

MANITOBA) Order No.109/13
)
THE PUBLIC UTILITIES BOARD ACT) September 12, 2013

BEFORE: Susan Proven, P.H.Ec, Acting Chair
Marilyn Kapitany, B.Sc. (Hons.), M.Sc., Member

CITY OF DAUPHIN
ACTUAL DEFICIT 2011
REVISED WATER AND SEWER RATES
2013, 2014, 2015, 2016, 2017 and 2018

Summary

By this Order, the Public Utilities Board (Board) approves revised water and sewer rates for the City of Dauphin (City) and the 2011 operating deficit.

The new rates are to be reflected on the next quarterly billing, effective October 1, 2013 and January 1, in 2014, 2015, 2016, 2017 and 2018.

The rates are shown below.

	2013	2014	2015	2016	2017	2018
Quarterly Service Charge	\$30.75	\$31.67	\$32.62	\$33.60	\$34.61	\$35.65
Water per m ³	\$1.83	\$1.88	\$1.94	\$2.00	\$2.06	\$2.12
Sewer per m ³	\$0.48	\$0.49	\$0.50	\$0.52	\$0.54	\$0.56
Minimum Quarterly*	\$63.09	\$64.85	\$66.78	\$68.88	\$71.01	\$73.17
Bulk Water \$/m ³	\$2.49	\$2.56	\$2.64	\$2.72	\$2.80	\$2.88
Hydrant Rental (Annual)	\$160.00	\$160.00	\$160.00	\$160.00	\$160.00	\$160.00
*Based on 14m ³						

Introduction

The City of Dauphin applied September 27, 2012 for approval of revised water and sewer rates as set out in the City's By-law No. 15/2012, read for the first time on September 10, 2012.

Rates were last amended in 2001 in Board Order No. 153/01.

A Notice of Application was issued on December 6, 2012, affording stakeholders the opportunity to comment to both the Board and the Utility with respect to the proposed increases. One response was received.

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, the Board concluded that a paper review process, one that helps restrain regulatory costs, was in the best interest of all concerned.

Background

The City owns and operates its water treatment, water distribution, sewage collection and sewage treatment systems. All of these services are provided to residents and businesses of the City of Dauphin, with some rural residents receiving treated water through two water cooperatives (Eclipse & Lockville) and a few direct connections.

The City and the Rural Municipality of Dauphin (RM) signed an agreement in principle in late 2010 which would see treated water delivered to a comprehensive rural water system. This agreement is still in the legal development stage, and the RM informs the City that no system design plans or construction plans have been finalized and/or tendered at this time.

Currently, the City provides service to 3,315 active customers. All service connections are metered. The City's population and Utility customer base is projected to remain static in coming years, based on population data from 1996 and 2011.

Historically, the City has experienced a significant volume of unaccounted for water. Following the last rate study, the City implemented a leak detection program, which did not lead to any measurable improvements. In 2008 the City developed and implemented a more aggressive approach which involved a comprehensive water meter audit, upgrades to accounting and billing software programs, the purchase of an electronic listening device to allow the City to accurately identify and locate water distribution system leaks, and a program by which the City used the equipment to systematically find and repair leaks throughout the system.

The City has also established a daily "mass balance check", which compares the volume of water that has been removed from the raw water reservoirs to the volume of water registered on the master meter prior to the treated water entering the water distribution system. The City has also replaced 115 older fire hydrants.

Despite these measures, the unaccounted for water volume still exceeds the accepted Provincial average of 10%, reportedly in excess of 40%. The City came to the conclusion that the likely cause is that the existing water meters are producing inaccurate readings. A random sampling of 30 meters were sent to a third party for testing, which clearly showed that as water meters age, they become less effective. Within the City system, 413 meters have been replaced since 2007.

It is the City's intention to replace all water meters up to and including 2" in diameter, with the exception of those that have been replaced since 2007.

The Utility is operated and maintained by a team of 10 operators and technicians, all of whom are certified and in compliance with the current regulations.

Water System

The water treatment facility was constructed in 1999/2000 and has been classified by the Province of Manitoba as a "Class IV" conventional treatment plant. The facility has the ability to produce 92,000,000 litres of water per day, which is more than double the current average daily use.

