

M A N I T O B A) Order No. 178/03
)
THE PUBLIC UTILITIES BOARD ACT) December 11, 2003

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

**THE CITY OF BRANDON
WATER AND WASTEWATER RATES
BY-LAW NO. 6753**

The City of Brandon (the City) applied to The Public Utilities Board (the Board) for approval of revised water and wastewater rates as set out in By-law No. 6753 certified as to having been read a second time on September 22, 2003. This application was filed on October 3, 2003. On November 3, 2003, the City filed additional information including a report on the 2002 average annual consumption by user type, the 2002 unaccounted for water study and the 2004 - 2006 inclusive rate studies developed pursuant to the Guidelines adopted by the Board.

Notice of Public Hearing was published in the local newspapers.

A public hearing was held at 7:00 p.m. in the Council Chambers of the City of Brandon on December 4, 2003.

The following persons were in attendance:

Representing the City of
Brandon:

Mr. Grant McMillan	City Treasurer
Ms. Denise Hitchins	Deputy City Treasurer
Mr. Ian Christiansen, P.Eng.	Manager of Engineering Services
Mr. Todd Birkhan	BDO Dunwoody, Consultant to the City

Others:

Mr. Doug Orr	Citizen
Mr. William Karashowsky	Citizen

The following information was provided at the hearing orally or in the pre-filed material:

1. The City applied for approval of a three year rate plan as reflected in Schedule "A" to By-law No. 6753 as follows:

1. SCHEDULE OF QUARTERLY RATES - 2004

(a) Commodity Rates

	Rates per Cubic Meter		
	<u>Water</u>	<u>Wastewater</u>	<u>Water & Wastewater</u>
First 150 cu.m. per quarter (Domestic Rate)	\$1.26	\$0.60	\$1.86
Next 2,850 cu. m. per quarter (Intermediate Rate)	\$0.98	\$0.60	\$1.58
All over 3,000 cu. m. per quarter (Wholesale Rate)	\$0.80	\$0.45	\$1.25

(b) Quarterly Service Charge (per meter) \$11.95

2. SCHEDULE OF QUARTERLY RATES - 2005

(a) Commodity Rates

	Rates per Cubic Meter		
	<u>Water</u>	<u>Wastewater</u>	<u>Water & Wastewater</u>
First 150 cu. m. per quarter (Domestic Rate)	\$1.35	\$0.64	\$1.99
Next 2,850 cu. m. per quarter (Intermediate Rate)	\$1.07	\$0.64	\$1.71
All over 3,000 cu. m. per quarter (Wholesale Rate)	\$0.89	\$0.49	\$1.38

(b) Quarterly Service Charge (per meter) \$12.25

3. SCHEDULE OF QUARTERLY RATES - 2006

(a) Commodity Rates

	Rates per Cubic Meter		
	<u>Water</u>	<u>Wastewater</u>	<u>Water & Wastewater</u>
First 150 cu. m. per quarter (Domestic Rate)	\$1.44	\$0.68	\$2.12
Next 2,850 cu. m. per quarter (Intermediate Rate)	\$1.16	\$0.68	\$1.84
All over 3,000 cu. m. per quarter (Wholesale Rate)	\$0.98	\$0.53	\$1.51

(b) Quarterly Service Charge (per meter) \$12.50

2. Five principal goals were the foundation of the City's rate proposal and these goals include:

i) Safety - new rates should provide sufficient revenue to maintain a safe water supply and promote conservation as it is a precious resource.

ii) Environment - water leaving the City's wastewater treatment facility should be in as good condition as water coming into the City, and preferably better.

iii) Self-sufficiency - the new rates should reduce the City's reliance upon property tax revenue collected for utility purposes.

iv) Reliability - the new rates should raise sufficient funds to ensure the capital requirements of the utility are met in a timely fashion.

v) Competitiveness - the new rates should remain competitive with other jurisdictions.

