

M A N I T O B A) Order No. 110/13
)
THE PUBLIC UTILITIES BOARD ACT) September 17, 2013

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

TOWN OF TREHERNE
OPERATING DEFICITS 2011 AND 2012
WATER AND SEWER RATES
2013, 2014, 2015, 2016 and 2017

Summary

The Public Utilities Board (Board) hereby varies the application made by the Town of Treherne (Town) and approves revised water and sewer rates for 2013, 2014, 2015, 2016 and 2017.

The new rates for 2014, 2015, 2016 and 2017 will be effective January 1 of each year. The 2013 rates are effective October 1, 2013.

The current rates as established in 2003 and the revised rates are noted below:

	Current	2013	2014	2015	2016	2017
Quarterly Service Charge	\$6.99	\$ 9.47	\$ 9.76	\$ 10.05	\$ 10.35	\$ 10.66
Water Per 1,000/gallons	\$6.45	\$ 7.54	\$ 7.72	\$ 7.90	\$ 8.08	\$ 8.27
Sewer Per 1,000/gallons	\$0.72	\$ 0.88	\$ 0.88	\$ 0.90	\$ 0.90	\$ 0.90
Minimum Quarterly* Water and Sewer	\$28.50	\$34.74	\$35.56	\$36.44	\$37.31	\$38.16
Minimum Quarterly Sewer Only*	\$11.31	\$9.47	\$9.76	\$10.05	\$10.35	\$10.66
Minimum Quarterly Water Only*	\$26.34	\$32.10	\$32.92	\$33.74	\$34.59	\$35.47
Quarterly charge - deficit recovery 2011/12***	n/a	\$ 20.97	\$ 20.97	\$20.97	\$0.00	\$0.00
Bulk Water Per 1,000/gallons	\$7.00	\$8.23	\$8.46	\$8.64	\$8.86	\$9.05
Reconnection Fee	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Hydrant Rental (Annual)	\$75.00	\$75.00	\$77.25	\$79.57	\$81.95	\$84.41
*based on 3,000 gallons						
**based on average residential consumption (12,800 gallons)						
***recovered over three years October 1, 2013 to September 30, 2016						

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

Background

The Town operates a water and sewer utility, consisting of a water treatment plant, water distribution mains, sewage collection mains and lagoon. The Utility began operations in 1957 with the construction of the water treatment plant. The plant was upgraded in 2003 and the equipment is well maintained and in good operating condition.

The water distribution system was put into place in 1977 with an upgrade to the reservoir at that time. No major changes to the Utility have been made since the last rate increase.

The residential water meters are 30 to 50 years old and believed to be inaccurate. A residential water meter replacement program is scheduled to start in September 2013 and be completed by the end of the year. The Town is also looking to implement a cast iron watermain replacement program, planned for 2015 to 2017.

There are currently 330 of a possible 342 water and sewer customers connected to the water and sewer systems. Although the rate By-law includes a provision for unmetered sewer customers, the Town has confirmed that all customers are metered.

There are 10 accounts that are billed yearly; three (MTS, Catholic Church and MAFRI) are year round businesses billed every January and seven are seasonal businesses that are closed during the winter. The remaining 320 customers are billed quarterly.

Two of these customers are out of Town and do not pay any additional surcharge (Treherne Diesel Repair and Potato Shed). Currently 12 accounts are closed as the buildings are vacant. The average water loss between 2009 and 2011 was 28%, notably higher than the acceptable industry average of 10%. This loss is likely caused by a combination of deterioration of main water lines and aging water meters. This combination makes it difficult to determine the actual cause of water loss through the distribution system. The Town installed new water meters for the campground, fire hall and ice plant in 2011.

The Utility is in compliance with its water treatment licenses and its wastewater treatment license.

Application

A rate study prepared by the Town's consultant was submitted to the Board on September 5, 2012, accompanied by By-law No. 891/2012 read for the first time on September 13, 2012.

