

MANITOBA) Order No. 66/12
)
THE PUBLIC UTILITIES BOARD ACT) May 25, 2012

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

THE RURAL MUNICIPALITY OF ELTON
ELTON WATER UTILITY
INTERIM WATER AND SEWER RATES
2012 AND 2013

Summary

The Public Utilities Board (Board) herein approves, on an interim ex parte basis, revised water and sewer rates for the Rural Municipality of Elton (RM) for the years 2012 and 2013.

The new rates for 2012 and 2013 will be effective April 1 and January 1 respectively. The current water rates were set on an interim basis effective December 1, 2010 in Board Order No. 28/11 issued on February 18, 2011.

The current and revised commodity rates are noted below:

Rates	Current	2012	Increase/ Decrease	2013
Quarterly service charge	\$8.85*	\$15.70	77%	\$16.15
Water per 1,000 gallons	\$8.25	\$11.85	44%	\$12.30
Sewer per 1,000 gallons	note ⁽¹⁾	\$1.60		\$1.85
Minimum Quarterly ⁽²⁾	\$56.60	\$56.05	-1%	\$58.60
Sewer only flat rate - quarterly ⁽³⁾	\$23.00	\$30.10	31%	\$32.80

*Water only

⁽¹⁾ \$16 per residential equivalent unit plus \$7 service charge per quarter

⁽²⁾ water & sewer customers 3,000 gallons per quarter

⁽³⁾ Based on 9,000 gallons per quarter

The Board also approves a number of other charges as detailed in Schedule "A" to this Order.

Introduction

The RM applied to the Public Utilities Board (Board) in 2010 for approval of interim water rates set out in the RM's By-law No. 1418. The RM sought approval from the Board to charge customers an interim rate retroactively to December 1, 2010, the date of connection.

While the RM had engaged a consultant to review the rate requirements of the RM, filing a full rate application with the Board was not anticipated until April 2011.

The Board deemed it in the public interest to set rates on an interim *ex parte* basis to avoid the development of operating deficits and the incurring of additional regulatory costs that would have to be reflected in rates. The Board approved the interim rates as proposed by the RM on an interim *ex parte* basis, until the rate study could be completed and analyzed, including a public process whereby customers would be provided the opportunity to review and comment on the application. Interim *ex parte* rates are subject to change once a detailed review has been conducted.

In conducting its reviews, the Board has the option of addressing applications by a paper review process or by public hearing. With respect to Elton's application, the RM held a public meeting on the matter in 2010, revised 2011 rates have been in place for over a year, and no stakeholders have approached the Board with any expressions of concern. The Board will therefore once again award an interim *ex parte* approval of proposed rates for 2012 and 2013. A public notification of these proposed interim rates will be provided to Elton customers. Pending customer response to this notification, the Board may decide to convene a public hearing to hear stakeholder concerns. Should the public response to the Notice be insignificant, the Board will proceed with a paper review of the application followed by the issuance of a final Order.

Background

In 2010, a rural waterline was installed by the Whitehead-Elton Regional Water Cooperative (WERC) in conjunction with Manitoba Water Services Board (MWSB), with MWSB operating WERC through agreements with the Municipalities of Whitehead and Elton. Customers were connected and began consuming water from WERC in mid-December 2010, and MWSB has been charging a base rate of \$8.00/1,000 gallons to WERC (from the date connections were made).

The RM held a public hearing (on March 1, 2010) and distributed information to prospective future customers of the new utility prior to connections being made, advising that the initial rate was expected to be \$10.00 per 1,000 gallons. All consumption would be billed based on newly installed water meters.

The RM asked and received approval for an interim water rate effective December 1, 2010, pending completion of the rate study.

Sewer rates, which had last been revised in 2008, were not part of the submission for revision at that time.

