

M A N I T O B A) Order No. 47/12
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THE PUBLIC UTILITIES BOARD ACT) April 18, 2012

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

TOWN OF HARTNEY
WATER AND SEWER RATES 2011 AND 2012

Executive Summary

By this Order, the Public Utilities Board (Board) varies the Town of Hartney's (Town) application for revised rates for the Town's water and sewer utility and approves revised rates for January 1, 2012. The Board will also confirm as final the rates previously set for 2011 on an interim ex parte basis.

Previous rates, those proposed for 2011, interim rates approved for 2011 and revised 2012 rates are as follows.

Rate/1,000 gallons	Previous	Proposed 2011	2011 Interim	Increase/decrease	2012 revised	Increase/decrease
Quarterly service charge	\$15.85	\$27.90	\$20.00	26%	\$27.85	39%
Water	\$10.70	14.35	\$14.10	32%	\$10.75	-24%
Sewer	\$4.10	\$5.90	\$5.70	39%	\$5.90	4%
Minimum Quarterly*	\$60.25	\$88.65	\$79.40	32%	\$77.80	-2%
Average quarterly bill**	\$116.05	\$164.99	\$154.05	33%	\$140.57	-9%
Sewer Only (quarterly)	*\$28.15	*\$45.60	*\$45.60	62%	**\$67.79	49%
Bulk Water	\$11.00	\$16.00	\$16.00	45%	\$16.00	0%
Hydrant rental (annual)	\$125.00	\$150.00	\$150.00	20%	\$150.00	0%

* based on 3,000 gallons quarterly

**based on 6,770 gallons

The Town will be required to amend its By-law to reflect the decisions in this Order.

Introduction

The Town filed for revised 2011 rates on June 8, 2010.

Due to a backlog at the Board in reviewing and processing applications, the Board was unable to complete its detailed review of the application in time for January 2011. However, having been satisfied by its preliminary review of the application that the Town required a rate increase in order to meet its revenue requirements, the Board approved revised rates for January 2011 on an interim ex parte basis by Order No. 124/10 issued on December 13, 2010.

Approvals made on an interim ex parte basis are subject to change once the Board has completed its detailed review. This review includes a public notification inviting customers the opportunity to familiarize themselves with the application and provide comments to the applicant and to the Board.

In conducting reviews, the Board has the option of addressing applications through a paper review process or by public hearing. In this instance, a public notice was placed in the local newspapers in June of 2011, inviting customers to provide comments to either the Town or directly to the Board.

Because no customers came forward with comments, and because there have been no concerns expressed to the Board following the implementation of interim rates for 2011, the Board determined that no public oral hearing was required and provides its assessment based on the paper review process.

Background

Prior to this application, the Town last amended its rates in 2004.

An engineering assessment of the utility's infrastructure was completed by Samson Engineering Inc. which included 26 recommendations for improvements. The Town is developing plans to address the recommendations in the report. The Town currently has no capital projects in its 5-year plan.

The utility has 260 connections, but services only 227 customers, with the remaining connections available for use on demand.

Unaccounted for water is reported to be 14%. Industry standards are to maintain unaccounted for water losses below 10%. The Town makes

no reference to efforts to reduce the reported water loss.

Audited financial statements for 2009 accompanied the submission and extracts from the 2010 financial statements were also submitted in support of cost projections.

Application for rates

The Town applied for revised water and sewer rates as set out in By-law No. 932/10, read the first time on March 4, 2010. The application was supported by a rate study prepared by the Town's consultant, Meyers Norris Penny LLP.

