

M A N I T O B A) Order No. 121/13
)
THE PUBLIC UTILITIES BOARD ACT) October 11, 2013

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

TOWN OF BIRTLE
WATER AND SEWER RATES
2013, 2014 and 2015

Summary

The Public Utilities Board (Board) hereby approves revised water and sewer rates for the Town of Birtle (Town) water and sewer utility (Utility). The new rates are effective October 1, 2013 and January 1, 2014 and 2015.

The current rates, as established under Order No. 57/12, and revised rates are noted below:

	Current	2013	2014	2015
Customer Service Charge	\$24.75	\$15.40	\$15.90	\$16.45
Water \$/REU	\$125.00	\$141.80	\$145.25	\$148.75
Sewer \$/REU	\$27.00	\$24.15	\$24.65	\$25.15
Minimum Quarterly Charge	\$176.70	\$181.35	\$185.80	\$190.35
Reconnection Fee	\$50.00	\$50.00	\$50.00	\$50.00
Bulk Sales (Within the LUD) \$/1,000 gallons	n/a	\$10.00	\$10.00	\$10.00
Bulk Sales (Outside the LUD) \$/1,000 gallons	n/a	\$13.00	\$13.00	\$13.00
Annual Hydrant Rental	\$100.00	\$100.00	\$100.00	\$100.00
(REU - Residential Equivalency Unit)				

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

Introduction

The Town submitted an application for revised water and sewer rates on October 16, 2012. Rates were last set May 7, 2012 by Board Order No. 57/12.

A Public Notice of Application was issued on October 23, 2012 affording customers the opportunity to comment to both the Board 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 public hearing is warranted or that a paper review process is sufficient.

In the case of the Town of Birtle, no stakeholder responses were received. 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.

Although the current rates were set after the implementation of Public Sector Board Accounting (PSAB) standards, the Town's audited financial statements for 2009 were not yet available when the rate application was filed in April 2010. When issuing Order No. 57/12, the Board had reason to be concerned that the rates would be inadequate once the effects of PSAB were fully realized. Therefore, the Board ordered a rate review to be submitted by the Town no later than September 30, 2012.

Background

The Town's Water and Sewer Utility serves 291 customers, up from 284 in 2010. The Town advises that the number of Residential Equivalency Units (REUs) assigned has increased from 291 in 2010 to 408, one REU being the volume of water estimated to be used by the average single family residence. Units allocated to other customers are based on estimated water they will use, as compared with a residence. REUs are used in communities with unmetered distribution and collection systems, where information regarding actual consumption is unavailable.

The increase in REUs assigned can be attributed to the Town conducting a review of the REU assignments, new housing starts and some vacant homes becoming occupied. It is also noted that the REU amounts used in 2010 were understated.

The system was constructed in the 1950's, with its water and sewer main upgraded during the 1970's, 80's and 90's. The mains along Birtle's Main Street are reportedly in need of upgrading.

The Town obtains its water from wells. Raw water is filtered, chlorinated and stored in a treated water reservoir. The Town's water system underwent an engineering assessment in 2009. That report indicated that most of the system's problems have been addressed, and that the existing water treatment plant and reservoir equipment is functional.

As the Town is located in a valley, a booster station is required to serve customers at higher elevations; the Town operates two booster stations, one being for stand-by purposes only.

The Town's two-cell lagoon was last cleaned in the 1999; effluent is discharged into the Birdtail Creek pursuant to the Town's Environmental License. The Town also operates one lift station as part of the wastewater collection system.

The Town advises that 2012 was an aggressive year with respect to capital improvements and other operating items including the following:

- Pump purchases of \$3,415 and \$2,925
- Water line extension to Manitoba Infrastructure and Transportation (MIT) yard including the installation of a further fire hydrant co-shared with MIT with the Town's portion being \$35,351 (to be paid from the Utility Operating Fund)
- Asset Management Plan \$8,500 to be shared 50/50 with the Manitoba Water Services Board
- Upgrade to booster station \$15,292 (to date in 2012)
- Looping \$50,000 (planned)
- Well inspection \$9,778
- Extension to Birtle Riverside Campground and Park (no costs noted)

Future capital plans include the installation of meters, curb stops and shut off valves; the upgrade of the water treatment plant and water line replacement on Main Street between 10th and 11th and Center Street and 10th; and repairs to fire hydrants.

Application

The Town filed its application on October 16, 2012, accompanied by a copy of By-law No. 2012-02, which had first reading on October 9, 2012, and a rate study prepared by the Town's consultant.

Audited financial statements for 2011 were not available at the time that the rate study was prepared. The Town submitted draft 2011 financial statements in August of 2013, with a note from the Town that they anticipated changes to the statements prior to final approval. Final 2011 audited financial statements have not been provided to the Board.

