M A N I T O B A	)	**Order No. 166/05**
	)	
THE PUBLIC UTILITIES BOARD ACT	)	**December 14, 2005**

BEFORE: Graham F. J. Lane, C.A., Chairman
M. Girouard, C.G.A., Member
S. Proven, P.H.Ec., Member

THE CITY OF PORTAGE LA PRAIRIE
WATER AND SEWER RATES
CALENDAR YEAR 2006

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1.0 Introduction

In this Order, the Public Utilities Board (the Board) approves 2006 water and sewer rates for the City of Portage La Prairie (Portage), but defers consideration of rate increases proposed by Portage for subsequent years through to 2010 until the fall of next year.

Portage applied for water and sewer rate increases to take effect in each of the years 2006 through 2010. As primary support for its proposal, Portage presented a five-year utility capital expenditure plan projecting capital expenditures of $27,331,500 over the 2006-2010 period, with $20 million related to nutrient removal (at least half of that sum expected to be met by the Province).

The rationale for Portage's proposed water and sewer rate increases rests with projected ongoing annual general inflationary increases in utility operating costs and the capital expenditure plans. Though deferring consideration of Portage's application to establish revised rates for 2007 through to and including 2010, the Board supports Portage's planning for future utility requirements including, in particular, its interest in removing nutrients from effluent prior to discharge into the Assiniboine River, a plan the Board finds praiseworthy.

Portage has properly taken note of recent provincial developments related to sewer, including the Clean Environment

Commission's recommendations of August 2003 ("*Better Treatment, Taking Action to Improve Water Quality": City of Winnipeg Wastewater Collection and Treatment Systems),* and the implication for Portage arising thereto.

Portage applied to the Board for five consecutive annual increases of a) 3% in water rates and b) 6.5% and 8.5% in sewer rates (for the first and second rate steps, respectively), to take effect January 1 of each year. If approved, in aggregate, and taking into account the compound effect of consecutive increases, water rates would rise by 16% and sewer rates by 37% to 50% over the five year period.

While Portage's proposed rate increases are large and well in excess of general inflation in the economy, they are not overly surprising given the:

a) increased standards for water quality and effluent;
b) nutrient removal issue;
c) reach of Portage's utility beyond its borders; and
d) inadequate level of utility reserves given the magnitude of the current investment in the water and sewer system.

The Board notes the low level of rates, particularly sewer, compared to the full cost of the service, even after taking into account grants, contributions and property tax levies.

By this Order, the Board grants increases in water rates of 3% and sewer rates of 6.5% and 8.5%, including service charges, effective January 1, 2006. Portage's other proposed increases,

namely water activation fees by $5.00 and hydrant rental rates for non-metered hydrants located outside Portage by $75, are also approved by the Board in this Order.

In deferring consideration of Portage's request for rate increases for 2007 through to and including 2010, and electing to await more information before reaching a conclusion, the Board takes into account:

a) Portage's report of negative budgetary variances identified subsequent to the public hearing;
b) uncertainty as to the accuracy of the preliminary forecast costs for the nutrient removal project (a forecast requiring more detailed engineering studies for confirmation);
c) a need for further consultations between Portage, industrial customers, the Manitoba Water Services Board (MWSB), and the Province; and
d) the Board's intention to give more detailed consideration to Portage's utility rate design, in particular the four step declining model based on volumes which is now in place.

Accordingly, the Board requires Portage to file a number of reports with the Board in advance of a proposed possible follow-up public hearing in the fall of 2006.

At such a future public hearing, the Board anticipates reviewing updates of financial results and forecasts and discussing such additional information, pertaining to Portage's nutrient removal

plans and related community and government consultations, as may develop. As well, the Board plans to undertake an in-depth examination of Portage's water and sewer rate design, with particular attention to how that design meets the objectives of conservation.

The Board's processes and decisions are affected by its understanding of the conservation principles set out in the Sustainable Development Act (Manitoba). The Board acknowledges Portage's understandings and obligations related to its customers, particularly industrial customers contributing to the economic vibrancy of the City, and the resultant potential need to moderate those principles.

2.0 Application

Pursuant to the Board's instructions, a Notice of Public Hearing providing details of Portage's application to the Board was published in the local newspaper and posted in several prominent places within the City. Subsequently, on October 24, 2005 a public hearing was held at the Fair Board Office, Portage Exhibition Grounds, Portage la Prairie, at which the application was reviewed and discussed.

As previously indicated, Portage applied to the Board for water and sewer rate increases through 2010:

a) for water billed, 3% annually; and
b) for sewer, increases of 6.5% and 8.5% for the first and second rate step respectively.