Application

The RM submitted their application on July 7, 2011, including By-law 1423 and a rate study prepared by the RM's consultant, Mr. G.O. Barron, FCGA. That By-law and rate study included proposals for revised rates for both water and sewer for 2011, 2012 and 2013 as follows:

Rates per 1,000 gallons	2011	2012	2013
Quarterly service charge	\$15.20	\$15.70	\$16.15
Water	\$11.60	\$11.85	\$12.30
Sewer	\$1.60	\$1.60	\$1.85
Minimum Quarterly ⁽¹⁾	\$54.80	\$56.05	\$58.60
Sewer only flat rate - quarterly ⁽²⁾	\$29.60	\$30.10	\$32.80

⁽¹⁾Water & sewer customers 3,000 gallons per quarter

⁽²⁾Based on 9,000 gallons per quarter

The expense projections to determine the revenue requirements for the three year period were delineated as follows:

	2011	2012	2013
Administration	4,379	4,510	4,646
Billing and collection	500	515	530
Total general expenses	4,879	5,025	5,176
Less: Penalties	150	150	150
Net general	4,729	4,875	5,026
Water			
Staffing	5,665	5,835	6,010
Water purchases	34,448	35,137	36,894
Service of Supply	2,000	2,060	2,122
Other Water Supply Costs	2,000	2,000	2,000
Amortization/ depreciation	4,162	4,162	4,162
Sub-total- water expenses	52,775	53,694	55,688
Less: Amortization of capital grants	2,774	2,774	2,774
Net rate revenue - water	50,001	50,920	52,914
Sewer			
Sewage Treatment and Disposal	2,400	750	2,400
Amortization/ depreciation	7,833	7,833	7,833
Interest on long term debt	1,546	797	
Reserves	1,000	1,000	1,000
Contingency	3,500	3,500	3,500
Total sewer expenses	16,279	13,879	14,733
Less: Amortization of capital grants			5,222
Taxation revenues	9,379	8,629	-
Net rate revenue - sewer	6,900	5,250	9,511

The rate study noted that the outstanding debenture on the sewer system would be paid off in 2012, thus both the interest expense and the taxation revenues related to that debenture would be eliminated for 2013. As a result, the offset revenue for the amortization of the capital grant was brought back into play in that year.

The study was conducted without the benefit of the 2009 audited financial statements, although the study did attempt to use the most up-to-date numbers available. The 2009 statements were submitted later and no substantive differences were noted.

The major change from 2009 in the water expense category was the expense related to water purchases which did not exist prior to the December 2010 connection.

While net sewer expenses were not as high as water, they were high enough to warrant a proposed rate increase. Further, there is a transition from the current charging methodology of Residential Equivalent Units (REU) to meter based charges.

Previously for sewage, each residence was charged a flat rate and larger consumers were charged based on their REU assignment. In addition to a quarterly service charge of \$7.00, residential customers were assessed flat rates of \$16 per quarter and the schools were assessed \$32 per tank per quarter. With meters in place, the water meter reading will be used as a surrogate for sewage volumes, a practice common throughout the industry.

While sewer expenses decreased in 2012 because of lower numbers of "pump-outs" these expenses were projected to increase in 2013 to levels similar to that of 2012. The RM proposed that the

sewage rates be "smoothed", with 2012 at \$1.60 and 2013 at \$1.85 per 1000 gallons.

The RM submitted that a hydrant rental fee should be paid to the utility due to fire prevention costs. Although there are no current plans to add hydrants, the fee would be in place should hydrants be added.

The RM did not submit a cost allocation methodology for approval, as this is still being developed. In the interim, an allocation has been made to the utility for rate-setting purposes.

Board Findings

The Board will approve the water and sewer rates for 2012 and 2013 as applied for by the RM, once again providing such approval on an interim ex parte basis. The RM will then be required to provide proper notification to its customers, describing the approval and offering them the opportunity to review the application and provide comment, to both the Board and the RM, should they have any concerns. The Board will then determine the most appropriate process to use going forward to finalize the rates.

However, the Board does not support retroactive increases, as this does not give customers a chance to alter their consumption patterns; therefore, the 2011 rates sought will not be approved, although the Board will confirm the new water rates set on an interim basis effective December 1, 2010.

The fact that the 2011 rates were not in place may result in an

operating deficit for the utility for 2011. The Board will anticipate that, should this have occurred as supported by 2011 audited results, the RM will submit an application for deficit approval along with a Council resolution proposing the method of recovery.

