

M A N I T O B A) Order No. 183/03
)
THE PUBLIC UTILITIES BOARD ACT) December 22, 2003

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

**THE TOWN OF MINNEDOSA
WATER AND SEWER RATES
BY-LAW NO. 2446**

The Town of Minnedosa (the Town) applied to The Public Utilities Board (the Board) for approval of revised water and sewer rates as set out in By-law No. 2446 certified as to having been read the first time on September 9, 2003.

Notice of Public Hearing was published in the local newspaper and posted in the Town.

A public hearing was held at 5:30 p.m. in the Council Chambers of the Town of Minnedosa on December 16, 2003.

The following persons were in attendance:

Representing the Town of Minnedosa:

Duane Lacoste	Deputy Mayor
John Neabel	Councillor
Harvey Wedgewood	Councillor
Vivian Bazin	Councillor
Darrell Graham	Councillor
Diane Hartley	Councillor
Shirley Warkentin	Chief Administrative Officer
Chris Yuen	Administrative Assistant
Frank Taylor	Utility Works Foreman
Mr. Ken Anderson	Cochrane Engineering Ltd.

Members of the Public:

Brian Stone	Resident
Dave Mansell	Resident and business owner
Ross Mackling	Resident of Minto and potential business owner

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

1. The Town is a community of about 2,500 residents and the utility consists of 1,030 customers in the small, medium and large categories.
2. The Town owns and operates two water treatment plants. Raw water is obtained from 3 wells. Sewage is treated in an aerated two-cell stabilization pond.

3. The Town is treating its water consistent with water quality standards set by the Province of Manitoba and is meeting its environmental licence for discharges from the stabilization pond.
4. The existing rates were approved in 1999. At the time the Town had just completed construction of a new and second water treatment plant, and installed meters on all customer services.
5. The original water distribution system was installed in 1952 using cast iron mains, and by 1960 all construction incorporated ductile iron. By 1990, all main installations incorporated PVC pipe. The Town has developed a watermain renewal program, and a hydrant upgrade program (2 hydrants replaced each year).
6. Unaccounted for water for 2003 is estimated at 15.5% or approximately 139,946 cubic meters. The Town's watermain renewal program should reduce this amount.
7. The two-cell stabilization pond has a design capacity of 340 kg/day of BOD and the current loading is estimated to be 200-250 kg/day BOD.

The Mohawk Gasohol (Mohawk) plant does not return all of its metered water to the sewage system, as much of the water is used in production.

8. The utility has incurred deficits in the last two years of approximately \$22,037.00 in 2001, and \$14,820.00 in 2002. A deficit is projected for 2003.

9. The Town is proposing a two-step rate schedule to replace the existing single step as noted below:

	Rates per cubic meter		
	Water	Sewer	Water & Sewer
First 22,000 cubic metres	\$0.69	\$0.37	\$1.06
Next 22,000 cubic metres	\$0.45	\$0.37	\$0.82

10. The proposed rates include contingency allowances totalling \$40,000, a \$15,000 contribution to reserves, and an annual contribution to the water treatment plant debenture payment of \$40,000.

11. The proposed rates have been prepared in consideration of the Town's actual revenues and expenditures over the last five years, and projections into the next five years. The operating and maintenance costs for 2002 were \$577,224 and are projected to be \$629,050 for 2008 - a 9% increase over the period.

12. Water sales were projected to increase slightly. In 2002, 631,613 cubic meters of water were consumed. That compares to the projected amount of 673,457 cubic metres for 2008, an average increase of 1.1% per year.

13. In the past, part of the administration costs were being recovered in the commodity rates. The proposed service charge will now recover full administration costs and result in an increase from \$6.25 per quarter to \$16.00. Administration costs are projected to increase from \$58,510 in 2002 to \$65,892 or 13% for the six year period.

14. Prior to the inclusion of contingency allowances, reserve fund allowances, and debenture payment recovery, operating and maintenance costs in total were projected to increase to \$553,145 for 2008 from \$516,789 for 2002 or 7.0%.

Such costs include inflationary adjustments, increased costs related to higher consumption levels, and increased maintenance costs as the system ages.

15. Fire hydrant charges, which includes the use of water, are projected to increase from \$80.00 to \$85.00 per hydrant.

16. The bulk water rate is to remain unchanged at \$0.85 per cubic meter. The bulk water rate includes a provision for the recovery of the utility debenture payment. The current calculation suggests the existing rate remains adequate.