The Town's rates were last set in 2003 by Board Order No. 108/03. In 2011, Board Order No. 169/11 was issued approving the recovery of the 2009 deficit of \$35,436 through the accumulated surplus. In that Order, the Town was directed to submit a statement of rate adequacy or a rate application by January 31, 2012.

A Public Notice of Application was issued on September 21, 2012,

affording customers the opportunity to comment to both the Board and the Utility with respect to the proposed increases. No stakeholder responses were received.

The Board has at its disposal two alternative processes to deal with rate applications. It may determine that a public hearing is warranted or that a paper review process is sufficient. In the case of the Town of Treherne Utility, the Board received no responses and determined that a paper review process would best serve the interests of the community and the Utility.

Deficits and working capital surplus

The Utility experienced operating deficits in 2009, 2010, 2011 and estimates that 2012 and 2013 will also result in deficits, once audited results are available. The original rate application included the recovery of the 2011 and 2012 deficits through the rates, over a five year period. The Town subsequently amended their application to request that the deficits be recovered as a rate rider over five years, in the interest of transparency.

The quarterly cost of recovery is \$12.58 per quarter over five (5) years. The Board generally prefers that deficits are recovered over a period of no more than three (3) years. The quarterly cost of recovery would increase to \$20.97 if the term were changed to three (3) years.

The Utility's working capital position at December 31, 2011 is:

<u>Working capital surplus (deficit)</u>		<u>2011</u>	<u>2010</u>
Fund Surplus/Deficit (Sched 8)	w	327,532	372,081
Deduct TCA (Sched 8)	x	301,820	330,507
Add Long-Term Debt (Sched 8)	y	-	-
Add Utility Reserves (Sched 6)	z	35,592	75,439
Equals Working Capital Surplus	w-x+y+z	61,304	117,013
Operating Costs		188,230	132,418
20%		37,646	26,484

Cost allocation policy

The Town submitted a cost allocation methodology in May 2013. The methodology includes the *Shared Overhead Costs* such as; general administrative and shared office costs to be recovered on a flat rate basis.

The Town plans to allocate *Shared Direct Operating Costs*, such as; labour costs that are directly attributable to the maintenance and repair of utility assets to be recovered on an activity basis if and when they occur.

The Town has included a provision for inflation of 3% in the flat rate costs for the length of this rate application, 2013 to 2017.

Budgeted expenditures

The rates approved were determined based on the following expenditure projections:

	2013	2014	2015	2016	2017
General					
Administration costs	12,500	12,875	13,261	13,659	14,069
Less penalty revenues	1,500	1,500	1,500	1,500	1,500
Net revenue general	11,000	11,375	11,761	12,159	12,569
Water Testing	1,000	1,030	1,061	1,093	1,126
Purification and treatment	36,500	37,595	38,723	39,885	41,081
Education and Training	2,500	2,575	2,652	2,732	2,814
Service of Supply	25,000	25,750	26,523	27,318	28,138
2011 Deficit Recovery					
2012 Deficit Recovery					
Repairs and Maintenance	21,000	21,630	22,279	22,947	23,636
Other Water Supply Costs	0	0	0	0	0
Misc.	15,000	15,450	15,914	16,391	16,883
Amortization/ depreciation	24,198	24,198	24,198	24,198	24,198
Contingency	5,595	5,595	5,595	5,595	5,595
Sub-total- water expenses	130,793	133,823	136,944	140,159	143,470
Hydrant Rentals	2,100	2,163	2,228	2,295	2,364
Total non-rate revenue - water	2,100	2,163	2,228	2,295	2,364
Net rate revenue - water	128,693	131,660	134,717	137,864	141,106
Sewage Utility Operation	6,000	6,180	6,365	6,556	6,753
Lagoon Utility Operation	500	515	530	546	563
2011 Deficit Recovery					
2012 Deficit Recovery					
Amortization Depreciation	5,432	5,432	5,432	5,432	5,432
Contingency	2,834	2,834	2,834	2,834	2,834
Total sewer expenses	14,766	14,961	15,162	15,369	15,582
Revenue					
Total non-rate revenue- sewer	0	0	0	0	0
Net rate revenue - Sewer	14,766	14,961	15,162	15,369	15,582

Board findings

The Public Utilities Board hereby approves revised water and sewer rates for the Town of Treherne, based on the amended submission which removed the provision for recovery of the 2011 and 2012 deficits through rates.

