

MANITOBA) Order No. 27/13
)
THE PUBLIC UTILITIES BOARD ACT) March 20, 2013

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

RURAL MUNICIPALITY OF GLENELLA
WATER RATES - 2013, 2014 and 2015
AND DEFICITS FOR 2009, 2010, 2011 and 2012

Summary

The Public Utilities Board (Board) hereby varies the application made by the Rural Municipality of Glenella (RM) and approves revised water rates for 2013, 2014 and 2015.

The 2013 rates are effective January 1, 2013; the 2014 and 2015 rates will be effective on January 1 in each of those years. Due to the nature of bulk water sales, the 2013 rates will be effective as of the date of this Order.

The current rates as established in 1989 and the revised rates are noted below:

	Current	2013	Increase/ Decrease	2014	Increase/ Decrease	2015	Increase/ Decrease
Quarterly Service Charge	\$3.00	\$8.42	180.67%	\$8.59	2.02%	\$8.76	1.98%
Water \$/1,000 gallons	\$5.00	\$17.10	242.00%	\$17.21	0.64%	\$17.48	1.57%
Minimum Quarterly Charge*	\$18.00	\$59.72	53.33%	\$60.22	53.33%	\$61.20	31.99%
Bulk Water Rates	\$10.00	\$19.91	99.07%	\$20.07	0.84%	\$20.40	1.63%
Reconnection Fee	--	\$30.00	New	\$30.00	0.00%	\$30.00	0.00%

*based on 3,000 gallons

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

Introduction

The Glenella Utility (Utility) began operations in 1989, with initial rates having been established in that year. Rates have not been revised since.

A rate study prepared by the RM's consultant was submitted to the Board on May 11, 2012, accompanied by By-law No. 3-2012, read for the first time on May 9, 2012.

In the submission the RM requested that the Board approve the rates for the RM of Glenella for the years 2013, 2014 and 2015.

A Notice of Application was issued on July 10, 2012 and advertised in accordance with Board requirements. No responses were reported.

The Board has at its disposal two alternative processes to deal with applications. It may determine that a public hearing is warranted or that a paper review process is sufficient.

In the case of the Glenella Utility, the Board received no responses from stakeholders and determined that a paper review process would best serve the interests of the community and the Utility.

Background

The Glenella Utility began service in 1989 and provides service to 86 customers. 80 of which are residential, and six (6) are commercial or public; the school, store, bar, lumberyard, municipal office and an arena.

The Utility receives its water supply from two supply wells in a sand and gravel aquifer located six kilometers northeast of the RM and water is chlorinated. All customers are metered. There are 3 customers that receive un-chlorinated water off the raw water line that transports water from the well to the storage reservoir where chlorination occurs. These customers pay the same rates as other customers of the Utility. There is no public sewer system.

There is a truck-fill at the Water Treatment Plant, as well as a distribution piping network.

Treated water supplied by the RM complies with drinking water standards. At the time of the Rate Study, there were no issues with colour, taste or odour of the drinking water.

The RM has an operator on staff with Water Treatment Class 1 and Water Distribution Class 1, who operates the Water Utility.

Unaccounted for water for 2011 was reportedly less than 3% of water produced. This is well within the industry standard of less than 10%.

Application

The RM submitted its application on May 11, 2012 accompanied by a water and sewer utility rate study prepared by the RM's consultant. The application was also accompanied by By-law No. 3-2012 read for the first time on May 9, 2012.

The rate study proposed the following rates for Glenella:

	Current	2013	Increase/ Decrease	2014	Increase/ Decrease	2015	Increase/ Decrease
Quarterly Service Charge	\$ 3.00	\$ 4.50	50.00%	\$ 6.75	50.00%	\$ 8.26	22.37%
Water- \$/ 1,000 gallons	\$ 5.00	\$ 7.70	54.00%	\$ 11.86	54.03%	\$ 18.62	57.00%
Minimum Quarterly Charge*	\$ 18.00	\$ 27.60	53.33%	\$ 42.32	53.33%	\$ 55.86	31.99%
Bulk Water Rates**	\$ 10.00	\$ 10.00	0.00%	\$ 14.11	41.10%	\$ 21.38	51.52%
Reconnection Fee	\$ -	\$ 30.00	New	\$ 30.00	0.00%	\$ 30.00	0.00%

*Based on 3,000 gallons

**Based on 1,000 gallons

Budgeted Expenditures

The rate study included the following projected expenses:

