

MANITOBA) Order No. 82/12
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THE PUBLIC UTILITIES BOARD ACT) July 6, 2012

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

TOWN OF GLADSTONE
WATER AND SEWER RATES - 2012 AND 2013

Summary

The Public Utilities Board (Board) hereby approves revised water and sewer rates for the Town of Gladstone (Town) for the years 2012 and 2013, effective April 1 in each of those years.

The current and revised commodity rates are noted below:

Commodity Rate	Current	Approved			
		2012	Increase/ Decrease	2013	Increase/ Decrease
Water \$/1,000 gallons	\$9.70	\$9.97	3%	\$10.39	4%
Sewer \$/1,000 gallons	\$2.25	\$3.57	59%	\$4.88	37%
Quarterly Service Charge	\$20.70	\$20.48	-1%	\$20.48	0%
Minimum Quarterly*	\$56.55	\$61.10	8%	\$66.29	8%
Sewer Only Quarterly**	\$34.20	\$41.90	23%	\$49.76	19%
Bulk Water	\$14.00	\$15.09	8%	\$17.22	14%
Reconnection fee	\$50.00	\$50.00	0%	\$50.00	0%
Hydrant Rental Charge	n/a	\$75.00	n/a	\$75.00	n/a
Lagoon dumping fee (per load)*	n/a	\$25.00	n/a	\$25.00	n/a

*Includes 3,000 gallons

**Based on 6,000 gallons

Details of other rates may be found in the attached Schedule "A".

Introduction

The Town submitted an application on December 14, 2011 for revised water and sewer rates to be effective April 1 in each of 2012 and 2013. Existing rates were established in 2007.

A Public Notice of Application was issued in February 2012 affording customers the opportunity to comment to both the Board and the Utility with respect to the proposed increases.

The Board has at its disposal two alternative processes to deal with rate applications. It may determine that an oral hearing is warranted or that a paper review process is sufficient. Based on customer response to the Public Notice (no comments were received by the Board), the Board concluded that a paper review process, one which avoids the expense attendant to an oral hearing, was in the best interest of all concerned.

Background

The Town of Gladstone services 401 customers.

Water and sewer lines were installed in 1959 and approximately 70% have been replaced over the years.

The water treatment plant was shut down in 2005 and treated water is currently being purchased from the Yellowhead Regional Water System. Purchased water complies with drinking water standards except for Trihalomethane levels which are being investigated by the Yellowhead Regional Water Co-op. There are no issues with color, taste or odour.

Unaccounted for water is less than 10%, and within industry standards for water distribution systems.

Under the terms of an agreement signed in 2008 between the Town of Gladstone, the Yellowhead Regional Water Co-Op Inc. and the Manitoba Water Services Board, the Town has agreed to provide safe potable water to other municipalities from the Gladstone reservoir. Its costs for doing so are recovered from the Manitoba Water Services Board.

The Town operates a three cell lagoon system with the third cell having been built in 1982. This lagoon hasn't been de-sludged since 1959 with an expectation that this will need to occur within the next five years.

The lagoon system is in compliance with Environmental Licenses.

The Town has one staff member with the necessary qualifications to operate the utility.

The Town has two utility debentures which matured in 2011 and an additional two debentures maturing in 2019 and 2020 respectively. Money is collected through taxation to pay for the principal and interest.

Application

The Town submitted its application on December 14th, 2011 accompanied by a water and sewer utility rate study prepared by the Town's consultant, Way To Go Consulting Inc. The application was also accompanied by By-law No. 7-2011 read for the first time on December 12, 2011.

The rate study proposed the following rates for Gladstone:

Commodity Rate	Current	Proposed	
		2012	2013
Water \$/1,000 gallons	\$9.70	\$9.97	\$10.39
Sewer \$/1,000 gallons	\$2.25	\$3.57	\$4.88
Quarterly Service Charge	\$20.70	\$20.48	\$20.48
Minimum Quarterly*	\$56.55	\$61.10	\$66.29
Sewer Only Quarterly**	\$34.20	\$41.90	\$49.76
Bulk Water	\$14.00	\$15.09	\$17.22
Reconnection fee	\$50.00	\$50.00	\$50.00
Hydrant Rental Charge	n/a	\$75.00	\$75.00
Lagoon dumping fee (per load)*	n/a	\$25.00	\$25.00

*Includes 3,000 gallons

**Based on 6,000 gallons

The rates were based on the following projected expenses:

