

M A N I T O B A                    )     Order No. 60/12  
  )  
THE PUBLIC UTILITIES BOARD ACT    )     May 15, 2012

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

TOWN OF ARBORG  
WATER AND SEWER RATES  
EFFECTIVE JANUARY 1, 2012

**Executive Summary**

By this Order, the Public Utilities Board (Board) approves new water and sewer rates for the Town of Arborg (Town) effective January 1 2012.

Rates are as follows:

<b>Commodity Rate \$/1000 gallons</b>	<b>Previous</b>	<b>2012</b>	<b>Increase</b>
Water	\$5.50	\$5.75	4.6%
Sewer	\$1.82	\$2.50	37.4%
Quarterly Service Charge	\$14.00	\$20.00	42.9%
Minimum Quarterly <sup>(1)</sup>	\$35.96	\$44.75	24.4%
Hydrant Rental	\$200.00	\$200.00	0%
Reconnection charge	\$50.00	\$50.00	0%
Sewer Only (quarterly)	\$36.67	\$51.00	39.1%
Water Only (quarterly)	\$30.50	\$37.25	22.1%

<sup>(1)</sup>For 3,000 gallons

Minimum quarterly billings for various meter sizes will be as follows effective January 1, 2012:

Group Meter Size	Capacity Ratio	Water Included, Gallons	Quarterly Customer Service Charge	Commodity Charges		Total Quarterly Minimum
				Water	Sewer	
5/8"	1	3,000	\$20.00	\$17.25	\$7.50	\$44.75
¾"	2	6,000	\$20.00	\$34.50	\$15.00	\$69.50
1"	4	12,000	\$20.00	\$69.00	\$30.00	\$119.00
1½"	10	30,000	\$20.00	\$172.50	\$75.00	\$267.50
2"	25	75,000	\$20.00	\$431.25	\$187.50	\$638.75
3"	45	135,000	\$20.00	\$776.25	\$337.50	\$1,133.75

## **Introduction**

The Town applied for revised water and sewer rates in August 2011.

In December 2011, a Public Notice was issued, informing customers of the proposed rates and inviting them to attend the Town offices to learn more details about the application, and how the proposed rates increase might affect them. Customers were also advised of their right to express concerns and provide comments directly to the Board. No customers came forward.

The Board determined that it would assess the application using a paper review process, dismissing the need for a public hearing and restraining regulatory costs, which would otherwise be passed on to consumers.

## **Background**

The Town owns and operates a water and sewer utility serving 538 customers, of which 532 receive both water and sewer services, five receive only sewer services and one is a water-only customer.

### Water system

The water supply is drawn from a well, constructed in 1995, with a secondary and older well serving as back-up and used for fire protection. Raw water is filtered, chlorinated and stored in a treated water reservoir where it is pumped through the distribution system. The Town services 97 fire hydrants.

The Town is in compliance with Drinking Water Standards.

Although unaccounted for water is only 9%, well within Provincial standards, there is sufficient leakage from the distribution system to warrant a watermain renewal program. The Town has received a pre-design report and continues to consider the scope of the watermain renewal project.

#### Sewage system

Sewage collection is via a low-pressure and gravity collection system. All wastewater is pumped to a lagoon for treatment.

The Town allows septic dumping into the lagoon from residents in the Rural Municipality of Bifrost, which pays an annual fee for the service. Bifrost also has a sewage lift system and forcemain which is connected to the Town's wastewater collection system and lagoon.

Additionally, the Town provides sewer services to two customers and water and sewer services to 22 customers in RM of Bifrost (Bifrost remits a percentage of municipal taxes in consideration thereof), and provides lagoon service to the R.M. of Armstrong, which also pays an annual fee.

The Town lagoon complies with its environmental licensing requirements.

Operators are certified and operator training is ongoing.

## Application

The Town applied for revised water and sewer rates, as set out in By-law No. 7-2011 (read the first time on July 26, 2011). The application was supported by a 2011 rate study dated prepared by the Town's consultant, G. O Barron, FCGA.

The submission requested rates for each of 2012, 2013 and 2014, with the 2012 rates to be effective for October 2011, affecting the billing for the October, November and December, 2011 consumption.

