

M A N I T O B A) Order No. 113/11
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THE PUBLIC UTILITIES BOARD ACT) September 6, 2011

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

TOWN OF MANITOU
FINAL WATER AND SEWER RATES
FOR 2011 AND 2012

Executive Summary

By this Order, the Public Utilities Board (Board) confirms previously approved interim rates for 2011 and provides approval of water and sewer rates for the Town of Manitou (Town) for 2012 as follows:

Commodity Rate \$/1,000 gallons	Previous	2011	2012
Water	\$ 7.90	\$12.60	\$14.90
Sewer	\$ 3.10	\$ 5.80	\$ 7.15
Quarterly Service Charge	\$ 5.25	\$ 9.00	\$10.85
Residential Minimum Quarterly*	\$38.25	\$64.20	\$77.00
Bulk Water	\$ 9.00	\$15.75	\$15.75

*Includes 3,000 gallons

Further details of other rates and charges can be found on the attached Schedule "A".

Introduction

The Town applied for revised water and sewer rates as set out in By-law No. 10/2010, read the first time on November 15, 2010. The application was supported by a rate study.

The Board reviewed the proposed revised rates and, by way of an *ex parte* process (without prior public notice and a public hearing), provided interim approval in Order No. 17/11, having found the proposal to be reasonable. However, the Board reserved judgment on rates for 2012 pending a public hearing.

That hearing was held in the Council Chambers in the Town of Manitou on August 10, 2011, following issuance of Public Notice by the Town. Besides Council and staff, no customers of the utility attended the hearing.

Background

Deficits

Rates were last reviewed by the Board in 2007. Since then the Utility incurred deficits in 2007, 2008 and 2009, and budgeted for a \$40,000 deficit in 2010. The Board approved the 2007 deficit to be recovered from rates over 3 years; the 2008 deficit falls below the Board's guidelines as set out in Order 151/08 and no approval is required; and provided conditional approval for the expected 2010 deficit. An application has yet to be made to address the 2009 deficit, pending final confirmation, as audited financial statements are not yet available as at the date of this order.

Water & Sewer System

The Town's water and sewer system serves 51 commercial and 325 residential customers.

The water is supplied to the water treatment plant, constructed in 1963/64, from a reservoir which is fed by a spring as well as by run-off surface water. The main treatment process uses lime and soda ash to soften the water, as well as carbonation, disinfection, fluoridation and filtration. While the water currently meets drinking water standards, the Provincial office for Water Stewardship has put the Town on notice that it must act to meet regulatory standards for turbidity by 2012. The Town has recently received a quote of \$2 million for the system upgrade and is seeking sources of funding.

Unaccounted for water exceeds 20%, significantly higher than the industry norm of 10%. However, the Town believes that most of this is for use in filling the Town swimming pool and flushing lines,

with only minimal loss a result of breakage. Lines are replaced as breakage is identified.

The sewer system, also constructed in 1963/64, consists of four lift stations and a two cell lagoons expanded in 1996. It is considered adequate for needs in the immediate future.

The utility reports an accumulated surplus of \$34,227 and reserves of \$73,451. However, these are yet to be confirmed by audit.

Application

The Town applied for the following commodity rates:

Commodity Rate \$/1,000 gallons	2011	2012
Water	\$12.60	\$14.90
Sewer	\$5.80	\$7.15
Quarterly Service Charge	\$9.00	\$10.85

The proposed rates, if approved, would result in the following minimum quarterly charges:

2011

Meter size	Group Capacity Ratio	Water included (gallons)	Water Charge	Sewer Charge	Service Charge	Total Quarterly Minimum
5/8 "	1	3,000	\$37.80	\$17.40	\$9.00	\$64.20
3/4 "	2	6,000	\$75.60	\$34.80	\$9.00	\$119.40
1 "	4	12,000	\$151.20	\$69.60	\$9.00	\$229.80
1 1/2 "	10	30,000	\$378.00	\$174.00	\$9.00	\$561.00
2"	25	75,000	\$945.00	\$435.00	\$9.00	\$1,389.00

2012

Meter size	Group Capacity Ratio	Water included (gallons)	Water Charge	Sewer Charge	Service Charge	Total Quarterly Minimum
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5/8 "	1	3,000	\$44.70	\$21.45	\$10.85	\$77.00
3/4 "	2	6,000	\$89.40	\$42.90	\$10.85	\$143.15
1 "	4	12,000	\$178.80	\$85.80	\$10.85	\$275.45
1 1/2 "	10	30,000	\$447.00	\$214.50	\$10.85	\$672.35
2"	25	75,000	\$1,117.50	\$536.25	\$10.85	\$1,664.60

The application was based on the following projected expenses for 2010 and forecast to 2012:

	Estimated	
	2010	2012
General		
Expenses	\$10,000	\$16,974
Deficit Recovery (2010)		13,333
Equity Surcharge		8,852
Less Revenues	(500)	(500)
General Revenue Requirements	\$9,500	\$38,659
Water		
Expenses	\$151,650	\$172,726
Interest on long term debt	4,420	3,016
Amortization	14,426	14,426
Reserves/Contingency		6,300
Minor Capital		7,500
Less Revenues	(15,367)	(18,377)
Water Revenue Requirements	\$155,129	\$185,591
Sewer		
Expenses	\$46,800	\$55,809
Amortization	13,363	13,363
Reserves/Contingency		6,300
Interest on long term debt -		-
Minor Capital		7,500
Less Revenues		(700)
Sewer Revenue Requirements	\$60,163	\$82,272

The largest factors are the recovery of the projected 2010 deficit of \$40,000 (\$13,333 for three years), contingencies and reserve provisions, as well as an equity surcharge to augment the Utility's equity in anticipation of major capital expenditures. Operating expense increases are mainly attributable to salaries.