In its application, Portage also proposed that:

a) water activation fees increase to $40.00 (from $35.00); and
b) hydrant rental rates for non-metered hydrants located outside Portage increase to $200.00(from $125.00).

Portage's utility rates were last amended in 2002. The Board approved water and sewer rate increases of 3.3% for 2003, 2004 and 2005. Portage's utility has expanded its service area to include the provision of water and sewer services beyond the City's boundaries to adjacent municipalities, towns and villages, and since then to Simplot Canada Limited's (Simplot) potato processing plant.

In support of its application, Portage filed a 2005 Utility Rate Study and a copy of By-law No. 05-8278, the latter certified as having been read the first time on June 13, 2005.

Factors driving Portage's latest rate proposal included:

a) general inflationary operating cost increases,
b) the low state of Portage's utility reserves, and
c) a five-year capital expenditure program that includes an initial estimate of $20 million for nutrient removal.

Portage advised of ongoing annual utility general inflationary pressures of 3% per year, and this was the basis for its water rate proposal. Portage proposed to raise sewer rates to prepare for the future funding of its nutrient removal project, beginning with the initial planning and engineering costs.

The project is to be funded by a combination of provincial grants, debentures and transfers from the utility reserve. Debenture servicing costs and the development of utility reserves were anticipated to be met by revenue from utility rates.

Portage also incorporated annual contingency allowances of $1.04 million to $1.38 million in its preliminary budgets for 2006 through to and including 2010. The preliminary budgets include provisions for operating expenses, contingency allowance, debenture servicing and reserve growth. Portage advised that any unused contingency provisions, generally expected to meet unforeseen repair and maintenance expenses, would be added to the utility reserve, which is required to meet future capital and major renovation expenditures.

Though relatively large, contingency provisions in annual budgets can be consumed by either unexpected revenue deficiencies or costs incurred in excess of budget. With less than 50% of annual water and sewer revenues derived from residential and small volume customers, shift changes or shut-downs affecting large industrial customers have a major impact on annual utility operating surpluses or deficits. Subsequent to the hearing, Portage advised the Board that such an eventuality had developed with a temporary shutdown of a shift by one of its two largest industrial customers; as a result, utility revenues are now not expected to meet budget forecasts for 2005 and 2006.

Portage forecast that, with the Board's approval of its application, it anticipated the following customer impacts over the next five years:

a) family (estimated quarterly water volume consumption of 15,000 gallons) - an overall increase of 4.7% to 4.8% per year ($25.00 to $31.00 each year) in water and sewer service bills;
b) mid-sized company (average quarterly consumption of 1,000,000 gallons) - an overall increase of 5.2% to 5.5% per year ($1,266 to $1,626); and
c) a very large industrial company – an annual increase of 6.6% to 6.9% ($54,260 to $73,818).

Pursuant to Portage's application for 2006 rates, minimum quarterly charges for water and sewer customers, including service charges and based on maximum consumption in gallons, would range from $38.23 (5/8 inch meter – mainly residential customers) to $3,923.99 (6 inch meter). With respect to the quarterly volumetric charge, charges per 1,000 gallons of water would range from $3.80 (maximum of 50,000 gallons) to $1.02 (over 4 million gallons). Sewer volumetric quarterly charges would range from $4.58 per 1,000 gallons (maximum 500,000 gallons) to $2.45 (over 500,000 gallons). Bulk water sales would bear a charge of $5.69 per 1,000 gallons.

Portage projected the following customer growth by meter size between 2005 and 2010:

	2005	2010
5/8 inch	4,238	4,345
3/4 inch	108	111
1 inch	86	88
1.5 inch	46	47
2 inch	36	37
3 inch	12	14
4 inch	4	4
6 inch	4	4
8 inch	2	2
Total	4536	4653

As previously indicated, Portage's sewer rate proposal anticipates a provincial requirement for Portage to remove nutrients from effluent to be discharged into the Assiniboine River.

To enhance the sewage treatment facility to achieve the nutrient reduction objective, Portage projects an estimated cost of $20 million including engineering design costs. Testimony and comments at the public hearing suggest that the preliminary cost estimate may prove too low once detailed engineering studies have taken place.

The substantial impact of major capital expenditures on sewer rates, through to and including 2010, is mitigated by Portage's expectation that 50% of the capital cost of the enhancement will

be funded by the Province through the MWSB through a commitment yet to be made.

Including the plans for nutrient removal, Portage projects a total utility capital budget for the five years 2006 to 2010 of $27.3 million. Within this five-year capital plan, Portage presented a utility capital expenditure budget and funding plan for 2006.

