

M A N I T O B A) Order No. 46/12
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THE PUBLIC UTILITIES BOARD ACT) April 18, 2012

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

TOWN OF PILOT MOUND
WATER AND SEWER RATES 2012

Executive Summary

The Public Utilities Board (Board) will vary the Town of Pilot Mound's (Town) application for revised rates for its water and sewer utility and will approve the following rates effective January 1, 2012.

	Current	Proposed	Approved	Increase/ Decrease
Quarterly service charge	\$4.50	\$3.42	\$4.30	-4%
Water				
First 20,000 gallons	\$9.31	\$12.64	\$15.38	65%
Next 80,000 gallons	\$8.76	\$12.64	\$15.38	76%
Over 100,000 gallons	\$8.31	\$12.64	\$15.38	85%
Sewer (per 1,000 gallons)	\$1.00	\$2.20	\$2.73	173%
Bulk water (per 1,000 gallons)	\$10.00	\$13.90	\$15.75	58%
Minimum quarterly*	\$35.43	\$47.94	\$58.63	65%
Average household **	\$107.60	\$151.82	\$185.40	72%
Reconnection fee	\$15.00	\$50.00	\$50.00	233%
Hydrant Rental (annual)	\$150.00	\$150.00	\$150.00	0%

*Water & sewer customers- 3000 gallons

**Water & sewer customers- 10,000 gallons quarterly

The Town will be required to amend its water and sewer rate by-law to conform with the decisions reflected in this Order.

Introduction

The Town filed an application on June 27, 2011, requesting revised rates for their water and sewer utility effective July 1, 2011. Current rates were set in 1998.

In conducting its review, the Board has the option of addressing such applications by either a paper-based review process or by public hearing. A Public Notice dated October 18, 2011 concerning the application was published on two occasions (in late October and early November 2011), inviting customers to familiarize themselves with the

rate application and for customers to provide comments or concerns 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 conducted its review based on the paper review process.

Background

The serviced population of Pilot Mound in 2007 was 631; this is projected to grow by 1% annually. The utility currently services 310 water and sewer customers; this is expected to expand to 319 by 2014. The utility also services 44 fire hydrants. Per capita water usage is calculated to be between 240 and 290 liters per person per day (l/p/d), which approximates the Provincial average of 250 l/p/d.

Unaccounted for water is between 2% and 5%, well within industry standard, which is to maintain unaccounted for water losses below 10%. The Town has two utility operators, one of whom has obtained his certification in 2011.

The Town has identified that its water treatment plant, built in the 1960's, needs upgrading to consistently meet current water quality guidelines. The upgrade is in the 5-year capital plan, and the Town is in discussion with the Manitoba Water Services Board for assistance in planning and funding the upgrade.

The lagoon's organic loading capacity is more than adequate to treat the Town's organic loads, but the hydraulic capacity is approaching 90% of the design volumes. A sewer upgrade is being contemplated for 2015.

Application for rates

The Town applied for revised water and sewer rates as set out in By-law No. 2011-04, read the first time on June 20, 2011. The application was supported by a rate study prepared by the Town's consultant, Genivar Inc. Current rates were set in 1998.

The Town proposed the following commodity rates:

	Current	2012	Increase/ Decrease
Quarterly service charge	\$4.50	\$3.42	-24%
Water			
First 20,000 gallons	\$9.31	\$12.64	36%
Next 80,000 gallons	\$8.76	\$12.64	44%
Over 100,000 gallons	\$8.31	\$12.64	52%
Sewer (per 1,000 gallons)	\$1.00	\$2.20	120%
Bulk water (per 1,000 gallons)	\$10.00	\$13.90	39%
Minimum quarterly*	\$35.43	\$47.94	35%
Average household **	\$107.60	\$151.82	41%
Reconnection fee	\$15.00	\$50.00	233%
Hydrant Rental (annual)	\$150.00	\$150.00	0%

*water & sewer customer- 3000 gallons

**water & sewer- 10,000 gallons quarterly

Proposed minimum quarterly charges for various meter sizes were:

Meter Size (Inches)	Water Included (gallons)	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	3,000	\$3.42	\$37.92	\$6.60	\$47.94
3/4	6,000	\$3.42	\$75.84	\$13.20	\$92.46
1	12,000	\$3.42	\$151.68	\$26.40	\$181.50
1½	30,000	\$3.42	\$379.20	\$66.00	\$448.62
2	75,000	\$3.42	\$948.00	\$165.00	\$1,116.42

The application was based on projected annual expenses as follows:

Administration		\$4,369
Water	Water operating expenses	\$191,728
	Amortization	6,489
	Contingency	2,500
	Contribution to reserves	5,000
less:	Hydrant rentals	-6,457
	Other revenue	-1,000
		\$198,260
Sewer	Sewage collection and disposal	12,565
	Amortization	13,742
	Contingency	2,500
	Contribution to reserves	5,000
		\$33,807

The forecast for administration and water expenses was based on costs projected for 2014. However, the sewer forecasts are based on 2012 projections. Amortization expenses in 2013 and 2014 are expected to decrease by approximately \$10,000 due to a sewer asset being fully amortized in 2012. The Town recommended maintaining the proposed sewer rate to accommodate the expected sewer-main work planned for 2015 and to avoid rate fluctuation.

