

M A N I T O B A) Order No. 57/14
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THE PUBLIC UTILITIES BOARD ACT) May 27, 2014

BEFORE: Susan Proven, P.H.Ec, Acting Chair
The Hon. Anita Neville, P.C., B.A. (Hons.), Member

TOWN OF ALTONA
WATER AND SEWER RATES

Summary

By this Order, the Public Utilities Board (Board) hereby denies revised water and sewer rates for the Town of Altona (Town) Water and Sewer Utility (Utility).

The current rates, as established in Board Order No.14/12, shall remain in force and are noted below:

Quarterly Service Charge	\$21.50
Water \$/1,000 gallons	\$11.40
Sewer \$/1,000 gallons	\$6.25
Minimum Quarterly*	\$74.45
Sewer Only \$/Quarter	\$99.63
Bulk Sales \$/1,000 gallons	\$11.40
Hydrant Charge- (annual)	\$150.00

*Based on 3,000 gallons

Details of the current rates are attached to this Order as Schedule "A".

Introduction

The Town applied on July 25, 2013 for approval of revised water and sewer rates as set out in the Town's By-law No. 1714/2013, read for the first time on July 16, 2013.

Rates were last amended in 2012 by Board Order No. 14/12.

Background

The water and sewer systems were constructed in the 1960's. The Utility serves 1,435 customers and 160 fire hydrants. All customers are metered, with approximately 65% of the water supply used for domestic purposes and the remainder by commercial customers.

The Town provides connected water services to several residents in the Village of Old Altona and lagoon services to some residents located in the RM of Rhineland.

The Town purchases treated water from the Pembina Valley Water Cooperative (PVWC). The water is stored in two reservoirs and re-chlorinated prior to distribution. The water is tested regularly, and generally meets drinking water standards, with the exception of Trihalomethanes (PVWC is aware of this issue and is working toward a solution) and Bromodichlormethane (BDCM).

On May 11, 2010, the Office of Drinking Water noted that Health Canada's requirement for BDCM had been set aside pending further research, therefore the Office of Drinking water was not enforcing this requirement.

The previous rate review noted that the Utility employed certified operators and others were being trained to meet classifications of water and sewer treatment systems. The Town advises that all training is now complete and they are awaiting certification. It is also noted that auto-chlorinators and alarms have been installed.

Unaccounted for water is at 5.46% for 2012, well below the accepted industry average of 10%.

The wastewater treatment system consists of a five-cell lagoon discharged twice yearly into a drainage ditch, which discharges into the Plum River.

The Town addressed the need for a new secondary sewage storage cell. This project has been delayed due to key staff changes. Though the Town faces hydraulic issues during wet years, it advises that due to favorable weather conditions hydraulic issues have not been a problem for the last two years.

Application

The Town filed its application on July 25, 2013, accompanied by a copy of By-law No. 1714/2013, which had first reading on July 16, 2013, and a Rate Study prepared by the Town's consultant.

A Notice of Application was issued on August 1, 2013 affording stakeholders the opportunity to comment to both the Board and the Utility with respect to the proposed increases. No 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 Altona, the Board concluded that a paper review process, which saves the Utility the cost of a public hearing, was in the best interest of all concerned.

Rates were last revised in Board Order No. 14/12. The Board determined at that time that despite several shortcomings, there was some urgency in proceeding to revise the water and sewer rates. It was noted that the Town failed to respond to a number of questions posed during the review process. The Board also expressed concern that the Town was six to eighteen months behind in submitting their audited financial statements.

Throughout the review of the current rate application, the Board found that many of the same issues recurred. The 2010 audited statements were submitted in January of 2014. Subsequent statements are still not completed for review.

With no audited results available since the last rate review, the Board is unable to confidently gauge whether the current rates are inadequate.

The Board is also apprehensive about the information presented with relation to the lagoon expansion project. Initial information provided in 2011 indicated the lagoon project would be completed in 2012 at a cost of \$3.5 million. The related debenture payment was included in the rate revenue requirements approved by the Board in Order No. 14/12.