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 Town's budgeted expenditures, and finds them to be reasonable.

The Board will vary the Town's application to recover the deficits through a five (5) year rate rider, reducing the term to three (3) years.

While the Board is sensitive to the fact that Utility customers are experiencing an increase in rates, it is in the best interest of all customers to recover the deficits over the shorter period. The longer the recovery period, the more likely it is that properties will change hands, which results in the new homeowner repaying the deficit from the former homeowner.

The Board will approve the cost allocation methodology as submitted by the Town. This methodology must be applied consistently in the future and can only be varied with approval by the Board.

The Board requires the Town to file a copy of By-law No. 891/2012 once it has been revised to reflect these changes, and received third and final reading.

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 the Town of Treherne, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED with revised rates for 2013 to be effective October 1 and rates for 2014, 2015, 2016 and 2017 to be effective January 1 in each of those years.
2. The 2011 operating deficit of \$44,549 and the 2012 operating deficit of \$38,500 BE AND ARE HEREBY APPROVED to be recovered by a rate rider of \$20.97 over a period of three (3) years; October 1, 2013 to September 30, 2016.
3. The Town of Treherne file with the Public Utilities Board a revised water and sewer By-law to reflect the decision in this Order, once it has received third and final reading.
4. The allocation methodology for shared services and equipment as submitted by the Town of Treherne BE AND IS HEREBY APPROVED.

5. The Town of Treherne provide the Board with written notice once the meter installation project is fully completed.
6. The Town of Treherne provide the Board with a copy of its audited financial statements for 2012 as soon as they are available.

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. 110/13 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE "A"
To Board Order No. 110/13
Town of Treherne Water and Sewer Rates
By-law No. 891/2012

YEAR 2013

1.0 -- SCHEDULE OF QUARTERLY RATES

A schedule of rates per quarter

Commodity Rates	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic per m ³ (per M.G.)	\$1.66 (\$7.54)	\$0.19 (\$.88)	\$1.85 (\$8.42)
Truck fill per m ³ (per M.G.)	\$1.66 (\$7.54)		

2.0 -- MINIMUM QUARTERLY CHARGES

Notwithstanding the Commodity Rates set forth in paragraph 1.0 hereof, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

a) Water & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included m ³	Water Included Gallons	Customer Service Charge	Commodity Charge	Total Quarterly Minimum
5/8"	1	13.64	3,000	\$9.47	\$25.27	\$34.74
3/4"	2	27.28	6,000	\$9.47	\$50.54	\$60.01
1"	4	54.55	12,000	\$9.47	\$101.07	\$110.54
1 1/2"	10	136.38	30,000	\$9.47	\$252.69	\$262.16
2"	25	340.96	75,000	\$9.47	\$631.72	\$641.19

b) Water Only Customers:

Total Quarterly Minimum charges will be the same as shown above for each meter size, however, the sewer commodity charge will be excluded.

c) Sewer Only Customers:

The quarterly commodity charge, based on the average residential water consumption, plus the service charge, shall be \$20.71.

3.0 -- BULK SALES RATE

All water sold in bulk by the Town of Treherne shall be charged for at the rate of \$1.66 per m³ (\$7.54 per M.G.) on a pro-rated basis.

