

MANITOBA) Order No. 114/12
)
THE PUBLIC UTILITIES BOARD ACT) August 31 2012

BEFORE: Susan Proven, P.H.Ec, Acting Chair
Raymond Lafond, B.A., C.M.A., F.C.A., Member

TOWN OF RIVERS
WATER AND SEWER UTILITY SYSTEM
DEFICIT APPROVAL AND
REVISED WATER AND SEWER RATES
September 1, 2012

Summary

The Public Utilities Board (Board) hereby varies an application made by the Town of Rivers (Town) and approves revised water and sewer rates effective September 1, 2012 for the Water and Sewer Utility.

The current and revised commodity rates are noted below:

	Previous	Revised- September 1, 2012	Increase/ Decrease
Water- \$/1,000 gallons			
First 10,000 gal	\$6.83	\$8.75	28%
Next 130,000 gal	\$5.47	\$8.75	60%
Over 150,000 gal	\$4.33	\$8.75	102%
Sewer- \$/1,000 gallons	\$3.90	\$2.26	(42)%
Quarterly Service Charge	\$18.79	\$30.32	61%
Minimum Quarterly*	\$56.40	\$63.35	12%
Sewer Only Quarterly*	\$33.78	\$37.10	10%
Bulk Water- \$/1,000 gallons	\$7.00	\$12.05	72%
Reconnection	\$30.00	\$50.00	67%
Hydrant Rental Charge	\$100.00	\$125.00	25%

*Based on 3,000 gallons

The Board also approves the 2008, 2009 and 2011 Utility deficits and the Town's proposal to have these deficits absorbed within the Utility's operating surplus.

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

Introduction

The Town applied on February 13, 2012 for revised rates to be effective for 2012. The current rates were set in 2002.

A Public Notice of application was issued in April 2012 affording customers the opportunity to comment to both the Board and the Utility with respect to the proposed increases.

The Board has at its disposal two alternative processes to deal with rate applications. It may determine that an oral hearing is warranted or that a paper review process is sufficient. Based on customer response to the public Notice (three responses), the Board concluded that a paper review process, one which avoids the expense attendant to an oral hearing, was in the best interest of all concerned.

Background

The Utility currently services 503 customers, three of which receive only water services and three of which receive only sewer services. The system also services 31 fire hydrants. The Town expects the customer base to grow to 512 customers by 2014.

The water system was installed in 1961 with the various upgrades and additions over time, including a new subdivision installed in 2011. An engineering assessment of the public water system was completed in 2009 which contained recommendations for improvement; the Town advises all recommendations will have been addressed by the end of 2012.

The Town's unaccounted for water level is approximately 12%, slightly higher than the industry average of 10%. Council indicates that they are aware that the percentage is high but because of the location of the Town, it is difficult to find leaks; however, leaks are repaired as soon as discovered.

While the water system meets all current needs, the Town plans to upgrade its water treatment plant in 2014 at a cost of \$2,070,000. The Town expects to receive grant funding to partially fund this project with the remainder to be funded through debentures and reserves. Council also plans to build a new treated water reservoir at the cost of \$750,000 to be funded through debentures.

The sewer system was installed in 1961 and has seen various upgrades to keep the system up-to-date even with the new subdivision installed in 2011. The Town is in compliance with its environmental licensing requirements for wastewater discharge.

Lagoon access is permitted to three outside haulers who are required to pay tipping fees of \$40 per 1,800 gallons. The Town has planned for the construction of a new lagoon in 2013 at an estimated cost of \$1 million, again to be funded through a combination of capital grants, debentures and available reserves.

The Town advises that it has not secured grant funding for any of these projects and has indicated that it will not proceed until such funding is secured.

Application

The Town submitted its rate application on February 13, 2012 supported by a rate study prepared by the Town's consultant, Sensus Partnership, and accompanied by Water and Sewer Rate By-law number 02-2012.

The Town also submitted, in March 2012, an application for approval of an operating deficit for the year 2011 in the amount of \$27,094.70, supported by a Council Resolution to have the deficit recovered from the Utility's accumulated surplus. The amount was subsequently revised to \$37,186.27. The Town has also requested that deficits incurred in 2008 (\$6,139) and in 2009 (\$13,041) be approved and recovered in the same manner.

