

M A N I T O B A) Order No. 26/12
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THE PUBLIC UTILITIES BOARD ACT) March 12, 2012

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

TOWN OF EMERSON
WATER AND SEWER RATES 2012 AND 2013

Executive Summary

By this Order, the Public Utilities Board (Board) approves revised rates for the Town of Emerson's (Town) water and sewer utility, for 2012 and 2013, effective January 1 of each year.

Revised rates are as follows.

Rates per 1,000 gallons	current	2012	Increase /decrease	2013	Increase /decrease
Quarterly service charge	\$4.25	\$16.14	280%	\$23.88	48%
Water	\$11.53	\$10.31	-11%	\$9.70	-6%
sewer	\$2.45	\$5.19	112%	\$6.56	26%
Bulk Water	\$9.70	\$15.69	62%	\$17.66	13%
Minimum Quarterly*	\$46.19	\$62.64	36%	\$72.66	16%
Average household annual charge**	\$576.20	\$684.56	19%	\$745.92	9%

*water & sewer customer- 3,000 gallons

**water & sewer- 10,000 gallons quarterly

The Town will be required to amend its by-law to reflect the decisions in this Order.

Introduction

The Town filed for revised rates on July 12, 2011, requesting an effective date of October 1 for each of the proposed 2011, 2012 and 2013 rates.

Because of the timing, the Board was unable to address the requested 2011 rate increase, partly due to a backlog at the Board in reviewing and processing applications.

In conducting its review of an application, the Board has the option of reviewing the application by a paper review process or by public oral hearing. In this instance, a public Notice was issued in both November and December 2011, inviting customers to provide comments to either the Town or directly to the Board. No customers came forward with comments. The Board therefore

determined that no public oral hearing was required and proceeded with its review based on the paper review process.

Background

The Town purchases its water supply from the Pembina Valley Water Co-operative (PVWC). Since 1996, the only rate increases for the Emerson utility have been to pass-through PVWC increases; the utility has not reviewed its operational costs for the purpose of revising rates since 1996.

The Town's water and sewer lines were built in the 1950's. A two-cell lagoon was constructed in 1980 with a third cell added in 2011; the latter was at a cost of \$1.5 million with government grants received to cover two thirds of the capital costs. A debenture was issued for Town's share of \$500,000.

An engineering study of the water supply system was conducted by Genivar Inc. Water supply standards are reportedly being met, but some improvements have been recommended and the Town is acting on them.

The five-year capital program targets a \$25,000 annual cost to replace water and sewer lines in the community.

The utility services 327 water and sewer customers as well as 18 water only customers, all of which are metered. The utility also services 32 fire hydrants and 10 residents outside the Town boundary who are part of the River Road Water Co-op.

Unaccounted for water has been consistently around 25% for 2009 and 2010, this being attributed to watermain breakage and leakage. Industry standards are to maintain unaccounted for water losses below 10%. The Town indicates it is reviewing

options to reduce the water loss.

2009 audited financial statements were not submitted in their entirety and 2010 statements were reportedly not available at the time of the review.

Application for rates

The Town applied for revised water and sewer rates as set out in By-law No. 2011/05 (read the first time on July 12, 2011). The application was supported by a rate study prepared by the Town's consultant, Way to Go Consulting.

The Town proposed the following rates:

		proposed October 1		
	current	2011	2012	2013
Quarterly service charge	\$4.25	\$9.59	\$16.14	\$23.88
Water (per 1,000 gallons)	11.53	10.92	10.31	9.70
sewer(per 1,000 gallons)	2.45	3.82	5.19	6.56
Bulk Water(per 1,000 gallons)	9.70	14.12	15.69	17.66
Minimum Quarterly*	46.19	53.81	62.64	72.66
Average household annual charge**	\$576	\$628	\$685	\$746
Average rate increase		9%	9%	9%

*water & sewer customer- 3000 gallons quarterly

**water & sewer- 10,000 gallons quarterly

Minimum quarterly charges for various meter sizes were proposed as:

Meter Size (Inches)	Group capacity ratio	Water Included (gallons)	Service Charge	Water	Sewer	Minimum Quarterly Charges
2011						
5/8	1	3,000	\$9.59	\$32.76	\$11.46	\$53.81
3/4	2	6,000	\$9.59	\$65.52	\$22.92	\$98.03
1	4	12,000	\$9.59	\$131.04	\$45.84	\$186.47
1.5	10	30,000	\$9.59	\$327.60	\$114.60	\$451.79
2	25	75,000	\$9.59	\$819.00	\$286.50	\$1,115.09
2012						
5/8	1	3,000	\$16.14	\$30.93	\$15.57	\$62.64
3/4	2	6,000	\$16.14	\$61.86	\$31.14	\$109.14
1	4	12,000	\$16.14	\$123.72	\$62.28	\$202.14
1.5	10	30,000	\$16.14	\$309.30	\$155.70	\$481.14
2	25	75,000	\$16.14	\$773.25	\$389.25	\$1,178.64
2013						
5/8	1	3,000	\$23.88	\$29.10	\$19.68	\$72.66
3/4	2	6,000	\$23.88	\$58.20	\$39.36	\$121.44
1	4	12,000	\$23.88	\$116.40	\$78.72	\$219.00
1.5	10	30,000	\$23.88	\$291.00	\$196.80	\$511.68
2	25	75,000	\$23.88	\$727.50	\$492.00	\$1,243.38

The application was based on 2012 projected expenses as follows:

Administration		\$32,952
Water	Water purchases	\$120,992
	Production costs	2,652
	Amortization	20,062
	Contingency	11,358
	Less revenue	(5,176)
		\$149,888
Sewer	Sewage collection and disposal	54,269
	Amortization	32,560
	Interest	28,601
	Contingency	13,198
	Less Tax Transfer for Debenture payments	(40,977)
		\$87,651

The rates indicated by the projections were proposed to be phased-in over a period of three years, ostensibly to mitigate against the rate shock which an immediate implementation would produce. The resulting operating projections result in a deficit each year until 2014; these deficits were to be supported by transfers from the Operating Fund. In other words, the general tax base would support the annual utility deficiencies until full implementation of indicated rates.