Similarly, water sales are projected to increase by 0.5% annually, but the Town calculated its rates based on the 2012 water consumption estimate of 15.7 million gallons.

The application includes collapsing the current three-step declining block rates for water to a single rate.

Bulk water rates are calculated at 110% of domestic water rates.

The application notes that approximately 13% of customers were in arrears as at September 30, 2010; customers are being notified of possible disconnection.

Some costs shared with the general operation of the Town have been allocated to the utility, but the cost allocation methodology has yet to be completely designed and approved by Council. This was to be considered for future rates studies.

The rate study did not include reference to audited financial statements, which were apparently not available at the time the study was completed.

Subsequent information

The Board requested and received an extract from the 2010 financial statements. Based on the Board's analysis, the Board noted that the financial statements did not support the expense projections used in the rate study, especially as related to the amortization expenses for tangible capital assets. Further, the Board was concerned that the incomplete shared cost allocation might skew the true administrative revenue requirement. The Town was asked to provide a revised revenue requirement projection.

The following revised expense projections for 2013 were subsequently provided by the Town:

Administration		\$5,500
Water	Water operating expenses	\$210,000
	Amortization	30,379
	Contingency	2,500
	Contribution to reserves	5,000
less:	Hydrant rentals	-6,600
		\$241,279
Sewer	Sewage collection and disposal	12,500
	Amortization	22,000
	Contingency	2,500
	Contribution to reserves	5,000
		\$42,000

Board Findings

The Board acknowledges the co-operation of the Town staff in providing the additional information requested by the Board.

Based on the revised projections, the Board will vary the rates from those requested in the original application as follows:

	Current	Proposed (July 1/11)	Increase/ Decrease	Approved (Jan 1/12)	Increase/ Decrease
Quarterly service charge	\$4.50	\$3.42	-24%	\$4.30	-4%
Water					
First 20,000 gallons	\$9.31	\$12.64	36%	\$15.38	65%
Next 80,000 gallons	\$8.76	\$12.64	44%	\$15.38	76%
Over 100,000 gallons	\$8.31	\$12.64	52%	\$15.38	85%
Sewer per 1,000 gallons	\$1.00	\$2.20	120%	\$2.73	173%
Bulk water per 1,000 gallons	\$10.00	\$13.90	39%	\$15.75	58%
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Average household**	\$107.60	\$151.82	41%	\$185.40	72%
Reconnection fee	\$15.00	\$50.00	233%	\$50.00	233%
Hydrant Rental (annual)	\$150.00	\$150.00	0%	\$150.00	0%

* water & sewer customer- 3000 gallons

** water & sewer- 10,000 gallons quarterly

The Board is cognizant of the fact that the increase is large, with the average household to experience a 72% increase in average quarterly charges. This is a result of two major factors: the introduction of generally accepted accounting principles into rate setting and a 14 year gap since the last rate setting. While the former is outside of the Town's control, the latter can be avoided by a more frequent review of rate requirements.

The Board is concerned about the large percentage of delinquent customer accounts, and encourages the Town to continue to aggressively pursue collection. Those that do pay their bills are in essence paying for those who do not. This is neither fair nor equitable. The Board is also aware that some of the delinquent customers may require assistance from other social service agencies, and suggests that the Town may benefit from helping those customers find that assistance where possible.

The Board acknowledges and supports the collapse of the declining block rates. This is consistent with the Board's direction to encourage water conservation.

The Board notes that the cost allocation methodology has not been approved by Council and will direct that this be done and an appropriate resolution provided to the Board.

The Board interprets the fact that since no customers responded to the Public Notice or expressed concerns to the Board over the rate increases that customers in general understood that rate increases were expected under the current circumstances.

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 effective for January 1, 2012 as shown on Schedule "A" attached to this Order for the Town of Pilot Mound BE AND ARE HEREBY APPROVED.
2. The Town of Pilot Mound amend its rate By-law in accordance with this Order and file a copy with the Board once it has received third and final reading.
3. The Town of Pilot Mound finalize its shared cost allocation methodology and provide a copy of the relevant Council resolution with the Board by no later than September 30, 2012.