	Actual	Actual				
	2010	2011	2012	2013	2014	2015
General						
<i>Expenses</i>						
Administration	1,000	1,000	3,537	3,608	3,680	3,753
Consultants			1,650			
Total General Expenses	1,000	1,000	5,187	3,608	3,680	3,753
<i>Revenue</i>						
Penalties	70	192	196	200	204	208
Other income	871	431				
Transfer from Gen Op Fund	3,685	4,311	500	510	520	531
Total General Revenues	4,626	4,934	696	710	724	739
Net Costs General	- 3,626	- 3,934	4,491	2,898	2,956	3,014
Water						
<i>Expenses</i>						
Purification and treatment	19,209	22,741	23,196	23,660	24,133	24,616
Transmission and distribution	3,433	526	537	547	558	569
Contingency allowance			3,693	3,693	3,693	3,693
Amortization	9,627	9,705	9,705	9,705	9,422	9,409
Total Water Expenses	32,269	32,972	37,131	37,605	37,806	38,287
<i>Revenue</i>						
Bulk water fees	1,719	1,690	1,719	1,719	2,425	3,676
Amortization of capital grants			4,963	4,963	4,963	4,963
Total water revenues	1,719	1,690	6,682	6,682	7,388	8,639
Net rate costs - Water	30,550	31,282	30,449	30,923	30,418	29,648

This represents the RM's best estimate of future operating costs.

The RM's application included a cost allocation policy attributing 4% of staff costs, including benefits, office space costs, utility costs and equipment costs to the Utility. These costs have been included in the projected expenses.

An application for actual deficits incurred in 2009, 2010 and 2011, as well as an anticipated deficit for 2012 was submitted by the RM. The RM advises these deficits are a result of Public Sector Accounting Board (PSAB) standards, and the fact that rates have not been revised since 1989.

The RM Council expressed concern for ratepayers and the effect of a rate rider to recover the deficits, in addition to the rate increases proposed.

Public Response

The Board and RM received no responses from stakeholders, indicating that ratepayers understand, given the length of time since the last increase in rates, the proposed rates are reasonable.

Board Findings

The Board will vary the water rates as applied for in the rate study.

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 RM's forecasts and finds them to be reasonable, with the exception of the calculation of bulk sales revenue.

The Board is of the opinion that the increases in bulk water rates may have a greater impact on demand than it would for customers connected to the system. In calculating the approved rates, bulk revenues have been adjusted to remain static through to 2015 at \$1,719 per year in order to remain conservative.

The rates applied for by the RM have been adjusted to "phase-in" the rate increases and minimize rate shock. The calculations show that the rates applied for will not be sufficient to cover the budgeted expense projections until 2015. Based on the projections submitted by the RM, at the rates applied for, the Utility will continue to experience operating deficits until 2015, and the calculated surplus in 2015 will be far lower than the anticipated deficits for 2013 and 2014.

The RM expressed concern over the large increase in water rates. The Board is sensitive to customer reaction to the magnitude of the rate increases, however, must consider the sustainability of the Utility when approving rates.

The increases required can be considered to be rate shock, something that is common where rate requirements are not addressed for significant periods of time.

In the case of the RM of Glenella, it has been 23 years since a rate change has taken place. Consumers are generally more tolerant of regular, smaller increases. The RM needs to be more diligent in conducting regular reviews of its revenue requirements.

During review of the application, the RM applied for approval of operating deficits incurred in 2009 (\$9,552), 2010 (\$11,317), 2011 (\$19,010) and 2012 (\$23,738), adjusted for the amortization of capital grants, as required for Board purposes.

In analyzing the Utility's financial statements, the Board concluded that, after taking into account past transfers from the General Operating Fund (2009 - \$12,247) and Utility Reserves (2009 - \$1,080 and 2011 - \$8,300) and future transfers from the Building Manitoba Fund - General Assistance Unconditional Grant Funds of \$4,300 per year for 2012-2015 (\$17,200), there was sufficient working capital to absorb the balance of the deficits within the Utility's fund surplus, conditional on the Utility experiencing no new deficits. The rates as applied for would not make this possible.

The Board will herein approve the deficits incurred in all four years, to be recovered through past transfers from the General Operating Fund (2009 - \$12,247), Reserves (2009 - \$1,080 and 2011 - \$8,300), and through future transfers totalling \$17,200 from the Building Manitoba Fund - General Assistance Unconditional Grant Funds of \$4,300 per year for 2012-2015 (\$17,200), with the remainder of \$24,790 being absorbed by the Utility's accumulated surplus.

The Board will require the RM to provide a copy of its water rate By-law, once it has received third and final reading.

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

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 rates for the Rural Municipality of Glenella, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED with revised rates for 2013, 2014 and 2015 to be effective January 1 in each of those years, with the exception of 2013 bulk water rates, which will be effective as of the date of this Order.
2. The Rural Municipality of Glenella submit the water rate By-law once it has received third and final reading.
3. The 2009, 2010, 2011 and 2012 deficits BE AND ARE HEREBY APPROVED to be recovered by past transfers of \$21,627 and future transfers of \$4,300 yearly from the Building Manitoba Fund - General Assistance Unconditional Grant Funds during 2012- 2015. The balance of \$24,790 is to be absorbed within the Rural Municipality of Glenella's accumulated surplus.

