

Murray Harbour Sewer Utility

Application for Sewer Rate Decrease

Docket UW55302

Backgrounder

May, 2010

The Murray Harbour Sewer Utility

The sewerage treatment plant in Murray Harbour was constructed in 1994 and 1995 for a total cost of roughly \$1.4 million. The Utility was responsible for approximately \$450,000 of the total plant costs, with the balance funded through infrastructure programs. The plant services roughly 120 customers within the village, which are primarily residential users.

In 1995, the Commission established a rate for the Utility of \$500.00 per year, per single-family dwelling, and that rate has remained in effect until this time.

Utility's Rate Proposal

In March 2010, the Utility filed an application to decrease annual sewer rates from \$500 to \$469, effective April 1, 2010.

In addition to the proposed decreased rates, the Utility also requested permission to remove a unique clause in its tariff involving the pro-rating of seasonal customers' bills. The clause referred to in the tariff states:

Rates for seasonal customers shall be pro-rated for the number of months service is provided, but in no case shall the prorated rate be less than one-half the annual rate.

At this time, the Utility has 18 seasonally-billed customers (15 residential and 3 commercial) affected by this request. The removal of this clause would result in increased rates for these customers.

Public Notice

In late March, a Notice outlining Murray Harbour's rate application was published in *The Guardian* and the *Eastern Graphic*. In addition, the application was posted on the Commission's website for review and comments.

No comments were received in response to the public notice.

Analysis

Analysis of the Utility's financial projections indicates that the proposed rates—including the request to eliminate the pro-rating of seasonal bills—is expected to provide sufficient revenues for the Utility to meet its ongoing expenditures, and results in revenue levels remaining near their present level.

A cash flow analysis of the Utility's expenditures supports the proposed revenue requirement as well.

A schedule of the Utility's revenues and expenditures is attached to this report.

Impact on Customers

As indicated previously, rates for customers will be decreased by approximately 7% with the exception of roughly 15% of the Utility's customers who are seasonal.

The Utility, in its initial rate application to the Commission in 1995, requested a seasonal billing clause primarily to address billing for two commercial businesses operating seasonally within the community at that time. The Commission allowed the clause to be included, despite the fact that none of the other utilities' tariffs contained anything similar. It is a clause unique to Murray Harbour as rates in other jurisdictions do not distinguish seasonal use.

An analysis of the impact on seasonally-billed customers shows that 15 residential customers in Murray Harbour will see their rates increase from \$250 to \$469 annually with the removal of this clause—roughly 47%. There are also 3 commercial customers in the community who will be impacted by the same percentage of increase.

The Utility's request to remove the clause is in keeping with the standard schedules of rates and charges used by most other Utilities. In addition to the Utility's inability to recover 100% of the rates from seasonal residents, there is also an administrative burden on the Utility to manage the status of seasonal customers' occupancy. It is unlikely that Murray Harbour anticipated there would be as many residential customers affected by the seasonal pro-rating of bills, and the request to remove the clause does not seem unreasonable.

However, given the impact on rates that seasonal customers will experience resulting from this change, and given the strength of the Utility's current financial position, it might be more reasonable to phase the increase in over a period of two years.

Summary

Following a review of the application, as well as an analysis of the Utility's revenues and expenditures, the Commission determined that the Utility's proposal to reduce rates to \$469 is reasonable. In addition, the Commission approved the removal of the seasonal clause from the tariff, with the provision that increased rates to existing seasonal customers be phased in over two years.

Order UW10-02 and tariff were approved on May 20, 2010, for effect April 1, 2010.

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This version shows Utility's projections based on proposed rate change of \$469, and includes the impact of phased-in rates for seasonal customers

	Current	Apr-1-10
Flat Rate	\$ 500	\$ 469
Diff %		-6.20
Diff \$		-\$31

	Actual				Projections - No Decrease			Proj With Decrease 2010		
	2005	2006	2007	2008	2009	2010	2011	2009	2010=PI 1	2011=PI2
Revs										
Flat Rate Revenues	\$ 56,794	\$ 55,837	\$ 55,782	\$ 56,153	\$ 54,400	\$ 54,400	\$ 54,400	\$ 54,400	\$ 53,777	\$ 56,186
Other	-	10	-	4,598	-	-	-	-	-	-
TOTAL REVENUES	\$ 56,794	\$ 55,847	\$ 55,782	\$ 60,751	\$ 54,400	\$ 54,400	\$ 54,400	\$ 54,400	\$ 53,777	\$ 56,186
Operating										
Salaries & Wages - Operational Employees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repairs and Maintenance	6,298	5,732	6,206	12,807	9,507	9,507	9,507	9,507	9,507	9,507
Electricity	2,936	3,222	2,110	3,699	3,884	4,078	4,282	3,884	4,078	4,282
	9,234	8,954	8,316	16,506	13,391	13,585	13,789	13,391	13,585	13,789
General										
Salaries & Wages - Admin Employees	4,200	3,700	3,700	4,700	3,700	3,885	4,079	3,700	3,885	4,079
Office Supplies and Expenses	1,050	920	1,244	1,748	1,748	1,748	1,748	1,748	1,748	1,748
Interest & Bank Charges	121	165	193	151	150	150	150	150	150	150
Contractual Services	4,015	2,333	2,565	6,444	6,766	7,105	7,460	6,766	7,105	7,460
Transportation Expenses								-	-	-
Insurance										
Regulatory Commission Fees		1,102		2,205	1,102	1,102	1,102	1,102	1,102	1,102
Miscellaneous								-	-	-
Bad Debt	500	(2,156)	750	2,972	938	938	938	938	938	938
	9,886	6,064	8,452	18,220	14,404	14,928	15,477	14,404	14,928	15,477
Other										
Depreciation Expenses	5,206	5,206	5,206	5,276	5,277	5,276	5,276	5,277	5,276	5,276
Interest on Long-Term Debt	17,515	15,477	13,310	9,378	6,302	5,485	4,518	6,302	5,485	4,518
	22,721	20,683	18,516	14,654	11,579	10,761	9,794	11,579	10,761	9,794
TOTAL EXPENDITURES	\$ 41,841	\$ 35,701	\$ 35,284	\$ 49,380	\$ 39,374	\$ 39,274	\$ 39,060	\$ 39,374	\$ 39,274	\$ 39,060
Net Income (Loss) for the Year	\$ 14,953	\$ 20,146	\$ 20,498	\$ 11,371	\$ 15,026	\$ 15,126	\$ 15,340	\$ 15,026	\$ 14,503	\$ 17,126
Cumulative Surplus (Deficit) Dec. 31	\$ 168,862	\$ 189,008	\$ 209,506	\$ 220,877	\$ 235,903	\$ 251,029	\$ 266,369	\$ 235,903	\$ 250,406	\$ 267,532

Notes: 5% increase projected for salaries, electricity and professional fees (2010 and 2011)
Remaining costs are estimated based on 2009 budget