Capital Expenditure Budget (2006)

Water production	$ 115,000
Water distribution	$ 410,000
Waste collection	$ 382,000
Waste treatment	$ 640,000
Total	$1,547,000

In its application, Portage projected that its 2006 capital expenditure budget would be funded as follows:

Raised through rates	$1,012,000
Draw from utility reserves	$ 435,000
MWSB grant	$ 100,000
Total	$1,547,000

With respect to utility reserves, at its 2004 year-end, Portage reported $450,000 in utility surplus and $3.5 million in the utility reserves, aggregating available resources of almost $4 million.

Actual and projected reserves are low relative to the capital cost of Portage's water and sewer utility, before grants and contributions, which were reported to be approximately $100 million as of the end of 2004. Given that Portage's projected capital expenditures through to 2010 occur, the aggregate investment, at cost, of plant and equipment will increase to a minimum of $125 million.

Likely, the replacement cost of the overall water and sewer system would be much higher at present construction and equipment costs and prices. As no depreciation is recorded on utility fixed assets, only the utility reserves are available to meet the certainty of required upgrades, enhancements and replacements of plant and equipment over presumed infinite life of the community and its utility. Utility reserves, together with future grants, form the bulwark of the provision for future capital needs.

With a system of Portage's complexity, magnitude and age, utility reserves should be considerably higher. In the absence of much higher reserves, future rates are vulnerable to the risk of large increases as capital plant enhancements and major repair and renovation needs unfold.

If the Board approved Portage's rate application in its totality, i.e. out to 2010, Portage forecast annual utility revenues would increase by $2 million by 2010.

With the higher annual revenue associated with the rate application, and given utility operating results were as initially projected by Portage, i.e. break-even at worse, aggregate utility reserves were projected to increase to $9.2 million by 2010. The projected increase assumes that annual budgetary contingency provisions would not be required to meet unanticipated requirements and would be transferred into utility reserves. The forecast also assumes no draws on reserves to facilitate the completion of the nutrient removal project, with that project to be financed without a draw on reserves.

Again, this forecast of rising utility reserve balances came before post-hearing developments suggesting utility reserves will fall dramatically by the end of 2006, even with the rate increases proposed herein for 2006.

Draws on the utility reserve are required to meet the portion of Portage's capital expenditure budget not met by grants and debentures. Substantial new debenture debt is anticipated to join with provincial grants to finance the nutrient removal project, according to Portage's preliminary plans. The cost of servicing the additional debt would be met by sewer rate increases, not property tax levies, as incorporated in Portage's 2006-2010 rate strategy.

As previously indicated, Portage has a four step volume based rate schedule for water (two steps for sewer), as indicated below:

Category	Quarterly Volumes (thousands of gal.)		2005 Rates /1000 gal.		
	Min	Max	Water	Sewer	Water & Sewer
Domestic	-	50	$3.69	$4.30	$7.99
Intermediate	50	500	$2.98	$4.30	$7.28
Wholesale	500	4,000	$2.42	$2.28	$4.68
Variable	Over 4,000		$0.99	$2.26	$3.25

The schedule provides considerable discounts for higher volumes, reflecting Portage's consideration of fixed costs as opposed to variable costs as well as its attention to industrial concerns and development matters. The basic concept is that fixed costs relate less to volumes than to number of customers and meter size. The approach taken provides industrial incentives, with Portage advising that its utility rates are considerably below those of the City of Winnipeg for large industrial customers.

When industrial customers reach the 4^{+} million gallon rate block, the water and sewer rate for every additional 1,000 gallons carries a per gallon charge of $0.00325 as compared to the average cost for the first 4 million gallons of $0.005014, or $0.007351 for the first 500,000 gallons. In short, each gallon above 4 million costs only 41% of the per gallon cost for customers using less than 50,000 gallons.

Portage did not seek to amend the volume block schedule in its application.

Utility costs are comprised of four elements:

a) direct charges against the utility for operating expenses,

b) direct charges with respect to the development of utility reserves and debt servicing charges,
c) direct charges with respect to servicing debenture debt supporting utility capital projects, and
d) an allocation of a portion of Portage's Operating Account's administrative and general costs.

With respect to the latter factor, Portage advised the Board that it continues to under-recover costs with respect to the allocation of administrative costs to the utility. In short, the utility is not charged its fair share of the full costs of administration, with the general fund meeting the deficiency.

If an equitable share of the administrative costs of Portage's Operating Fund were to be charged against the utility, pressure on utility rates would result but the General Operating Fund would be relieved of some costs, reducing pressure on the City's mill rate on its property assessment base.

3.0 Background

The City's water treatment plant is designed to produce 34 million litres (ml) of water per day with average and peak flows reported to be now approximating 17 and 25 ml/day respectively; only 1.7 ml/day is currently unallocated. The plant was placed in service in 1978, and was reported as being one of the first such plants in Canada to use ozone to disinfect water.