3. Consistent with the goals, the following additional principals were adopted:

- i) During the three year period covered by the proposed rate plan, no additional reduction of surplus should occur.
 - ii) Projections of future costs, both operating and capital, best serve as the basis upon which to structure rates.
 - iii) There is a continued desire to ultimately collapse the current three step declining rate blocks into one rate step to promote conservation.
 - iv) Given the conversion of the whole system to metric meters, the rate structure should be redefined on those terms and the thresholds should be adjusted to rounded numbers.
4. The City's proposal provides for an equal cents rate increase in each of the steps in the commodity rates for water and wastewater as shown in Clause 1 above. In this way and over time the 3-step commodity rate schedule will be collapsed into a 2-step and then a single step rate structure consistent with the City's intention to promote conservation. The City has not developed at this time a policy regarding a timeframe for the closure of this gap.

The equal cents rate increases per cubic meter per rate step are as follows:

	<u>Water</u>	<u>Wastewater</u>
2004	\$0.09	\$0.04
2005	\$0.09	\$0.04
2006	\$0.09	\$0.04

5. The City also proposed the elimination of minimum bills as in their opinion, this change is consistent with the goal to conserve water. It further addresses those concerns of customers who do not use the minimum allowance and feel they should not pay for such use.
6. Bulk water rates were proposed to increase from \$0.25 per 35 gallons from \$0.25 per 40 gallons which equates to \$1.57 per cubic meter.
7. The City incurred a deficit in 2002 of \$1,113,355.00 which was approved by the Board to be recovered from the Nominal Surplus Account of the utility. The Nominal Surplus account balance at December 31, 2002 was \$3,236,511 after the deduction for the deficit and the Utility Reserve Fund balance at December 31, 2002 was \$2,634,575. The nominal surplus included outstanding receivables totalling \$2.4 Million.

8. Order No. 95/01 approved rates for the years 2001 through to 2003.
9. The City's projected income (loss) for the period covered by the rate plan proposal is as follows:

2004	\$ (22,961)
2005	\$(310,869)
2006	\$ 331,530

The City advised that the forecasted surplus for 2006 will be used to recover the deficits projected for 2004 and 2005. The City does not plan to use the nominal surplus account to recover these deficits.

10. A comparison of the revenues and expenditures for the period of the rate plan excluding debenture debt payments and administrative costs is as follows:

	2004	2005	2006
<u>Water</u>			
Revenues	\$6,647,967	\$7,207,372	\$7,766,777
Expenditures	<u>6,702,971</u>	<u>7,805,708</u>	<u>7,703,213</u>
Difference	\$ (55,004)	\$ (598,336)	\$ 63,564
<u>Wastewater</u>			
Revenues	3,493,370	3,741,994	3,990,618
Expenditures	<u>3,497,206</u>	<u>3,521,813</u>	<u>3,820,698</u>
Difference	\$ (3,836)	\$ 220,181	\$ 169,920
Total	\$ (58,840)	\$ (378,155)	\$ 233,484
Net Administrative			
Revenues	<u>35,879</u>	<u>67,286</u>	<u>98,046</u>
Net	\$ (22,961)	\$ (310,869)	\$ 331,530

The wastewater area will demand the City's most attention in the future year and while wastewater revenues are projected to exceed wastewater expenses by 2006, the City estimated that future wastewater costs will climb at a greater rate than water costs.

As noted above forecasted operational losses in 2004 and 2005 will be offset in part because of surplus revenues being generated by the customer service charge.

11. Approximately \$1.8 Million in annual debenture cost will continue to be recovered by property tax. No increase is planned for the rate proposal period.