	2012	2013	2014
General			
Administration	39,743	40,538	41,349
Billing and collection	7,140	7,283	7,428
Total general expenses	46,883	47,821	48,777
<i>Revenue:</i>			
Cost recovery from MWSB	12,000	12,240	12,485
Penalties	2,040	2,081	2,122
Total general revenue	14,040	14,321	14,607
Net revenue requirement general	32,843	33,500	34,170

Water			
<i>Expenses:</i>			
Purification and treatment	2,040	2,081	2,122
Water purchases	137,700	140,454	143,263
Transmission and Distribution	7,140	7,283	7,428
Connections - Net Loss	6,630	6,763	6,898
Amortization/ depreciation	27,116	27,116	27,116
Contingency	17,090	17,090	17,090
Sub-total- water expenses	197,716	200,786	203,918
<i>Revenue:</i>			
Bulk Water	5,270	6,013	6,013
Hydrant rentals	3,900	3,900	3,900
Taxation revenues	25,682	25,682	25,682
Total non-rate revenue - water	34,852	35,595	35,595
Net rate revenue requirement - water	162,864	165,191	168,323
Sewer			
<i>Expenses:</i>			
Sewage Collection System	15,660	15,973	16,293
Sewage Lift Station	10,812	11,028	11,249
Sewage Treatment and Disposal	12,750	13,005	13,265
Connection - Net Loss	5,406	5,514	5,624
Amortization/ depreciation	35,284	35,284	35,284
Interest on long term debt	28,438	25,770	22,963
Contingency	22,238	22,238	22,238
Total sewer expenses	130,588	128,813	126,916
<i>Revenue</i>			
Lagoon Tipping Fees	5,000	5,000	5,000
Taxation revenues	54,119	54,119	54,119
Total non-rate revenue- sewer	59,119	59,119	59,119
Net rate revenue requirement- sewer	71,469	69,694	67,797

The increases are being attributed to two main factors - the introduction of amortization expense and the provision for contingency reserve.

The amortization expense is a new factor in rate determination resulting from the requirement, implemented in 2009, that local governments prepare their financial statements in accordance with generally accepted accounting principles as established by

the Public Sector Accounting Board.

Although reference in the above projections is to "contingency", the rate study actually indicates that the contingency is expected to provide funds to help towards future capital projects. It is in essence a reserve contribution.

The projected expenses would have indicated higher rates than those proposed in the rate study. However, there is sufficient working capital to cover off the possible resulting revenue deficiencies. Further, the contingency provision is substantial which should also mitigate against the incurrence of deficit.

The rate study includes a cost allocation policy which proposes to allocate the Town's administration, legal, audit and office costs on the basis of 22% to the utility, as the utility operating fund expenses represent 22.9% of the combined utility and general operating expenses.

Board Findings

The Board will approve the rate proposal as submitted by the Town. The Board is cognizant that the proposed, and now approved, rates may lead to operating deficits. However, it also recognizes that the contingency provision and the working capital surplus are sufficient to cover any resulting shortfalls.

The Board notes that it is the Town's intent to transfer in excess of \$20,000 annually from utility operations to the

reserve account. This of course can only occur to the extent that the utility operation resulted in a surplus for the year. The Board will approve the contingency provision on the basis that any operating surplus available, up to \$20,000 per year, be transferred to a utility reserve fund.

The Board will approve the shared cost allocation methodology and reminds the Town that this methodology must be used consistently in the future and requires Board approval should changes be contemplated.

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 for the Town of Gladstone, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED to be effective April 1 in each of those years.
2. The Town of Gladstone submits its water and sewer rate By-law once it has received third and final reading.
3. The cost allocation methodology as submitted by the Town of Gladstone BE AND IS HEREBY APPROVED.
4. The Town of Gladstone transfers an amount of at least \$20,000 per year from utility operations to a utility reserve fund, provided that an operating surplus in that amount has been realized.

5. The Town of Gladstone prepare and submit an application for revised water and sewer rates for 2014 forward on or before September 30, 2013.

Fees payable upon this Order are \$500.00.