17. By agreement the Rural Municipality of Odanah, pays to the Town the rates paid by residents in the Town, plus a surcharge of \$0.50 per 1,000 gallons to recover a portion of the debenture debt costs. This 10 year agreement is in its seventh year.
18. It is projected the utility will earn surplus revenue throughout the projection period, which lasts until 2008, when rates will be revisited.
19. Unmetered customers will be charged \$91.58 per quarter which includes the cost of water only. It is estimated each unmetered customer will use 86.4 cubic meters per quarter.
20. Water clarity is a problem for Minnedosa because of the necessity for frequent flushing, and because of several water main breaks (51 breaks in 2001, and 15 breaks per year is average).

The Town estimated certain parts of Minnedosa are more problematic than others and the estimated replacement costs for a particular section are as high as \$35,000.
21. Not only are the lines in need of upgrading, but also, a compressor in the water production plant needs attention - repairs are difficult because of obsolescence.
22. Mohawk is the Town's largest customer, but the Company's future plans are unknown.

23. The Town advised the water treatment plant is not meeting its current design requirements and monies will need to be spent in the future to correct the problem.

A significant part of the utility's reserve fund will be used for this purpose.

Members of the Public

Mr. Brian Stone, a resident expressed concerns about the sudden large increase in rates proposed and the hardship the increase will cause for some. He indicated it reflects poor planning.

Mr. Dave Mansell, a resident and a business owner, also expressed concern about the sudden high increase being proposed and how it will impact his business. He also complained about the clarity of the water, and advised that he is unable to use the Town's water to serve to his customers.

Mr. Mansell also questioned the excessive use of water by some customers and questioned how expansion costs are recovered. The Town responded that capital costs and all costs of operating are fully recovered from these customers.

Mr. Ross Mackling is a resident of Minto but participated in this proceeding as he is considering the possibility of operating a business in Minnedosa which will use a considerable amount of water. He indicated high rates may be a deterrent.

Board Findings

Since the last rate increase in 1999 the utility has experienced operating deficits in 2001 and 2002. The Town indicated this trend is expected to continue. This is of concern to the Board and the Board agrees with Council that the rates are in need of review.

It was abundantly clear to the Board that the utility is in dire need of upgrading in the areas of water production and distribution, and significantly more attention needs to be given to the utility in the future. While safe water is not the concern, clarity is a significant problem. Notwithstanding higher operating pressure in the distribution system are needed to meet elevation changes and such pressures are causing line ruptures, a well functioning distribution system should be able to withstand these operating conditions.

The utility has an operating reserve balance of approximately \$503,000 as of December 31, 2002 and the Town advised that this reserve will be used for the water production plant. No commitment was made to use any part of this reserve for line replacement.

Besides water clarity, water losses associated with the line breaks are a significant problem and this is a cost to the utility. Based on 2002 water production costs, water losses of fifteen percent have a cost of approximately \$37,700. While losses are not expected to be zero, lower losses reduce operating costs on a system, and rates.

Of interest, \$55,000 has been set aside for contingencies, such as line breaks which is 14% of the total operating cost for water production, water distribution and sewerage costs. These contingencies have become a regular operating cost.

While the Board appreciates the concerns of citizens regarding large sudden increases, the Board believes that this is a matter that needs to be closely monitored by the Town. Of concern to the Board is the utility's need for extensive upgrading and the adequacy of reserves to provide for such upgrading.

Because of the state of the system and recognizing the size of the utility, the Board believes that a reserve fund appropriation of \$15,000 per year is insufficient. The Board noted that funding a single upgrading project with an estimated cost of \$35,000 through reserve fund appropriation would take an inordinate amount of time. In the Board's view this is not prudent. The Board notes that capital costs can also be debenturized, if matters become increasingly urgent.

Noting the rate impact of increasing the reserve provision at this time, the Board will not provide for a further appropriation to reserves in rates for 2004. However, commencing on January 1, 2006, an increased amount of \$15,000 will be placed in reserves and the Board will approve corresponding rates to recover same. This, by itself, may not be sufficient. However, the operation of the utility is the responsibility of the Town, and should other measures be necessary, the Board trusts such measures will be considered.

In making this decision the Board was sensitive to the need for a community to have competitive rates. However, low water quality or concerns about water quality are equally important factors to consider.

The Board is pleased to note that administrative charges now will recover the full cost of administering the utility, and will approve same.

Due to the significance of Mohawk to the operation of the utility, the Board would encourage the Town to review Mohawk's current and future needs for the betterment of the utility.

Accordingly, the Board will approve the rates proposed by the Town which rates will expire on December 31, 2005. The Board will also approve revised rates effective January 1, 2006 which provide for an increase in the reserve fund appropriation of \$15,000. If at any time these rates are not sufficient to recover ongoing operating costs, revised rates may need to be considered by the Town.