The City's water production and distribution system features four (4) reservoirs, including one (1) for the retention of raw water and three (3) for treated water.

The distribution system is comprised of roughly 77 kilometers of water mains; more than half of these mains are cast iron that were installed over 50 years ago, and are in poor to very poor condition. The rates proposed by the City include a provision to generate incremental revenue, which will allow the City to undertake a plan to begin replacing the aging water mains.

Wastewater System

The City utilizes a Class II lagoon to treat its wastewater effluent. This facility consists of six (6) facultative lagoons, one (1) aerated cell and a chlorine disinfection system. Given the population projections, declining wastewater flows over the past 25 years, and the City's plan to regularly remove sludge from the remaining cells, the City believes that under the current license requirements, the lagoon capacity is sufficient.

The City's wastewater collection system consists of a network of varying types and sizes of sewer mains, totaling approximately 90 kilometers in length. The majority of these mains are concrete pipes that were installed in excess of 50 years ago and remain in fair to good condition.

Application

The rates were determined based on the following expenditure projections. An inflationary rate of 3% was used to calculate rates for 2016, 2017 and 2018.

	2013	2014	2015
Administration	373,144	384,338	395,868
Billing and collection	18,500	19,055	19,627
Equity surcharge 1%	22,197	22,197	22,197
Total General Expenses	413,841	425,590	437,692
Penalties	4,600	4,738	4,880
Other Income	1,500	1,545	1,591
Total Non-Rate general revenue	6,100	6,283	6,471
Net revenue general	407,741	419,307	431,221
Purification and treatment	751,500	774,045	797,266
Transmission and distribution	390,000	401,700	413,751
Transportation services	63,000	64,890	66,837
Water supply	78,200	80,546	82,962
Connections	45,000	46,350	47,741
Custom work expenses	66,000	67,980	70,019
Amortization	434,893	434,893	434,893
Water treatment plant	31,769	21,975	11,483
By-law No. 15/2011	17,254	16,675	16,068
By-law No. 16/2011	3,387	3,273	3,154
W&S reserve contribution	50,000	50,000	50,000
Sub-total- water expenses	1,931,003	1,962,327	1,994,174
Tax collection-debenture	35,227	35,227	35,227
Hydrant rentals	55,360	55,360	55,360
Connection revenue	22,500	22,500	22,500
Installation services	100,000	103,000	106,090
Amortization of capital grants	173,343	173,343	173,343
Total non-rate revenue - water	386,430	389,430	392,520
Net rate revenue - water	1,544,573	1,572,897	1,601,654
Sewage collection system	120,000	123,600	127,308
Sewage treatment and disposal	119,500	123,085	126,778
Lift station costs	51,774	53,327	54,927
Other costs	6,000	6,180	6,365
Amortization	131,119	131,119	131,119
Total sewer expenses	428,393	437,311	446,497
Lagoon dumping fees	11,000	11,000	11,000
Amortization of capital grants	15,092	15,092	15,092
Total non-rate revenue- sewer	26,092	26,092	26,092
Net rate revenue - sewer	402,301	411,219	420,405

Deficits

On September 14, 2012 the City applied to the Board for approval of the 2011 operating deficit of \$206,192, when calculated for regulatory purposes. The City had previously experienced operating deficits in both 2009 and 2010, approved by Board Order Nos. 128/10 and 168/11, respectively. Board Order No. 168/11 also directed the City to file with the Board an application for revised rates, as is normal practice with Utilities that are experiencing recurring deficits.

The City has advised the Board that the reasons for the 2011 deficit include the introduction of Public Sector Accounting Board (PSAB) standards and lower than projected sales volumes. PSAB standards were implemented in 2009, however the City has not adjusted its rates since 2003, when the last rates approved on Board Order 153/01 came into effect.

The City's rate application also listed the following variables as impacting the revenue requirements of the Utility since the last rate increase; the cost of compliance with the Province's new regulations for the classification and certification of utilities and their operators, increased costs for oil and the chemicals used to treat water and wastewater and costly changes to the Workplace Safety & Health rules and regulations.

The City's deficit application included Council Resolution No.18, dated September 10, 2012, which proposed that the deficit be recovered from the reserve and accumulated surplus accounts.

