

MANITOBA) Order No. 8/12
)
THE PUBLIC UTILITIES BOARD ACT) January 23, 2012

BEFORE: Susan Proven, P.H.Ec., Acting Chair
Monica Girouard, CGA, Member
Graham Lane, CA, Chairman

THE CITY OF SELKIRK
WATER AND SEWER RATES

Summary

By this Order, the Public Utilities Board (Board) approves revised water and sewer utility rates for The City of Selkirk (City) for the years 2012 and 2013, and confirms as final the rates for 2011 approved on an interim basis in order number 53/11, issued on April 4, 2011.

The approved rates are:

Commodity Rate \$/1,000 gallons	Revised				
	Previous	2011	Increase	2012	2013
Water					
First 50,000 gallons per quarter	\$ 6.67	\$ 7.33	10%	\$ 7.33	\$ 7.33
Next 450,000 gallons per quarter	\$ 4.64	\$ 5.78	25%	\$ 6.34	\$ 6.75
Over 500,000 gallons per quarter	\$ 3.20	\$ 4.32	35%	\$ 5.61	\$ 6.75
Sewer					
Quarterly Service Charge	\$ 21.32	\$ 26.50	24%	\$26.50	\$26.50
Minimum Quarterly*	\$ 53.33	\$ 61.60	16%	\$61.60	\$61.60
Bulk Water	\$ 7.67	\$ 7.98	4%	\$ 7.98	\$ 7.98
Hydrant Rental Charge	\$110.00	\$110.00	0%	\$110.00	\$110.00
Sewage Receiving Station					
Quarterly Administration Fee	\$ 21.32	\$ 26.50	24%	No further changes proposed	
Volume Dumping	\$ 17.35	\$ 21.12	22%		
B.O.D. Surcharge	\$0.51/kg	\$0.51/kg	0%		
S.S. Surcharge	\$0.25/kg	\$0.25/kg	0%		
Untested Dumping	\$ 33.24	\$ 36.44	10%		

*Includes 3,000 gallons

The 2011 rates took effect March 10, 2011. The 2012 and 2013 rates are effective January 1 in each of those years.

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

Introduction

The City of Selkirk water and sewer rates were last reviewed by the Board in 2007. On March 24, 2011 the City applied to the Board for revised rates for 2011, 2012 and 2013.

The Board approved revised rates for the City of Selkirk effective March 10, 2011 on an interim ex parte basis, pending the result of the Board's more comprehensive review of the application and a public review process. Interim rates are subject to change once such a process has been concluded.

A public notice was released on June 24, 2011, advising of the interim rates approval and announcing a public hearing for September 27, 2011, to be held in the City's council chambers. The public was encouraged to attend the City 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.

The hearing was held as scheduled, although no members of the public attended. During and immediately following the hearing, the City was asked to review a number of issues and respond to a number of queries raised by the Board and its staff. The City responded to these undertakings on November 28, 2011.

Application

The City applied to the Board for revised water and sewer rates,

as set out in its By-law 5190. The City's application included proposals for additional increases for 2012 and 2013, and proposed collapsing the then-existing three-step water rate schedule to two steps by 2013. The submission was supported by a rate study prepared by the City's consultant, Wardrop Engineering Inc.

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

	2011	2012	2013
Administration			
Expenses	\$337,730	\$340,608	\$354,622
Water			
Water Production	\$808,943	\$818,847	\$824,640
Water Distribution	430,763	438,989	444,740
Amortization	0	0	0
Interest	0	0	0
Deficit Recovery*	52,134	52,134	52,134
Minor Capital	100,000	100,000	100,000
Water expenses	\$1,391,840	\$1,409,970	\$1,421,514
Sewer			
Expenses	\$632,023	\$640,600	\$646,360
Amortization	0	0	0
Interest	0	0	0
Nutrient Removal	80,000	80,000	80,000
Deficit Recovery*	26,067	26,067	26,067
Minor Capital	100,000	100,000	100,000
Sewer Expenses	\$838,090	\$846,667	\$852,427
Total expenses	\$2,567,660	\$2,597,245	\$2,628,563

*Order 161/08 approved the recovery of the 2007 deficit (\$234,604) from rate generated revenue in 2011, 2012 and 2013, in equal annual amounts of \$78,201.

The proposal included a phase-in plan to eliminate the wholesale water and sewer rate by 2013. This is in consideration of conservation efforts, encouraging reduced consumption.