Major improvements to the plant since 2001 were reported to include the addition of pre-clarification, improved rapid sand

filtration backwash and ozone disinfection, expanded softening capabilities, granular activated carbon absorption, increased treated water storage, pumping capacity, chlorine contact time, residuals management via sludge drying beds, and improved water distribution.

Portage indicated that the major components of its water treatment plant were designed for easy expansion to meet future demands. Portage's plant was reported to be at the forefront of water treatment technology. (reference: Portage's pamphlet "*The City of Portage La Prairie, Water Treatment Plant*")

Portage's Water Pollution Control Facility has also been significantly enhanced over the last ten years. The changes relate to the facility's processes, equipment and technology, and were undertaken to accommodate large industrial water and sewer users reliant upon Portage's utility.

Since 1996, the federal and provincial governments, the Rural Municipality of Portage la Prairie, private industry and Portage have invested an estimated $88 million in Portage's water and sewer system. Fairly recently, debentures were issued to provide Portage's share of the upgrades required to accommodate Simplot's potato processing plant in the Rural Municipality of Portage La Prairie. Portage, the R.M., Simplot and the MWSB assumed obligations supporting the plant's construction.

Simplot constructed and now operates an Industrial Process Water Pre-treatment system that connects to the Portage's sewer

system. Simplot operates its pre-treatment system within effluent limits and guidelines, and in accordance with operating and financial terms, as set out in an agreement with Portage. On its part, among other things including an obligation to supply Simplot with water, Portage has agreed to consult with Simplot with respect to related matters directly affecting Simplot.

Portage's water treatment and distribution and wastewater collection and treatment systems are expected to serve 4,560 customers in 2006. As well, by way of special agreements, Portage provides service to certain industrial firms and adjacent municipalities located outside its boundaries.

Portage's recent Rate Study forecasts customer levels to rise marginally through to 2010, from 4,536 in 2005 to 4,653 in 2010. While no major new industry is forecast during the study period, excluding the potential for a soybean processing plant, retention of existing industry at recent water and sewer usage levels is expected (though fluctuations will likely occur dependent upon industry supply and demand issues).

With a population of approximately 13,000, Portage has a number of large industrial firms that are served by the utility, its boundaries. These include McCain Foods Limited (McCain), in operation in Portage for twenty-five years, Simplot, and the Can-Oat Milling Inc. processing plant.

In addition, Portage has a number of other major employers served by the utility, including the Manitoba Development

Centre, the Association of Manitoba Municipalities, the Food Development Centre, Manitoba Crop Insurance Corporation, Southport Aerospace Centre, the Women's Jail, healthcare facilities and schools.

The retention of and recruitment of major employers and industries depends upon, among other factors, the provision of an adequate supply of high quality water and a safe effluent collection and discharge system.

As previously indicated, to finance capital improvements Portage relies on water and sewer rates (billings to customers), debentures (debt of Portage serviced over the term of the debentures), government grants and contributions by major customers and, to a lesser degree, its property tax base.

The approach followed, currently focused on "user pay", results in less reliance on Portage's property tax base and general fund for utility operations than is generally the case with other municipal water and sewer utilities.

Portage has engaged in long term planning for the capital, including the development of a preliminary 10-Year Debt Management Plan, and operating needs of its water and sewer utility. According to Portage's Rate Study and five-year capital expenditure plan, Portage will increasingly rely on water and sewer rates to meet capital expenditure. Increased rates would generate the additional revenue needed to:

a) meet anticipated operating cost increases (excepting for operating costs that will be associated with nutrient removal),
b) re-build utility reserves, and
c) meet increased debenture debt servicing costs to arise from the anticipated issuance of additional debentures to partially finance the nutrient removal project.

Portage holds that servicing debenture debt principal and interest payments through water and sewer utility rates facilitates a fairer allocation of utility costs to water and sewer customers than would occur through the more generally accepted method of funding capital expenditures through property tax levies.

As previously indicated, many customers served by Portage's water and sewer utility, some very large, are outside city boundaries and thus outside of its tax jurisdiction. From the below table derived from 2004 utility statements, the significance of industry, inside and adjacent to Portage, and other municipal users located outside Portage's city limits is evident, comprising almost one-half of total utility revenues:

City - Non industrial	$2,539,823	50%
- Industrial	$1,440,344	28%
Regional	$ 55,000	1%
Poplar Bluff	$1,098,087	21%
Total revenues*	$5,133,254	100%

*Excludes other revenue sources.

