

M A N I T O B A) Order No. 120/11
)
THE PUBLIC UTILITIES BOARD ACT) September 14, 2011

BEFORE: Susan Proven, P.H.Ec., Acting Chair
Monica Girouard, CGA, Member
Graham Lane, CA, Chairman

TOWN OF MORRIS
WATER AND SEWER RATES
2011, 2012 AND 2013

Executive Summary

The Public Utilities Board (Board) herein provides approval of water and sewer rates for the Town of Morris (Town) as follows:

Commodity Rate \$/1,000 gallons	Current	Oct 1, 2011	Oct 1, 2012	Oct 1, 2013
Water				
1st 15,000 gal	\$10.08	\$11.44	\$12.99	\$14.70
over 15,000 gal	\$8.63	\$9.80	\$11.12	\$13.27
Sewer	\$0.95	\$0.76	\$0.76	\$0.76
Quarterly Service Charge	\$6.80	\$9.20	\$9.20	\$9.20
Minimum Quarterly* Water & Sewer Customers	\$39.89	\$45.80	\$50.45	\$55.58
Water Only – Quarterly	\$37.04	\$43.52	\$48.17	\$ 53.30

*includes 3000 gallons

Details of other charges and fees are shown on Schedule "A" attached.

This represents an immediate increase of approximately 35% in the quarterly service charge and 13% in water rates, with a 20% decrease in sewer rates. Depending on consumption, the overall increase will be in the 15% range.

Introduction

The Town filed for revised rates in April 2011. The application was supported by a Rate Study prepared by the Town's consultant, *Way To Go Consulting Inc.*, as well as audited financial statements for 2009.

Because a detailed rate review had not occurred since 1998, the Board determined that a public hearing would be held to afford customers the opportunity to review the application and express any concerns. The hearing was held in the Southern Manitoba Convention Centre in the Town of Morris on August 23, 2011.

Background

The Town's utility serves 789 customers (786 metered and 3 unmetered), of which 4 receive water only service. This has grown from 664 customers when the 1998 rate review was conducted.

The Town purchases its water supply from the Pembina Valley Water Co-operative (PVWC). PVWC has increased its rates charged to the Town for the water supply periodically since the 1998 rate review, and these cost increases have been passed through to customers, but with no detailed review of revenue requirements.

The water is stored in a local reservoir and pumped to the distribution system, which the Town chlorinates. The Town reports water losses in the 13-15% range. Though above the industry standard of 10%, the Town does not see this as a problem with no identified leaks. Repairs are reported to be done on a timely basis.

Manitoba Water Stewardship Drinking water standards have been met. However, the Department has recommended more frequent sampling for

bacteria testing. The Water Stewardship Department approved an extension to March 1, 2012 for an engineering assessment to be completed, and the Town expects to meet that obligation.

The Town operates a 2-cell sewage lagoon, the first of which was constructed in the early 1950's and the second in 1997.

Both the water and sewer systems' capacity is deemed adequate with no plans for any significant expansions.

The utility is operated by three staff with proper certification to operate a class 2 water distribution and wastewater collection system.

Application for rates

The Town applied for revised water and sewer rates and other fees and charges as set out in By-law 04/11 which was read on March 31, 2011.

The Town proposed the following rates:

	Current	Proposed Oct 1, 2011	Inc	Proposed Oct 1, 2012	Inc	Proposed Oct 1, 2013	Inc
Commodity Rate \$/1000 gallons							
Water							
1st 15,000 gal	\$10.08	\$11.44	13%	\$12.99	14%	\$14.70	13%
over 15,000 gal	\$8.63	\$9.80	14%	\$11.12	13%	\$13.27	19%
Sewer	\$0.95	\$0.76	(20%)	\$0.76	0%	\$0.76	0%
Quarterly charges							
Quarterly Service Charge	\$6.80	\$9.20	35%	\$9.20	0%	\$9.20	0%
Minimum Quarterly* Water & Sewer Customers	\$39.89	\$45.80	14%	\$50.45	10%	\$55.58	10%
Water Only – Quarterly	\$37.04	\$43.52	17%	\$48.17	11%	\$ 53.30	11%

*includes 3000 gallons

The Town's submission suggests no elimination of declining block rates and indicates that the introduction of depreciation, as a

result of the requirement to follow generally accepted accounting principles in 2009, would be the first issue dealt with. Elimination of declining block rates, in the interest of encouraging conservation, would be considered in their next application.

The Town's annual water sales are 35.8 million imperial gallons, including 11.4 million gallons sold at the intermediate rate. There are no bulk sales.

Though water rates have been adjusted periodically to reflect pass-through cost increases for water purchased from PVWC, there has been no detailed review of the Utility's revenue requirements and rates since 1998.

