

M A N I T O B A) **Order No. 23/12**
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THE PUBLIC UTILITIES BOARD ACT) **March 12, 2012**

BEFORE: Susan Proven, P.H.Ec., Acting Chair
Monica Girouard, CGA, Member

TOWN OF GRETNA
WATER AND SEWER RATES - 2011 and 2012

Summary

The Public Utilities Board (Board) hereby approves revised water and sewer utility rates for the Town of Gretna (Town), effective January 1, 2012, and confirms as final the interim rates approved in Order No. 8/11 for the year 2011.

Previous and revised rates are as follows:

Commodity Rate \$/1,000 gallons	Previous	2011	2012
Water	\$10.61	\$13.95	\$13.10
Sewer	\$4.25	\$6.30	\$8.40
Quarterly Service Charge	\$12.40	\$22.90	\$24.30
Minimum Quarterly*	\$56.98	\$83.65	\$88.80
Bulk Water	\$13.11	\$13.95	\$13.10
Lagoon Tipping Fees/1,500 gallons	-	\$30.00	\$30.00
Hydrant Rental - Annual	\$60.00	\$100.00	\$100.00
Reconnection charge	\$30.00	\$30.00	\$30.00

*Includes 3,000 gallons

The Town will be required to amend and file a By-law reflecting this Order.

Introduction

Prior to the interim Order issued in January 2011, rates had not been reviewed since 2006.

On June 17, 2010, the Town submitted an application for revised rates supported by a rate study prepared by the Town's consultant, Mr. G. O. Barron, FCGA.

While the Board was not in a position to complete a detailed analysis of the application at that time, it determined that a rate increase was in order and necessary to prevent recurring deficits, which while unaudited, had reportedly incurred in 2009 and 2010.

The rate study projected the utility's expenses for 2010, 2011 and 2012, and had calculated revised rates for each of those years which would have yielded break-even results. Because of the timing, it was too late to address the 2010 rates, but the Board approved

that the rates proposed for 2010 be applied for 2011 on an interim ex parte basis, pending results of an in-depth review, which would include a public review process, allowing customers to study the proposal and comment on it.

In March of 2011, the Town submitted a revised by-law proposing a rate structure different to that originally proposed. The Town indicated that they were reacting to their customers' concerns about the significant rate increase, and were proposing a more phased in approach that was indicated by the rate study.

On June 9, 2011, the Board issued a Public Notice, announcing an oral hearing to be held in the Town Council Chambers on August 16, 2011. Customers were encouraged to visit the Town offices prior to the hearing to view the application and familiarize themselves with the Town's proposal and the impacts that the proposal might have on them.

Background

The Town purchases all of its water from the Pembina Valley Water Co-op (PVWC). The Utility last increased its water rates in 2009 due to an increase in water rates from the PVWC. Prior to that, rates were last reviewed by the Board in 2006.

The Utility services 214 customers. The utility reports unaccounted for water of 16%, which is water bought but not metered for sale to customers. This unaccounted for water typically includes water used for fire fighting, watermain flushing, and losses resulting from watermain breakage or leaks. This is higher than the 10% usually designated as the industry standard. The Town continues to investigate the causes of these water losses.

The Town has a 5-year sewer line rehabilitation program which is scheduled to commence in mid-2012, at a cost of \$70,000 per year. The sewer rehabilitation program will be financed from debentures.

The Town has still not received and/or filed its 2009 and 2010 audited financial statements. While the rate study reports deficits and reserve balances, these are unconfirmed by audited financial statements.

Application

The Town originally applied for revised water and sewer rates, as set out in its By-law No. 781-2010 (read the first time on June 15, 2010). Subsequently, the Town submitted By-law No. 789-2011, which amended the rate proposal to phase in the required rate increases. The proposed phase-in approach resulted from complaints received by the Town when the interim 2011 rates were implemented as a result of Board Order No. 8/11.