The Board will accept the allocation of shared costs made for this rate setting, but will direct the RM to prepare an official cost allocation methodology, supported by a council resolution, and submit it to the Board for approval by December 31, 2012.

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, available on the Board's website www.pub.gov.mb.ca).

IT IS THEREFORE ORDERED THAT:

1. Revised water and sewer rates for the Rural Municipality of Elton, for 2012 and 2013, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED, on an interim ex parte basis, effective April 1, 2012 and January 1, 2013 respectively.
2. The Rural Municipality of Elton provide their customers with an appropriate notice of rate change.
3. The Rural Municipality of Elton provide the Public Utilities Board with a copy of a revised rate By-law to reflect the decisions in this Order after it has received third and final reading.
4. The Rural Municipality of Elton submit a shared cost allocation methodology for approval by the Public Utilities Board no later than December 31, 2012.

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.
66/12 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 66/12
RURAL MUNICIPALITY OF ELTON
WATER AND SEWER RATES

1. Commodity rates per M.G.

Effective April 1, 2012

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>All consumption</u>	\$11.85	\$1.60	\$13.45

Effective January 1, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>All consumption</u>	\$12.30	\$1.85	\$14.15

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:

Effective April 1, 2012

Group Meter <u>Size</u>	Capacity Ratio	Water Included, <u>Gallons</u>	Customer Service <u>Charge</u>	<u>Commodity Charges</u>		Total Quarterly <u>Minimum</u>
				<u>Water</u>	Sewer	
5/8"	1	3,000	\$15.70	\$35.55	\$4.80	\$56.05
3/4"	2	6,000	\$15.70	\$71.10	\$9.60	\$96.40
1"	4	12,000	\$15.70	\$142.20	\$19.20	\$177.10
1 1/2"	10	30,000	\$15.70	\$355.50	\$48.00	\$419.20
2"	25	75,000	\$15.70	\$888.75	\$120.00	\$1,024.45

Effective January 1,- 2013

5/8"	1	3,000	\$16.15	\$36.90	\$5.55	\$58.60
3/4"	2	6,000	\$16.15	\$73.80	\$11.10	\$101.05
1"	4	12,000	\$16.15	\$147.60	\$22.20	\$185.95
1 1/2"	10	30,000	\$16.15	\$369.00	\$55.50	\$440.65
2"	25	75,000	\$16.15	\$922.50	\$138.75	\$1,077.40

3. Sewer only Customers

Customers with sewer only services will be charged a flat rate based on the quarterly service charge plus estimated volumes of 9,000 gallons per quarter. The quarterly charges, effective April 1, 2012 will be \$30.10 and effective January 1, 2013, \$32.80.

4. Service to Customers outside Municipality limits

The Rural Municipality of Elton reserves the right to sign agreements with customers outside the Rural Municipality of Elton to connect to the utility. The agreement shall provide for payment of the appropriate rates set out in this Schedule, plus 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 which 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. Disconnection

The Public Utilities Board has approved 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 the Conditions Precedent is available for inspection at the Municipal office.

6. Reconnection Fee

A customer who has had his service disconnected for any reason shall not be reconnected until all regulations have been complied with, and all arrears paid, as well as any penalties and a reconnection fee of \$25.00.

7. Billing & Penalties

A late payment charge of 1¼% 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.

8. Hydrant Rentals

The Rural Municipality of Elton will pay to the Elton Water and Sewer Utility an annual rental of \$100 for each hydrant connection to the system.

9. Outstanding Bills

Elton Municipal Customers:

Pursuant to Section 252 (2) of The Municipal Act, the amount of all outstanding charges for water service for Elton municipal customers 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.

Non-Elton Municipal Customers:

Pursuant to an agreement entered into between the Rural Municipality of Elton and the Rural Municipality of Daly, the amount of all outstanding charges for water service for non-Elton municipal customers shall be billed to the Rural Municipality of Daly under the provisions of the agreement, a copy of which is attached hereto as Schedule "B".

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 shall 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.