

M A N I T O B A) Order No. 79/10
)
THE PUBLIC UTILITIES BOARD ACT) July 22, 2010

BEFORE: Graham Lane, CA, Chairman
 Susan Proven, P.H.Ec., Member

VILLAGE OF ELKHORN
SEWER UTILITY
REVISED SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves an application by the Village of Elkhorn (Village) for revised sewer rates, to take effect January 1, 2011. The Board also approves two additional increases, the first to take effect January 1, 2012, the second, a year later in 2013.

Existing and revised rates are as follows:

	Existing	January 1, 2011	January 1, 2012	January 1, 2013
Residential Equivalent Unit	\$ 7.00	\$13.30	\$14.63	\$16.09
Service Charge	\$ 3.00	\$ 8.40	\$ 8.40	\$ 8.40
Combined Quarterly	\$10.00	\$21.70	\$23.03	\$24.49

Details of quarterly charges for customers allocated more than one Residential Equivalent Unit, and other fees and charges, are outlined in the attached Schedule "A".

Rates were last revised in 1977.

This order follows a public hearing held in the Village on Tuesday, July 13, 2010; no members of the public attended.

Application

The Village applied for revised sewer rates as set out in By-law No. 2-2009, read the first time on September 17, 2009. The application, filed in February 2010, was supported by a rate study that had been prepared in February 2009.

The utility serves 240 customers, of which 231 are classified as residential or small commercial. Customers are charged on a Residential Equivalent Unit (REU), and the Village confirms that the assignment of REU's for customers other than residential and small commercial have been reviewed.

Existing and proposed rates were:

Existing Charges					Proposed Charges				
REU	Customer	Service Charge	Sewer Charge	Total Annual	REU	Customer	Service Charge	Sewer Charge	Total Annual
1	Single Family	\$3.00	\$ 7.00	\$ 10.00	1	Single Family	\$8.40	\$ 13.30	\$ 21.70
2	Garage/Rink/Cafe	\$3.00	\$ 14.00	\$ 17.00	2	Garage/Rink/Cafe	\$8.40	\$ 26.60	\$ 35.00
15	Motel	\$3.00	\$105.00	\$108.00	5	Motel	\$8.40	\$ 66.50	\$ 74.90
8	Senior Citizens Home	\$3.00	\$ 56.00	\$ 59.00	9	Senior Citizens Home	\$8.40	\$119.70	\$128.10
12	Collegiate	\$3.00	\$ 84.00	\$ 87.00	12	Collegiate	\$8.40	\$159.60	\$168.00
12	Hospital	\$3.00	\$ 84.00	\$ 87.00	15	Hospital	\$8.40	\$199.50	\$207.90

The Village advised that the proposed significant reduction in the REU allocation to the motel is justifiable as the motel is not the "same" motel that was in business in 1977 when the last rate review was complete. The current motel has only six rooms; the Village projects a 100% occupancy rate during the construction season (spring until freeze up). The motel also has a small restaurant and a low-volume beverage room.

Initially, the Village sought rates sufficient to produce revenues able to meet estimated annual administration costs of \$8,000 plus annual operating costs of \$15,000, the latter includes a \$5,000 provision for contingencies, that is, the unexpected.

The Village was asked to resubmit its estimates to include requirements as per Public Sector Accounting Board (PSAB) accounting standards. PSAB now requires that capital assets be amortized or depreciated, and debt servicing costs be handled differently.

