

M A N I T O B A) Order No. 131/02
)
THE PUBLIC UTILITIES BOARD ACT) July 23, 2002

BEFORE: S. Proven, Acting Chair
M. Girouard, Member

**THE TOWN OF WINNIPEG BEACH
LOCAL IMPROVEMENT DISTRICT NOS. 1, 2 AND 3
WATER AND SEWER RATES
BY-LAW NO. 06/2002**

The Application of The Town of Winnipeg Beach for approval of revised water and sewer rates for Local Improvement District Nos. 1 and 2, and for initial rates for Local Improvement District No. 3 as set out in By-law No. 06/2002, certified as to having been read the first time on June 12, 2002, was the subject of a public hearing conducted at 7:00 p.m. on July 15, 2002 at the Our Lady of the Lake Church Hall, in the Town of Winnipeg Beach, Manitoba.

Councillor K. Muracz, Mr. Cory S. Young, Chief Executive Officer, and Mr. Tony Reid, C.A., Chambers, Fraser & Co., Consultant for the Town of Winnipeg Beach spoke in support of the Application. Several members of the general public

attended and participated. Some of the members sought clarification, and others opposed various parts of the By-law.

The following are the major points discussed during the hearing:

1. L.I.D. No. 1 and No. 2 were constructed in 1961 and 1967 respectively. These are both water and sewer utilities. L.I.D. No. 3, a sewer only utility, was constructed in the mid 1980's and was never declared a public utility.
2. The rates charged in L.I.D. No. 1 and No. 2 were last reviewed in 1986 and to date residents in L.I.D. No. 3 have not been charged any rate.
3. L.I.D. No. 1 and No. 2 are unmetered systems and while the installation of meters was discussed at Council recently there appears no will to install them. The cost of installing meters was estimated at \$35,000. L.I.D. No. 3 residents have their own wells and are connected to a low pressure collection system which accepts only the "grey" water. The residents have holding tanks and are responsible for pumping out the solids.
4. The Town's water supply comes from two (2) wells and is chlorinated only. Water quality is measured on a daily basis and samples are sent in for testing on a bi-weekly basis. The Town's operating

personnel are in the process of becoming certified in all respects of the water and wastewater systems.

5. Based on a report prepared by J. R. Cousins dated January 15, 1999, organically the lagoon can handle approximately 1780 additional people and hydraulically can handle an additional 1582 persons.
6. The Town is reviewing a long-term strategy for the utility including an assessment of its future capital plans. The Town has increased its focus on system integrity and preventative maintenance.
7. In the absence of the use of meters, the Town's rates are based on the "Residential Equivalent Unit" (REU) method which is applicable to all three L.I.D. properties. As there are no plans to meter private wells, if and when, meters are installed the REU method would still be applied to sewer only customers.
8. In 1998 and again in 2002, the Town collected data on all the businesses in Winnipeg Beach by going into each establishment trying to determine how services were being used in order to determine the appropriate number of REU applicable to their establishment. By-law No. 06/2002 reflects the results of that effort.

9. During the hearing, Mr. Don Pepe, owner of Valentino's Restaurant indicated that the assessment of 5 REU for his restaurant was excessive when compared to the water usage of the Recreation Centre and the Curling Club also assessed at 5 REU, and when compared to other restaurants. In his view a more appropriate assessment would be 3 REU consistent with other restaurant operations.

The Town indicated that they have reviewed this assessment and based on new information are prepared to recommend a downward adjustment to 4 REU (3 units for the 60 seat capacity inside and 1/2 unit for the 18 seat capacity outside recognizing its seasonal use for a total REU of 3 1/2 units which is then rounded to 4 consistent with the rounding up policy for all customers).

10. The Town provided, in writing, a response to the Board's inquiry regarding the REU assessment for other customers including Benson Fish, Park Place Meats, and the Royal Canadian Legion.
11. The utility has incurred revenue deficits repeatedly in past years and at the urging of The Public Utilities Board brings this Application to the Board for revised rates which will place the utility on a sound financial basis to meet its

current and long term needs. It will also allow for the recovery of operating costs through rates which are fairer than tax levies used formerly to recover deficits.