The rate study proposed the following rates:

	Current	Proposed
Water-\$/1,000 gallons		
First 10,000 gal	\$6.83	\$10.43
Next 130,000 gal	\$5.47	\$10.43
Over 150,000 gal	\$4.33	\$10.43
Sewer-\$/1,000 gallons	\$3.90	\$3.76
Quarterly Service Charge	\$18.79	\$30.32
Minimum Quarterly	\$56.40	\$64.90
Sewer Only Quarterly	\$33.78	\$35.21
Bulk Water-\$/1,000 gallons	\$7.00	\$10.50
Reconnection	\$30.00	\$50.00
Hydrant Rental Charge	\$100.00	\$125.00

The proposal includes the collapsing of the current three step rate into one rate, thereby encouraging water conservation.

The Town noted that the quarterly rate for sewer only customers is not based on average consumption as is normally the case. In the Town's view, the three customers involved do not have average volumes and that it would be unfair to charge them on that basis.

The proposed rates were developed based on the following expenditure forecasts:

	2010	2011	2012	2013	2014
Administration	58,412	60,700	62,500	64,587	66,951
Billing and collection		686	710	735	761
less: Penalties	2,444	2,700	2,700	2,700	2,700
Net revenue requirement general	55,968	58,686	60,510	62,622	65,012
Water					
Staffing	48,888	44,730	45,000	46,575	48,205
Purification and treatment	33,684	34,500	35,000	36,225	37,493
Transmission and Distribution	66,690	68,900	69,000	71,415	73,915
Other Water Supply Costs	16,157	18,408	25,000	25,875	26,781
Amortization/ depreciation	15,959	17,158	18,066	18,106	38,846
Interest on long term debt	-	-	-	-	40,000
Reserves	7,227	27,500	50,000	50,000	50,000
Contingency		7,908	7,928	7,946	28,668
Sub-total- water expenses	188,605	219,104	249,994	256,142	343,907
Revenue:					
Connection Revenue	330	150	250	250	250
Hydrant rentals	2,500	3,100	4,000	4,125	4,250
Investment Income	1,540	1,500	2,500	2,588	2,678
Amortization of capital grants	3,701	3,701	3,702	3,702	14,401
Taxation revenues		-	-	-	50,522
Other revenue	700	1,000		-	-
Total -rate revenue - water	8,771	9,451	10,452	10,665	72,101
Net revenue requirement- water	179,834	209,653	239,542	245,477	271,806

Sewer					
Staffing	5,432	4,970	5,000	5,175	5,356
Sewage Collection System	9,097	9,000	9,000	9,315	9,641
Sewage Lift Station	2,583	1,792	2,000	2,070	2,142
Amortization/ depreciation	11,596	13,019	13,910	23,910	33,910
Interest on long term debt	-	-	-	20,000	19,790
Reserves	7,227	27,500	50,000	50,000	50,000
Contingency		8,656	8,656	18,656	18,656
Total sewer expenses	35,935	64,937	88,566	129,126	139,496
Revenue					
Amortization of capital grants	3,217	3,217	3,217	8,218	8,218
Taxation revenues	-	-	-	25,261	25,261
Total non-rate revenue- sewer	3,217	3,217	3,217	33,479	33,479
Net revenue requirement - sewer	32,718	61,720	85,349	95,647	106,017

Council requested an annual provision for reserve contributions of \$100,000, split evenly between water and sewer, to build the fund in anticipation of capital projects.

Contingency provisions have been calculated on the basis of 1% of the capital cost of the plant.

The submission included a proposed shared cost allocation methodology for approval. In addition to direct labor and equipment costs allocated to the Utility, it is estimated that 2% of the indirect overhead costs of the Town should also be included in Utility rate requirements.

Customer concerns

Three customers wrote to the Board expressing concern over the proposed rates. Common to all was the concern that the Town has recently imposed other increases related to a new recreational facility, police service taxes, the garbage levy and an overall increase in property assessments.

They did not accept that water and sewer rates should be increased by the magnitude proposed in light of all these other increases.

Board Findings

The Board considered the concerns expressed by the three customers who took the time to provide their views to the Board. However, utilities must operate on a standalone basis. Under Manitoba law, they are not allowed to incur deficits without approval of the Public Utilities Board. This places an onus on the Board to approve rates which will support reasonable levels of expenditure. The fact that other community costs are rising is out of the control of this Board.

The Board has reviewed the revenue requirements proposed by the Town and has made the following amendments.

The provision for contributions to reserves has been reduced from \$100,000 per year to \$20,000 per year. Reserves are generally not intended to fund major projects as proposed by the Town. Building these requirements into reserve provisions places an unfair burden on current ratepayers who would effectively be paying for capital projects which should be supported over time by the ratepayers that will benefit from those projects. Major capital projects are more appropriately funded through borrowings.

