

MANITOBA) Order No. 137/14
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THE PUBLIC UTILITIES BOARD ACT) December 8, 2014

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

TOWN OF GILBERT PLAINS
WATER AND SEWER UTILITY
FINAL WATER and SEWER RATES
2015, 2016 and 2017

Summary

By this Order the Public Utilities Board (Board) hereby varies the application for revised water and sewer rates for 2015, 2016 and 2017 for the Town of Gilbert Plains Water and Sewer Utility (Utility). The Board also confirms as final the 2014 rates as previously established on an interim *ex parte* basis on December 2, 2013 by Board Order No. 143/13.

The rates are to be effective April 1, 2015, 2016 and 2017.

The approved rates are shown below.

	Interim rates effective Jan 1, 2014	2015	Increase/Decrease	2016	Increase/Decrease	2017	Increase/Decrease
Quarterly Service Charge	\$20.00	\$21.95	9.74%	\$22.60	2.95%	\$23.30	3.09%
Water \$/1,000 gallons	\$20.00	\$20.00	-0.02%	\$20.40	2.04%	\$20.90	2.45%
Sewer \$/1,000 gallons	\$2.90	\$3.10	6.76%	\$3.15	1.68%	\$3.20	1.69%
Minimum Quarterly Water and Sewer*	\$88.70	\$91.23	2.85%	\$93.25	2.22%	\$95.61	2.53%
Bulk Water \$/1,000 gallons**	\$20.00	\$20.00	0.00%	\$20.40	2.02%	\$20.90	2.45%
Hydrant rental charge	\$75.00	\$75.00	0.00%	\$75.00	0.00%	\$75.00	0.00%
Reconnection Fee	\$35.00	\$35.00	0.00%	\$35.00	0.00%	\$35.00	0.00%

*Based on 3,000 gallons

**Minimum charge \$1.00 per 50 gallons

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

Background

The Town of Gilbert Plains (Town) operates a water and sewer utility serving approximately 420 customers.

The initial water and sewer system was constructed in the mid-1960's. In 2008, the Town began discussions with the Town of Grandview, the Rural Municipality of Gilbert Plains and the Manitoba Water Services Board (MWSB) to determine the practicability of a regional water treatment plant.

The G3 Water Co-operative Inc (G3) was formed. Under the arrangement, the MWSB constructed and operates G3, which then supplies the three Utilities with water at a wholesale rate which is set to recover the cost of operating the new plant and to build a reserve. Ownership will transfer from MWSB to G3 once the financing costs are recovered by the MWSB.

The water is generated at G3, delivered via a water pipeline, arrives in the Town of Gilbert Plains Reservoir and finally to individual households.

The majority of the water and sewer lines are asbestos cement and cast iron, with some Oplastic lines. There has been a consistent effort to replace the oldest utility line on the south side of Town since 2009.

The Town operates a 3-cell lagoon which was upgraded in 1990. The Town operates two lift stations built in 1963. Discharges are made into the Valley River twice per year in accordance with the Town's Environmental License.

There is currently one hauler bringing septage into the lagoon, and the Town charges a fee of \$50 per year for access to the lagoon. The Town's lagoon capacity will meet the need for the near future, it's anticipated that the lagoon will require desludging in approximately seven years.

Application

The Town of Gilbert Plains (Town) applied in September 2013 for revised water and sewer rates for the Utility. The application was accompanied by a rate study prepared by the Town and By-law No.2013-06, read for the first time on June 11, 2013.

When reviewing an application, the Board has at its disposal several approaches. It can hold a public oral hearing at which the applicant can present its case and customers can present their concerns. In other cases, where it is deemed to be in the best interest of the Utility and its customers, the Board may review the application using a paper review process. In some cases, the Board can also establish interim *ex parte* rates, which are rates that are subject to review following a more complete process.

On November 18, 2013, the Town requested that the Board consider approving the rates as applied for on an interim *ex parte* basis, effective October 1, 2013. The Town advised that if the current utility rates were to continue into 2014, a deficit would likely be the result.

The Board, which had not yet had the opportunity to review the details of the submission, determined that an interim rate was in order. The Board approved rates on an interim *ex parte* basis in Board Order No. 143/13, issued on December 2, 2013 with an effective date of January 1, 2014.

This interim approval was subject to variation upon completion of a more detailed review. The process included a requirement that a Notice of Application providing details of the proposed increase be made in compliance with the Board's Rules of Practice and Procedure. This was done in September 2013 and no responses were received. This Order is the result of the completion of the detailed review.