The requested rates were as follows:

<b>Commodity Rate \$/1000 gallons</b>	<b>Previous</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Water	\$5.50	\$5.70	\$5.80	\$5.95
Sewer	\$1.82	\$2.45	\$2.50	\$2.50
Quarterly Service Charge	\$14.00	\$19.20	\$19.80	\$20.40
Minimum Quarterly	\$35.96	\$43.65	\$44.70	\$45.75
Hydrant Rental	\$200.00	\$200.00	\$200.00	\$200.00
Reconnection charge	\$50.00	\$50.00	\$50.00	\$50.00
Sewer Only (quarterly)	\$36.67	\$49.80	\$51.05	\$51.65
Water Only (quarterly)	\$30.50	\$36.30	\$37.20	\$38.25

The proposed rates were expected to generate sufficient annual revenue to recover the following projected annual expenses:

		2012	2013	2014
Admin		\$42,500	\$43,775	\$45,088
less: penalties		1,200	1,200	1,200
		<b>41,300</b>	<b>42,575</b>	<b>43,888</b>
Water				
	Expenses	104,335	107,637	110,852
	Amortization	94,593	94,593	94,593
	Interest	12,757	9,741	6,762
	Contingency	18,500	18,500	18,500
	Reserves	50,000	50,000	50,000
less:	Hydrant	19,400	19,400	19,400
	Amort of grants	36,208	33,374	30,395
	Taxation	70,960	70,960	70,960
	Bifrost cost sharing	8,900	8,900	8,900
	Other	4,600	4,474	4,475
		<b>140,117</b>	<b>143,363</b>	<b>146,577</b>
Sewer				
	Expenses	48,178	49,620	51,104
	Amortization	48,000	48,000	48,000
	Interest	3,397	2,804	2,172
	Contingency	6,500	6,500	6,500
	Reserves	-	-	-
less:	Amort of grants	16,781	16,781	16,781
	Taxation	12,009	12,009	12,009
	Bifrost cost sharing	13,600	13,600	13,600
	Other	3,525	3,525	3,525
		<b>\$ 60,160</b>	<b>\$ 61,009</b>	<b>\$ 61,861</b>

Although capital projects are expected to be completed in 2011 and 2014, the financial impacts are not yet sufficiently quantified and were not included in the rate study.

The rate study included a proposal for a cost allocation methodology. The Town proposed a cost allocation methodology which consisted of an allocation of one-third of the costs for the Chief Administrative Officer, office staff, public works staff and benefits, computer support and audit fees. In addition capital purchases were to be allocated to the utility operation at 50% and heavy equipment would be charged back to the utility based on usage.

## **Board Findings**

### Rates

The Board carefully considered the proposal made by the Town for a three year rate structure, and their request to have the rates apply for the last quarter of 2011.

The Board does not generally support the retroactive application of rate increases as this does not allow the consumer the opportunity to alter their consumption, should they wish to offset the effects of rate changes. The Board notes that the Notice did not go to ratepayers until December 2011 and will therefore deny that request and approve the rate increase being effective for January 1, 2012.

With respect to a 3-year rate schedule, the Board has concluded that the rates proposed for each of the three years are not significantly different. In order to minimize the administrative effort of having to change the rates in the billing system in each of the three years, and to simplify the rate structure, the Board will approve a rate which is approximately the mid-point of the rates requested for the three years, yet sufficient to generate the necessary revenue. The rate structure will therefore be effective January 1, 2012 and will not require modification until 2015, unless extraordinary events occur in the interim which would require a reassessment of rates.

The Board's rate approval is based on the following expense base:

<b>Expense base</b>		<b>2014</b>
Admin		\$ 45,088
less:	penalties	1,200
		<b>43,888</b>
Water		
	Expenses	110,852
	Amortization	94,593
	Interest	6,762
	Contingency	18,500
	Reserves	60,000
less:	Hydrant	(19,400)
	Amort of grants	(45,875)
	Taxation	(70,960)
	Bifrost cost sharing	(8,900)
	Other	(4,475)
		<b>141,097</b>
Sewer		
	Expenses	51,104
	Amortization	48,000
	Interest	2,172
	Contingency	6,500
	Reserves	
less:	Amort of grants	(16,781)
	Taxation	(12,009)
	Bifrost cost sharing	(13,600)
	Other	(3,525)
		<b>\$ 61,861</b>

In determining these rates, the Board has made some minor modifications to the expense base. Specifically, the amortization of capital grants has been adjusted to reflect the actual amount, and the reserve provision for water has been increased to offset the adjustment, and to recognize the probable need to offset capital projects planned in 2011 and 2014. The other projections contained in the rate study appeared reasonable, and were left unaltered.

The Board has noted that, despite a significant increase in sewer rates, the agreements with the RM's of Bifrost and Armstrong contain no provision for cost increases. The Board encourages the Town to review this matter and if necessary, negotiate an increase in contribution from those customers, equivalent to the 39% increase imposed on other customers. The Board will expect this matter to be discussed and addressed in the Town's next rate proposal.