Given the current uncertainty concerning these capital projects, including the ability to secure cost-sharing grants, the Board will require that the Town return with a revised rate

application for 2015, at which time there will be more certainty with respect to project costs and funding.

The Board has also reduced the contingency provisions. While it recognizes that those contingencies were calculated in accordance with Board guidelines, being 1% of the capital cost of the plant, the guidelines also suggest that, where the infrastructure is relatively new, contingency provisions should be amended downward to reflect the fact that new infrastructure will not usually attract unexpected repair costs, such unexpected costs being the basis of contingency provisions.

The Board has also amended the proposed bulk water rates in accordance with Board guidelines, which suggest that administrative costs be added to water costs to calculate the bulk rate. The Board does note that this has no immediate revenue impact, since the Town currently projects no bulk water revenue.

The Board supports efforts to encourage conservation and will therefore approve the elimination of the three step rate, collapsing it to one step as proposed by the Town.

The Board will approve the shared cost allocation methodology as proposed, and reminds the Town that this methodology must be used consistently in the future. Proposed amendments must be submitted to and approved by the Board.

Finally, the Board will approve the deficits for 2008, 2009 and 2011 to be absorbed within the Utility's operating surplus.

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 Rivers' water and sewer Utility, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED with revised rates effective September 1, 2012.
2. The Town of Rivers amend its water and sewer rate By-law to reflect the decisions in this Order and submit a copy to the Board once it has received third and final reading.
3. The cost allocation methodology for shared services and equipment as submitted by the Town of Rivers BE AND IS HEREBY APPROVED.
4. The operating deficits were 2008, 2009 and 2011 BE AND ARE HEREBY APPROVED to be absorbed within the Utility's fund surplus.
5. The Town of Rivers submit an application for revised rates effective January 1, 2015 by no later than July 31, 2014.
6. The Town advise customers of these revised rates in the next quarterly billing.

Fees payable upon this Order \$500.00

THE PUBLIC UTILITIES BOARD

"Susan Proven, P.H.Ec"
Acting Chair

"Kurt Simonsen, P.Eng"
Acting Secretary

Certified a true copy of
Order No. 114/12 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE "A"

TOWN OF RIVERS

WATER & SEWER UTILITY RATES

1. **COMMODITY RATES (per1,000 gallons):**

Effective September 1, 2012

WATER	SEWER	COMBINED
\$8.75	\$2.26	\$11.01

2. **MINIMUM QUARTERLY RATES:**

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:**

Effective September 1, 2012:

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Water	Sewer	Minimum Quarterly Charges
3/4	1	3,000	\$30.32	\$26.25	\$6.78	\$63.35
1	2	6,000	\$30.32	\$52.50	\$13.56	\$96.38
2	12.5	37,500	\$30.32	\$328.13	\$84.75	\$443.20
3	22.5	67,500	\$30.32	\$590.63	\$152.55	\$773.50
4	45	135,000	\$30.32	\$1,181.25	\$305.10	\$1,516.67

b) **WATER ONLY CUSTOMERS:**

The minimum charge will be the same for each meter size as shown above but the Sewer Commodity Charge will be excluded.

c) **SEWER ONLY FOR RESIDENTIAL CUSTOMERS:**

The Town of Rivers will charge a flat rate quarterly amount of \$35.21 to the owners or occupants of land services with sewer but no water.

3. **BULK SALES:**

All water sold in bulk by the Town of Rivers will be charged at the rate of \$12.05 per 1,000 gallons on a pro-rated basis for all quantities greater than 500 gallons. For any quantity of 500 gallons or less, the minimum charge will be \$6.05.

4. **SERVICE TO CUSTOMERS OUTSIDE TOWN LIMITS:**

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

5. **BILLINGS AND PENALTIES:**

Accounts shall be billed quarterly and the due date shall be at least 14 days after the mailing of the bills.

A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

6. **DISCONNECTION:**

The Public Utilities Board has approved the Conditions Precedent to be followed by the Town 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 Town'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 \$50.00 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 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 CHARGES:**

The Town of Rivers shall pay to the Utility an annual hydrant charge of \$125 .00 for each hydrant connected to the System. In addition, the Town of Rivers will pay for water used for firefighting.

10. **WATER ALLOWANCE DUE TO LINE FREEZING:**

Where, at the request of Council, a customer is allowed to run water 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 billings for the last two quarters for the same customer, or the same premises if the occupant has changed.

11. **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.