The Utility, with existing rates, has been able to meet operating costs even with significant capital upgrades. The existing rates have reportedly performed well. Although costs have increased, with the correction to the number of REUs assigned to ratepayers, the Town has been able to keep the proposed rate increases minimal.

The rates proposed were based on the following budgeted revenue requirements:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Expenses			
Administration	20,000	20,600	21,218
Billing and collection		-	-
Total general expenses	20,000	20,600	21,218
Revenue:			
Penalties	2,100	2,100	2,100
Total general revenue	2,100	2,100	2,100
Net revenue general	17,900	18,500	19,118
Water Expenses:			
Staffing	65,000	66,950	68,959
Purification and treatment	18,000	18,540	19,096
Service of Supply	90,000	92,700	95,481
Transmission and Distribution	20,000	20,600	21,218
Other Water Supply Costs	12,000	12,360	12,731
Fuel	3,800	3,914	4,031
Amortization	21,233	21,233	21,233
Interest on long term debt	7,297	6,643	5,955
Reserves	8,000	8,000	8,000
Insurance	1,300	1,300	1,300
Contingency	10,000	10,000	10,000
Sub-total- water expenses	256,630	262,240	268,004
Revenue:			
Hydrant rentals	3,700	3,700	3,700
Investment Income	700	700	700
Taxation revenues	19,326	19,326	19,326
Other revenue	1,500	1,500	1,500
Total non-rate revenue - water	25,226	25,226	25,226
Net rate revenue - water	231,404	237,014	242,778
Sewer Expenses:			
Sewage Collection System	8,000	8,240	8,487
Sewage Lift Station	18,000	18,540	19,096
Sewage Treatment and Disposal	600	618	637
Amortization	5,300	5,300	5,300
Reserves	4,000	4,000	4,000
Rebates	500	500	500
Contingency	3,000	3,000	3,000
Total sewer expenses	39,400	40,198	41,020
Total non-rate revenue- sewer	-	-	-
Net rate revenue - sewer	39,400	40,198	41,020

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. The Town had a cost allocation methodology approved on Order No. 57/12, and submitted the following revised cost allocation methodology for approval with the new rate application.

<u>Shared Duties</u>	<u>Allocator</u>
CAO	8% of salary
Administrative assistant	10% of salary
Financial Assistant	8% of salary
Audit	15% of costs

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.

The Town's working capital surplus is compliant with Board requirements at December 31, 2011:

	2011 (draft)
Fund surplus	333,936
Deduct Tangible capital assets	394,758
Add long-term debt	152,938
Add reserves	148,512
Working capital surplus (deficit)	240,628
20% of total expenses for 2011	44,982

Board Findings

The Board will approve the application made by the Town for revised water and sewer rates for 2013, 2014 and 2015.

The Board will approve the revised 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 Birtle is required to submit a copy of its 2011 and 2012 audited financial statements to the Board as soon as they are available.

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 Birtle BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective October 1, 2013, January 1, 2014 and 2015.
2. The Town of Birtle shall submit a certified copy of its water and sewer By-law attached once it has received third and final reading.
3. The revised cost allocation methodology proposed by the Town of Birtle BE AND IS HEREBY APPROVED.
4. The Town of Birtle submit a copy of its 2011 and 2012 audited financial statements to the Board as soon as they are available.
5. The Town of Birtle 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

Certified a true copy of Order No.
121/13 issued by The Public
Utilities Board

Acting Secretary

Schedule "A"
TOWN OF BIRTLE
WATER AND SEWER RATES
BY-LAW NO. 2012-02

1. Annual Customer Service Charge will be:

\$ 61.60 in 2013;

\$ 63.60 in 2014;

\$ 65.80 in 2015

2. Residential Equivalent Units:

Residential Equivalent Unit (REU) Per Quarter:

For 2013

REU	Customer Service Charge	Water Charge	Sewer Charge	Total Quarterly Charge
1	\$15.40	\$141.80	\$24.15	\$181.35
1.5	\$15.40	\$212.70	\$36.23	\$264.33
2	\$15.40	\$283.60	\$48.30	\$347.30
3	\$15.40	\$425.40	\$72.45	\$513.25
4	\$15.40	\$567.20	\$96.60	\$679.20
5	\$15.40	\$709.00	\$120.75	\$845.15
6	\$15.40	\$850.80	\$144.90	\$1,011.10
7	\$15.40	\$992.60	\$169.05	\$1,177.05
8	\$15.40	\$1,134.40	\$193.20	\$1,343.00
9	\$15.40	\$1,276.20	\$217.35	\$1,508.95
10	\$15.40	\$1,418.00	\$241.50	\$1,674.90
11	\$15.40	\$1,559.80	\$265.65	\$1,840.85
12	\$15.40	\$1,701.60	\$289.80	\$2,006.80
15	\$15.40	\$2,127.00	\$362.25	\$2,504.65
25	\$15.40	\$3,545.00	\$603.75	\$4,164.15
30	\$15.40	\$4,254.00	\$724.50	\$4,993.90
35	\$15.40	\$4,963.00	\$845.25	\$5,823.65

