

M A N I T O B A ) Order No. 14/12  
 )  
THE PUBLIC UTILITIES BOARD ACT ) January 31, 2012

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

THE TOWN OF ALTONA  
WATER AND SEWER RATES 2011, 2012 and 2013

**Summary**

The Public Utilities Board (Board) herein varies the application submitted by the Town of Altona (Town) for the years 2012 and 2013 and establishes revised water and sewer utility rates as shown below. The Board also confirms as final the 2011 rates as approved on an interim basis in Order No. 51/11, dated April 5, 2011.

The new rates for 2012 and 2013 will be effective January 1 of each year. The 2011 rates were effective April 1, 2011.

**Previous and revised rates:**

<b>Commodity Rate \$/1,000 gallons</b>	<b>Previous</b>	<b>Revised 2011</b>	<b>2012</b>	<b>2013</b>
Water				
First 500,000 gallons	\$11.66	\$11.57	\$10.75	\$11.40
Over 500,000 gallons	\$10.94	-		
Sewer				
First 500,000 gallons	\$2.57	\$3.83	\$6.35	\$6.25
Over 500,000 gallons	\$2.19	-		
Quarterly Service Charge	\$13.71	\$18.70	\$20.10	\$21.50
<b>Minimum Quarterly*</b>	<b>\$56.40</b>	<b>\$64.90</b>	<b>\$71.40</b>	<b>\$74.45</b>
<b>Sewer Only Quarterly</b>	<b>\$45.33</b>	<b>\$61.20</b>	<b>\$99.48**</b>	<b>\$99.63**</b>
Bulk Water	\$11.94	\$11.57	\$10.75	\$11.40
Hydrant Rental Charge	\$89.68	\$150.00	\$150.00	\$150.00

\* includes 3000 gallons

\*\* Based on 12,500 gallons

The Board also approves a number of other charges as detailed in Schedule "A" to this Order.

## **Introduction**

Prior to the interim approval for 2011, rates were last reviewed by the Board in 2008, although rates were subsequently increased in 2010 as a result of the passing through of an increase in the cost of water purchased from the Pembina Valley Water Cooperative.

The Town applied for revised rates for 2011, 2012 and 2013 on February 10, 2011. The Board provided approval, on an interim ex parte basis, until a complete review of the application was possible, including a public process whereby customers would be provided the opportunity to review and comment on the application. Interim ex parte rates are subject to change once a detailed review has been conducted.

The Board decided to proceed with a public hearing as the underlying utility cost had not received public scrutiny for a number of years, and the proposal included the elimination of declining block rates (high-volume discounts).

A Notice of Public Hearing was issued on June 20, 2011 and a public hearing was conducted on September 7, 2011 in the Council Chambers in the Town of Altona. Interested parties were encouraged to attend the Town offices to review the details of the application to determine the potential effects that the proposed rates might have on them.

## **Background**

The water and sewer utility was constructed circa 1960. The Town has a history of regular system maintenance of its utility infrastructure. To date, maintenance has been funded through reserves achieved through rate revenues.

### *The Water System*

The utility serves 1430 customers as well as the Town's 155 fire hydrants. All customers are metered, with approximately 65% of the water supply used for domestic purposes and the remainder by commercial customers.

The Town provides connected water services to several residents in the Village of Old Altona and provides lagoon services to some residents located in the RM of Rhineland.

The Town purchases water from the Pembina Valley Water Cooperative (PVWC). The water is stored in two reservoirs and chlorinated before redistribution. The water is tested regularly, and generally meets drinking water standards, with the exception of Trihalomethanes (which is a joint problem with PVWC who are working toward a solution) and Bromodichlormethane. The latter standard has been set aside by the Office of Drinking Water pending research.

Rate increases for PVWC are approved by the Public Utilities Board, and the Town generally passes these rate increases through to its customers. The last such rate increase/ pass-through occurred effective January 1, 2012 reflecting the 2% increase from PVWC.

#### *Wastewater Treatment and Collection System*

The wastewater treatment system consists of a five-cell lagoon which is discharged twice yearly into a drainage ditch which discharges into the Plum River.

The Town is planning to decommission a secondary storage cell and construct a new secondary storage cell for 2012, at an estimated cost of \$3.5 million. Discussions are taking place with a neighbouring municipality for cost sharing possibilities. This will be supplemented by tax supported debentures and grants.