Portage has advised the Board that its agreements with industry and neighbouring municipalities provide revenue equivalent to or exceeding the rates charged to the residents of Portage la Prairie. Rates charged to customers located outside Portage's boundaries include provisions to recover a portion of the utility's debenture debt payments.

Current and proposed agreements include:

1. Cartier Regional Water Supply Agreement – water service to the rural municipalities of Headingley, St. Francois Xavier, Cartier and Portage la Prairie.

   Presently, only communities west of Oakville in the Rural Municipality of Portage la Prairie (R.M.P.) are served by Portage's Water utility. Under the agreement, water rates charged include rates for Rate Steps 1 – 3 inclusive only. Step 4 of the utility's rate schedule is not available to the parties served under the Cartier Regional Water Supply Agreement.

2. Gladstone, Westbourne, North Norfolk and McGregor – an agreement with Portage is awaiting approval with respect to a proposed Yellowhead Regional Water Supply System.

   Gladstone and the R.M. of Westbourne have each passed local improvement bylaws that are required to give effect to the system. Some opposition from residents has been reported in the case of Austin and the R.M. of Northfolk; these

communities have an existing water supply, that being Jackson Lake. Macgregor has now started the public hearing process that is required in advance of approving a proposed by-law.

3. Fringe Area Agreement – provision of water to Southport Aerospace Centre, and residents and certain companies within R.M.P.

   In addition to the Portage's scheduled water rates, this agreement includes a 10% surcharge on sewer charges. The R.M.P. uses its mill rate on the assessed value of property to raise the revenue required to meet its share of the servicing of Portage's utility debentures.

4. Tax Sharing Agreement – the agreement entered into between the R.M.P. and Portage with respect to Simplot.

   The agreement provides Portage with 50% of the municipal taxes levied by the R.M. on Simplot. Simplot is one of the two largest industries on Portage's water supply and sewage treatment system, the other being McCain. The R.M.P. retains the other 50% to meet its costs related to Simplot.

5. Industrial Services Agreements – individual cost recovery agreements with industrial customers to provide Portage with revenue to meet sewage system costs (secondary treatment and sludge disposal system).

> Portage monitors daily effluent volumes arising from the respective pre-treatment systems. Variable operating costs of the Portage's secondary treatment sewer treatment system are cost-shared on the basis of wastewater load produced for the secondary system. Firms also pay a share of the fixed annual operating costs of the utility (e.g. salaries, maintenance, sample testing); the share is based upon the capacity of the treatment system and allocated under the terms of each agreement.

Under the plan to put in place a *Yellowhead Regional Water Supply System*, Portage's water services would be extended to additional neighbouring municipalities, towns and villages. Some of these communities were reported to be experiencing difficulty meeting local water supply requirements, and an extension of Portage's utility is expected to assist in furthering the sustainability of the communities.

The composition of the utility's customer base, comprising those both within and outside Portage's boundaries, supports Portage's reliance on utility rates rather than tax levies to meet its utility expenditures, including capital. Thus, since Portage services annual utility debenture payments through water and sewer rates, rather than by levies on property taxes, future utility capital expenditures will have a direct impact on utility rate requirements.

Portage currently services utility debenture debt from property taxes ($530,653) and through utility rates ($657,218).

Unaccounted for Water, i.e. water produced, treated but not billed is a significant factor for many municipal water systems, and may represent leaks, non-metered line flushing or hydrant use. Portage advised that its percentage of Unaccounted for Water (11.12% in 2005 and forecast to decline to 7.02% by 2010) largely can be accounted for by general municipal operations such as flushing and fire hydrant use. Furthermore, Portage noted that its percentage of Unaccounted for Water is no worse than the industry norm of approximately 10%.

Portage confirmed its interest in water conservation, and advised that it promotes conservation to residential customers through public education activities and by the provision of a conservation kit including low-flow accessories to consumers. As previously indicated, it did not seek a change in its current four block volume rate design, which provides discounts as volumes rise, and has not considered inverted rates for customers, even residential properties.

Generally, Canadian water use is very high compared to the experience of other countries. While Canada has plentiful supplies of fresh water, accounting for a reputed 20% of the world's fresh water, it has only 0.5% of the world's population. On a per capita basis, Canadians are reported to consume twice as much as some Europeans and several times more than many others. Part of the explanation for this situation rests with the cost of fresh water to Canadians. As is outlined below, the

actual cost to produce, distribute and treat water is rarely, and certainly not in the case of Portage, priced to consumers.

At the public hearing, some Portage ratepayers and utility customers spoke to Portage's rate application. Among those that spoke were Mr. D. Maxwell, Ms. Helen Christoffersen and Mr. Jim Engler, the latter being the Plant Manager of Simplot.