The rate study submitted in July 2013 advised the Board that the project had been delayed by staffing issues and was now projected to cost \$6 million, with \$2 million of that to be recovered through rates. The project was scheduled to be completed in 2014.

In response to further Board inquiry, the Town submitted in March 2014 that the project would likely not occur until 2015, with the most recent cost projections showing a total cost of \$9.4 million.

Working capital calculation

In Board Order No. 93/09, the Board established that utilities should maintain a minimum Working Capital Surplus, in an amount equal to 20% of annual expenses. The Working Capital Surplus is defined as the Utility Fund balance, excluding any capital related items plus Utility Reserves.

	2010	2009
Fund Surplus/Deficit	\$ 6,442,535.00	\$ 6,698,412.00
Deduct TCA	\$ 7,611,897.00	\$ 7,824,784.00
Add Long-Term Debt	\$ 1,311,022.00	\$ 1,394,061.00
Add Utility Reserves	\$ 455,769.00	\$ 250,715.00
Equals Working Capital Surplus	\$ 597,429.00	\$ 518,404.00
2010 operating costs	\$ 1,538,553.00	
20% of last years operating costs	\$ 307,710.60	

In December 31, 2010, the Town's Working Capital Surplus was nearly double the Board's requirement.

Cost allocation methodology

The Board requires all municipalities to review the costs shared between the general operations of the Municipality and the Utility, and to allocate appropriate and reasonable costs to the Utility, based on a policy known as a Cost Allocation Methodology. This policy must be submitted to the Board for approval and cannot be changed without receiving approval from the Board.

The Board's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09. In its previous review the Town deferred this matter with Board approval.

The Town submitted the following methodology for approval by the Board:

Town of Altona Utility Allocation Plan for Shared Costs					
Shared Overhead			Activity Based	Flat Rate	
Sub-Category	Activity	Expenses (object)			
Direct Overhead Costs	Meter reading	<ul style="list-style-type: none"> • Salaries & wages • Benefits 	Actual costs charged to utility		
	Billing	<ul style="list-style-type: none"> • Salaries & wages • Benefits 		See indirect costs	
	Receipting and collection	<ul style="list-style-type: none"> • Salaries & wages • Benefits 		See indirect costs	
Indirect Overhead Costs	General administrative costs	• CAO salary and benefits		10% of actual	
		• P.W. Supervisor salary and benefits		30% of actual	
		• Finance Officer salary and benefits		10% of actual	
		• Accounts Officer salary and benefits		10% of actual	
		• Reception/Utility Clerk salary and benefits		50% of actual	
		• Council costs		5% of actual	
		• Audit and legal		5% of actual	
	Shared office costs	• Postage and mailings		Actual costs charged to utility	
		• Information systems maintenance, etc.			\$1,000
		• Office supplies			\$500
		• Telephone			\$250
	• Photocopying, etc.			\$250	

Shared Direct Operating Costs			Activity Based	Flat Rate
Sub-Category	Equipment/Activity	Expenses (object)		
Direct equipment costs	Public works buildings	<ul style="list-style-type: none"> • Maintenance • Utilities • Insurance • Amortization 		33% of actual
	Vehicles - Utility Truck	<ul style="list-style-type: none"> • Maintenance • Fuel • Insurance • Amortization 	Actual costs charged to utility	
	Machinery and equipment - Flusher Truck	<ul style="list-style-type: none"> • Maintenance • Fuel • Insurance • Amortization 	Actual costs charged to utility	
Shared Direct Operating Costs (continued)			Activity Based	Flat Rate
Sub-Category	Equipment/Activity	Expenses (object)		
Direct equipment costs (continued)	Road construction and maintenance equipment	<ul style="list-style-type: none"> • Maintenance • Fuel • Insurance • Amortization 	Actual costs charged to utility	
Direct labour	Labour costs directly attributable to the maintenance and repair of utility TCA	<ul style="list-style-type: none"> • Salaries and wages • Benefits 	Actual costs charged to utility	

Board Findings

The Board will deny the application made by the Town for revised water and sewer rates for 2014, 2015 and 2016. The Board welcomes an application from the Town when they are prepared to submit a complete application, supported by audited financial statements.