#### **Application**

The Town applied for revised water and sewer rates on February 10, 2011, as set out in its By-law 1684/2011. The application was supported by a rate study prepared by the Town's consultant, Mr. G. O. Barron, FCGA.

The By-law proposed a 3-year phasing-in of the rates as proposed by the rate study. The phasing approach was intended to reduce rate shock which the Town considered would occur should the proposed rates be implemented immediately.

The revenue requirements for the three-year period were delineated as follows:

	2011	2012	2013
<b>General</b>			
Expenses	\$259,900	\$267,700	\$275,600
Less water subsidy	(154,800)	(154,800)	(154,800)
Less Revenues	(4,500)	(4,500)	(4,500)
<b>General Revenue Requirements</b>	<b>\$100,600</b>	<b>\$108,400</b>	<b>\$116,300</b>
<b>Water</b>			
Expenses	\$1,024,600	\$1,046,500	\$1,068,800
Admin subsidy	\$154,800	\$154,800	\$154,800
Interest on long term debt	3,838	3,838	3,838
Amortization	47,341	47,341	47,341
Reserves/Contingency	52,000	61,400	18,800
Minor Capital	30,000	15,000	115,000
Less Revenues	(38,269)	(38,734)	(39,208)
<b>Water Revenue Requirements</b>	<b>\$1,274,310</b>	<b>\$1,290,145</b>	<b>\$1,369,371</b>
<b>Sewer</b>			
Expenses	\$143,300	\$143,000	\$147,300
Amortization	223,388	223,388	267,138
Reserves/Contingency	163,000	200,600	30,200
Minor Capital	100,000	100,000	100,000
Interest on long term debt	126,796	126,796	234,796
Less Revenues	(43,019)	(43,019)	(43,019)
<b>Sewer Revenue Requirements</b>	<b>\$713,465</b>	<b>\$750,765</b>	<b>\$736,415</b>

The rate study noted that general, or administrative, costs have historically been subsidized through the water rate. The study proposes to continue that practice until the next rate study is conducted and a proper cost causation assessment is completed, at which time the administration costs may be allocated to either water or sewer, as appropriate.

The projection included the debt servicing and amortization expenses related to the proposed lagoon capital project, expected to be in-service in late 2012.

The rate proposal also included the elimination of the step or declining block rates previously intended to be eliminated in phases by 2018. The study concluded that phasing-in was no longer necessary as the rate differential was nominal.

The Town did not submit a cost allocation methodology for approval, as this is still being developed. Generally, various percentages are allocated for different employees depending on the time spent on utility matters.

#### **Public Hearing**

The hearing took place as scheduled; approximately ten members of the public attended. There was little objection voiced concerning the findings of the rate study. The principal matter raised at the hearing was the phasing-in of the rate increases, with some in attendance favouring phasing-in and others wanting the true cost set immediately.

#### **Board Findings**

The Board will vary the water and sewer rates for 2012 and 2013 as applied for by the Town, and will reinstate those rates recommended in the rate study for those two years. While the Board appreciates that this may result in some rate shock, especially to sewer only customers, the phasing-in approach would lead to a significant deficit in 2012, which the Board

does not support.

The Board is now cognizant of the fact that the rates approved for 2011, on an interim basis, have also likely caused a significant deficit in 2011. The Board does not believe a retroactive rate adjustment is appropriate, as this would not afford customers the opportunity to take action to alter their consumption patterns and reduce their utility costs. The Board will therefore confirm the 2011 interim rates as final in this order. In light of the potential and probable deficit in 2011, the Board will also require the Town to calculate its 2011 results as soon as possible, and if indeed such a deficit has occurred, submit this to the Board for approval along with an appropriate plan for recovery.

The Board had asked a number of questions requiring separate submission from the Town. Not all questions have been answered. Further, the Town's audited financial statements for 2009 and preliminary 2010 results have yet to be submitted to the Board. The Board is obviously disappointed that these statements, now some 18 and 6 months late respectively, are not yet available. However, the Board must act to avoid further utility deficit from occurring, and will issue its findings without the benefit of audited results, and with some of its questions unanswered.

The Board is somewhat concerned that the general or administrative costs are still being borne in water rates without a considered review of the proper allocation to the water and sewer commodity costs. However, given the significance of the increase in sewer costs being approved

herein, the Board will accept the proposed allocation as indicated previously in this order. Nonetheless, the Board will expect this issue to have been addressed in a revised rate study to be submitted for 2014, 2015 and 2016. The Board expects this rate application will be filed in 2013.