SCHEDULE "A"
 TO BOARD ORDER NO. 27/13
 WATER RATES BY-LAW NO. 3-2012
 RURAL MUNICIPALITY OF GLENELLA

SCHEDULE OF QUARTERLY RATES

January 1, 2013

1. Rates per thousand gallons

Water \$/1,000 gallons \$17.10

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges set out below, which includes the water allowance as listed.

(a) Water Customers

Meter Size	Group Capacity Ratio	Water Included	Service Charge	Water	Minimum Quarterly Charges
5/8"	1	3,000	\$8.42	\$51.30	\$59.72
3/4"	2	6,000	\$8.42	\$102.60	\$111.02
1"	4	12,000	\$8.42	\$205.20	\$213.62
1 1/2"	10	30,000	\$8.42	\$513.00	\$521.42
2"	25	75,000	\$8.42	\$1,282.50	\$1,290.92

3. Bulk Water Sales Rate

January 1, 2013

Rates per thousand gallons

\$/1,000 gallons \$19.91

SCHEDULE OF QUARTERLY RATES

January 1, 2014

1. Rates per thousand gallons

Water \$/1,000 gallons \$17.21

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges set out below, which includes the water allowance as listed.

(a) Water Customers

Meter Size	Group Capacity Ratio	Water Included	Service Charge	Water	Minimum Quarterly Charges
5/8"	1	3,000	\$8.59	\$51.63	\$60.22
3/4"	2	6,000	\$8.59	\$103.26	\$111.85
1"	4	12,000	\$8.59	\$206.52	\$215.11
1 1/2"	10	30,000	\$8.59	\$516.30	\$524.89
2"	25	75,000	\$8.59	\$1,290.75	\$1,299.34

3. Bulk Water Sales Rate

January 1, 2014

Rates per thousand gallons

\$/1,000 gallons \$20.07

SCHEDULE OF QUARTERLY RATES

January 1, 2015

1. Rates per thousand gallons

Water \$/1,000 gallons \$17.48

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges set out below, which includes the water allowance as listed.

(a) Water Customers

Meter Size	Group Capacity Ratio	Water Included	Service Charge	Water	Minimum Quarterly Charges
5/8"	1	3,000	\$8.76	\$52.44	\$61.20
3/4"	2	6,000	\$8.76	\$104.88	\$113.64
1"	4	12,000	\$8.76	\$209.76	\$218.52
1 1/2"	10	30,000	\$8.76	\$524.40	\$533.16
2"	25	75,000	\$8.76	\$1,311.00	\$1,319.76

3. Bulk Water Sales Rate

January 1, 2015

Rates per thousand gallons

\$/1,000 gallons \$20.40

Clauses 4 to 13 are Effective January 1, 2013

4. Service to Customers outside LUD of Glenella limits

The Council of the RM of Glenella may sign agreements with customers for the provision of water services to properties located outside the legal boundaries of the LUD of Glenella. 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 costs of connection to the Utility's mains and installing and maintaining service connections will be paid by the customer.

5. 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 fourteen (14) days after the mailing of the bills.

6. Disconnections
The Public Utilities Board has approved the Conditions Precedent to be followed by the RM 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 are available for inspection at the RM office.
7. Reconnection
Any service disconnected, whether due to non-payment of account or for any other reason(s) mutually agreed to by the customer and the RM (ie. repairs necessitated by negligency of the customer, changes in tenant, vacancy for an extended period of time, etc.) shall not be reconnected until a reconnection fee of \$30.00 and all arrears and penalties, if any, have been paid.
8. Liability for Charges
Where charges and penalties pursuant to this by-law are not paid within ninety (90) days from the date when they were incurred said charges and penalties shall be added to the taxes on the property and collected in the same manner as other taxes pursuant to Section 252 (2) of the Municipal Act. The amount of all outstanding charges for water services, including fines and penalties, 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.
9. 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 the 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.
10. 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 associated costs will be refunded to the customer and the customer's account will be reviewed and adjusted accordingly.
11. Meter Tampering
Where there is evidence of meter tampering a minimum charge of \$500 will be applied to the customer's account in addition to an amount calculated to adjust for the tampering based on historical usage.
12. Change of Water
That a charge for change of water to recover the cost of completing the change of user or service, for a service that has changed users or service shall be:
 - a) during normal working hours - \$35.00
 - b) outside of normal working hours - \$80.00
13. Cross Connections
No person shall make any connection or communication of an independent water supply with a pipe or main which is part of or connected to the waterworks system