While the Board approved rate increases in 2012 with incomplete information, there were special circumstances which supported that decision. Many communities in Manitoba were experiencing long delays in having their audited financial statements prepared, due to the implementation of Public Sector Accounting Standards in 2010.

In addition, the Board believed there was some urgency in setting revised rates to avoid further deficits for the Town. There is no indication that this is the case at this time; given that there are no audited statements available after 2010, and the current rates were set in 2012, the Board has no reason to believe that current rates are inadequate.

The working capital calculation at the end of 2010 is nearly double the Board's recommended amount. The rates approved in 2012 were calculated including a provision for the collection of borrowing costs and associated amortization of a new secondary sewage storage cell. The project has been subject to multiple delays; this should result in surpluses for the Town. This calls into question the need for revised rates at this time.

In January 2014, the Board issued Order No. 3/14 allowing all customers and members of the Pembina Valley Water Co-op to increase their water rates to reflect a "pass-through" of additional costs arising out of the rate increase. The Order also included the process and requirements for adopting these "pass-through" rates which include providing the Board with an amended Rate By-law.

To date, the Board has not received any notification from the Town that they have adopted these "pass through" rates.

The Board will approve the submitted Cost Allocation Methodology, and reminds the Town that this methodology must be used consistently in the future, and requires Board approval should any further changes be considered.

The Town of Altona is required to submit a copy of its 2011, 2012 and 2013 audited financial statements to the Board as soon as they are available. The Board is alarmed that the Town hasn't progressed in having timely audited financial statements.

Pursuant to Section 190(1) of The Municipal Act

The auditor must submit a report to the council not later than June 30 in the year following the fiscal year for which the audit is prepared.

The Board is pleased to learn that the Town has recently engaged a new auditor to assist in remedying this issue and sincerely hopes that this ongoing concern is resolved within the next twelve months.

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 (Rules). The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.

IT IS THEREFORE ORDERED THAT:

1. Revised water and sewer rates for The Town of Altona BE AND ARE HEREBY DENIED.
2. The Town of Altona shall submit a certified copy of its water and sewer By-law No. 1714/2013 attached once it has been updated and reflects the changes in this Order and has received third and final reading.
3. The Cost Allocation Methodology proposed by the Town of Altona BE AND IS HEREBY APPROVED.
4. The Town of Altona submit a copy of its 2011, 2012 and 2013 audited financial statements to the Board as soon as they are available.
5. The Town of Altona 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, 2015.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

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

"JENNIFER DUBOIS, CMA"
Acting Secretary

**SCHEDULE "A" to BY-LAW No. 1714/2013
 TOWN OF ALTONA
 WATER AND SEWER RATES**

1. Definitions

For the sake of this by-law the following definitions shall apply:

Account Holder/Customer – the person(s) receiving water and/or sewer services at a particular residence, whether it is the property owner or renter.

Property Owner – the person(s) listed on the title of a specific property.

Renter – the utility account holder/customer but is not the property owner of the subject property.

2. Commodity Rates per 1,000 gallons (effective January 1, 2014)-no change

	Water	Sewer	Water & Sewer
Charge per 1,000 gallons	11.40	6.25	17.65

3. Minimum Quarterly Rates (effective January 1, 2014)- no change

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

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Sewer	
5/8	1	3,000	\$ 21.50	\$ 34.20	\$ 18.75	\$ 74.45
3/4	2	6,000	\$ 21.50	\$ 68.40	\$ 37.50	\$ 127.40
1	4	12,000	\$ 21.50	\$ 136.80	\$ 75.00	\$ 233.30
1 1/4	10	30,000	\$ 21.50	\$ 342.00	\$ 187.50	\$ 551.00
1 1/2	10	30,000	\$ 21.50	\$ 342.00	\$ 187.50	\$ 551.00
2	25	75,000	\$ 21.50	\$ 855.00	\$ 468.75	\$ 1,345.25
4	90	270,000	\$ 21.50	\$ 3,078.00	\$ 1,687.50	\$ 4,787.00

b) Sewer Only Customers

Customers with sewer only shall be charged **\$99.63**.

c) Water Only Customers

Customers with water only services shall be charged the minimum quarterly rate applicable to the customers meter size less the sewer charge.