The Board is pleased that the Town has accelerated its elimination of the declining block rates, something which the Board has been encouraging with a view toward conservation incentives.

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. Revised water and sewer rates for 2012 and 2013, effective January 1 in each year, as shown on Schedule "A" attached to this Order for the Town of Altona BE AND ARE HEREBY APPROVED.
2. The Town of Altona file with the Board a revised water and sewer By-law to reflect the decision in this Order, once it has received third and final reading.
3. The water and sewer rates for 2011, as approved on an interim bases in Order 51/11, BE AND ARE HEREBY CONFIRMED AS FINAL.
4. The Town of Altona finalize and submit for approval a cost allocation methodology to assign general operating costs to utility operations by no later than December 31, 2012.
5. The Town of Altona submits their application for approval of the 2011 utility operating deficit as soon as it is known, along with an appropriate recovery plan.
6. The Town of Altona file a copy of its 2009 audited financial statements and preliminary 2010 utility results with the Board, no later than May 31, 2012.

7. The Town of Altona file an application for revised rates for 2014, 2015 and 2016 on or before June 30, 2013, accompanied by a rate study which includes a review and reconsideration of the allocation of general/administrative costs to either or both water and/or sewer expenses.

Fees payable upon this Order - \$1,500.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.EC."  
Acting Chair

"KURT SIMONSEN P.ENG."  
Acting Secretary

Certified a true copy of Order No.  
14/12 issued by The Public  
Utilities Board

\_\_\_\_\_  
Acting Secretary

**SCHEDULE "A"**  
**TO BOARD ORDER NO.14/12**  
**THE TOWN OF ALTONA**  
**WATER AND SEWER UTILITY**

**1. Commodity Rates per 1000 gallons –**

**(Effective April 1, 2011)**

Water	\$11.57
Sewer	\$ 3.83
Sewer and water	\$15.40

**(Effective January 1, 2012)**

Water	\$10.75
Sewer	\$ 6.35
Sewer and water	\$17.10

**(Effective January 1, 2013)**

Water	\$11.40
Sewer	\$ 6.25
Sewer and water	\$17.65

**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:

**Effective April 1, 2011**

a.) **Water & Sewer Customers**

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	1	3,000	\$18.70	\$34.71	\$11.49	\$64.90
3/4	2	6,000	\$18.70	\$69.42	\$22.98	\$111.10
1	4	12,000	\$18.70	\$138.84	\$45.96	\$203.50
1 1/4	10	30,000	\$18.70	\$347.10	\$114.90	\$480.70
1 1/2	10	30,000	\$18.70	\$347.10	\$114.90	\$480.70
2	25	75,000	\$18.70	\$867.75	\$287.25	\$1,173.70
4	90	270,000	\$18.70	\$3,123.90	\$1,034.10	\$4,176.70

b.) Sewer Only Customers

Customers with sewer only shall be charged \$61.20 per quarter.

c.) Water Only Customers

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

**Effective January 1, 2012**

a.) Water & Sewer Customers

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	1	3,000	\$20.10	\$32.25	\$19.05	\$71.40
3/4	2	6,000	\$20.10	\$64.50	\$38.10	\$122.70
1	4	12,000	\$20.10	\$129.00	\$76.20	\$225.30
1 1/4	10	30,000	\$20.10	\$322.50	\$190.50	\$533.10
1 1/2	10	30,000	\$20.10	\$322.50	\$190.50	\$533.10
2	25	75,000	\$20.10	\$806.25	\$476.25	\$1,302.60
4	90	270,000	\$20.10	\$2,902.50	\$1,714.50	\$4,637.10

b.) Sewer Only Customers

Customers with sewer only shall be charged \$99.48 per quarter.

c.) Water Only Customers

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

**Effective January 1, 2013**

a.) **Water & Sewer Customers**

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	1	3,000	\$21.50	\$34.20	\$18.75	\$74.45
3/4	2	6,000	\$21.50	\$68.40	\$37.50	\$127.40
1	4	12,000	\$21.50	\$136.80	\$75.00	\$233.30
1 1/4	10	30,000	\$21.50	\$342.00	\$187.50	\$551.00
1 1/2	10	30,000	\$21.50	\$342.00	\$187.50	\$551.00
2	25	75,000	\$21.50	\$855.00	\$468.75	\$1,345.25
4	90	270,000	\$21.50	\$3,078.00	\$1,687.50	\$4,787.00

b.) **Sewer Only Customers**

Customers with sewer only shall be charged \$99.63 per quarter.