12. For the purposes of the rate study, the Town projected the following expenditures:

Administrative costs	\$ 9,010.00
Water production & distribution	20,694.00
Sewage collection & disposal	14,102.00
Contribution to Reserves	
Water	1,694.00
Sewer	<u>6,102.00</u>
Total	<u>\$51,602.00</u>

The above expenditures also include a contingency allowance of \$7,796.00. The Town provided detailed information regarding these expenditures. The 2002 Budget provides for a further withdrawal from the Low Pressure Reserve, for unanticipated capital expenditures in the amount of \$58,567.07 without which a further deficit for 2002 would be incurred.

In reviewing the list of expenditures it was noted that some expenditures were related to the water system, and the Town advised that from its perspective the reserve was a general utility reserve, and accordingly, the withdrawal was appropriate.

13. As at December 31, 2001, the Town reported it had no cash surplus, and a utility reserve balance of \$3,500.00.

14. The Town proposes to increase the disconnection and reconnection charges from \$7.50 each to \$15.00 and in so doing, was cognizant of the Board's concern about rate shock in 1986 when the charge which was proposed to increase by a multiple of 4 times from \$2.50 to \$10.00 was reduced by the Board to \$7.50. The Town estimated that the actual cost of providing the service is approximately \$25.00. This charge is primarily assessed against approximately 29 seasonal customers.

15. The Town of Winnipeg Beach has a high population of seasonal customers of which a high percentage are sewer only customers. The Town indicated that, to the extent possible, their application proposes to collect revenue from those customers in a fair and equitable manner. The breakdown of customers is as follows:

Residents	Permanent	Seasonal	Total
L.I.D. No. 1 & 2	71	29	100
L.I.D. No. 3	-	1660	1660

16. The Town proposes to charge initial rates to L.I.D. No. 3 customers who are provided sewer collection

and treatment services (lagoon services) for "grey" water only. The Town proposed an annual charge of \$12.80 which in total would recover approximately \$21,248.00, or approximately 41% of the total operating cost of the combined utility.

While these are initial rates, the Town indicated that L.I.D. No. 3 in the past has been paying a portion of the operating costs of the utility through the collection of deficits through taxes, and the initial rate is being proposed, as noted earlier, to recover such costs in a fairer manner.

Some residents noted that residents in L.I.D. No. 3 have paid contributions to L.I.D. No. 3 on several occasions and that it was the intent of Council, at one time, to cover the costs of operating the utility using interest on such monies without the need for rates. They noted that these monies were in a special reserve fund.

The Town indicated that the reserve fund was not a special fund set up for L.I.D. No. 3 only and in fact, the fund was built up through contributions from L.I.D. No. 1 and 2 as well. They were aware of Councils prior proposal, but advised that the By-law to accommodate that principle was never passed. In their view the reserve is a general reserve to meet the needs of the whole utility, and

was not intended to recover ongoing operating costs of L.I.D. No. 3 only.

17. While the Town was not proposing separate reserve funds for the water and the sewer parts of the utility some residents stated that would be a good practice recognizing the uniqueness of the balance between sewer only and water and sewer customers in the community, and the fact that sewer only customers are paying the largest amount of money into the reserve. In responding, representatives of the Town indicated that separate reserve funds may have merit.
18. There is an increasing desire of nearby residents outside the boundaries of the Town of Winnipeg Beach, for the extension of service to their properties. By-law No. 06/2002 provides for such extension and refers to the manner in which operating costs can be recovered. The Section provides for the inclusion of a surcharge recognizing that the capital costs of the system have been paid or are currently being paid by taxes collected from residents in the community.
19. Some sewer only customers raised questions regarding the operation of their holding tanks which is a matter that could be pursued with the Town operators.

A concern was raised that business customers connected to the sewer system in L.I.D. No. 3 will be paying \$12.80 per year, while business customers in L.I.D. No. 1 and No. 2, particularly those in the restaurant business assessed 3 REU's, will be paying \$14.40 per quarter for sewer services not including any part of the administrative fee of \$10.40. The Town responded that in L.I.D. No. 3 all customers were assessed at 1 REU and that the cost/benefit of further analysis may not be significant.