The Town assesses an annual \$250 lagoon tipping fee to septic haulers. There is currently no clause in their utility rates by-law, so the Town is seeking approval from the Board to include an appropriate clause.

Public Hearing

While there were no customers of the utility at the hearing, Council, their CAO, the consultant that completed the rate study and an observer from a neighbouring municipality were in attendance.

The Town discussed their application and noted they believe the 2010 deficit to be significantly less (by about 1/3) than the amount budgeted. The Town noted that the rates include recovery of the \$40,000 budgeted deficit in equal amounts over the next three years. The Town asked the Board to allow the \$13,333 to remain and once the 2010 deficit has been addressed the Town would like to use the extra revenues to begin systematic replacement of its water and sewer lines. The Town advised that 75% of the current system is original (from 1963/64).

The Town also noted that included in the rates is an \$8,852 equity surcharge. The Board requires an amount to be included in rates when the utility surplus (working capital surplus) is less than 20% of the annual operating expenses. In the initial calculations, the Town did not include its reserve fund as surplus. By including the reserve balance, the equity surcharge is not required.

However, the Town again asked the Board to consider retaining this amount, also to be used annually for water and sewer line replacement.

The Town advised that the proposed water treatment process upgrades required may have to proceed without senior government funding given

the Town's determination to continue with the safe provision of water. With the 2012 deadline quickly approaching, the Town may not be able to wait, and may proceed without funding.

The Town also advised that prior public meetings held with respect to its planned water treatment upgrades elicited no negative feedback from Town residents.

Board Findings

The Board is concerned over the inordinate length of time it is taking for the completion of audited statements for 2009 and 2010, with the former being over one year past due and the latter about two months late. These statements are critical not only for determining the deficits on the basis of generally accepted accounting principles, but also in assessing rate requirements.

Also of concern are the recurring deficits incurred by the Utility, reportedly large but based on unaudited results. The Board will direct that application be made for approval of audited deficits as soon as possible.

As to the operation of the Utility, it is evident that major rate increases are necessary to avoid repetition of deficits. While not the largest increases the Board has approved in recent years, a 70% hike in 2011 followed by another 20% the following year will be a rate shock to consumers. More regular rate reviews are essential to help avoid or at least minimize such large increases.

This concern is exacerbated by the rate requirements which will likely be generated by the upgrade being contemplated for the water treatment plant. There is also the uncertainty of the projected expenses because they are based on unaudited results.

The Board commends the Town on its initiative to hold public meetings with respect to its planned water treatment plant upgrades as well as the Town's intentions to proceed regardless of higher government funding. The Board will ask to Town to keep it apprised as plans progress.

The Board will acquiesce to the Town's request to allow the rates to generate extra revenues through the equity surcharge and the deficit recovery. This additional revenue should allow the Town to set in motion a plan to replace aged water and sewer lines before emergency repairs, which usually cost more, are needed. The Board will ask the Town to provide an update of its progress in its next submission.

The Board will provide final approval of the interim rates for 2011, set in Order 17/11, and will approve the revised rates for 2012. The Board will also approve the lagoon tipping fee, as noted herein, and the Town will need to amend its by-law to reflect this revision.

However, the Board will require the Utility to review its projections once the audited results are received and determine if an application for a rate increase will be required before 2013, factoring in the effects of an upgrade to the water treatment process, planned water and sewer line replacements and any other necessary capital plans which may evolve by that time.

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 utility rates for 2011 and 2012 for the Town of Manitou, as shown in the attached Schedule "A", ARE HEREBY APPROVED as final.
2. The Town of Manitou amends its utility rates by-law to include a clause for lagoon tipping fees as noted on the attached Schedule "A".
3. The Town of Manitou apply for approval of any deficits which may be revealed or confirmed by audit of the financial statements, and that said application be accompanied by the appropriate forms and Council resolution along with the audited financial statements, for 2009 and 2010.
4. The Town of Manitou review its financial projections based on audited results when received and prepare and file a rate application for revised rates for 2013, 2014 and 2015, on or before July 1, 2012.