Presenters expressed general concern about Portage's application, particularly the rate increases and the nutrient removal plans.

Both Mr. Maxwell and Mr. Engler suggested that, prior to rates being established to fund the nutrient removal plan, more definitive information was required. Mr. Engler noted that Portage's rate proposal, if approved by the Board, would represent an extra $450,000 in utility costs for Simplot over the 2006-2010 period. He suggested that before such an increase be applied for, major industries, including Simplot, should have been consulted.

Mr. Engler advised that Simplot has expertise with nutrient removal, having removal systems in place at certain other of its plants. Mr. Engler suggested that the company may prefer to internalize some of the nutrient removal requirements within its own effluent treatment process. He advised that while his company was not opposed to nutrient removal, Simplot required more information to allow it to form an informed view. He noted that it was difficult to plan when the cost implications of the

nutrient removal project were uncertain, as were the details and options.

Mr. Engler opined that, accordingly, Portage's multi-year rate increase proposal was premature and more information was required before the plan should be accepted. Mr. Engler confirmed his company's willingness to continue to work with Portage towards determining the right solution to nutrient removal. He advised that the need for nutrient removal was not a surprise to his company, and was known to Simplot before the plant was built.

Mr. Maxwell suggested that the pre-collection of revenues to fund debentures not yet issued, with respect to the nutrient removal plan, was unwise, and noted that neither Winnipeg nor Brandon had installed nutrient removal equipment yet.

Mr. Maxwell expressed concern related to the rate proposal for families on fixed incomes, noting that some may not be able to afford the increases. He suggested that Portage reduce its overall general operating expenditures to facilitate meeting higher utility costs through overall revenues.

Ms. Christoffersen also expressed concern that the rate increases would be unaffordable for some, and also suggested that the increases may damage business and tourism. She noted the expansion of the utility's service area beyond Portage's boundaries, and speculated that if further expansion was delayed, utility costs for Portage's residents could be reduced.

Ms. Christoffersen also indicated that Portage had not fully supported its application with respect to service charges, over-size meters, and connection and inspection fees. She also noted the McCain shift layoff, and expressed concern that higher water and sewer charges could lead to further industrial work reductions.

Portage completed its support for its rate increase application by comparing its proposed rates with those of Brandon and Winnipeg. Portage opined that even with the increases as applied for through 2010, it expected its water and sewer rates would remain well below the levels of the other two cities, as indicated below:

Portage's COMPARISON of WATER & SEWER Rates

	Lower than BRANDON by	**Lower than WINNIPEG by**
Domestic	7%	25%
Mid-size industry	24%	50%
Large-size industry	90%	150%

Portage's representations with respect to the comparison with Brandon and Winnipeg were not contested at the hearing, though additional comparisons with other smaller centres were suggested.

Nutrient Removal Project

Portage advised the Board that nutrient removal from effluent was recommended by the Clean Environment Commission and the Lake Winnipeg Stewardship Committee, and is presently mandated for the City of Winnipeg by Manitoba Conservation.

Portage perceives a strong likelihood that Manitoba Conservation will direct it to remove nutrients from effluent prior to discharge into the Assiniboine River. While effluent is treated at Portage's sewage treatment facility, nutrients are not presently removed. The composition of nutrients in current effluent was reported to be:

	Nitrogen	Phosphorus
Domestic Wastewater	23 mg/l	3.6 mg/l
Industrial Wastewater	135 – 250 mg/l	30 – 50 mg/l

Surface water run-off (natural, agricultural) is not quantified

Portage advised that the primary sources of nutrients in its effluent are domestic wastewater, industrial wastewater and surface water run-off, the latter being the result of the natural environment as well as agriculture.

Phosphorus and Nitrogen reportedly promote the growth of algae and aquatic vegetation (eutrophication), and an imbalance of nutrients is considered to have resulted in this past summer's toxic algae blooms in Lake Winnipeg. Algae blooms are reported

to kill fish, wildlife and cattle, and to reduce tourism opportunities.

To remove nutrients, Portage advised additional wastewater treatment processes are required, specifically:

a) increased aeration capacity (more tanks),
b) dissolved oxygen control (tanks and blowers),
c) chemical feed (TP removal, a likely requirement),
d) Phosphorous precipitate sedimentation or filtration, and
e) residual solids thickening, digestion and storage.

Portage concluded that its capital expenditure plans and rate increase strategy, towards accomplishing nutrient removal, should be advanced.

Portage indicated that its nutrient removal initiative would begin with $1.85 million expenditures (2006- $200,000; 2007- $1,050,000; 2008- $600,000) for engineering and design work, and it expected the overall costs would be shared with MWSB.