THE PUBLIC UTILITIES BOARD

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

"KURT SIMONSEN, P.Eng."
Acting Secretary

Certified a true copy of Order No.
82/12 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 82/12
THE TOWN OF GLADSTONE
WATER & SEWER UTILITY

1. **COMMODITY RATES PER 1000 GALLONS:**

	WATER	SEWER	COMBINED
April 1, 2012	\$9.97	\$3.57	\$13.54
April 1, 2013	\$10.39	\$4.88	\$15.27

2. **MINIMUM QUARTERLY RATES:**

Notwithstanding the commodity rates set forth in Paragraph 1 hereof, all customers will pay the applicable minimum charges set out below which will include the water allowances indicated:

a) **WATER & SEWER CUSTOMERS:**

April 1, 2012

Meter Size (Inches)	Group Capacity Ratio	Water Included	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	1	3,000	\$20.48	\$29.91	\$10.71	\$61.10
3/4	2	6,000	\$20.48	\$59.82	\$21.42	\$101.72
1	4	12,000	\$20.48	\$119.64	\$42.84	\$182.96
1 1/2	10	30,000	\$20.48	\$299.10	\$107.10	\$426.68
2	25	75,000	\$20.48	\$747.75	\$267.75	\$1,035.98

April 1, 2013

Meter Size (Inches)	Group Capacity Ratio	Water Included	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	1	3,000	\$20.48	\$31.17	\$14.64	\$66.29
3/4	2	6,000	\$20.48	\$62.34	\$29.28	\$112.10
1	4	12,000	\$20.48	\$124.68	\$58.56	\$203.72
1 1/2	10	30,000	\$20.48	\$311.70	\$146.40	\$478.58
2	25	75,000	\$20.48	\$779.25	\$366.00	\$1,165.73

b) WATER ONLY CUSTOMERS

Minimum charges will be the same for each meter size shown above, but the sewer commodity charges will be excluded

c) SEWER ONLY CUSTOMERS

Customers using sewer service only will pay the relevant minimum charge as shown in "a" above except that the water commodity charge will be omitted and the minimum charge for a 5/8 inch meter will be based on quarterly consumption of 6000 gallons.

3. **BULK WATER SALES:**

All water sold in bulk shall be charged for at a rate of \$15.09 per 1000 gallons effective April 1, 2012 and \$17.22 per 1000 gallons effective April 1, 2013.

4. **LAGOON DUMPING FEE**

The Lagoon dumping fee is set at \$25.00 per truck up to 3000 gallons per load. **This fee is effective January 1, 2012.**

5. **SERVICE TO CUSTOMERS OUTSIDE THE TOWN OF GLADSTONE:**

The Council of the Town of Gladstone may sign Agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town of Gladstone. 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 which may be in effect from time to time, and which would be levied on the property concerned if it were within the Town boundaries. In addition, all costs of connecting to the utility's names and installing and maintaining service connections will be paid by the customer.

6. **BILLINGS AND PENALTIES:**

Accounts shall be billed quarterly based on water used. A late payment penalty charge of 1 1/4% compounded monthly shall be charged on the dollar amount owing after the billing due date. The due date will be at least 14 days after the mailing of the bills.

7. **DISCONNECTION:**

The Public Utilities Board has approved the Conditions Precedent to be followed by the Town with respect to the disconnection of service for nonpayment 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 Town's office.

8. **RECONNECTION:**

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties, and a reconnection fee of \$50.00 have been paid.

9. **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 charge upon the land serviced and may be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies.

10. **HYDRANT CHARGES:**

The Town of Gladstone shall pay to the Utility an annual hydrant charge of \$75 for each hydrant connected to the System.

11. **WATER ALLOWANCE DUE TO LINE FREEZING:**

Where, at the request of the Council, the customer allows water to run continuously for any period of time to prevent the water or the water in the sewer lines from freezing, the charge to the customer for the current quarter shall be the average of the buildings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.

12. **SEWAGE SURCHARGES**

(a) There may be levied annually, in addition to rates set forth above, a special surcharge on sewage having a biochemical oxygen demand in excess of 300 ppm, to be set by resolution of Council.

(b) A special surcharge for substances requiring special treatment shall be charged based on the actual costs treatment required for the particular sewage or industrial wastes.

13. METER TESTING

Any customer wishing to have a meter tested for accuracy will pay in advance a fee of \$100, plus any applicable meter testing costs. In the event the meter tests prove that the meter is recording water flows in excess of actual flows, the meter testing fee and the associated costs will be refunded to the customer and the customer's account will be reviewed and adjusted accordingly.

14. METER TEMPERING

Where there is evidence of meter tempering, a minimum charge of \$500 will be applied to the customer's account in addition to an amount calculated to adjust for the tempering based on historical usage.

15. CHANGE OF WATER OR WATER & SEWER

The fee for completing the change of user or service will be set at \$35 if completed during normal working hours or \$80 if required outside of normal working hours.

16. CROSS CONNECTIONS

No person shall make any connection or communication of an independent water supply with a pipe or main which is part of where it is connected to the waterworks system.