The proposed rate structure was:

Commodity Rate \$/1,000 gallons	Revised				
	Previous	2011	Increase	2012	2013
Water					
First 50,000 gallons per quarter	\$ 6.67	\$ 7.33	10%	\$ 7.33	\$ 7.33
Next 450,000 gallons per quarter	\$ 4.64	\$ 5.78	25%	\$ 6.34	\$ 6.75
Over 500,000 gallons per quarter	\$ 3.20	\$ 4.32	35%	\$ 5.61	\$ 6.75
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Sewage Receiving Station					
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Volume Dumping	\$ 17.35	\$ 21.12	22%		
B.O.D. Surcharge	\$0.51/kg	\$0.51/kg	0%		
S.S. Surcharge	\$0.25/kg	\$0.25/kg	0%		
Untested Dumping	\$ 33.24	\$ 36.44	10%		

*includes 3,000 gallons

The proposal included rates for volume dumping in the decant lagoon, which included a cost of \$9,970 for sludge handling and disposal, intended to be transferred to a reserve fund for future sludge disposal projects at the decant lagoon.

Following the hearing, reacting to a number of queries asked by the Board, the City engaged the services of Way To Go Consulting Inc. (WTGCI). WTGCI prepared a revised rate study based on Board-approved methodology, more specifically using the

accounting methods which the Board requires for rate setting. This includes the introduction of amortization expenses, debt servicing costs and offsetting taxation revenue, none of which had been considered in the initial rate study, upon which the proposed rates had been based.

WTGCI noted that the following expenses needed to be added to the expense projection to confirm with the Board's guidelines:

		2011	2012	2013
Amortization	Water	198,064	198,064	198,064
	Sewer	461,565	461,565	461,565
Debt interest	Water	52,551	48,128	43,430
	Sewer	38,193	31,298	24,006
sub-total		750,373	739,055	727,065
Less offsets:				
Amortization of capital grants	Water	68,159	68,159	68,159
	Sewer	75,060	75,060	75,060
Taxation revenue		283,006	283,006	283,006
sub-total		426,225	426,225	426,225
Net increase		324,148	312,830	300,840

However, WTGCI asserted that the original study submitted from Wardrop contained a contingency provision of 2% of the original capital cost of the water and sewer systems as follows:

Water production system	130,044
Water distribution system	124,558
Sewage collection system	65,738
Sewage disposal system	121,690
	442,030

The WTGCI study suggested that by eliminating the contingency provision, the rates initially proposed would cover the adjustments required to comply with the prescribed accounting

standards and still yield a positive result for the utility. Their recommendation was to use the proposed rates from the original submission.

The following cost allocation methodology was outlined, where costs are allocated from general operations to the utility operation to ensure that utility operating costs reflect the true value of providing utility services:

Chief administrative officer	10%
Accounting clerk, manager of public works, charge hand, operations clerk, surveyor, Director of operations	50%
Utility clerk, manager of water/ waste water	100%
Meter maintenance	68%
Utility operators	98%
Utility maintenance	44 to 67%

Board Findings

The Board will approve the water and sewer rates for 2012 and 2013 as applied for by the City, and will confirm as final the 2011 rates approved on an interim basis in April 2011.

The Board requires the City's By-law be amended to reflect this approval.

The Board acknowledges the City's conservation initiative in eliminating the wholesale rates by 2013 and encourages the City to pursue elimination of the intermediate rate at some point in the future, again with conservation objectives in mind.

The Board is concerned with the elimination of the contingency provision. Contingency is usually built into the budgeting process to account for the possibility of unexpected events which might affect either the expenses or revenue of the utility. Eliminating such a provision puts the utility at greater risk of incurring deficits, something which the legislation precludes without the express approval of the Board.

Therefore, as a condition of agreeing with the proposal to establish rates without a contingency provision, the Board will require the City to closely monitor its operating results and if a deficit is expected, to advise the Board immediately including a recommended action for addressing same. If this requires that the rates be amended prior to 2014, a proposal to do so, either by rate increase or by rate rider, should be submitted to the Board at that time.

The Board will also approve the cost allocation methodology and reminds the City that any changes to this methodology in future will require Board approval.

While the Board was disappointed no members of the public attended the hearing, it accepts this as tacit agreement that the rate proposal is reasonable and required.

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 2012 and 2013, as shown in the attached schedule "A" for the City of Selkirk BE AND ARE HEREBY APPROVED effective for January 1 of each year.
2. The interim rates for 2011 approved in Board order No. 53/11 ARE HEREBY CONFIRMED AS FINAL.
3. The City of Selkirk amend its Bylaw in accord 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 City of Selkirk BE AND IS HEREBY APPROVED
5. The City of Selkirk report to the Board immediately any expected or incurred deficit for any of 2011, 2012 or 2013, including a plan for addressing same.
6. The City of Selkirk file a copy of its preliminary 2011 utility financial results with the Public Utilities Board, no later than June 30, 2012.