c.) **Water Only Customers**

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

**3. Customers with a Significant Volume of Water not returned to the Sewers**

Bunge Ltd. shall be billed quarterly for each meter for water and sewer at the rates set forth in this Schedule. However, sixty-five (65) percent of the water metered in any quarter through the two (2) inch meter supplying the boiler room shall be exempt from sewer charges on consumption over 500,000 gallons per quarter.

**4. Bulk Sales**

All water sold in bulk by the Town of Altona shall be charged as follows:

**April 1<sup>st</sup>, 2011 to December 31<sup>st</sup>, 2011 - \$11.57 per 1,000 gallons**

**January 1<sup>st</sup>, 2012 to December 31<sup>st</sup>, 2012 - \$10.75 per 1,000 gallons**

**April 1<sup>st</sup>, 2013 to December 31<sup>st</sup>, 2013 - \$11.40 per 1,000 gallons**

**5. Quarterly Meter Reading**

All customers shall complete and submit a quarterly meter reading by the end of the month in which it is mailed. Failure by any customer to complete and submit the card by the due date will result in an estimate of the water consumption for that customer for the specified quarter. The estimate shall be based on the average consumption per quarter in the previous year, or in the case of a new customer the estimate shall be based on the average quarterly residential consumption.

In any situation where a customer provides a reading that is not the actual meter reading, such customer shall be subject to the estimation charge as stated in this section.

All estimated readings shall be subject to a \$20.00 administration fee. The fee may be waived in the case of a physical disability and/or extended leave from the community.

**6. Disconnection and Reconnection**

The Town shall charge a fee as shown below for a re-connection or a disconnection of a service, if requested by a customer.

Service may be interrupted or disconnected as follows:

Curb Stop Turn-on	\$35.00	for the first ½ hour, thereafter as per Fees & Charges By-law
Curb Stop Turn-off	\$35.00	for the first ½ hour, thereafter as per Fees & Charges By-law
Meter Removal	\$35.00	for the first ½ hour, thereafter as per Fees & Charges By-law
Re-installation of Meter	\$35.00	for the first ½ hour, thereafter as per Fees & Charges By-law

The Public Utilities Board has approved the Conditions Precedent to be followed by the Town of Altona 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 Town of Altona office.

**7. Billings, Penalties and Outstanding Bills**

Accounts shall be billed quarterly, and will be due and payable not less than fourteen (14) days after the date of billing. A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

In the event that an account remains outstanding the account may be transferred to the realty tax account of the property in respect of which the water account is unpaid, by the Treasurer of the Town, to be collected as ordinary realty taxes. The following processes will be taken:

**Accounts where the Customer is the Owner of the Property:**

For those accounts where the customer is the owner of the property the amount owing after the due date shall automatically be transferred to the corresponding tax roll account within two business days after the due date and said outstanding amount will be collected in the same manner as ordinary realty taxes.

**Accounts where the Customer is not the Owner of the Property:**

For those accounts where the customer is not the owner of the property the following actions will be taken:

1. A reminder bill and letter to be sent to the renter as well as the owner of the property, giving them a revised due date by which to pay the outstanding balance; and
2. If the outstanding balance has not been paid after the revised due date, then within two business days after the revised due date any outstanding balance shall automatically be transferred to the corresponding tax roll account and said outstanding amount will be collected in the same manner as ordinary realty taxes.

**8. Definitions**

For the sake of this by-law the following definitions shall apply:

**Account Holder/Customer** – shall refer to the person or persons who have applied for water and/or sewer services at a particular residence, whether it be the property owner or renter.

**Property Owner** – shall refer to the person or persons who are listed on the title of a specific property.

**Renter** – is not the property owner of a subject property and shall refer to the utility account holder/customer of the subject property.

**9. Hydrant Rentals**

The Town of Altona will pay to the Utility an annual rental for each hydrant connected to the system that includes the cost of water for firefighting as follows:

2011 to 2013 - \$150.00 per hydrant

**10. 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.