Working capital surplus

Board Order No. 93/09 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.

As per the draft 2013 audited financial statements, the most recent information available, the working capital surplus at December 31, 2013 was:

Fund surplus	\$1,161,470
Deduct tangible capital assets	\$2,151,925
Add long term debt	\$1,042,969
Add utility reserves	\$ 161,791
Working capital surplus	\$ 214,305
Operating expenses for prior year	\$ 254,486
Working capital surplus over operating expenses for prior year	84%

Budgeted expenditures

Following requests from the Board, the Town provided the following budgeted expenditures for 2015, 2016 and 2017.

SCHEDULE OF UTILITY RATE REQUIREMENTS			
Projected for the rate year(s)	2015	2016	2017
General			
<i>Expenses:</i>			
Administration (building, office, staff, etc.)	39,140	40,314	41,524
Billing and collection		-	-
	39,140	40,314	41,524
<i>Revenue:</i>			
Surcharges	-	-	-
Service charges	1,030	1,061	1,093
Penalties	1,236	1,273	1,311
	2,266	2,334	2,404
General net revenue requirement	36,874	37,980	39,120
Water			
<i>Expenses:</i>			
Staffing			
Purification and treatment	56,650	58,350	60,100
Water purchases	77,250	79,568	81,955
Transmission and Distribution	36,050	37,132	38,245
Amortization/ depreciation	52,672	52,672	52,672
Reserves	14,000	14,000	15,000
Minor capital upgrades	20,000	20,000	20,000
Contingency	28,000	28,000	28,000
	284,622	289,721	295,972
<i>Revenue:</i>			
Connection Revenue	1,500	1,500	1,500
Hydrant rentals	3,675	3,675	3,675
Investment Income	200	206	212
Amortization of capital grants	29,416	29,416	29,416
	34,791	34,797	34,803
Water net revenue requirement	249,831	254,924	261,169

SCHEDULE OF UTILITY RATE REQUIREMENTS			
Projected for the rate year(s)	2015	2016	2017
Sewer			
<i>Expenses:</i>			
Sewage Collection System	1,000	1,030	1,061
Sewage Lift Station	4,000	4,120	4,244
Sewage Treatment and Disposal	11,000	11,330	11,670
Other Sewage Collection & Disposal Costs	750	773	796
Amortization/ depreciation	4,454	4,454	4,454
Reserves	6,000	6,000	6,000
Contingency	10,000	10,000	10,000
	37,204	37,707	38,224
<i>Revenue</i>			
Lagoon Tipping Fees	50	50	50
	50	50	50
Sewer net rate revenue	37,154	37,657	38,174

Cost allocation policy

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. The Town had a Cost Allocation Methodology approved on Order No. 136/11, and stated in this review that it remains adequate.

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

Board Findings

The Board will vary the rates applied for from a single year increase to an increase annually until 2017.

The Board also confirms as final water and sewer rates for 2014 previously established on an interim *ex parte* basis by Board Order No. 143/13.

The Board asked a number of questions requiring separate submission, and would like to thank the Town staff for working diligently to resolve the outstanding issues.

The Board expressed concern to the Town regarding the volume of reserves and working capital surplus, which are in excess of Board recommended levels. The Town advised the Board of a number of projects that will require the reserve funds, and the Board anticipates that future submissions from the Town will show that these levels were just and reasonable.

The Board is also concerned about the Town not charging tipping fees to the hauler. The effect of this is that the connected users of the sewer system are cross subsidizing the sewage treatment of the residents who are having their waste hauled into the lagoon. The Town advised that the annual volumes being brought into the lagoon by the hauler were minimal (156,500 gallons total) and that the Town considered the overall impact. They found that the service provided by the hauler provided enough of a benefit that the Town would consider the \$50 per year adequate.

The Board recommends the Town monitor any outside hauling into the lagoon to ensure that the volumes being reported are accurate, to continually ensure that all rates charged are just and reasonable, and to avoid cross subsidization where it is feasible to do so.

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.

SCHEDULE "A"
TO BOARD ORDER NO. 137/14
SCHEDULE "A"
THE TOWN OF GILBERT PLAINS
WATER AND SEWER RATES

SCHEDULE OF QUARTERLY RATES:
April 1, 2015

1. Commodity Rates per 1,000 Imperial Gallons

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic /Single Step Rate per Quarter	\$20.00	\$3.10	\$23.10

2. Minimum Charges, Quarterly

Notwithstanding the commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charge set out below, which will include a single step rate with a minimum quarterly charge of 3,000 gallons.