Other residents supported the need of the Town for additional revenues to operate the utility effectively, efficiently and prudently to meet the needs of the community, and appreciated the efforts of the Town to develop rates on a fair and equitable basis without meters.

20. The Town was hoping to implement revised rates for the last quarter of this fiscal year.

Board Comments

The Board is pleased to note that the Town has taken steps to rationalize the recovery of operating costs of this utility now including L.I.D. Nos. 1, 2 and 3, and accordingly, will declare L.I.D. No. 3 a public utility. The Board is also pleased to note that the Town has increased its focus on the longer term needs of the utility, and has taken steps to ensure

that these essential services are provided to its customers in a safe, effective and efficient manner.

In the Board's opinion, the budget presented by the Town including provisions for contingencies and reserves is a prudent budget to ensure the goals and objectives of the utility are met. As it is the intention of the Town to build reserves through rates the Board will require that the Town seek its prior approval for the withdrawal of such monies from reserves.

Furthermore, the Board agrees that the mix of permanent and seasonal customers is unique and therefore, separate reserves should be established for the water and the sewer part of the utility. This may require some consideration of the appropriation of the current reserve fund balance into each reserve or the continuation of the existing reserve for the general purpose of the utility. The Board will leave this for the Town's consideration.

The Board is satisfied with the REU determination except for Valentino's Restaurant, and will order that the By-law be amended to reduce the number of REU from 5 to 4.

The Board considered carefully the disconnection and reconnection charges and is strongly in favour of rates that recover the cost of providing the service and accordingly, will approve a reconnection and disconnection charge of \$25.00.

In Order No. 99/86 dated June 2, 1986, the Board discussed the use of meters and noted that the problems

associated with REU assessments are overcome by the use of meters. Many customers advocated their use and stated it is the fairest way to determine appropriate charges to recover the costs placed on the system by its customers. In the Board's opinion the Town should reconsider this matter and the Board highly recommends that meters be installed. The Board will seek a report in this regard following the Town's deliberation.

To develop fair rates between business customers in L.I.D. Nos. 1 and 2 and L.I.D. No. 3 it may be desirable to meter business customer's private wells, and charges rates accordingly. As well this can be considered by Council in its deliberations over the installation of meters.

The Board is satisfied that the rates charged in L.I.D. No. 3 are fair and reasonable recognizing that with respect to "grey" water only the customers in L.I.D. No. 3 are the major contributors to the lagoon, and are the users of a significant portion of the sewer lines in Winnipeg Beach.

The Board noted during the hearing that a typographical error occurred on Schedule "A" with respect to 2.0 Equivalent Units and the clause should read ". . . restaurants with seating capacity less than 40". The Board will require amendment on second reading.

IT IS THEREFORE ORDERED THAT:

1. Pursuant to Subsection 2(6) of The Public Utilities Board Act R.S.M. 1987 p.280 the sewage collection and disposal system in the Local Improvement District No. 3 of the Town of Winnipeg Beach be and is hereby declared a public utility.

2. By-law No. 06/2002 and attached Schedules A and B BE AND ARE HEREBY APPROVED subject to amendment on second reading as follows:
 - i) Schedule "A"
 - a) In Clause 1, Schedule of Quarterly Rates under the column headed Consumer the following change be made:

"Ileans Hair Care; Kellys B&B Bye the Lake; Golf Course; Royal Canadian Legion; restaurants with living quarters; restaurants with seating capacity less than 40."

 - b) Valentino's Restaurant be reclassified to 4.0 Residential Equivalent Units.

ii) Schedule "B"

The Connection/Disconnection Charges be amended to \$50.00 and further that Clause 4.1 in By-law No. 06/2002 be amended accordingly.

3. Separate reserve funds for the water part and the sewer part of the utility be created and any withdrawal from such reserve funds obtain the Board's prior approval.
4. The Town of Winnipeg Beach report to the Board following its consideration of meters and this report shall be due by October 31, 2002.

Fees payable upon this Order - \$437.20.

THE PUBLIC UTILITIES BOARD

"S. PROVEN"

Acting Chair

"G. O. BARRON"

Secretary

Certified a true copy of
Order No. 131/02 issued by
The Public Utilities Board

Secretary