The Utility's working capital position at December 31 was:

<u>Working Capital Surplus (Deficit)</u>		<u>2012</u>	<u>2011</u>
Fund Surplus/Deficit	w	11,419,186	11,753,599
Deduct Tangible Capital Assets	x	12,286,396	12,811,415
Add Long-Term Debt	y	884,272	578,230
Add Utility Reserves	z	542,767	430,648
Equals Working Capital Surplus (Deficit)	w-x+y+z	559,829	- 48,938

The Board requires a Utility to maintain a working capital surplus equal to 20% of annual operating expenses, which, based on the 2012 audited financial statements, would be approximately \$500,000. The City has a working capital surplus of \$559,829 as of December 31, 2012.

Public Response

The Notice of Application was issued on December 6, 2012, and one stakeholder response was received. In the email received, the utility customer stated that although he felt that the City was doing a remarkable job of running the Utility, an increase of 18% to the minimum quarterly charge was too high. The City responded directly to the customer, and provided a copy of the communication for the Board's information. The City provided a thorough and clear response to each of the concerns voiced, and the Board was satisfied with the explanations provided.

Board Findings

The Board will approve the revised water and sewer rates as applied for by the City effective October 1, 2013 and January 1, in 2014, 2015, 2016, 2017 and 2018.

By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, the Utility is required to obtain Board approval for a recovery methodology.

The Board is therefore duty bound to approve reasonable rates based on reasonable expense projections. The Board has reviewed the City's forecasts and finds them to be reasonable.

The Board is sensitive to customer reaction to rate increases in excess of inflation. However, the Board must consider the sustainability of the Utility when approving rates. In the case of the City of Dauphin, it has been ten years since a rate review has taken place. Consumers are generally more tolerant of regular, smaller increases. The City needs to be more diligent in conducting regular reviews of its revenue requirements.

To that end, the Board will instruct the City to review its water and sewer rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates if required, by no later than June 30, 2017.

The City applied for approval of the 2011 deficit of \$206,192, when calculated for regulatory purposes. The City has also reported a 2012 deficit to the Board and has stated their intention to file an application for Board approval of same in the near future.

The Board will approve the recovery of the deficit from Reserves (\$18,577) and Accumulated Surplus (\$187,615), as applied for.

The Board notes that the City has changed from a declining block rate structure to a single step rate structure. The Board has long held the opinion that single step rates encourage conservation and supports this change.

The Board will require the City to submit a copy of the water and sewer By-law, once it has received third and final reading.

The cost allocation methodology as submitted by the City is approved by the Board. This cost allocation methodology must be used consistently and cannot be changed without Board approval.

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 on Schedule "A" of this Order BE AND ARE HERBY APPROVED effective October 1, 2013 and January 1, in 2014, 2015, 2016, 2017 and 2018.
2. The cost allocation methodology submitted by the City of Dauphin BE AND IS HEREBY APPROVED.
3. The City of Dauphin file an application with the Board for approval of the 2012 deficit on or before December 31, 2013.
4. The City of Dauphin file with the Board a copy of the water and sewer By-law once it has received third and final reading.
5. The City of Dauphin review its water and sewer rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates if required, by no later than June 30, 2017.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

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

"JENNIFER DUBOIS, CMA"
Acting Secretary

Certified a true copy of
Order No. 109/13 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE "A"
THE CITY OF DAUPHIN
WATER AND SEWER RATES
BY-LAW 15/2012

SCHEDULE OF QUARTERLY RATES

1. Water and Sewer Commodity Rates

Effective October 1, 2013

	Water Rate (per cubic metre)	Sewer Rate (per cubic metre)	Total Rate (per cubic metre)
Rate	\$1.83	\$0.48	\$2.31

Effective January 1, 2014

	Water Rate (per cubic metre)	Sewer Rate (per cubic metre)	Total Rate (per cubic metre)
Rate	\$1.88	\$0.49	\$2.37

Effective January 1, 2015

	Water Rate (per cubic metre)	Sewer Rate (per cubic metre)	Total Rate (per cubic metre)
Rate	\$1.94	\$0.50	\$2.44