(a) Water and Sewer Customers

Meter Size	Consumption (gallons)	Service Charge	Commodity Rates		Minimum Quarterly Charges
			Water	Sewer	
5/8" (16mm)	3,000	21.95	60.00	9.30	91.25
3/4" (19mm)	6,000	21.95	120.00	18.60	160.55
1" (25mm)	12,000	21.95	240.00	37.20	299.15
1 1/2" (38mm)	30,000	21.95	600.00	93.00	714.95
2 " (50mm)	75,000	21.95	1,500.00	232.50	1,754.45
4" (100mm)	270,000	21.95	5,400.00	837.00	6,258.95

(b) Water Only Customers

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

3. Bulk Sales Rate

All water sold in bulk by The Town of Gilbert Plains shall be charged for at the rate of \$20.00 per 1,000 gallons with minimum charge of \$1.00 per 50 gallons.

SCHEDULE OF QUARTERLY RATES:

April 1, 2016

4. Commodity Rates per 1,000 Imperial Gallons

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic /Single Step Rate per Quarter	\$20.40	\$3.15	\$23.55

5. Minimum Charges, Quarterly

Notwithstanding the commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charge set out below, which will include a single step rate with a minimum quarterly charge of 3,000 gallons.

(a) Water and Sewer Customers

Meter Size	Consumption (gallons)	Service Charge	Commodity Rates		Minimum Quarterly Charges
			Water	Sewer	
5/8" (16mm)	3,000	22.60	61.20	9.45	93.25
3/4" (19mm)	6,000	22.60	122.40	18.90	163.90
1" (25mm)	12,000	22.60	244.80	37.80	305.20
1 1/2" (38mm)	30,000	22.60	612.00	94.50	729.10
2 " (50mm)	75,000	22.60	1,530.00	236.25	1,788.85
4" (100mm)	270,000	22.60	5,508.00	850.50	6,381.10

(b) Water Only Customers

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

6. Bulk Sales Rate

All water sold in bulk by The Town of Gilbert Plains shall be charged for at the rate of \$20.40 per 1,000 gallons with minimum charge of \$1.00 per 50 gallons.

SCHEDULE OF QUARTERLY RATES:

April 1, 2017

7. Commodity Rates per 1,000 Imperial Gallons

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic /Single Step Rate per Quarter	\$20.90	\$3.20	\$24.10

8. Minimum Charges, Quarterly

Notwithstanding the commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charge set out below, which will include a single step rate with a minimum quarterly charge of 3,000 gallons.

(a) Water and Sewer Customers

Meter Size	Consumption (gallons)	Service Charge	Commodity Rates		Minimum Quarterly Charges
			Water	Sewer	
5/8" (16mm)	3,000	23.30	62.70	9.60	95.60
3/4" (19mm)	6,000	23.30	125.40	19.20	167.90
1" (25mm)	12,000	23.30	250.80	38.40	312.50
1 1/2" (38mm)	30,000	23.30	627.00	96.00	746.30
2 " (50mm)	75,000	23.30	1,567.50	240.00	1,830.80
4" (100mm)	270,000	23.30	5,643.00	864.00	6,530.30

(b) Water Only Customers

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

9. Bulk Sales Rate

All water sold in bulk by The Town of Gilbert Plains shall be charged for at the rate of \$20.90 per 1,000 gallons with minimum charge of \$1.00 per 50 gallons.

CLAUSES 10 TO 15 COME INTO EFFECT APRIL 1, 2015

10. Service To Customers outside Town Limits

The Council of The Town of Gilbert Plains 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 the 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 those boundaries. In addition, all cost of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

11. Billing And Penalties

Accounts shall be billed quarterly, and shall be due and payable 14 days after date of billing. A penalty of 1 ¼ % of the amount of the bill shall be added if not paid by the due date.

12. Disconnection –By-law

The Public Utilities Board has approved 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 Municipal Office.

13. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and reconnection fee of \$35.00 have been paid. Any customer wishing to have billing disconnected due to vacancy of premises shall be required to have service disconnected and to pay \$35.00 reconnection fee when service resumes.

14. Outstanding Bills

Pursuant to section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water and sewer service may be collected by the municipality in the same manner as a tax may be collected or enforced under this Act.

15. Hydrant Rentals

The Town will pay to the Utility an annual rental of \$75 for each hydrant connected to the system which includes the cost of water.