Fees payable upon this Order - \$1,200.00

THE PUBLIC UTILITIES BOARD
"GRAHAM LANE, CA"
Chairman

"KRISTINE SHIELDS"
Acting Secretary

Certified a true copy of Order No.
113/11 issued by The Public Utilities
Board

Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 113/11

TOWN OF MANITOU

WATER AND SEWER RATES

1. (a) Commodity Rates per 1,000 Imperial Gallons effective for 2011:

<u>Water</u>	<u>Sewer</u>	<u>Total</u>
\$12.60	\$5.80	\$18.40

(b) Minimum Quarterly Charge:
Water and Sewer Customers

Meter Size	Group Capacity Ratio	Water Included Gallons	Water Charge	Sewer Charge	Service Charge	Total Quarterly Minimum
5/8"	1	3,000	\$37.80	\$17.40	\$9.00	\$64.20
3/4"	2	6,000	75.60	34.80	9.00	119.40
1"	4	12,000	151.20	69.60	9.00	229.80
1 1/2"	10	30,000	378.00	174.00	9.00	561.00
2"	25	75,000	945.00	435.00	9.00	1,389.00

(c) Bulk Rate:

All water sold in bulk by the Town of Manitou shall be charged for at a rate of \$15.75 M.G. for the first effective year.

(d) Lagoon Tipping Fees

Each septic wastewater contractor registered with the Town shall be charged a flat fee of \$250.00 annually for access to the Town's lagoon, to be paid by September 31st of each year.

2. (a) Commodity Rates per 1,000 Imperial Gallons effective January 1, 2012:

<u>Water</u>	<u>Sewer</u>	<u>Total</u>
\$14.90	\$7.15	\$22.05

(b) Minimum Quarterly Charge:
Water and Sewer Customers

Meter Size	Group Capacity Ratio	Water Included Gallons	Water Charge	Sewer Charge	Service Charge	Total Quarterly Minimum
5/8"	1	3,000	\$44.70	\$21.45	\$10.85	\$77.00
3/4"	2	6,000	89.40	42.90	10.85	143.15
1"	4	12,000	178.80	85.80	10.85	275.45
1 1/2"	10	30,000	447.00	214.50	10.85	672.35

2"	25	75,000	1,117.50	536.25	10.85	1,664.60
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(c) Bulk Rate:

All water sold in bulk by the Town of Manitou shall be charged for at a rate of \$15.75 M.G. for the years following the first.

(d) Lagoon Tipping Fees

Each septic wastewater contractor registered with the Town shall be charged a flat fee of \$250.00 annually for access to the Town's lagoon, to be paid by September 31st of each year.

3. Billing and Penalties:

All connected customers shall be billed quarterly and payment shall be due and payable at the last working day of that billed month. A late payment charge of 1¼% per month shall be charged on the dollar amount owing after the billing due date and a notice to this effect shall be clearly printed on all bills sent to customers.

4. Hydrant Rentals:

The Town of Manitou shall pay the utility an annual rental of \$100.00 for each hydrant connected to the system.

5. Discontinuation and Disconnection of Service:

The Public Utilities Board has approved the Conditions Precedent to be followed by the Town 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. 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 has been paid.

7. Liability for Charges:

Where charges and penalties pursuant to this by-law are not paid within ninety (90) days from the date when they were incurred; said charges and penalties may be added to the taxes on the property and collected in the same manner as other taxes as per authority of Section 252(2) of *The Municipal Act* of Manitoba.

8. Meter Inspections:

On an annual basis or on a schedule determined by the Town of Manitou, the customer will provide access to the Town meter reader to record the water meter reading and to inspect the meter. In the event that the customer is not home or does not grant access, the customer will be notified that they must arrange a time and date for an appointment with the water utility to have the meter reading recorded and inspected within 30 days of the water utility notice.

Failure to arrange and provide access to the water utility within 30 days of the notice will result in a \$50.00 fine. After a period of 60 days from the water utility notice and a failure to arrange and provide access to the water utility, the water service may be shut off. Any service that has been disconnected shall not be reconnected until all fines, penalties and the reconnection fee set out in section 6 have been paid.

9. Testing of Water Meters for Accuracy:

Any customer desiring and requesting their meter to be tested for accuracy shall deposit with the Town of Manitou the sum of \$50.00, which will be retained if the meter (when tested) shall be found to be within the allowable limits of variation for accuracy. If the meter is found to register in excess of the allowable limits, the deposit shall be refunded and the customer's account adjusted to reflect an accurate consumption. The allowable limit of variation shall be 4% of average flow.

10. Town to be Notified of Failure of Meter:

In the case of breakage, stoppage or irregularity in a water meter, the customer shall notify the Designated Officer immediately upon such condition being discovered. All installation, repair and disconnection of any water meter shall be performed only by those authorized to do such work by the Town of Manitou.

11. Tampering with Meter Forbidden:

In the event that the meter has been tampered with, the following charges and penalties will be an amount owing to the municipality and may be collected by the municipality in the same manner as a tax may be collected or enforced under *The Municipal Act*:

- (a) actual direct costs of enforcement accrued by the municipality in respect to time and other expenses of staff, and costs of court, legal and other related costs;
- (b) a fine of \$500.00 per occurrence, in accordance with Regulation 50/97 of the Municipal Act; and
- (c) costs of unmetered water and sewage treatment estimated by the Designated Officer based on account history.

12. Service to Customers outside the limits of the Town of Manitou:

The Council of the Town of Manitou 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 Sections 1 and 2 of 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 located within the town boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining the service connections shall be paid for by the customer.