Until the additional project scope and costing work is complete, a sound cost estimate is unavailable. Portage's preliminary forecast projects construction costs of approximately $18.0 million, with these costs to be incurred in 2008 and 2009 and also shared equally with MWSB. Portage advised that the preliminary cost estimates for the nutrient removal project were determined internally, and subsequently confirmed as a reasonable preliminary estimate by its engineering consultants.

Concern expressed by Mr. Engler and others was that the capital costs associated with nutrient removal could be considerably higher than Portage's estimate.

Once constructed, the nutrient removal addition will also result in ongoing annual operating costs, and Portage suggested that meeting these costs will require further rate increases beyond those proposed in Portage's application.

A significant percentage of the nutrients to be removed relate to existing industrial operations. Mr. Engler suggested an option of having nutrients removed by industry prior to effluent flow into Portage's sewer system, and opined that the cost of such an alternate approach might be less for some corporations than the costs associated with Portage's system-wide approach. Of course, industrial pre-treatment of effluent to remove nutrients would not assist with other causes of nutrient discharge through Portage's sewer system.

Subsequent Events

Subsequent to the hearing, Portage advised the Board of the development of serious negative variances in their actual results as compared to budget, affecting 2005 and 2006 revenues, preliminary overall budgets and the 10-year debt management plan.

Portage advised that as a result of McCain's layoff of a shift, annual utility revenue for 2006 would be substantially below

budget, and would potentially absorb much of the contingency allowance meaning it would not be available for transfer into reserves.

Nonetheless, Portage advised that it continues to plan for $1.547 million of utility capital expenditures in 2006, though now it anticipates that most of the funding will arise from an allocation from existing reserves rather than operating revenue.

The negative variances to the preliminary 2006 budget included in Portage's application were reported to include:

Forecast 2006 operating surplus	$ 339,845
Reduced revenues due to rate increase variances	$ 59,203
Reduction in revenues due to industry reductions	$ 323,000
Increase in forecast operating (de-sludging) costs	$ 236,900
Increase in forecast operations cost	$ 53,052
Total	$1,012,000

As previously indicated, Portage's aggregate utility reserve balance as at December 31, 2004 was $3,535,287, with the nominal surplus account at approximately $400,000. As a result of the new negative variance forecasts, taken together with a continued assumption of the initial projected $435,000 withdrawal from reserves to meet capital expenditures in 2006, Portage projects its aggregate utility reserve balances will decline to approximately $3 million by the end of 2006.

In response to the Board's subsequent query as to the adequacy of Portage's rate application given subsequent events, Portage advised that its rate proposal was still expected to provide adequate revenue to meet projected utility operating costs through to 2010.

Portage submitted that given the negative subsequent events, it planned to defer preparing for the nutrient removal capital expenditure initiative with engineering studies in 2006. Even with that change, Portage held that its proposed rate increases were still necessary to ensure that its future capital plans, including provision for nutrient removal, can proceed.

Accordingly, Portage recommended the Board accept its initial rate proposal as an appropriate overall rate strategy, opining that despite the now-forecast negative variance in 2006, but given approval of the requested rates future years, revenues would likely be adequate to make up for the initial negative results now expected for 2006.

In summary, Portage supported its five-year rate and capital expenditure strategy as best meeting the utility's sustainability needs.

That said, Portage advised that if the Board were to limit rate increase approval to three years rather than five years, this would be acceptable. Portage observed that if this was to be the result, it would review its situation and overall prospects in a few years, and, if necessary, make a further rate application.

Also subsequent to the hearing, and with respect to Mr. Engler's suggestion of a need for further consultation with Simplot, Portage confirmed its willingness to consult further, though noting that discussions with the company had occurred previously at a technical level.

4.0 Board Findings

The Board's major findings are:

a) Portage's utility reserves are inadequate for the size, complexity, importance and future requirements of its water and sewer system;
b) water and sewer rates should be increased;
c) only the first of the five annual increases sought by Portage will be approved by the Board at this time;
d) more information is required by the Board prior to it reaching a conclusion on the rate proposal for 2007 through to and including 2010;
e) Portage's plans to enhance its sewer treatment system to remove nutrients from effluent prior to discharge into the Assiniboine River are conceptually responsible;
f) Portage's efforts to assist adjacent communities by extending its water and sewer system outside its boundaries represent a helpful and cooperative approach that is commendable;
g) further consultations and discussions with industry, the Province and the MWSB should occur with respect to Portage's nutrient removal plan;

h) Portage's four block water rate and two block sewer design should be reviewed for adherence to the principles of customer class equity, financial sustainability, and conservation; and

i) subsequent to the filing by Portage of new and additional information with respect to operating and financial plans and budgets, and with respect to consultations and discussions with the Province, the MWSB and industry, Portage should file reports with the Board together with a new rate application for the years 2007 through to and including 2010, towards a fall 2006 public hearing.