The board also notes that the rate proposal did not take into account the capital projects expected to be completed between 2011 and 2014. Because of this and the need to revisit the agreements with Bifrost and Armstrong, the Board will require a new rate proposal to be prepared and submitted by June 30, 2014 for the 2015 rate schedule.

#### Cost Allocation Methodology

The methodology submitted by the Town is generally acceptable except for the allocation of capital purchases. The Board will amend the methodology to require that the amortization expense, rather than the capital cost for capital purchases be allocated at 50%. This is

consistent with the new accounting standards introduced for 2009. The Board reminds the Town that any subsequent changes to the methodology will require Board approval.

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 (Rules). The Board's Rules may be viewed on the Board's website at [www.pub.gov.mb.ca](http://www.pub.gov.mb.ca).

**IT IS THEREFORE ORDERED THAT:**

1. The Town of Arborg amend its water and sewer rate By-law, effective for January 1, 2012, to agree with this Order and Schedule "A", attached hereto, and file that By-law with the Board following third reading.
2. The cost allocation methodology as amended in this Order for the Town of Arborg BE AND IS HEREBY APPROVED.
3. The Town of Arborg prepare and submit the revised rate study and application for revised rates for the year 2015, on or by 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.  
60/12 issued by the Public Utilities  
Board

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

**SCHEDULE "A"**  
**TO BOARD ORDER NO.60/12**  
**THE TOWN OF ARBORG**  
**WATER AND SEWER RATES**

**SCHEDULE OF QUARTERLY RATES:**

1. Commodity Rates per M.G.

Minimum Quarterly Consumption	Customer Service Charge	Commodity Water	Charges Sewer	Total Quarterly Minimum
1,000	\$20.00	\$5.75	\$2.50	\$28.25

2. Minimum Charges, Quarterly

Notwithstanding the Commodity Rates set forth in Paragraph 2 hereof, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

Water and Sewer Customers

For rates effective January 1, 2012

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Customer Service Charge	Commodity Water	Charges Sewer	Total Quarterly Minimum
5/8"	1	3,000	\$20.00	\$17.25	\$7.50	\$44.75
¾"	2	6,000	\$20.00	\$34.50	\$15.00	\$69.50
1"	4	12,000	\$20.00	\$69.00	\$30.00	\$119.00
1½"	10	30,000	\$20.00	\$172.50	\$75.00	\$267.50
2"	25	75,000	\$20.00	\$431.25	\$187.50	\$638.75
3"	45	135,000	\$20.00	\$776.25	\$337.50	\$1,133.75

(a) Water Only Customers

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

(b) Sewer Only Customers

The Town of Arborg shall charge the owners or occupants of land serviced with sewer, but no water, the sum of **\$51.00** per quarter effective January 1, 2012 which includes the Customer Service Charge.

(c) Quarterly Charges for Vacated Properties with Lot Line Connections

The Town of Arborg shall charge the owners of vacated property, where a building once utilizing the service remains, the minimum water and sewer charges as shown in (a), (b) or (c) above.

3. Bulk Sales Rate

All water sold in bulk by the Town of Arborg shall be charged for at the rate of **\$20.00 per 1,000 gallons** on a pro-rated basis for all quantities greater than 500 gallons. For any quantity of 500 gallons or less the minimum charge will be **\$10.00**.

4. Service to Customers Outside the Town of Arborg Boundaries

The Council of the Town of Arborg may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town of Arborg. 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 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 within these boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

5. Billings and Penalties

- a) Accounts shall be billed quarterly; and  
The due date will be at least **14 days** after the date of billing;
- b) A late payment charge of **1¼%** shall be charged on the dollar amount owing after the billing due date;
- c) The late payment charge will compound monthly and will appear on the customer's next quarterly bill if unpaid.

6. **Disconnection**

The Public Utilities Board, by Board Order No. 39/09, approved the Conditions Precedent to be followed by the municipality 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, attached as Appendix "A", is available for inspection at the Town Office.

7. **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 have been paid.

8. **Outstanding Bills**

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water and sewer service are a lien and charge upon the land serviced, and shall be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies.

9. **Hydrant Rentals**

The Town of Arborg will pay to the utility an annual rental of \$200.00 for each hydrant connected to the system.

10. **Water Allowance Due to Line Freezing**

That in any case where, at the request of the 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 of the billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.

11. **Sewer Surcharges**

- (a) There may be levied annually, in addition to 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 wastes.



**12. Disconnect and Reconnect Water**

Where service is requested to be disconnected or reconnected for any length of time as a result of vacation or renovation, a service charge of **\$50.00** shall be assessed for each disconnect and/or reconnect. Further, the minimum water and/or sewer charge shall continue to be charged to each account whether the service is active or inactive.