4. The Town of Pilot Mound prepare an updated rate study and file an application for revised rates for 2015 by no later than June 30, 2014.

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. 46/12 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 46/12
TOWN OF PILOT MOUND
WATER AND SEWER RATES

SCHEDULE OF QUARTERLY RATES:

1. Commodity Rates per 1,000 imperial gallons

		<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic	all water sold	\$15.38	\$2.73	\$18.11

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 water allowances indicated:

(a) Water and Sewer Customers

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption (Imperial Gallons)	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Sewer	
16mm - 5/8"	1	3,000	\$4.30	\$46.14	\$8.19	\$58.63
19mm - 3/4"	2	6,000	\$4.30	\$92.28	\$16.38	\$112.96
25mm - 1"	4	12,000	\$4.30	\$184.56	\$32.76	\$221.62
38mm - 1 1/2"	10	30,000	\$4.30	\$461.40	\$81.90	\$547.60
50mm - 2"	25	75,000	\$4.30	\$1,153.50	\$204.75	\$1,362.55

(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 Pilot Mound shall be charged for at the rate of \$15.75 per 1,000 imperial gallons.

4. Service To Other Municipalities

The Council of the Town of Pilot Mound may sign agreements with another municipality for the provision of water and sewer services 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 terms and conditions, including fees or other charges set by Council for providing the service. Such terms and conditions may differ from ones that apply in the Town.

5. Billing And Penalties

Accounts shall be billed quarterly, and shall be due and payable 30 days after date of billing. A penalty of 1.25% of the amount of the bill shall be added if not paid by the due date. For every month after that, a further penalty of 1.25% of the amount of the bill shall be added if the debt is unpaid.

6. Water and Sewer Connections

- (i) Each customer applying for water turn on or turn off of service during any quarter shall pay the proportionate part of the current minimum quarterly charge provided that in the computing same broken half month shall be considered as a full month. In all cases any excess water used will be charged at the rates set forth under Commodity Rates.
- (ii) All costs for new connections and maintenance thereafter shall be paid by the customer or developer as the case may be and such connections are to be approved by the Council of the Town of Pilot Mound.
- (iii) A service charge of \$25.00 shall be paid before any water is turned on, and shall be the responsibility of the owner.

7. Disconnection

Service may be disconnected and discontinued for non-payment of the account. If the account remains unpaid 30 days past the due date, customers will be sent a reminder notice. If after a further 30 days the account remains unpaid, a second notice will be issued providing disconnection advice unless payment is received within 30 days. All disconnection notices shall advise the customer of the specific date of the disconnection and their right to appeal to the Public Utilities Board and include the Board's relevant contact information. Service may be disconnected and discontinued immediately and without

further notice in the event of non-payment of the account within 30 days after due date.

9. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and reconnection fee of \$50.00 have been paid. Any customer wishing to have billings discontinued due to vacancy of premises shall be required to have service disconnected and to pay \$50.00 reconnection fee when service resumes.

8. 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.

9. Hydrant Rentals

The Town of Pilot Mound shall pay to the utility an annual rental of \$150.00 for each hydrant connected to the system. This includes water for fire purposes.

10. Sewer Surcharge

- (i) There may be levied annually, in addition to the rates set forth above, a special surcharge on sewage having a Five Day Biochemical Oxygen Demand in excess of 300 mg/L to be set by resolution of Council.
- (ii) 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.

11. Water Allowances Due to Line Freezing

That in any case where, at the request of Council, a customer allows water to run continuously for any period of time to prevent the water lines in the water system from freezing, the charge to that customer for the current quarter shall be the average billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.

12. Water Metering

All new residential customers for sewer and water shall be metered at the customers cost. Ownership, inspection and maintenance of the meters will remain the responsibility of the utility system.

Commercial meter maintenance will be the responsibility of the utility system but will be billed to the commercial user.

13. Water Meters

- (i) That all water connections be metered. The meter to be supplied by and remain the property of the utility system. The cost of the meter shall be recovered through the water rates.

Meter Repairs

- (ii) Where a water meter is damaged as a result of negligence of a user, such user shall pay the cost of repairing the damaged meter and the said amount will immediately become a debt due and owing to the Utility within (10) ten days of the demand of same, the water service of said user may be disconnected for repairs. A fee of \$25.00 shall be charged for a reconnection of the service disconnected under this paragraph.

Meter Testing

- (iii) Any consumer who desires and requests that their water meter be tested for accuracy shall deposit with the utility the sum of \$25.00. If the meter when tested is found to be in excess of the allowable limits, the deposit shall be refunded and the consumer's account shall be adjusted for the preceding four months use. The allowable limit of variation shall be 3% of average flow.