Effective January 1, 2016

	Water Rate (per cubic metre)	Sewer Rate (per cubic metre)	Total Rate (per cubic metre)
Rate	\$2.00	\$0.52	\$2.52

Effective January 1, 2017

	Water Rate (per cubic metre)	Sewer Rate (per cubic metre)	Total Rate (per cubic metre)
Rate	\$2.06	\$0.54	\$2.60

Effective January 1, 2018

	Water Rate (per cubic metre)	Sewer Rate (per cubic metre)	Total Rate (per cubic metre)
Rate	\$2.12	\$0.56	\$2.68

2. Quarterly Minimum Charges

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

Effective October 1, 2013

Meter Size (inches)	Water Included (cubic metres)	Customer Service Charge (quarterly)	Commodity Charges Water (quarterly)	Commodity Charges Sewer (quarterly)	Total Minimum Charge (quarterly)
5/8"	14	\$30.75	\$25.62	\$6.72	\$63.09
3/4"	28	\$30.75	\$51.24	\$13.44	\$95.43
1"	56	\$30.75	\$102.48	\$26.88	\$160.11
1 1/2"	140	\$30.75	\$256.20	\$67.20	\$354.15
2"	350	\$30.75	\$640.50	\$168.00	\$839.25
3"	700	\$30.75	\$1,281.00	\$336.00	\$1,647.75
4"	1260	\$30.75	\$2,305.80	\$604.80	\$2,941.35

Effective January 1, 2014

Meter Size (inches)	Water Included (cubic metres)	Customer Service Charge (quarterly)	Commodity Charges Water (quarterly)	Commodity Charges Sewer (quarterly)	Total Minimum Charge (quarterly)
5/8"	14	\$31.67	\$26.32	\$6.86	\$64.85
3/4"	28	\$31.67	\$52.64	\$13.72	\$98.03
1"	56	\$31.67	\$105.28	\$27.44	\$164.39
1 1/2"	140	\$31.67	\$263.20	\$68.60	\$363.47
2"	350	\$31.67	\$658.00	\$171.50	\$861.17
3"	700	\$31.67	\$1,316.00	\$343.00	\$1,690.67
4"	1260	\$31.67	\$2,368.80	\$617.40	\$3,017.87

Effective January 1, 2015

Meter Size (inches)	Water Included (cubic metres)	Customer Service Charge (quarterly)	Commodity Charges Water (quarterly)	Commodity Charges Sewer (quarterly)	Total Minimum Charge (quarterly)
5/8"	14	\$32.62	\$27.16	\$7.00	\$66.78
3/4"	28	\$32.62	\$54.32	\$14.00	\$100.94
1"	56	\$32.62	\$108.64	\$28.00	\$169.26
1 1/2"	140	\$32.62	\$271.60	\$70.00	\$374.22
2"	350	\$32.62	\$679.00	\$175.00	\$886.62
3"	700	\$32.62	\$1,358.00	\$350.00	\$1,740.62
4"	1260	\$32.62	\$2,444.40	\$630.00	\$3,107.02

Effective January 1, 2016

Meter Size (inches)	Water Included (cubic metres)	Customer Service Charge (quarterly)	Commodity Charges Water (quarterly)	Commodity Charges Sewer (quarterly)	Total Minimum Charge (quarterly)
5/8"	14	\$33.60	\$28.00	\$7.28	\$68.88
3/4"	28	\$33.60	\$56.00	\$14.56	\$104.16
1"	56	\$33.60	\$112.00	\$29.12	\$174.72
1 1/2"	140	\$33.60	\$280.00	\$72.80	\$386.40
2"	350	\$33.60	\$700.00	\$182.00	\$915.60
3"	700	\$33.60	\$1,400.00	\$364.00	\$1,797.60
4"	1260	\$33.60	\$2,520.00	\$655.20	\$3,208.80