The Village provided the following three year estimates:

Description	2011	2012	2013
Administration	\$ 7,000.00	\$ 7,210.00	\$ 7,426.30
Billings	\$ 1,000.00	\$ 1,030.00	\$ 1,060.90
General Revenue Requirements	\$ 8,000.00	\$ 8,240.00	\$ 8,487.20
Sewer			
Expenses	\$14,472.00	\$14,906.16	\$15,353.34
Amortization	\$ 2,709.60	\$ 2,709.60	\$ 2,709.60
Interest	\$ 2,440.69	0	0
Contingency	\$ 3,377.71	\$ 3,479.04	\$ 3,583.41
Less Revenues	-\$15,486.78	0	0
Sewer Revenue Requirements	\$ 7,513.22	\$21,094.80	\$21,646.35

The Village advised that the un-depreciated capital costs of the utility are \$178,000, although that number is pending a review by the Municipal Auditor. The Village has an outstanding utility debenture, serviced by an annual payment of \$15,487, which is collected by taxes. This debt will be fully paid in 2011.

The Village reported the utility reserve fund held a balance of \$10,030 as at December 31, 2009.

The Village also submitted an application to recover the 2008 utility operating deficit of \$2,884 from the utility's accumulated surplus, which at December 31, 2009 held a balance of \$29,438. The Village reported a preliminary \$1,267 operating deficit for the utility for 2009, however this result is not final as the application of PSAB accounting standards have not yet been included. The Village advises that its auditor should be finalizing the accounts, shortly.

The Village advised that it allocates 10% of administrative staffing costs and Council time to the utility, as well as a \$1,000 for shared office costs, postage, printing and stationary supplies.

The utility operator recently attended training to attain certification to operate the Village's lagoon, which has been designated a level one facility. The Village advises that discharges from the lagoon are only made following testing results and approval from Manitoba Conservation. Discharges are into a marsh located in a pasture area.

The Village advised that until recent high water levels placed increased pressures on the system as well as increased costs, the utility had been operating reasonably well. The lift station had some recent pump upgrades and will be requiring some additional upgrades in the future, along with some lagoon maintenance.

Notice of the Public Hearing, dated May 26, 2010, was placed in the local paper and posted in the Village.

Public Hearing

At the hearing, the Village provided additional information with respect to its application. The Village advised that the increases were necessary to meet projected costs as well as to build up reserves for future capital projects and system maintenance. The Village advised of no plans for a major expansion, although it has embarked on a very successful "Infill Housing Program" (which encourages development of lots that are already serviced by existing infrastructure).

The Village advised that four out of the last six years have experienced utility operating difficulties, as constant pumping at the lift stations is required to take the water out of the community. The Village advised that during the winter months, the pumps run between 28 and 30 hours per month. During the summer months, these same pumps are running 24 hours per day, seven days a week.

The Village indicated that the additional pumping is a result of individual household sump pumps directing groundwater into the Village's sewer lines, then to the lagoon. With this water entering the sewer system additional pressure is placed on the pumps as well as the extra capacity required in the lagoon to accommodate this water, unnecessarily.

The Village also recognizes the need for additional increases as a result of PSAB and the implementation of changed accounting standards. In order to avoid rate shock, to allow additional time to ensure its capital assets have been recorded properly,

and understanding that the quarterly REU should be closer to \$20 the Village sought approval from the Board to phase-in the required increases over a five year period.

Board Findings

Ms. Susan Proven represented the Public Utilities Board at the hearing and her findings and decisions were subsequently supported by Chairman Graham Lane.

The Board will approve the rates applied for, and will also approve two additional increases per REU of 10% in 2012 and 2013. These additional increases will require the Village to amend the rate by-law and attached Schedule "A".

The Board will also approve the revised allocation of REU's as submitted by the Village.

The Board believes the rates proposed to be just and reasonable and able to sustain the utility now and into the future. Even though rates were last reviewed over 30 years ago, the Board notes that deficits only occurred recently.

The Board will require the Village to review its rates following 2012 year-end results and file an updated rate review with the Board which is to propose rate increases for the next three year period, beginning in 2014.

The Board encourages the Village Council to investigate options to address the increased pressures placed on the sewer system during times of high water levels and periods of heavy rainfall. The Board is aware of communities that have initiated processes

and programs requiring homeowners to redirect sump pumps from the sewer system to be dispersed by the land surface drainage system.