The application was accompanied by a cost allocation methodology which consisted of 17.5% of the administrative, legal, audit and office costs of the Town operation, plus a flat \$9,000 per year for public works staff time spent on utility matters.

Board Findings

Rates

Because of the timing of the application, the Board was unable to approve the rates recommended for October 1, 2011. However, the Board does recognize the need for an increase as soon as possible in order to minimize the deficits being projected for the utility.

The Board will therefore approve the rates proposed for 2012 and 2013 effective for January 1 of each year rather than October 1 as proposed. This will generate additional utility revenue, thereby limiting the financial support which would otherwise be required from the entire tax base. The Board continues to be a proponent of the user-pay concept.

The Board is concerned about the large amount of unaccounted for water. This increases costs unnecessarily and is contrary to the

Board's interest in water conservation. The Board will therefore direct that this matter be pursued aggressively and results reported to the Board in due course.

Cost allocation methodology

The Board will approve the defined cost allocation methodology as submitted by the Town. Any subsequent changes to that methodology will require Board approval.

Accounting

The Board notes that the 2010 audited results were not available at the time of the submission. Further, the application only included portions of the 2009 audited financial statements. The Board will require that the 2009 and 2010 audited financial statements be submitted, especially in light of the potential annual deficits which are projected to result from the phasing-in of rates.

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, as shown on Schedule "A" attached to this Order for the Town of Emerson BE AND ARE HEREBY APPROVED effective January 1 of each year.
2. The Town of Emerson 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 cost allocation methodology proposed by the Town of Emerson BE AND IS HEREBY APPROVED.
4. The Town of Emerson file a copy of its 2009 and 2010 audited financial statements by April 30, 2012.
5. The Town of Emerson pursue its investigation of the causes of and remedies to the unaccounted for water situation and advise the Board of its findings and actions.

Fees payable upon this Order - \$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.
26/12 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 26/12
Town of Emerson
Water and Sewer Rates

SCHEDULE OF QUARTERLY RATES

January 1, 2012

	<u>Rates per thousand</u>			
1.	<u>gallons</u>	gallons per quarter		
		Water	Sewer	Total Water &
		/1,000 gal.	/1,000 gal.	Sewer
		\$10.31	\$5.19	\$15.50
2.	<u>Minimum Charges per Quarter</u>			

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges set out below, which includes the water allowance as listed.

(a) Water & Sewer Customers

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Gallons</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Sewer Commodity Charge</u>	<u>Water & Sewer Total Quarterly Minimum</u>	<u>Water Only Quarterly Minimum</u>
5/8 inch	1	3,000	16.14	30.93	15.57	\$ 62.64	\$ 47.07
3/4 inch	2	6,000	16.14	61.86	31.14	\$ 109.14	\$ 78.00
1 inch	4	12,000	16.14	123.72	62.28	\$ 202.14	\$ 139.86
1 1/2 inch	10	30,000	16.14	309.30	155.70	\$ 481.14	\$ 325.44
2 inch	25	75,000	16.14	773.25	389.25	\$ 1,178.64	\$ 789.39

(b) Water Only Customers

Quarterly minimum charge is the same for each meter size as shown in table above, except that the Sewer Commodity charge is excluded.

(c) Sewer Only Residential Customers

Customers using sewer service only will pay the relevant minimum charge shown in "a" above except that the water commodity charge will be omitted and the minimum charge for a 5/8 inch meter will be based on quarterly consumption of 6,000 gallons.

3.	<u>Bulk Water Sales Rate</u>	<u>Rates per</u>
		<u>Thousand Gallons</u>
	January 1, 2012	\$15.69

SCHEDULE OF QUARTERLY RATES

January 1, 2013

	<u>Rates per thousand</u>			
1.	<u>gallons</u>	gallons per quarter		
		Water	Sewer	Total Water &
		/1,000 gal.	/1,000 gal.	Sewer
		\$9.70	\$6.56	\$16.26

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges set out below, which includes the water allowance as listed.

(a) Water & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Quarterly Minimum	Water Only Quarterly Minimum
5/8 inch	1	3,000	23.88	29.10	19.68	\$ 72.66	\$ 52.98
3/4 inch	2	6,000	23.88	58.20	39.36	\$ 121.44	\$ 82.08
1 inch	4	12,000	23.88	116.40	78.72	\$ 219.00	\$ 140.28
1 1/2 inch	10	30,000	23.88	291.00	196.80	\$ 511.68	\$ 314.88
2 inch	25	75,000	23.88	727.50	492.00	\$ 1,243.38	\$ 751.38

(b) Water Only Customers

Quarterly minimum charge is the same for each meter size as shown in table above, except that the Sewer Commodity charge is excluded.

(c) Sewer Only Residential Customers

Customers using sewer service only will pay the relevant minimum charge shown in "a" above except that the water commodity charge will be omitted and the minimum charge for a 5/8 inch meter will be based on quarterly consumption of 6,000 gallons.

3. Bulk Water Sales Rate

	<u>Rates per Thousand Gallons</u>
January 1, 2013	\$17.66