**Residential Equivalent Unit (REU) Per Quarter:
For 2014**

REU	Customer Service Charge	Water Charge	Sewer Charge	Total Quarterly Charge
1	\$15.90	\$145.25	\$24.65	\$185.80
1.5	\$15.90	\$217.87	\$36.98	\$270.75
2	\$15.90	\$290.50	\$49.30	\$355.70
3	\$15.90	\$435.75	\$73.95	\$525.60
4	\$15.90	\$581.00	\$98.60	\$695.50
5	\$15.90	\$726.25	\$123.25	\$865.40
6	\$15.90	\$871.50	\$147.90	\$1,035.30
7	\$15.90	\$1,016.75	\$172.55	\$1,205.20
8	\$15.90	\$1,162.00	\$197.20	\$1,375.10
9	\$15.90	\$1,307.25	\$221.85	\$1,545.00
10	\$15.90	\$1,452.50	\$246.50	\$1,714.90
11	\$15.90	\$1,597.75	\$271.15	\$1,884.80
12	\$15.90	\$1,743.00	\$295.80	\$2,054.70
15	\$15.90	\$2,178.75	\$369.75	\$2,564.40
25	\$15.90	\$3,631.25	\$616.25	\$4,263.40
30	\$15.90	\$5,083.75	\$739.50	\$5,112.90
35	\$15.90	\$5,083.75	\$862.75	\$5,962.40

**Residential Equivalent Unit (REU) Per Quarter:
For 2015**

REU	Customer Service Charge	Water Charge	Sewer Charge	Total Quarterly Charge
1	\$16.45	\$148.75	\$25.15	\$190.35
1.5	\$16.45	\$223.12	\$37.73	\$277.30
2	\$16.45	\$297.50	\$50.30	\$364.25
3	\$16.45	\$446.25	\$75.45	\$538.15
4	\$16.45	\$595.00	\$100.60	\$712.05
5	\$16.45	\$743.75	\$125.75	\$885.95
6	\$16.45	\$892.50	\$150.90	\$1,059.85
7	\$16.45	\$1,041.25	\$176.05	\$1,233.75
8	\$16.45	\$1,190.00	\$201.20	\$1,407.65
9	\$16.45	\$1,338.75	\$226.35	\$1,581.55
10	\$16.45	\$1,487.50	\$251.50	\$1,755.45

11	\$16.45	\$1,636.25	\$276.65	\$1,929.35
12	\$16.45	\$1,785.00	\$301.80	\$2,103.25
15	\$16.45	\$2,231.25	\$377.25	\$2,624.95
25	\$16.45	\$3,718.75	\$628.75	\$4,363.95
30	\$16.45	\$4,462.50	\$754.50	\$5,233.45
35	\$16.45	\$5,206.25	\$880.25	\$6,102.95

3. Invoicing:

Invoices for accounts shall be issued the second month in each quarter, and shall be due and payable 15 days after the invoice date. Where water is turned on for a customer, the invoice shall be issued at the beginning of the next month and shall cover services from that time to the end of the quarter.

4. Late Payment Charge:

A late payment charge of 1¼% shall be charged on the dollar amount owing after the billing due date.

5. Disconnection for non-payment:

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.

6. Service to Customers outside Town limits:

The Council of the Town of Birtle may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town of Birtle. 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 connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

7. Hydrant Rentals

The Town of Birtle will pay to the utility an annual rental of \$100.00 for each hydrant connected to the system, which includes the cost of water, used for fire fighting and line flushing.

8. Disconnection and Reconnection Charges:

The charge for the disconnection and/or reconnection of service whether at the customer's request or because of disconnection for non-payment is \$50.00 per disconnection or reconnection.

9. Turn-on and turn-off Charges:

Water turned off for repairs and on again at the request of the customer shall have a charge of \$25.00 for services.

10. Outstanding Bills:

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water and sewer service 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.

11. Valve:

Property owners are required to install and operate a suitable valve or other mechanical device for shutting off or controlling the water connection in the cellar or basement of the owner's dwelling unit.

12. Bulk Sales:

The charge for bulk sales for customers *within the local urban district* shall be \$ 10.00 per 4550 litres/1000 gal. or \$1.00 per 455-litres/100 gal. The charge to customers *outside the local urban district* shall be \$13.00 per 4550 litres/1000 gal or \$ 1.30 per 455 litres/100 gal.

13. 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.