The Town proposed the following rates:

Rates / 1,000 gallons	Current	Proposed	Increase
Quarterly service charge	\$15.85	\$27.90	76%
Water	\$10.70	14.35	34%
Sewer	\$4.10	\$5.90	43%
Minimum Quarterly*	\$60.25	\$88.65	47%
Average quarterly bill**	\$116.05	\$164.99	42%
Sewer only flat quarterly fee*	\$28.15	\$45.60	62%
Bulk Water	\$11.00	\$16.00	45%
Hydrant rental (annual)	\$125.00	\$150.00	20%

*based on 3,000 gallons quarterly

**based on 6,770 gallons

Minimum quarterly charges for various meter sizes were proposed as follows:

Meter Size (Inches)		Water Included (gallons)	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	1	3,000	\$27.90	\$43.05	\$17.70	\$88.65
3/4	2	6,000	\$27.90	\$86.10	\$35.40	\$149.40
1	4	12,000	\$27.90	\$172.20	\$70.80	\$270.90
1 1/4	10	30,000	\$27.90	\$430.50	\$177.00	\$635.40
2	25	75,000	\$27.90	\$1,076.25	\$442.50	\$1,546.65

The application was based on the following projected annual expenses:

Administration	\$ 25,389.64
Less: Penalties	100.00
Net Administration	25,289.64
Water	
Purification and treatment	21,176.51
Service of Supply	53,775.03
Other Water Supply Costs	1,385.90
Amortization/ depreciation	43,892.00
Interest on long term debt	4,620.00
Reserves	8,361.00
Contingency.	10,351.00
Sub-total- water expenses	143,561.44
<i>Less: Revenue:</i>	
Hydrant rentals	4,200.00
Investment Income	700.00
Amortization of capital grants	0
Taxation revenues (1)	17,139.00
<i>Total non-rate revenue - water</i>	<i>22,039.00</i>
Net Water expense	121,522.44
Sewer	
Sewage Collection System	44,903.07
Reserves	2,787.00
Contingency	1,336.00
Total sewer expenses	\$ 49,026.07

The projections were reportedly based on 2009 actual expenses incremented by 3.5% over a three-year period to arrive at the projected expenses.

The application was accompanied by a cost allocation methodology which consisted of the wages of the Town foreman and one-half the

wages of the municipal administrator, such costs being split equally between water and sewer.

Board Findings

Rates

The Board will confirm as final the rates implemented for 2011. Although the Board is amending those rates for 2012, it did not believe that it was in the public interest to retroactively adjust the rates.

However, there are two adjustments being made by the Board for 2012 which will affect the water rates for all water customers and the quarterly charge for sewer-only customers due to the following factors:

Water expense:

When the Town applied to the Board, for approval of its past deficits, it reported to the Board that there had been grants received in relation to its water plant. In accordance with Board policy, the amount of these grants should have been capitalized and amortized over the life of the underlying assets, and thereby offsetting the amortization expense. This results in a reduction of water revenue requirements by \$27,721.

Although one would normally expect that such a change would affect the bulk water rate as well, the Board notes that the calculation of bulk rate in the submission was not in accordance with Board practice. It is indeed a notable coincidence that the rate recalculated in accordance offsets exactly the revenue requirement adjustment. Thus the rate of \$16 per 1000 gallons is confirmed.

Sewer-only quarterly flat rate:

Board staff queried the calculation of the quarterly flat rate for sewer only customers, and was advised that it had been based on the minimum consumption of 3,000 gallons per quarter. The correct method of calculating this rate is to base it on the average consumption figures for the community, not the minimum. The Board has therefore amended the flat rate from \$45.60 in the application to \$67.79 as shown in the attached Schedule "A".

Apart from these adjustments, the Board accepts the financial projections as reasonable estimates of the revenue requirements for the utility.

Other matters

The Board is concerned that there is no proposed action by the Town to address its unaccounted for water. Higher than standard water losses not only increases costs unnecessarily but run contrary to the Board's interest in water conservation. The Board will therefore direct that this matter be pursued aggressively and results reported to the Board in due course.

The Board is of the view that 26 recommendations from its engineering assessment should spur the Town to take action. It therefore directs that the Town keep the Board informed of progress in the Town's review of these recommendations, especially if and when required action has the potential to affect revenue requirements for the utility.

Cost allocation methodology

The Board will approve the defined cost allocation methodology as submitted by the Town. Any subsequent changes to that methodology will require Board approval.

Accounting

The Board notes that the 2009 audited financial statements do not report the utility's capital grants in the notes as recommended in the guidelines issued by the Department of Local Government. This appears to have led to the oversight of not offsetting water revenue requirements by the amortization of capital grants. The Board urges the Town to include this note and the relevant amounts in subsequent statements.