Fees payable upon this Order - \$1,500.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN"

Acting Chair

"KURT SIMONSEN, P. Eng"

Acting Secretary

Certified a true copy of Order No.
8/12 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 8/12
THE CITY OF SELKIRK
WATER AND SEWER UTILITY

1. The City shall charge the following rates to the owners or occupants of land for the use of water and sewer systems from the City.

For the period March 10, 2011 to December 31, 2011

The greater of the amounts mentioned in paragraphs A and B below in respect of metered Water and Sewer Service for other than domestic use:

A. Minimum quarterly charge for metered service

Notwithstanding the commodity rates set for in paragraph (B) hereof, all customers will pay the applicable minimum charges set out below which will include the water allowances indicated.

A.1 (2011) Modified Three-step rate (average rate for domestic water)

Meter Size	Water Included Gallons	Quarterly Service Charge	Quarterly Commodity Charges		Total
			Water	Sewer	Quarterly Bill
5/8"	3,000	\$26.50	\$21.99	\$13.11	\$61.60
3/4"	6,000	\$26.50	\$43.98	\$26.22	\$96.70
1"	12,000	\$26.50	\$87.96	\$52.44	\$166.90
1 1/2"	30000	\$26.50	\$219.90	\$131.10	\$377.50
2"	75,000	\$26.50	\$511.00	\$327.75	\$865.25
3"	135,000	\$26.50	\$857.80	\$589.95	\$1,474.25
4"	270,000	\$26.50	\$1,638.10	\$1,179.90	\$2,844.50
6"	510,000	\$26.50	\$3,010.70	\$2,228.70	\$5,265.90

B. Metered Service – Water and Sewer

Commodity Rate per Thousand Gallons

B.1 (2011) Three step rate (average rate for domestic water)

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
For the first 50,000 gallons per quarter	\$7.33	\$4.37	\$11.70
For the next 450,000 gallons per quarter	\$5.78	\$4.37	\$10.15
For all over 500,000 gallons per quarter	\$4.32	\$4.37	\$8.69

C. Deposit

All customers shall have on deposit with the City of Selkirk an amount equivalent to the minimum charge for their meter size.

For the period January 1, 2012 to December 31, 2012

The greater of the amounts mentioned in paragraphs A and B below in respect of metered Water and Sewer Service for other than domestic use:

A. Minimum quarterly charge for metered service

Notwithstanding the commodity rates set for in paragraph (B) hereof, all customers will pay the applicable minimum charges set out below which will include the water allowances indicated.

A.2 (2012) Modified Three-step rate (average rate for domestic water)

Meter Size	Water	Quarterly	Quarterly Commodity		Total
	Included	Service	Charges		Quarterly
<u>Size</u>	<u>Gallons</u>	<u>Charge</u>	<u>Water</u>	<u>Sewer</u>	<u>Bill</u>
5/8"	3,000	\$26.50	\$21.99	\$13.11	\$61.60
3/4"	6,000	\$26.50	\$43.98	\$26.22	\$96.70
1"	12,000	\$26.50	\$87.96	\$52.44	\$166.90
1 1/2"	30000	\$26.50	\$219.90	\$131.10	\$377.50
2"	75,000	\$26.50	\$525.00	\$327.75	\$879.25
3"	135,000	\$26.50	\$905.40	\$589.95	\$1,521.85
4"	270,000	\$26.50	\$1,761.30	\$1,179.90	\$2,967.70
6"	510,000	\$26.50	\$3,275.60	\$2,228.70	\$5,530.80

B. Metered Service – Water and Sewer

Commodity Rate per Thousand Gallons

B.2 (2012) Three step rate (average rate for domestic water)

	<u>Water</u>	<u>Sewer</u>	Water & <u>Sewer</u>
For the first 50,000 gallons per quarter	\$7.33	\$4.37	\$11.70
For the next 450,000 gallons per quarter	\$6.34	\$4.37	\$10.71
For all over 500,000 gallons per quarter	\$5.61	\$4.37	\$9.98

C. Deposit

All customers shall have on deposit with the City of Selkirk an amount equivalent to the minimum charge for their meter size.

For the period January 1, 2013 to December 31, 2013

The greater of the amounts mentioned in paragraphs A and B below in respect of metered Water and Sewer Service for other than domestic use:

A. Minimum quarterly charge for metered service

Notwithstanding the commodity rates set for in paragraph (B) hereof, all customers will pay the applicable minimum charges set out below which will include the water allowances indicated.