Effective January 1, 2017

Meter Size (inches)	Water Included (cubic metres)	Customer Service Charge (quarterly)	Commodity Charges Water (quarterly)	Commodity Charges Sewer (quarterly)	Total Minimum Charge (quarterly)
5/8"	14	\$34.61	\$28.84	\$7.56	\$71.01
3/4"	28	\$34.61	\$57.68	\$15.12	\$107.41
1"	56	\$34.61	\$115.36	\$30.24	\$180.21
1 1/2"	140	\$34.61	\$288.40	\$75.60	\$398.61
2"	350	\$34.61	\$721.00	\$189.00	\$944.61
3"	700	\$34.61	\$1,442.00	\$378.00	\$1,854.61
4"	1260	\$34.61	\$2,595.60	\$680.40	\$3,310.61

Effective January 1, 2018

Meter Size (inches)	Water Included (cubic metres)	Customer Service Charge (quarterly)	Commodity Charges Water (quarterly)	Commodity Charges Sewer (quarterly)	Total Minimum Charge (quarterly)
5/8"	14	\$35.65	\$29.68	\$7.84	\$73.17
3/4"	28	\$35.65	\$59.36	\$15.68	\$110.69
1"	56	\$35.65	\$118.72	\$31.36	\$185.73
1 1/2"	140	\$35.65	\$296.80	\$78.40	\$410.85
2"	350	\$35.65	\$742.00	\$196.00	\$973.65
3"	700	\$35.65	\$1,484.00	\$392.00	\$1,911.65
4"	1260	\$35.65	\$2,671.20	\$705.60	\$3,412.45

b. Water Only Customers

The minimum charge will be the same for each meter size in the applicable tables shown above, but the Sewer Commodity Charge will be excluded.

3. Bulk Sales Rate

All water sold in bulk by the City of Dauphin shall be charged for at the rate per cubic metre as indicated below.

Year	2013	2014	2015	2016	2017	2018
Rate	\$2.49	\$2.56	\$2.64	\$2.72	\$2.80	\$2.88

4. Service to Customers Outside City of Dauphin

The Council of the City of Dauphin may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the City of Dauphin. Such agreements shall provide for payment of the rates, including a minimum consumption charge based on the size of the meter, as set out in this 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 of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

5. Shared Services between Municipalities

The City of Dauphin may sign agreements for provision of water and sewer services to other municipalities. Such agreements shall provide for payment of the rates, including a minimum consumption charge based on the size of the meter, as 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 the City of Dauphin boundary. In addition, all costs of a municipality connecting to the City of Dauphin's Utility, and maintenance thereof, shall be paid by that municipality.

6. Penalties and Billings

- a. A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date. The due date will be a least fourteen (14) days after the mailing of the bills.
- b. If the meter of any customer is injured or fails to register during any quarter, the customer shall be charged the average consumption of the four (4) preceding quarters.
- c. For the purposes of this section, each year shall be divided into four (4) quarters as follows:
 - i. First Quarter – January, February, and March
 - ii. Second Quarter – April, May, and June
 - iii. Third Quarter – July, August, and September
 - iv. Fourth Quarter – October, November, and December

7. Disconnection Due to Non-Payment

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 the Conditions Precedent is available for inspection at the Municipality's office.

8. Connection Charges

- a. Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties, and a reconnection charge of \$100.00 have been paid.
- b. Any service that needs disconnection/reconnection due to maintenance, as requested by the customer, shall be assessed a charge of \$100.00.
- c. Any service will not be transferred from an existing customer to a new customer until a transfer fee of \$50.00 is paid by the new customer.

9. Meter Tampering Charge and/or Damage Fee

When damages, meter tampering, or both are determined, all costs to restore or replace the meter, as determined by the Director of Public Works and Operations or their designate, shall be charged to the customer. The amount charged shall also include a commodity charge for the estimated quantity of un-metered water used, the related wastewater discharged, a charge of \$250 if the meter was tampered with, plus a fee of \$75.00 to reseal the meter, unless prior written authorization for breaking the seal was issued by the Director of Public Works and Operations or their designate.

10. Additional Meters

The City of Dauphin may install auxiliary meters to separately record the amount of water being delivered to a customer, for billing purposes, at the City's expense. Upon application to the Director of Public Works and Operations, by an owner or operator of a premises where a water service is installed, the City shall install an auxiliary meter at the expense of the applicant, for such purpose.

11. 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.

12. Hydrant Rentals

The City of Dauphin will pay to the utility an annual rental of \$160.00 for each hydrant connected to the system.

13. 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.

14. 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 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.