbert prepare and submit an application for revised rates for the Ethelbert Water and Sewer Utility no later than June 30, 2015 for the year 2016.

Fees payable upon this Order \$1,500.00

THE PUBLIC UTILITIES BOARD

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

"JENNIFER DUBOIS, CMA"
Acting Secretary

Certified a true copy of Order No.
161/12 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 161/12
VILLAGE OF ETHELBERT
WATER AND SEWER RATES
BY-LAW NO. 2012 – 6

SCHEDULE OF QUARTERLY RATES:

1. Commodity Rates per 1,000 gallons

		<u>2013</u>	<u>2014</u>	<u>2015</u>
General Customers		167	167	167
	Net Expenses	\$12,157.00	\$12,610.00	\$13,080.00
	Quarterly S/C	\$ 18.20	\$ 18.88	\$ 19.58
Water	Gallons per 1,000	3,944.20	3,944.20	3,944.20
	Net Expenses	\$77,711.38	\$79,556.00	\$81,465.00
	Commodity Charge	\$ 19.70	\$ 20.17	\$ 20.65
Sewer	Gallons per 1,000	3,944.20	3,944.20	3,944.20
	Net Expenses	\$32,459.75	\$32,303.00	\$32,672.00
	Commodity Charge	\$ 8.23	\$ 8.19	\$ 8.28

2. Minimum Charges, Quarterly

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charge set out below, which will include water allowances indicated:

(a) Water and Sewer Customers

(Proposed Rates: 2013)

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Customer Service Charge	Commodity Charge-Water	Commodity Charge-Sewer	New Quarterly Minimum
3/4"	1.0	3,000	18.20	59.10	24.69	\$ 101.99
1"	4.0	12,000	18.20	236.40	98.76	\$ 353.36
1 1/2"	10.0	30,000	18.20	591.00	246.90	\$ 856.10
2"	25.0	75,000	18.20	1,477.50	617.25	\$ 2,112.95

(Proposed Rates: 2014)

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Customer Service Charge	Commodity Charge-Water	Commodity Charge-Sewer	New Quarterly Minimum
3/4"	1.0	3,000	18.88	60.51	24.57	\$ 103.96
1"	4.0	12,000	18.88	242.04	98.28	\$ 359.20
1 1/2"	10.0	30,000	18.88	605.10	245.70	\$ 869.68
2"	25.0	75,000	18.88	1,512.75	614.25	\$ 2,145.88

(Proposed Rates: 2015)

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Customer Service Charge	Commodity Charge-Water	Commodity Charge-Sewer	New Quarterly Minimum
3/4"	1.0	3,000	19.58	61.95	24.84	\$ 106.37
1"	4.0	12,000	19.58	247.80	99.36	\$ 366.04
1 1/2"	10.0	30,000	19.58	619.50	248.40	\$ 886.78
2"	25.0	75,000	19.58	1,548.75	621.00	\$ 2,188.63

(b) Water Only Customers

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

3. Bulk Water Sales

All water sold in bulk by the Village of Ethelbert shall be charges for at the rate per 1,000 imperial gallons.

2013	\$19.70
2014	\$20.17
2015	\$20.65

4. Service to Customers Outside Village Limits

The Council of the Village of Ethelbert may sign agreements with customers for the provision of water and sewer services to properties located outside the Village boundaries. Such agreements shall provide for payment of the appropriate rates set out in the Schedule, as well as the 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 those boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

5. Billing and Penalties

A late payment charge of 1.25% 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.

6. Disconnection

Service may be disconnected and discontinued immediately and without further notice in the event of non-payment of the account within 30 days after due date.

7. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and reconnection fee of \$35.00 have been paid. Any customer wishing to have billings discontinued due to vacancy of premises shall be required to have service disconnected and to have service reconnected and to pay \$35.00 reconnection fee when service resumes.

8. 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 a tax may be collected or enforced under this Act.

9. Hydrant Rentals

The Village of Ethelbert shall pay to the utility an annual rental of \$100.00 for each hydrant connected to the system. This includes water for fire purposes.

10. Water Allowance Due to Line Freezing

That in any case where, at the request of Council, the 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 from the billing for the last two previous quarters to the same customer, or to the same premises if the occupancy has changed.