A.3 (2013) Modified Three-step rate (average rate for domestic water)

	Water	Quarterly	Quarterly Commodity		Total
Meter	Included	Service	Charges		Quarterly
<u>Size</u>	<u>Gallons</u>	<u>Charge</u>	<u>Water</u>	<u>Sewer</u>	<u>Bill</u>
5/8"	3,000	\$26.50	\$21.99	\$13.11	\$61.60
3/4"	6,000	\$26.50	\$43.98	\$26.22	\$96.70
1"	12,000	\$26.50	\$87.96	\$52.44	\$166.90
1 1/2"	30000	\$26.50	\$219.90	\$131.10	\$377.50
2"	75,000	\$26.50	\$535.25	\$327.75	\$889.50
3"	135,000	\$26.50	\$940.25	\$589.95	\$1,556.70
4"	270,000	\$26.50	\$1,851.50	\$1,179.90	\$3,057.90
6"	510,000	\$26.50	\$3,471.50	\$2,228.70	\$5,726.70

B. Metered Service – Water and Sewer

Commodity Rate per Thousand Gallons

B.3 (2013) Three step rate (average rate for domestic water)

	<u>Water</u>	<u>Sewer</u>	Water & <u>Sewer</u>
For the first 50,000 gallons per quarter	\$7.33	\$4.37	\$11.70
For the next 450,000 gallons per quarter	\$6.75	\$4.37	\$11.12
For all over 500,000 gallons per quarter	\$6.75	\$4.37	\$11.12

C. Deposit

All customers shall have on deposit with the City of Selkirk an amount equivalent to the minimum charge for their meter size.

2. A. Water Customer Only

Minimum charge will be the same for each meter size as shown above, but the sewer charge will be excluded.

B. Sewer Only Customers

The water from the customers private service shall be metered at the customers cost. The charge will be based upon consumption as shown above with the water charge excluded.

3. Bulk Sale Customers

All water sold in bulk by the City shall be charged at a rate of \$7.98 per 1,000 gallons on a pro-rated basis for all quantities greater than 500 gallons. The minimum charge will be \$15.00.

4. Sewage Receiving Station Rates

The City shall charge the following rates to the users of the sewage receiving station:

Administration fee :	\$26.50 per quarterly billing
Volume dumping :	\$21.12 per 1,000 gallons
B.O.D. Surcharge :	\$0.51 per kilogram
S.S. Surcharge :	\$0.25 per kilogram
Untested Dumping :	\$36.44 per 1000 gallons

5. Billings and Outstanding Bills

A. Accounts shall be billed quarterly and be due and payable up to 30 days after the date of billing.

B. Penalties at the rate of one and one-quarter (1 ¼%) percent per month shall be levied on all accounts remaining unpaid after the aforementioned period.

C. Accounts that are outstanding and not paid by the next billing period may be added to the taxes of the property in respect of which the account is unpaid, by the Director of Finance of the City, to be collected as ordinary taxes, as authorized under Section 236(1)(b) of the Municipal Act.

6. Connections

A. The City of Selkirk shall charge the amount of twenty-five (\$25.00) dollars to turn back on a service that has been turned off or is a new service installation.

- B. 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.
 - C. Any service disconnected due to non-payment of the account or other reason, shall not be re-connected until all arrears, penalties and the re-connection fee have been paid.
7. In case of a dispute over the accuracy or correctness of any meter reading and a request is made to have the meter checked, the City will comply with said request. The meter will receive an independent check and if the accuracy varies by more than three (3%) percent thereby creating an overcharge to the premises, then the City will bear all costs involved. If the check reveals the meter is working within three (3%) percent of accuracy, then all costs shall be borne by the property where the request was made.
8. It shall be an offence for any unauthorized person to tamper, change or by-pass a meter. Said person, owner and/or occupant may be prosecuted in a Court of Law.
9. Hydrant Rentals
- The City of Selkirk shall pay to the utility an annual fee of \$110.00 per hydrant for fire fighting which will include a charge for the water used.
10. Water Allowance Due to Line Freezing
- That in any case where at the request of the Director of Operations or his delegate, 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 three previous quarters to the same customer, or the same premises if the occupant has changed.
11. Service to Customers Outside the City Limits
- The City of Selkirk may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the City. 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 connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

12. Shared Services between Municipalities

The City of Selkirk may sign agreements with municipalities for provision of sewer and water services to other municipalities. 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 project costs of a municipality connecting to the City of Selkirk's Water Utility shall be paid by that municipality. These costs shall include, but not be limited to, the cost of connection to the City of Selkirk's plants, utility mains, as well as installing and maintaining service connections.

13. The City of Selkirk By-Law No. 5190 is hereby repealed.

14. This By-Law shall not be acted upon unless and until it is approved by an Order of the Public Utilities Board.