YEAR 2014

1.0 -- SCHEDULE OF QUARTERLY RATES

A schedule of rates per quarter

Commodity Rates	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic per m ³ (per M.G.)	\$1.70 (\$7.72)	\$0.19 (\$.88)	\$1.89 (\$8.60)
Truck fill per m ³ (per M.G.)	\$1.70 (\$7.72)		

2.0 -- MINIMUM QUARTERLY CHARGES

Notwithstanding the Commodity Rates set forth in paragraph 1.0 hereof, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

a) Water & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included m ³	Water Included Gallons	Customer Service Charge	Commodity Charge	Total Quarterly Minimum
5/8"	1	13.64	3,000	\$9.76	\$25.79	\$35.56
3/4"	2	27.28	6,000	\$9.76	\$51.59	\$61.35
1"	4	54.55	12,000	\$9.76	\$103.18	\$112.94
1 1/2"	10	136.38	30,000	\$9.76	\$257.95	\$267.71
2"	25	340.96	75,000	\$9.76	\$644.87	\$654.63

b) Water Only Customers:

Total Quarterly Minimum charges will be the same as shown above for each meter size, however, the sewer commodity charge will be excluded.

c) Sewer Only Customers:

The quarterly commodity charge, based on the average residential water consumption, plus the service charge, shall be \$21.03.

3.0 -- BULK SALES RATE

All water sold in bulk by the Town of Treherne shall be charged for at the rate of \$1.70 per m³ (\$7.72 per M.G.) on a pro-rated basis.

YEAR 2015

1.0 -- SCHEDULE OF QUARTERLY RATES

A schedule of rates per quarter

Commodity Rates	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic per m ³ (per M.G.)	\$1.74 (\$7.90)	\$0.20 (\$.90)	\$1.94 (\$8.80)
Truck fill per m ³ (per M.G.)	\$1.74 (\$7.90)		

2.0 -- MINIMUM QUARTERLY CHARGES

Notwithstanding the Commodity Rates set forth in paragraph 1.0 hereof, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

a) Water & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included m ³	Water Included Gallons	Customer Service Charge	Commodity Charge	Total Quarterly Minimum
5/8"	1	13.64	3,000	\$10.05	\$26.40	\$36.44
3/4"	2	27.28	6,000	\$10.05	\$52.80	\$62.84
1"	4	54.55	12,000	\$10.05	\$105.59	\$115.64
1 1/2"	10	136.38	30,000	\$10.05	\$263.98	\$274.02
2"	25	340.96	75,000	\$10.05	\$659.94	\$669.99

b) Water Only Customers:

Total Quarterly Minimum charges will be the same as shown above for each meter size, however, the sewer commodity charge will be excluded.

c) Sewer Only Customers:

The quarterly commodity charge, based on the average residential water consumption, plus the service charge, shall be \$21.59.

3.0 -- BULK SALES RATE

All water sold in bulk by the Town of Treherne shall be charged for at the rate of \$1.74 per m³ (\$7.90 per M.G.) on a pro-rated basis.

YEAR 2016

1.0 -- SCHEDULE OF QUARTERLY RATES

A schedule of rates per quarter

Commodity Rates	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic per m ³ (per M.G.)	\$1.78 (\$8.08)	\$0.20 (\$0.90)	\$1.98 (\$8.98)
Truck fill per m ³ (per M.G.)	\$1.78 (\$8.08)		

2.0 -- MINIMUM QUARTERLY CHARGES

Notwithstanding the Commodity Rates set forth in paragraph 1.0 hereof, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

a) Water & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included m ³	Water Included Gallons	Customer Service Charge	Commodity Charge	Total Quarterly Minimum
5/8"	1	13.64	3,000	\$10.35	\$26.96	\$37.31
3/4"	2	27.28	6,000	\$10.35	\$53.92	\$64.26
1"	4	54.55	12,000	\$10.35	\$107.83	\$118.18
1 1/2"	10	136.38	30,000	\$10.35	\$269.58	\$279.93
2"	25	340.96	75,000	\$10.35	\$673.95	\$684.29

b) Water Only Customers:

Total Quarterly Minimum charges will be the same as shown above for each meter size, however, the sewer commodity charge will be excluded.

c) Sewer Only Customers:

The quarterly commodity charge, based on the average residential water consumption, plus the service charge, shall be \$21.92.

3.0 -- BULK SALES RATE

All water sold in bulk by the Town of Treherne shall be charged for at the rate of \$1.78 per m³ (\$8.08 per M.G.) on a pro-rated basis.