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. Revised water and sewer rates effective January 1, 2012, as shown on Schedule "A" attached to this Order for the Town of Hartney BE AND ARE HEREBY APPROVED.
2. The interim rates approved by Board Order No. 124/10 for The Town of Hartney BE AND ARE HEREBY CONFIRMED AS FINAL.
3. The Town of Hartney file with the Board a revised water and sewer By-law to reflect the decisions in this Order, once it has received third and final reading.
4. The cost allocation methodology proposed by the Town of Hartney BE AND IS HEREBY APPROVED
5. The Town of Hartney investigate the causes of and remedies for its unaccounted for water and advise the Board of its findings and actions.
6. The Town of Hartney keep the Board informed as to its progress in relation to the implementation of the recommendations of its engineering consultants.

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.
47/12 issued by The Public Utilities
Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 47/12
TOWN OF HARTNEY
WATER AND SEWER RATES

SCHEDULE OF QUARTERLY RATES:

1.) Commodity Rates per thousand gallons:

Water	Sewer	Water & Sewer
\$10.75	\$5.90	\$16.65

2.) Minimum Quarterly Charges:

Notwithstanding the Commodity Rates set forth in Paragraph 1 hereof, all customer will pay the applicable minimum charges set out below, which will include water allowances indicated:

(a) Water and Sewer customers

Meter Size	Capacity Ratio	Minimum Water Allow. Quarterly in Gallons	Quarterly Service Charge	Quarterly Commodity Charges		Minimum Quarterly Bill
				Water	Sewer	
5/8"	1	3,000	\$27.85	\$32.25	\$17.70	\$77.80
3/4"	2	6,000	\$27.85	\$64.50	\$35.40	\$127.75
1"	4	12,000	\$27.85	\$129.00	\$70.80	\$227.65
1 1/2"	10	30,000	\$27.85	\$322.50	\$177.00	\$527.35
2"	25	75,000	\$27.85	\$806.25	\$442.50	\$1,276.60

(b) Water Only Customers:

Minimum quarterly 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 Town of Hartney will charge the owners or occupants of land serviced with sewer but no water the sum of sixty seven dollars and seventy nine cents (\$67.79) per quarterly period.

3.) Bulk Water Rates:

All water sold in bulk by the Town of Hartney shall be charged for the water at the rate of sixteen dollars (\$16.00) per thousand gallons.

4.) Service to Customers Outside Town Limits:

The Council of the Town of Hartney may sign agreements with customers for the provision of water and/or sewer services to properties located outside the legal boundaries of the Town of Hartney. 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 the 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 of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

5.) Billing and Penalties:

Meters are to be read March 1st, June 1st, September 1st and December 1st and shall be due and payable on the 20th day of the month of the reading. A penalty of 1.25% per month of the bill shall be added if not paid by the due date.

6.) Disconnection:

Service may be disconnected and discontinued immediately and without further notice in the event of nonpayment within 30 days of the due date.

7.) Reconnection:

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties, the disconnection fee, the reconnection fee of forty dollars \$ 40.00 and the minimum advance payment for the next period have been paid. When a meter has been removed from a premises, a meter removal fee and reinstallation fee will be added to the charges listed and must be paid in full prior to reinstallation of meter.

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 the charge against 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 Town of Hartney will pay to the Utility an annual rental of one hundred and fifty (\$150.00) dollars per annum for each hydrant connected to the system which includes the cost of water for firefighting.

10.) Water Allowance Due to Line Freezing:

That in the case where, at the request of the Council, a customer allows water to run continuously for any period of time to prevent water lines in the water system from freezing, the charge to the customer for the current quarter shall be the average of the billings for the previous two quarters to the same customer or the same premises if the occupant has changed.

11.) Sewage 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 wastes.

12.) Non-working Meters:

When a meter ceases to function and a correct reading cannot be recorded, the charge to that customer for the current quarter shall be the average of the billings for the last two quarters to the same customer or to the same premises if the occupant has changed.