12. Future debt costs noted below will be recovered through the rate proposal as noted:

	2004	2005	2006
Water	\$324,091	\$323,838	\$ 323,721
Wastewater	<u>363,628</u>	<u>503,173</u>	<u>1,522,904</u>
Total	<u>\$687,719</u>	<u>\$827,011</u>	<u>\$1,846,625</u>

13. The following costs related to capital will also be funded through the rate proposal:

	2004	2005	2006
Water			
Capital and Reconstruction	\$715,000	\$1,701,250	\$1,500,000
Reserve Allocation	\$500,000	\$ 500,000	\$ 500,000
Wastewater			
Capital and Reconstruction	\$895,000	\$ 850,000	\$ 168,000
Reserve Allocation	\$350,000	\$ 350,000	\$ 350,000

14. The percentage of total operating and maintenance costs that include capital related and new capital debt costs is as follows:

	2004	2005	2006
Total Budget	\$10,741,368	\$11,862,395	\$12,053,115
Debt Financing	687,719	827,011	1,846,625
Capital Costs	2,410,000	3,401,250	2,518,000
%	28.9%	35.6	36.2%

The City advised that the percentage of debt costs recovered in rates will increase as follows:

2003	26%
2004	27%
2005	31%
2006	48%

The balance is recovered by assessment.

15. Administration costs are estimated to increase as follows:

2004	\$577,070	
2005	602,160	4.3%
2006	627,250	4.2%

16. The City provided schedules of its future capital projects for water and wastewater for the rate proposal period showing the amounts to be funded by rates, reserves and future debt.

	2004 - 2006
Water	
Rates	\$2,111,250
Reserves	\$2,094,800
Debt	-- ⁽¹⁾
Wastewater	
Rates	\$ 1,893,000
Reserves	\$ 567,000
Debt	\$14,961,000 ⁽²⁾

⁽¹⁾ Commencing in 2009 major work is planned on the reservoir and the Water Treatment Facility which is capacity related.

⁽²⁾ Related to Wastewater Treatment Facility upgrading, \$7.0 Million is projected to be spent in years 2005 - 2008 inclusive.

17. For the rate proposal period, consumption levels and the number of customers has assumed to be constant.

18. The estimated unaccounted for water amounts to 810,687 cubic meters or approximately 11.1% of total water produced. With the City's automated meter reading system some investigation will be done regarding this matter notwithstanding the City believes the level of unaccounted for water is consistent with industry norms.

19. The major industries in Brandon that generate wastewater that is greater in strength than domestic wastewater, use other means to dispose of their wastewater other than sending it to the wastewater treatment plant. The disposals vary from the stand alone wastewater treatment facilities for the Maple Leaf Hog Processing Facility, a facility constructed within the City's lagoon system for the treatment of Wyeth wastewater and a privately owned and operated wastewater treatment facility for the wastewater generated by Simplot Canada.

The City operates the facility used by Maple Leaf on a cost plus basis and similarly for Wyeth. In addition, Wyeth is charged a surcharge. The City confirmed it has no role with respect to the Simplot facility. The revenues collected from industry amount to approximately \$987,628 which do not include regular water and sewer rates based on metered volume.

20. More immediate capital plans beginning in 2005 will address both treatment and hydraulic capacity at the wastewater treatment plant.

The City does not meet the conditions as set out in The Environment Act license. However, extensive modeling is being performed to assess the impact of

the City's discharge into the Assiniboine River. The preliminary results show the Brandon has little impact on the river once the water reaches Portage la Prairie. However, the model does show that there are short term impacts closer to Brandon.

The Pollution Prevention Plan is a federal initiative to improve environment quality related to toxic substances. The City's currently working on this plan.

21. The City's water distribution systems and its wastewater collection systems are in good condition. The City advises it must continue to be vigilant with plant upgrades in this regard.

22. The City meets or exceeds the water quality objectives as outlined in the Canada Safe Drinking Water Guidelines and The Provincial Health Act. Water test results are reported directly to the Office of Drinking Water on a weekly basis and results are posted quarterly on the City's web site.

The City's service plant operators are certified in compliance with The Manitoba Water and Wastewater Association requirements and are encouraged to seize continuing education opportunities.

23. The City's long term plans are to fund all upgrades and improvements in the utility through the reserves while capacity issues will be financed with debt. The reserve fund provisions in the rates proposed are consistent with this objective.

Other

The Board received an email from Phil Weiss of the City of Brandon supporting the proposed rate increase. The writer supports the City's water conservation goal and the steps being taken as reflected in the application.