YEAR 2017

1.0 -- SCHEDULE OF QUARTERLY RATES

A schedule of rates per quarter

Commodity Rates	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic per m ³ (per M.G.)	\$1.82 (\$8.27)	\$0.20 (\$.90)	\$2.02 (\$9.17)
Truck fill per m ³ (per M.G.)	\$1.82 (\$8.27)		

2.0 -- MINIMUM QUARTERLY CHARGES

Notwithstanding the Commodity Rates set forth in paragraph 1.0 hereof, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

a) Water & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included m ³	Water Included Gallons	Customer Service Charge	Commodity Charge	Total Quarterly Minimum
5/8"	1	13.64	3,000	\$10.66	\$27.51	\$38.16
3/4"	2	27.28	6,000	\$10.66	\$55.01	\$65.67
1"	4	54.55	12,000	\$10.66	\$110.02	\$120.68
1 1/2"	10	136.38	30,000	\$10.66	\$275.06	\$285.72
2"	25	340.96	75,000	\$10.66	\$687.64	\$698.30

b) Water Only Customers:

Total Quarterly Minimum charges will be the same as shown above for each meter size, however, the sewer commodity charge will be excluded.

c) Sewer Only Customers:

The quarterly commodity charge, based on the average residential water consumption, plus the service charge, shall be \$22.13.

3.0 -- BULK SALES RATE

All water sold in bulk by the Town of Treherne shall be charged for at the rate of \$1.82 per m³ (\$8.27) on a pro-rated basis.

4.0 -- SERVICE TO CUSTOMERS OUTSIDE OF THE TOWN OF TREHERNE LIMITS

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

5.0 -- BILLINGS AND PENALTIES

"A late payment charge of 1 1/4% 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". And that the late payment charge will compound monthly, and will appear on the customer's next quarterly bill if unpaid.

6.0 -- CONNECTION TO WATER MAIN

Any person wishing to connect to the Town of Treherne water system shall be responsible for the installation of the water line from their residence to the town water main and shall be assessed a water connection inspection fee of \$100 that shall be paid as a lump sum fee. They shall also be responsible for all maintenance and repair of same said line.

7.0 -- DISCONNECTION

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.

8.0 -- RECONNECTION

Any service disconnected due to non-payment of account shall not be reconnected until all arrears; penalties and a reconnection fee of \$25.00 have been paid.

9.0 -- 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.

10.0 -- HYDRANT RENTALS

The Town of Treherne will pay to the utility an annual rental of \$2,100.00 for 2013, \$2,163.00 for 2014, \$2,227.89 for 2015, \$2,294.73 for 2016 and \$2,363.57 for 2017 for all hydrants connected to the system.

11.0 -- SEWER SURCHARGES

(a) Any person wanting to connect to the town main sewer line shall be responsible for all costs to install the line from their residence to the town sewer main and shall be assessed a sewer connection inspection fee of \$100 that shall be paid as a lump sum fee. They shall also be responsible for all maintenance and repair of same said line.

(b) There will be levied annually, in addition to rates set forth above, a special surcharge on sewage having Biochemical Oxygen demand in excess of 300 parts per million, to be set by resolution of council.

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

12.0 -- REQUEST TO REPLACE METER

Any water customer requesting that a water meter be replaced, shall-be charged a fee of \$25.00 (twenty five), refundable if the meter is found to not be in proper working condition.

13.0 -- METER READING

Every water customer in the Town of Treherne will be responsible for the reading of their own meter, and will be responsible for the reading to be phoned, mailed or dropped off at the municipal office unless they have an electronic meter. Electronic meters will be read by Town of Treherne Personnel. The Town of Treherne will only be responsible for reading the non-electronic water meters when they are conducting an audit.

14.0 -- FEE FOR READING METER

Every water customer that fails to either phone, mail or drop off their water meter reading during the appropriate time schedule, will have their meter read by the Town of Treherne Personnel and be charged a \$10.00 fee for this service. If the Town Personnel are unable to access the water meter in an appropriate time frame to take a reading an estimate will be taken and the customer will still be liable for the charge.