The Board understands that if nothing is done to address this problem and should the high water levels continue, the lift stations may fail. As well, additional capacity will eventually be required at the lagoon to handle the additional water.

The Board looks forward to receiving a report from the Village of options explored and plans to address these issues, these to be included with filing the revised rate study in 2013.

The Board will approve the Shared Cost Allocation policy as established by the Village for administrative costs as noted herein. The Board expects that if these costs should change, or additional costs are discovered that are connected to the utility, the Village will seek Board approval prior to implementing a change in the Policy.

The Board will also approve recovery of the 2008 utility operating deficit from the utility's accumulated surplus as requested. The Board expects that the 2009 year end results will change once the prescribed accounting standards have been applied. If a deficit does result, the Board expects an application to be filed at that time.

The Board notes that the Village's rate by-law does not include reference to the Board's Conditions Precedent for disconnection of service. The Board will require the Village to amend its by-law, prior to second reading, to agree with provisions in this

order as reflected in attached Schedule "A".

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 Village of Elkhorn amends By-law No. 2-2009, to agree with the provisions in this order, and the attached Schedule "A", with rates to be effective as of January 1, 2011.
2. The Public Utilities Board approves the Shared Cost Allocation Policy as submitted by the Village of Elkhorn, for administrative costs associated with utility.
3. The Village of Elkhorn files a certified copy of By-law No. 2-2009, with the Public Utilities Board once it has received third and final reading.
4. The 2008 operating deficit of \$2,884 incurred in the Village of Elkhorn utility is hereby approved to be recovered from the utility accumulated surplus.

5. The Village of Elkhorn file with the Public Utilities Board a revised rate study and application for revised rates, as required and with reports as noted herein, no later than July 31, 2013.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SHIELDS"

Acting Secretary

Certified a true copy of Order No.
79/10 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 79/10
VILLAGE OF ELKHORN
SEWER RATES
BY-LAW NO. 2-2009

Schedule of Annual Rates

- 1. Quarterly Customer Service Charge: \$8.40**
- 2. Quarterly Residential Equivalent Unit (REU)**
 - 2011: \$13.30
 - 2012: \$14.63
 - 2013: \$16.09

3. Total Quarterly Charge/Residential Equivalent Unit (REU)

REU	Customer	Service Charge	2011 Sewer Charge	2011 Total Annual	2012 Sewer Charge	2012 Total Annual	2013 Sewer Charge	2013 Total Annual
1	Single Family	\$8.40	\$13.30	\$21.70	\$14.63	\$23.03	\$16.09	\$24.49
2	Garage/Rink/Cafe	\$8.40	\$26.60	\$35.00	\$29.26	\$37.66	\$32.18	\$40.58
5	Motel	\$8.40	\$66.50	\$74.90	\$73.13	\$81.53	\$80.45	\$88.85
9	Senior Citizens Home	\$8.40	\$119.70	\$128.10	\$131.67	\$140.07	\$144.81	\$153.21
12	Collegiate	\$8.40	\$159.60	\$168.00	\$175.56	\$183.96	\$193.08	\$201.48
15	Hospital	\$8.40	\$199.50	\$207.90	\$219.45	\$227.85	\$241.35	\$249.75

4. Service to Customers Outside the Village

The Council of the Village of Elkhorn may sign agreements with customers for the provision of sewer services to properties located outside the legal boundaries of the Village of Elkhorn. Such agreements shall provide for payment of the appropriate rates 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. Billings and Penalties

A late payment charge of 1 1/4% monthly 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.

6. Disconnection

The Public Utilities Board has approved Conditions Precedent to be followed by the municipality with respect to 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 municipal office.

7. Reconnection

Any customer disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$100.00 have been paid.

8. Outstanding Bills

Pursuant to subsection 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 shall be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies.

9. Sewage Surcharges

(a) There may be levied annually, in addition to rates set forth above, a special surcharge on sewer 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.