4. **Customers with a significant volume of water not returned to the sewers**

Bunge Ltd. shall be billed quarterly for each meter for water and sewer at the rates set forth in this Schedule. However, sixty-five (65) percent of the water metered in any quarter through the two (2) inch meters supplying the following three locations shall be exempt from sewer charges on consumption over 500,000 gallons per quarter:

Boiler #1 – account #960400-0
Boiler #2 – account #13020-0
Chemical Shed – account #12750-0

5. **Bulk Sales**

All water sold in bulk by the Town of Altona shall be charged as follows:

January 1st, 2014 - **\$11.40 per 1,000 gallons** –no change

6. **Quarterly Meter Reading**

All customers shall complete and submit a quarterly meter reading by the end of the month in which it is mailed. Failure by any customer to complete and submit the card by the due date will result in an estimate of the water consumption for that customer for the specified quarter. The estimate shall be based on the average consumption per quarter in the previous year, or in the case of a new customer the estimate shall be based on the average quarterly residential consumption.

In any situation where a customer provides a reading that is not the actual meter reading, such customer shall be subject to the estimation charge as stated in this section.

All estimated readings shall be subject to a **\$20.00** administration fee. Should a customer wish to dispute an estimated reading, a request to waive the fee must be submitted to the Finance Officer. Customers may appeal the Finance Officer's decision in writing to Council.

7. **Disconnection and Reconnection**

The Town shall charge a fee as shown below for a re-connection or a disconnection of a service, if requested by a customer.

Service may be interrupted or disconnected as follows:

Curb Stop Turn-on	\$35.00 for the first ½ hour, thereafter as per Fees & Charges By-law
Curb Stop Turn-off	\$35.00 for the first ½ hour, thereafter as per Fees & Charges By-law
Meter Removal	\$35.00 for the first ½ hour, thereafter as per Fees & Charges By-law
Re-installation of Meter	\$35.00 for the first ½ hour, thereafter as per Fees & Charges By-law

The Public Utilities Board has approved the Conditions Precedent to be followed by the Town of Altona 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 Town of Altona office.

8. **Billings, Penalties and Outstanding Bills**

Accounts shall be billed quarterly, and will be due and payable not less than fourteen (14) days after the date of billing. A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

In the event that an account remains outstanding the account may be transferred to the realty tax account of the property in respect of which the water account is unpaid, by the Finance Officer of the Town, to be collected as ordinary realty taxes. The following processes will be taken:

a) **Accounts where the Customer is the Owner of the Property:**

For those accounts where the customer is the owner of the property the amount owing after the due date shall automatically be transferred to the corresponding tax roll account within two business days after the due date and said outstanding amount will be collected in the same manner as ordinary realty taxes.

b) **Accounts where the Customer is not the Owner of the Property:**

For those accounts where the customer is not the owner of the property the following actions will be taken:

- i. A reminder bill and letter to be sent to the renter as well as the owner of the property, giving them a revised due date by which to pay the outstanding balance; and
- ii. If the outstanding balance has not been paid after the revised due date, then within two business days after the revised due date any outstanding balance shall automatically be transferred to the corresponding tax roll account and said outstanding amount will be collected in the same manner as ordinary realty taxes.

9. **Hydrant Rentals**

The Town of Altona will pay to the Utility an annual rental for each hydrant connected to the system that includes the cost of water for firefighting as follows:

2014 - **\$150.00 per hydrant** -no change

10. **Sewer Surcharges**

- a) There may be levied annually, in addition to the 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 waste.