IT IS THEREFORE ORDERED THAT:

1. The water and sewer rates set forth in Schedule "A" hereto shall apply on all billings on and after January 1, 2004;
2. The water and sewer rates set out in Schedule "B" hereto shall apply on all billings on and after January 1, 2006;
3. By-law No. 2446 of The Town of Minnedosa BE AND THE SAME IS HEREBY APPROVED subject to being amended to agree with this Order;

Fees payable upon this Order - \$734.22

THE PUBLIC UTILITIES BOARD

"S. PROVEN"
Acting Chair

"G. O. BARRON"
Secretary

Certified a true copy of Order
No. 183/03 issued by The Public
Utilities Board

Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 183/03

THE TOWN OF MINNEDOSA

WATER AND SEWER RATES (EFFECTIVE JANUARY 1, 2004)

BY-LAW NO. 2446

SCHEDULE OF QUARTERLY RATES:

1. Commodity Rates per Cubic Meter

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic - first 22,000 cubic metres	\$0.69	\$0.37	\$1.06
Wholesale - next 22,000 cubic metres	\$0.45	\$0.37	\$0.82

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 (cu.m.)	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Sewer	
5/8" (16mm)	1	13.64	\$16.00	\$ 9.41	\$ 5.05	\$ 30.46
3/4" (19mm)	2	27.28	\$16.00	\$ 18.82	\$ 10.09	\$ 44.91
1" (25mm)	4	54.56	\$16.00	\$ 37.65	\$ 20.19	\$ 73.84
1 1/2" (38mm)	10	136.40	\$16.00	\$ 94.12	\$ 50.47	\$ 160.59
2" (50mm)	25	341.00	\$16.00	\$ 235.29	\$ 126.17	\$ 377.46
3" (75mm)	45	613.80	\$16.00	\$ 423.52	\$ 227.11	\$ 666.63
4" (100mm)	90	1,227.60	\$16.00	\$ 847.04	\$ 454.21	\$1,317.25
6" (150mm)	170	2,318.80	\$16.00	\$1,599.97	\$ 857.96	\$2,473.93
8" (200mm)	300	4,092.00	\$16.00	\$2,823.48	\$1,514.04	\$4,353.52

(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.

(c) Sewer Rate Reductions

If it can be clearly shown that a customer uses a substantial amount of water which is not returned to the sewer system (at least 10% of the water sold to such customers), the utility may deduct such water in calculating the sewer charge to such customers.

3. Unmetered Customers

Based on an average of 86.4 cubic metres per quarter consumption, non-metered sewer and water customers shall pay \$91.58 per quarter.

4. Bulk Sales Rate

All water sold in bulk by the Town of Minnedosa shall be charged for at the rate of \$0.85 per cubic metre.

5. Service to Other Municipalities

The Council of the Town of Minnedosa may sign agreements with another municipality for the provision of water and sewer services outside the Town boundaries. 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.

6. Billings and Penalties

Accounts shall be billed quarterly, except in the case of large volume consumers with usage over 4,000 cubic metres per month which shall be billed monthly, and shall be due and payable 30 days after date of billing. A penalty of 10% of the amount of the bill shall be added if not paid by the due date.

7. 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.

8. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and reconnection fee of \$25.00 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 \$25.00 reconnection fee when service resumes.

9. 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.

10. Hydrant Rentals

The Town of Minnedosa shall pay to the utility an annual rental of \$85.00 for each hydrant connected to the system. This includes water for fire purposes.

11. Water Allowances Due to Line Freezing

That in any case where, at the request of the Council, the 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.

12. Water Meters

- (a) The Town shall supply an appropriate size water meter and remote read touch pad. Each customer shall be required to pay in advance a \$50.00 refundable meter deposit. This deposit will be refunded without interest upon termination of service, less any outstanding charges for water and sewer service. Meter deposits may be transferred from one premises to another in the municipality.
- (b) The meter and touch pad shall be installed by a registered plumber and the costs shall be the responsibility of the property owner. The remote touch pad shall be located at a point easily accessible at all times and approved by the Town.
- (c) The meter shall be installed 75 cm above the floor or as approved by the Town.
- (d) The meter shall be located as close as practical to the point of entry of the water line. Ample room must be provided for access to the meter and main valve at all times.
- (e) The meter shall be in a horizontal position with the main shut off valve immediately before the meter. Another valve shall be

installed downstream of the meter before any distribution piping or ports.

- (f) No distribution piping or ports shall be allowed before the meter.
- (g) The meter shall be protected from any type of damage including freezing.
- (h) Costs for any damage and labour for repairs to the water meter and associated equipment shall be the responsibility of the property owner.

SCHEDULE "B"

TO BOARD ORDER NO. 183/03

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