The rate study projected the following annual expenses:

	2010	2011	2012
General			
Expenses	\$19,811	\$20,405	\$21,017
Less Revenues	(200)	(206)	(212)
General Revenue Requirements	19,611	20,199	20,805
Water			
Expenses	87,505	90,130	92,834
Amortization	3,500	3,500	3,500
Reserves/Contingency	6,000	6,180	6,364
Minor Capital	12,117	-	-
Less Revenues	(3,500)	(3,500)	(3,500)
Water Revenue Requirements	105,622	96,310	99,198
Sewer			
Expenses	44,235	45,562	46,929
Amortization	13,191	13,191	13,191
Reserves/Contingency	6,000	6,180	6,364
Interest on long term debt	1,485	-	-
Less Revenues	(17,134)	(2,737)	(2,737)
Sewer Revenue Requirements	\$47,777	\$62,196	\$63,747

The original proposal was for the following rates:

Rates / 1000 gallons	Water	Sewer	Quarterly Service charge	Minimum quarterly bill
2010	\$13.95	\$6.30	\$22.90	\$83.65
increase (decrease)	31%	48%	85%	47%
2011	\$12.7	\$8.2	\$23.6	\$86.3
increase (decrease)	(9%)	30%	3%	3%
2012	\$13.1	\$8.4	\$24.3	\$88.8
increase (decrease)	3%	2.5%	3%	3%

These rates would have generated a breakeven operating result in each of the three years, had they been implemented on January 1 of each of those years.

The March 2011 revised proposal was for the following rate structure:

Rates / 1000 gallons	Water	Sewer	Quarterly Service charge	Minimum quarterly bill
2011	\$12.73	\$5.10	\$14.88	\$68.37
increase (decrease)	20%	20%	20%	20%
2012	\$14.77	\$5.92	\$17.26	\$79.33
increase (decrease)	16%	16%	16%	16%
2013	\$16.25	\$6.51	\$18.99	\$87.27
increase (decrease)	28%	28%	28%	28%

Public Hearing

The hearing took place as scheduled on August 16, 2011. Approximately 15 members of the public attended and presented their comments. The primary concern was the large and rapid increase in rates. Those present, supported by council, indicated a preference for a phase-in of rate increases over time to lessen the rate shock.

Board Findings

The Board will vary the original and revised rate proposals as follows:

1. The 2010 originally proposed rates were approved for implementation on January 1, 2011, and the Board will hereby confirm that decision and declare these rates as final; they will not be made retroactive to 2010.
2. The original rate proposed for 2012 will be approved for implementation effective January 1, 2012.

The Board appreciates the concerns expressed over the size of rate increases. The Board also considered the reported, but unconfirmed, deficits for the last two years.

The approved increase for 2012 represents an increase of approximately 6% over the rates approved on an interim basis for 2011. The 2011 rates have been in effect for a year. Given that the projected expenses were deemed reasonable, the revenue was necessary to cover the expense and avoid an operating deficit. Operating deficits have to be recovered and are usually accomplished by a temporary increase to rates. Phasing-in the rates would have simply deferred the problem to future rate payers, creating an intergenerational inequity, with future ratepayers paying for current ratepayers' consumption.

Furthermore, the rates indicated for water versus sewer consumption were not reflected in the revised proposal. This would have resulted in overstated water charges and understated sewer charges.

The Board is disappointed by the fact that the Town's financial statements for 2009, nor those for 2010, are yet available. Decisions had to be based on assumptions without the support of an independent audit confirming the numbers. Furthermore, deficits may have been incurred in 2009 and 2010 that have yet to be addressed; this may result in a further rate amendment. It would have been more appropriate to deal with both the deficit and rate deficiency issues at one time.

The Board directs the Town to file appropriate deficit applications for 2009 and 2010 as soon as audited results are available, complete with plans to recover those deficits.