The Town provided the following projected annual utility expenses:

	2011	2012	2013
General			
Administration (net of revenue)	\$22,350	\$29,040	\$29,745
Water			
Expenses	\$375,951	\$383,470	\$391,140
Amortization	96,506	99,339	104,621
Interest on long term debt	4,115	3,590	3,064
Less Revenues	13,000	13,000	13,000
Net Water Revenue Requirements	\$463,572	\$473,399	\$485,825
Sewer			
Expenses	\$26,571	\$27,102	\$27,644
Amortization	0	0	0
Less Revenues	0	0	0
Net Sewer Revenue Requirements	\$26,571	\$27,102	\$27,644

The capital plan shows a proposed land drainage project of \$300,000 for 2011 and a lagoon project of \$300,000 in 2015. The land

drainage project will be funded by debenture, and provision has been included in the financial projections for this. Funding sources for the 2015 lagoon project have yet to be confirmed.

The Town has identified that 60% of the rate increase is attributable to the introduction of amortization expense as required by the Public Sector Accounting Board. The balance of the rate increase is to offset utility operating cost increases and to fund future capital projects.

The Town notes that its previous by-law suggested that customers would be billed the minimum quarterly charge in advance, with adjustments made in the following quarter based on actual meter readings. However, it appears that this practice has never occurred and the Town now proposes to amend the by-law to reflect that billings will not be in advance, but rather based on actual consumption as determined through meter readings.

The Town's proposed cost allocation methodology is in accord with Board directives. This consists of a flat 17.5% of general administration, legal, audit and office costs, calculated based on utility operating expenditures as a percentage of total consolidated operating expenditures of the Town, which will be assigned to the Utility.

Hearing

The hearing was attended by a few members of the public.

Town officials presented their proposal in summary form.

Those present noted that while they understand the need to increase rates, the rates proposed are significantly higher than the current rates, with a 35% increase over three years.

The Board was advised that many people struggle to pay their water bills and that the basic amount of water allotted is used just to keep the family clean. People have difficulty budgeting to pay quarterly bills and one customer asked if monthly billings were possible.

The Town advised that if monthly billings were used, administrative costs would increase: increases which would be passed on to the customer. The Town did indicate that customers were welcome to make monthly or semi-monthly payments towards their quarterly bill; at the end of the quarter, any outstanding amount would be reflected on the bill.

Possible water conservation methods were discussed, such as the installation of low flush toilets and low flow shower heads. The Town indicated that they could include such tips in quarterly billings or newsletters.

Board Findings

Rates

The Board has examined the submission and will approve the three year rate proposal made by the Town. The Board will also approve the by-law change, which removes reference to billings in advance. The submission, along with the supplementary information provided, was complete and well-reasoned.

The Board notes that the Disconnection of service for non-payment of account is not consistent with the Board's direction and will require Clause 5 to be amended as noted on Schedule "A".

The Board is concerned that the rates had not been reviewed in 13 years, and will require the Town to review its revenue requirements

for 2014. If no rate adjustment is required, the Town will simply need to advise the Board. Otherwise, the Board will require a rate submission to be filed no later than July 1, 2013.

Cost allocation methodology

The Board will approve the defined cost allocation methodology as submitted by the Town and expects this to be applied consistently going forward. Any subsequent changes to the allocation percentage will require Board approval.

An adequate supply of water is an essential service and while the Board notes the increases are significant, they are by far not the largest approved in recent months. In the Board's view it is imperative that utilities receive adequate revenues in order to provide a safe supply of drinking water to their customers. With a financially struggling utility, safe drinking water cannot be guaranteed.

The Board is pleased to note the Town will assist customers with budgetary issues by accepting payments on a more frequent basis than quarterly. The Board encourages the Town to make this option known to all customers of the utility, through the quarterly billing, newsletter or a note on the Town's website.

The Board encourages the Town to promote ways for consumers to conserve water and for customers to review their usage habits to seek ways to reduce consumption. By reducing consumption, water and sewer utility bills will be lower.

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 Morris BE AND ARE HEREBY APPROVED in accordance with By-law 04/11 and the attached Schedule "A", with rates increases to be effective as of October 1 of each of 2011, 2012 and 2013.
2. The Town of Morris's request to amend its utility rates by-law to eliminate reference to quarterly billings in advance BE AND IS HEREBY APPROVED.
3. The Town of Morris file a copy of its rates by-law with the Public Utilities Board once it has received third and final reading.
4. The methodology for allocation of shared costs between the Town of Morris and its Utility be hereby approved as submitted.
5. The Town of Morris review its revenue requirements for the next three year period beginning in 2014, and if necessary, prepare and file a rate application for 2014 rates on or before July 1, 2013.