Mr. Karashowsky is a landlord and is concerned about rising water bills and his inability to recover such costs from tenants due to rent controls. He also observed that following the City's meter replacement program his bills skyrocketed and the City has agreed to review his account and discuss it with him.

Mr. Orr was primarily observing but did express a concern about the impact rising commodity prices have on people on fixed incomes.

Board Finding

The Board is most grateful to the citizens of Brandon who wrote or attended the public hearing to consider the City's application. As always, careful consideration must be given to

any application before the Board together with the needs or concerns of the citizens.

The Application of the City represents another phase in the City's plans to deliver to its citizens water and wastewater services in a manner consistent with its obligation to bring a safe and reliable water supply and to manage environmental impacts related to the handling of wastewater. The Board supports the City's goals in this regard and noted that ever changing standards and practices require a never ending vigilance. The Board is satisfied that the rate application and the proposed rates provide for such stewardship without the need to use the cash surplus account or the reserve funds of the utility or to unduly impact on the commodity rates charged.

The Board noted that this was the second 3 year rate plan that included flat dollar rate increases across all three rate steps. In this regard, the Board applauds the City's efforts to promote water conservation and noted that on a percentage basis, this form of rate plan causes higher increases for the larger volume users on the system.

While the City had no specific date to achieve a single rate structure, the Board noted that the gap with respect to water commodity rates between the first and third step at 2003 will be the same as that for 2006 which is \$0.46. While the Board supports a gradual approach in this regard, the Board also noted, that it might take as long as 6 years to complete the progress. The Board agrees that a measured approach needs

to be taken to avoid issues of rate shock. The Board would encourage the City to discuss this plan with the its large volume users.

The Board observed that, on a planning basis, the utility has projected small deficits in 2004 and 2005 and a reasonable surplus in 2006. The Board trusts that to the extent possible such deficits will be managed and if possible, eliminated through operational efficiencies. These deficits will not impact on the City's obligation to provide a safe water supply and exercise due care with respect to discharge levels.

Having examined the expenditures of the utility and after considering the City's operational and capital plans, the Board finds that the projected average increase of expenditures of approximately 6% for 2005 and 2006 to be reasonable. It is clear from the evidence that over the 3 year rate plan, the capital costs of the utility will be related to maintenance type expenditures and in the area of wastewater will require the City's most attention.

The City proposed flat \$0.50 rate increases for the quarterly service charge in the three year rate plan. The City advised that a study was done recently on administration costs and it showed that the administration expenses were understated in the rate study. Accordingly the surpluses forecasted in this area were overstated. No change in the administration fees was proposed.

In summary, the Board finds the rates proposed by the City are fair and equitable. The elimination of the quarterly minimum bill will lower the utility costs on those that use less water than the minimum quarterly volume. Accordingly, the Board will approve By-law No. 6753 and the clauses noted therein.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 6753 of the City of Brandon BE AND THE SAME IS HEREBY APPROVED;
2. The water and wastewater rates set forth in Schedule "A" hereto shall apply on all billings on and after January 1, 2004.

Fees payable upon this Order - \$976.00

THE PUBLIC UTILITIES BOARD

"S. PROVEN"
Acting Chair

"G. O. BARRON"
Secretary

Certified a true copy of
Order No. 178/03 issued by
The Public Utilities Board

Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 178/03
THE CITY OF BRANDON
WATER AND WASTEWATER RATES
BY-LAW NO. 6753

1. SCHEDULE OF QUARTERLY RATES - 2004

(a) Commodity Rates

	Rates per Cubic Meter		
	<u>Water</u>	<u>Wastewater</u>	<u>Water & Wastewater</u>
First 150 cu.m. per quarter (Domestic Rate)	\$1.26	\$0.60	\$1.86
Next 2,850 cu. m. per quarter (Intermediate Rate)	\$0.98	\$0.60	\$1.58
All over 3,000 cu. m. per quarter (Wholesale Rate)	\$0.80	\$0.45	\$1.25