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 as shown on Schedule "A" of this Order BE AND ARE HEREBY APPROVED effective January 1, 2012.
2. The interim rates approved for 2011 in Order No. 8/11 BE AND ARE HEREBY APPROVED as final.
3. The Town of Gretna file a copy of a revised By-law reflecting the decisions in this Order no later than April 27, 2012.
4. The Town of Gretna provide notice to its customers, with a copy to the Board, of the rate increases and the rationale for these increases as soon as possible.
5. The Town of Gretna file a copy of its 2009 and 2010 audited financial statements as soon as they are available, along with appropriate deficit applications, should the utility record a deficit in 2009 or 2010 on an audited basis.
6. The Town of Gretna file a rate application for 2013, 2014 and 2015 on or before July 1, 2013.

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. 23/12 issued
by The Public Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 23/12
TOWN OF GRETNA
WATER AND SEWER RATES

1. a) Effective April 2011:

Commodity Rates per 1000 Gallons

<u>Water</u>	<u>Sewer</u>	<u>Total</u>
\$ 13.95	\$ 6.30	\$ 20.25

Minimum Quarterly Charges - Water and Sewer Customers

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Gallons</u>	<u>Water Charge</u>	<u>Sewer Charge</u>	<u>Service Charge</u>	<u>Total Quarterly Minimum</u>
5/8"	1	3,000	41.85	18.90	22.90	83.65
3/4"	2	6,000	83.70	37.80	22.90	144.40
1"	4	12,000	167.40	75.60	22.90	265.90
1 1/2"	10	30,000	418.50	189.00	22.90	630.40
2"	25	75,000	1046.25	472.50	22.90	1541.65

b) Effective January 2012:

Commodity Rates per 1000 Gallons

<u>Water</u>	<u>Sewer</u>	<u>Total</u>
\$ 13.10	\$8.40	\$ 21.50

Minimum Quarterly Charges - Water and Sewer Customers

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Gallons</u>	<u>Water Charge</u>	<u>Sewer Charge</u>	<u>Service Charge</u>	<u>Total Quarterly Minimum</u>
5/8"	1	3,000	\$39.30	\$25.20	\$24.30	\$88.80
3/4"	2	6,000	\$78.60	\$50.40	\$24.30	\$153.30
1"	4	12,000	\$157.20	\$100.80	\$24.30	\$282.30
1 1/2"	10	30,000	\$393.00	\$252.00	\$24.30	\$669.30
2"	25	75,000	\$982.50	\$630.00	\$24.30	\$1,636.80

2. Water only customers:

Minimum charges will be the same for each meter size as shown above, but the Sewer commodity charge will be excluded.

3. Sewer Customers only:

A fee of \$9.71 per 1,000 gallons shall be charged to our of boundary customers, maintaining the existing agreement of volume reduction, as not all water is dumped into the sewer system.

4. Bulk Sales Rate:

All water sold in bulk by the Town of Gretna shall be charged for at a rate of \$13.95 per 1,000 gallons from April 1, 2011 to December 31, 2011, and \$13.10 effective January 1, 2012.

5. Lagoon Tipping Fees:

All tipping of haulers shall pay \$30.00 per 1500 gallons of wastewater.

6. Billings and Penalties for non-payment of account:

Connected customers shall be billed quarterly. A penalty of 1.25% per month of the total amount owing shall be charged on each bill if the amount so owing is not paid on or before the last day of the month in which the billing is mailed.

7. Hydrant Rentals:

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

8. Disconnection of Service:

Service may be disconnected and discontinued immediately and without further notice in the event of non-payment of account within 30 days after the due date.

9. Reconnection of Service:

Any service disconnected, whether due to non-payment of account or for any other reason(s) mutually agreed to by the customer and the Town of Gretna (i.e., repairs necessitated by negligence of the customer, changes in tenant,

vacancy for an extended period of time, etc.) shall not be reconnected until a reconnection fee of \$ 30.00 and all arrears and penalties, if any, have been paid.

10. Service to customers outside the Town limits:

The Council of the Town of Gretna 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 a surcharge, set by resolution of Council, which shall be the equivalent to the frontage levy, general taxes, and special taxes for utility purposes in effect at that time, or may be in effect from time to time, and which would be levied on the property concerned if it were within the boundaries of the Town. 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.