

MANITOBA) Order No. 27/12
)
THE PUBLIC UTILITIES BOARD ACT) March 12, 2012

BEFORE: Susan Proven, P.H.Ec., Acting Chair
Monica Girouard, CGA, Member

THE VILLAGE OF SOMERSET
WATER AND SEWER RATES

Summary

By this Order, the Public Utilities Board (Board) amends the Village of Somerset's (Village) application for revised water and sewer utility rates and approves new rates effective January 1, 2012 as follows:

Commodity Rate \$/1,000 gallons	Previous	Original proposal	Revised proposal	Approved
Water	\$6.00	\$11.65	\$12.67	\$11.72
Sewer	\$1.05	\$2.00	\$2.67	\$2.69
Quarterly Service Charge	\$3.60	\$8.00	\$4.00	\$12.64
Quarterly rate rider				\$24.27
Minimum Quarterly*	\$24.75	\$48.95	\$50.00	\$80.14
Bulk Water	\$7.00	\$10.00	\$14.77	\$14.77
Reconnection charge	\$25.00	\$25.00	\$25.00	\$25.00
Hydrant Rental Charge	\$75.00	\$75.00	\$125.00	\$125.00

*Includes 3,000 gallons

A quarterly rate rider charge of \$24.27 is added to address the utility deficit and will be in effect for three years, expiring December 31, 2014.

The Village is to amend its bylaw to reflect the Board's approval.

Introduction

Water and sewer rates were last reviewed by the Board in 2004.

The Village applied for revised rates on May 19, 2011. Included in their application was their by-law 512/2011, read for the first time on May 9, 2011 along with a water rate study prepared by their external consultant, Sensus.

Because of the significant increases, the Board determined that a

public hearing was in order. A public notice was mailed to customers on June 20, 2011, announcing a public hearing for August 30, 2011, to be held in the Village's council chambers. The public was encouraged to attend the Village offices to learn further details about the application and determine what effect the proposed changes would have on them, and to attend the public hearings to express any concerns.

Application

The Village filed two applications- on May 19, 2011 for revised rates and on August 16, 2011 for approval of deficits incurred in 2009 and 2010.

Rates

The village requested revised water and sewer rates, as set out in its By-law 512-2011. The application was based primarily on expenses projected to the 2014 calendar year. The submission was supported by a rate study dated April 1, 2011 prepared by the Village's consultant, Sensus. This study was revised on August 15, 2011, ostensibly due mainly to a revised allocation of expenses.

The revised, proposed rates were based on the following projected annual expenses:

Administration	\$11,275
Water:	
Staffing	2,000
Water purchases	9,400
Transmission and distribution	48,025
Shared direct operating costs	12,466
Amortization	17,973
Reserves	8,000
Contingency	8,493
Sub- water	106,357
Sewer	
Collection system	1,500
Lift station	13,500
Amortization	4,802
Contingency	3,223
Sub- sewer	23,025
Total expense	\$140,657

The proposed rates were:

Commodity Rate \$/1,000 gallons	Previous	Original proposal 2011	Revised proposal 2011	Increase
Water	\$6.00	\$11.65	\$12.67	111%
Sewer	\$1.05	\$2.00	\$2.67	154%
Quarterly Service Charge	\$3.60	\$8.00	\$4.00	11%
Minimum Quarterly*	\$24.75	\$48.95	\$50.00	102%
Bulk Water	\$7.00	\$10.00	\$14.77	111%
Reconnection charge	\$25.00	\$25.00	\$25.00	0%
Hydrant Rental Charge	\$75.00	\$75.00	\$125.00	67%

The minimum quarterly charge proposed was as follows:

Proposed	Gallons	Service charge	Water	Sewer	Total	Increase
5/8"	3,000	\$4.00	\$38.01	\$8.01	\$50.02	102%
3/4"	6,000	\$4.00	\$76.02	\$16.02	\$96.04	109%
1"	12,000	\$4.00	\$152.04	\$32.04	\$188.08	113%
1 1/2"	30,000	\$4.00	\$380.10	\$80.10	\$464.20	116%
2"	75,000	\$4.00	\$950.25	\$200.25	\$1,154.50	117%

The current minimum quarterly charges are as follows:

Current	Gallons	Service charge	Water	Sewer	Total
5/8"	3,000	\$3.60	\$18.00	\$3.15	\$24.75
3/4"	6,000	\$3.60	\$36.00	\$6.30	\$45.90
1"	12,000	\$3.60	\$72.00	\$12.60	\$88.20
1 1/2"	30,000	\$3.60	\$180.00	\$31.50	\$215.10
2"	75,000	\$3.60	\$450.00	\$78.75	\$532.35

The proposal included a revised allocation methodology for shared costs. Overhead costs are allocated at 10% to the utility. Shared operating costs are allocated at 25%

Deficit approval

The Village reported deficits for their utility of \$33,085 in 2009 and \$33,703 in 2010. These were however prior to amortization of capital grants of \$1,506 per year in accordance with Board policy. This reduces the deficit recovery requirement to \$31,579 and \$32,197 respectively.