(b) Quarterly Service Charge (per meter) \$11.95

2. SCHEDULE OF QUARTERLY RATES - 2005

(a) Commodity Rates

	Rates per Cubic Meter		
	<u>Water</u>	<u>Wastewater</u>	<u>Water & Wastewater</u>
First 150 cu. m. per quarter (Domestic Rate)	\$1.35	\$0.64	\$1.99
Next 2,850 cu. m. per quarter (Intermediate Rate)	\$1.07	\$0.64	\$1.71
All over 3,000 cu. m. per quarter (Wholesale Rate)	\$0.89	\$0.49	\$1.38

(b) Quarterly Service Charge (per meter) \$12.25

3. SCHEDULE OF QUARTERLY RATES - 2006

(a) Commodity Rates

	Rates per Cubic Meter		
	<u>Water</u>	<u>Wastewater</u>	<u>Water & Wastewater</u>
First 150 cu. m. per quarter (Domestic Rate)	\$1.44	\$0.68	\$2.12
Next 2,850 cu. m. per quarter (Intermediate Rate)	\$1.16	\$0.68	\$1.84
All over 3,000 cu. m. per quarter (Wholesale Rate)	\$0.98	\$0.53	\$1.51

(b) Quarterly Service Charge (per meter) \$12.50

4. Disconnection Fee

A customer who is disconnected from the utility either at their request or due to the non payment of bills shall be charged a disconnection fee of \$50.00.

5. Reconnection Fee

A customer who requires reconnection of a service shall be charged a fee of \$50.00 per reconnection.

6. Bulk Water Sales

All water sold in bulk shall be charged at the rate of \$0.25 per 35 gallons.

7. Hydrant Rental

The City of Brandon or any other hydrant owner will pay to the utility an annual rental of \$125.00 for each hydrant connected to the system which shall include the cost of water used for firefighting.

8. Wastewater Surcharge

City Council may, by resolution, impose a surcharge for wastewater having a Biochemical Oxygen Demand (BOD) in excess of 300 parts per million (ppm) and containing substances requiring special treatment; such charge to be

based on the actual costs of the additional treatment required for the particular wastewater or industrial wastewater and each such resolution shall be considered as though an amendment to this by-law has been enacted.

9. Additional Meters

Where deemed expedient, the City may elect to install auxiliary meters to separately record the amount of wastewater or water for billing purposes or upon application to the City Engineer, by an owner or operator of a premises where a wastewater service is installed, the City shall install an auxiliary meter at the expense of the applicant, for such purpose.

10. Estimated Wastewater Quantity

Where there is a private water supply and no wastewater meter is installed, the cost for wastewater shall be based upon the average consumption of water for that type of user as established from time to time by the City.

11. Billings and Penalties

Accounts shall be billed in accordance with the Water and Wastewater Control By-law and shall be due and payable twenty-one (21) days after date of billing. A penalty of ten (10%) percent of the amount of the bill shall be added if not paid by the due date.

12. Disconnection

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.

13. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties, the disconnection fee and the reconnection fee have been paid.

14. Outstanding Bills

Pursuant to Section 252(2) of The Municipal Act, the amount of all outstanding charges for water and wastewater 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.

15. Meter Testing

If any owner or consumer desires to have the water meter in their premises tested, the City Engineer shall have such meter tested. If the said meter, upon such test, is found to be accurate, a charge of \$125.00 shall be made for the said test and shall be added to the utility account and collected along with the next scheduled billing. If payment of same is not made, the water may be shut off until payment is made.

16. Meter Replacement

Where the meter requires replacement due to damage or freezing, a labour fee of \$50.00, plus the cost of the meter plus 20% shall be added to the utility account and collected along with the next scheduled billing. If payment of same is not made, the water may be shut off until payment is made.

17. Collection Referral Fee

Where a utility bill has been in the name of a tenant and that tenant has failed to pay the account in full within 30 days of the due date, a collection referral fee in the amount of 30% of said outstanding amount may be added to the outstanding amount. Should the outstanding bill remain uncollected for a period of 60 days, the fee will be cancelled and the original outstanding amount added to taxes pursuant to Section 252(2) of The Municipal Act.