Fees payable upon this Order - \$1,200.00

THE PUBLIC UTILITIES BOARD
"GRAHAMLANE, CA"
Chairman

"KRISTINE SHIELDS"
Acting Secretary

Certified a true copy of Order No.
120/11 issued by The Public Utilities
Board

Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 120/11

TOWN OF MORRIS BYLAW No. 04/11

WATER AND SEWER RATES

SCHEDULE OF QUARTERLY RATES October 1, 2011

1. <u>Rates per thousand gallons</u>	gallons per quarter		
	Water	Sewer	Total Water
	<u>/1,000 gal.</u>	<u>/1,000 gal.</u>	<u>& Sewer</u>
First 15,000 gallons per quarter	\$11.44	\$0.76	\$12.20
Over 15,000 gallons per quarter	\$9.80	\$0.76	\$10.55

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 & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Quarterly Minimum	Water Only Quarterly Minimum
5/8 inch	1	3,000	9.20	34.32	2.27	\$ 45.79	\$ 43.52
3/4 inch	2	6,000	9.20	68.64	4.54	\$ 82.39	\$ 77.85
1 inch	4	12,000	9.20	137.29	9.08	\$155.57	\$146.49
1 1/2 inch	10	30,000	9.20	318.54	22.70	\$350.44	\$327.74
2 inch	25	75,000	9.20	759.32	56.75	\$825.27	\$768.52

(b) Water Only Customers

Quarterly minimum charge is the same for each meter size as shown in table above, except that the Sewer Commodity charge is excluded.

(c) Sewer Only Residential Customers

Customers using sewer service only will pay the relevant minimum charge shown in "a" above except that the water commodity charge will be omitted and the minimum charge for a 5/8 inch meter will be based on quarterly consumption of 6,000 gallons.

SCHEDULE OF QUARTERLY RATES

October 1, 2012

1. <u>Rates per thousand gallons</u>	gallons per quarter		
	Water	Sewer	Total Water
	<u>/1,000 gal.</u>	<u>/1,000 gal.</u>	<u>& Sewer</u>
First 15,000 gallons per quarter	\$12.99	\$0.76	\$13.74
Over 15,000 gallons per quarter	\$11.12	\$0.76	\$11.87

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 & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Quarterly Minimum	Water Only Quarterly Minimum
5/8 inch	1	3,000	9.20	38.96	2.27	\$ 50.43	\$ 48.16
3/4 inch	2	6,000	9.20	77.91	4.54	\$ 91.65	\$ 87.11
1 inch	4	12,000	9.20	155.82	9.08	\$174.11	\$165.03
1 1/2 inch	10	30,000	9.20	361.54	22.70	\$393.44	\$370.74
2 inch	25	75,000	9.20	861.82	56.75	\$927.77	\$871.02

(b) Water Only Customers

Quarterly minimum charge is the same for each meter size as shown in table above, except that the Sewer Commodity charge is excluded.

(c) Sewer Only Residential Customers

Customers using sewer service only will pay the relevant minimum charge shown in "a" above except that the water commodity charge will be omitted and the minimum charge for a 5/8 inch meter will be based on quarterly consumption of 6,000 gallons.

SCHEDULE OF QUARTERLY RATES

October 1, 2013

1. <u>Rates per thousand gallons</u>	gallons per quarter		
	Water	Sewer	Total Water
	<u>/1,000 gal.</u>	<u>/1,000 gal.</u>	<u>& Sewer</u>
First 15,000 gallons per quarter	\$14.70	\$0.76	\$15.46
Over 15,000 gallons per quarter	\$13.27	\$0.76	\$14.03

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 & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Quarterly Minimum	Water Only Quarterly Minimum
5/8 inch	1	3,000	9.20	44.11	2.27	\$ 55.58	\$ 53.31
3/4 inch	2	6,000	9.20	88.23	4.54	\$ 101.97	\$ 97.43
1 inch	4	12,000	9.20	176.45	9.08	\$ 194.73	\$ 185.65
1 1/2 inch	10	30,000	9.20	419.61	22.70	\$ 451.51	\$ 428.81
2 inch	25	75,000	9.20	1,016.76	56.75	\$1,082.71	\$1,025.96

(b) Water Only Customers

Quarterly minimum charge is the same for each meter size as shown in table above, except that the Sewer Commodity charge is excluded.

(c) Sewer Only Residential Customers

Customers using sewer service only will pay the relevant minimum charge shown in "a" above except that the water commodity charge will be omitted and the minimum charge for a 5/8 inch meter will be based on quarterly consumption of 6,000 gallons

3. Service to Customers outside Municipality, Town of LUD limits

The Council of the Town of Morris may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town. 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.

4. Billings and Penalties

A late penalty charge of 1 ¼ % 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.

5. 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.

7. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$15.00 have been paid.

8. Outstanding Bills

Pursuant to Section 252 (2) of *The Municipal Act*, the amount of all outstanding charges for water and sewer services, including fines and penalties, 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. Hydrant Rentals

The Town will pay to the utility an annual rental of \$75.00 for each hydrant connected to the system.

10. 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.

11. 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.