No plan for recovery was presented with the application.

Public Hearing

The hearing was held in the Council Chambers as scheduled, and chaired by Member Proven on a "hear and report" basis. Her findings were then reviewed and confirmed by Member Girouard, as is provided by in the Public Utilities Board Act.

Approximately ten residents attended. The primary concern expressed was with the large increase being applied all at once, rather than gradual increases over time.

Board Findings

Rates

The Board will amend the revised proposal and approve increased water and sewer rates for January 1, 2012. The Board requires that the Village's by-law be amended to reflect this approval.

The Board accepts the financial projections proposed by the Village but has recalculated the rates as follows:

Village projected expense	\$11,275
Less: Penalty revenues	200
Net administration expense	\$11,075
Customers	219
Quarterly service charge	\$12.64

The water rate is adjusted as follows:

Village projected expenses		\$106,357
Less:	Bulk sales	39
	Connection revenue	800
	Hydrant rentals	2,625
	Amortization of capital grants	1,505
	Other revenue	1,000
Net expenses		\$100,388
Annual Volume		8,569,176
Rate per 1,000 gallons		\$11.72

The sewer rate is adjusted as follows:

Village projected expenses		\$23,025
Annual Volume		8,569,176
Rate per 1,000 gallons		\$2.69

The Board understands the concern expressed by customers over the sudden and large rate increase being applied. However, by not approving the required rates, the Village's financial position would continue to worsen, thus exacerbating the deficiencies now existing in the Utility's accounts. This emphasizes the need for regular rate reviews so that required rate adjustments can be gradual, thus avoiding rate shock.

Deficit recovery

The Board will address the deficit recovery by adding a 3-year rate rider to the quarterly service charge. This rate rider will be removed after the completion of the 2014 year.

The quarterly rate rider is calculated as follows:

Deficit recovery	2009	\$31,579
	2010	\$32,197
Total revenue requirement		\$63,776
Amortized over three tears		\$21,259
Customers		219
Quarterly rate rider		\$24.27

Cost Allocation Methodology

The Board will approve the cost allocation methodology as proposed in the revised rate study dated August 15, 2011. It is understood that this methodology will now be consistently applied in future with amendments requiring approval by this 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 as shown in the attached schedule "A" for the Village of Somerset BE AND ARE HEREBY APPROVED effective January 1, 2012.
2. The rates shown in Schedule "A" be amended effective January 1, 2015 to remove the deficit recovery rate rider.
3. The Village of Somerset amend its bylaw in accordance with Schedule "A" attached hereto and file a copy with the Board once it has received third and final reading.
4. The cost allocation methodology proposed by the Village of Somerset BE AND IS HEREBY APPROVED.

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.
27/12 issued by The Public Utilities
Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 27/12
VILLAGE OF SOMERSET
WATER AND SEWER UTILITY
EFFECTIVE JANUARY 1, 2012

1. <u>Commodity rates per M.G.</u>	Water	Sewer	Water & Sewer
All water consumption	\$11.72	\$2.69	\$ 14.41

2. Minimum Charges, Quarterly

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 and Sewer Customers

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Quarterly Rate Rider*	Commodity Charges		Total Quarterly Minimum
					Water	Sewer	
5/8"	1	3,000	\$12.64	\$24.27	\$35.16	\$8.07	\$80.14
¾"	2	6,000	\$12.64	\$24.27	\$70.32	\$16.14	\$123.37
1"	4	12,000	\$12.64	\$24.27	\$140.64	\$32.28	\$209.83
1½"	10	30,000	\$12.64	\$24.27	\$351.60	\$80.70	\$469.21
2"	25	75,000	\$12.64	\$24.27	\$879.00	\$201.25	\$1,117.16

*Rate Rider in effect for 2012, 2013 and 2014

(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 Village of Somerset will charge the owners or occupants of land serviced with sewer but no water the sum of \$ 63.27* per quarter (including rate rider) for 2012, 2013 and 2014. The rate rider will be removed effective 2015.

*Based on average consumption for Village of 9,800 gallons per quarter

3. Bulk Sales Rates

All water sold in bulk by the Village of Somerset shall be charged for at the rate of \$14.77 per 1000 gallons.

4. Service to customers outside Municipality, Town or Village limits

The Council of the Village of Somerset may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Village of Somerset. 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. In addition, all costs connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

5. Billings and Penalties

Accounts shall be billed quarterly, and shall be due and payable 30 days after date of billing. A penalty of 10% of the amount of the bill shall be added if not paid by the due date. (Note: due date may be set as Council sees fit to do.)

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 this Conditions Precedent is available for

inspection at the Village of Somerset's 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 \$ 25.00 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 Village of Somerset will pay to the utility an annual rental of \$125.00 for each hydrant connected to the system. In addition, the Village of Somerset will pay for water used for fire-fighting.

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 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.