Other than the City of Winnipeg and some northern communities, where water has to be heated in winter to transport it through the distribution pipeline to consumers, it can arguably be advanced that Manitobans are fortunate to enjoy relatively low cost water and sewer systems.

And, for the vast majority of Manitobans municipal water supply and effluent treatment and removal systems provide plentiful and high quality drinking water and safe and reasonably effective effluent removal systems.

Portage, its residents and businesses fall within this number, possessing both quality water and safe effluent removal systems. That said, perception, requirements and standards change. And, increasingly, the negative effects arising from the effluent of one community for the waterways and lakes enjoyed by all are becoming known.

Portage rightly takes pride in the quality of the water its system provides, water it shares beyond its borders with communities and businesses. And, with respect to its sewer treatment and discharge system, Portage recognizes and acknowledges the impact that its effluent discharges have and are having on the Assiniboine and Red Rivers, and Lake Winnipeg.

In the Manitoba Clean Environment Commission's August 2003 report entitled *Better Treatment: Taking Action to Improve Water Quality*, the Commission observed:

- "Environment Canada … concludes that nitrogen and phosphorous loadings from human activity have accelerated eutrophication of certain lakes and rivers resulting in loss of habitat, changes in biodiversity loss of recreational potential"
- "… municipal sewage is the largest point source of nitrogen and phosphorous in Canada … discharges of nitrogen and phosphorous on Lake Winnipeg is of particular concern;" and
- "Fisheries and Oceans (Canada) … speak about the linkage between Lake Winnipeg water quality (or lack thereof) and phosphorous loading and predicted that if the phosphorous input to Lake Winnipeg is not reduced, the condition of the lake would continue to deteriorate."

The Commission concluded:

- "The City of Winnipeg should develop a plan to remove nutrients from its municipal wastewaters rather than deferring this until completion of Manitoba's nutrient

removal management strategy. … other municipal jurisdictions in the Red and Assiniboine rivers basin have already implemented phosphorous removal…"

- "… treated municipal wastewaters … are adversely impacting the aquatic environments of the Red and Assiniboine rivers and Lake Winnipeg. … Winnipeg is not the only contributor of pollutants"; and
- "(Winnipeg) should be directed to plan for the removal of nitrogen and phosphorous from its municipal wastewaters, and to take immediate steps in support of … nutrient reduction … for Lake Winnipeg."

In considering Portage's application, the Board considered six criteria:

- Rate payer equity,
- Financial stability,
- Affordability,
- Customer understanding and acceptance,
- Administrative simplicity, and
- Overall reasonableness.

To begin with its evaluation of Portage's application, the Board considered the overall objectives for it as cited by Portage and found the criteria largely met.

Portage's recognition and acknowledgement of responsibility for the high level of nutrients contained in the effluent it discharges into the Assiniboine River carries with it the

potential for significant costs for it and its utility customers.

Portage's application requested that the Board approve sewer rates sufficient to allow it to proceed with confidence to implement its developing nutrient removal plans. Portage intends to proceed to enhance its sewage treatment plant and system to remove phosphorous and nitrogen nutrients, while at the same time best ensuring future annual balanced utility operating budgets.

Unfortunately, a major industrial customer of Portage's water and sewer utility temporarily cut-back operations, and this has and is expected to result in a significant reduction in Portage's utility revenues and reserve balances in 2005 and 2006.

In response to what is hopefully a short-term development, Portage amended the support for its rate application (its rate proposal was not changed) to indicate it would defer proceeding in 2006 with the development of detailed engineering plans for the nutrient removal enhancement.

As is indicated previously, the Board considers Portage's original plans to be worthy of pursuing, without deferral. Each day, week and month, more nutrients emanate from Portage's wastewater system into the Assiniboine River, flowing down to Lake Winnipeg.

A short-term revenue inadequacy, particularly one that will not require Portage to borrow funds for operating purposes, should not deter Portage for pursuing objectives congruent with and supportive of the reduction of nutrient levels in Lake Winnipeg.

Increasingly, society and governments are recognizing the value and risks associated with water quality, and are acting to bring about improvements to better protect the future for the generations to come.

Recently, a federal-provincial study authored by Terry Duguid (who was Chair of the Clean Environment Commission when the 2003 report on the City of Winnipeg's wastewater collection treatment system was written) and Norm Brandson (retired Deputy Minister, Water Stewardship) called for urgent action with respect to Lake Winnipeg.

Duguid and Brandson cited giant algae blooms rife with toxins contaminating Lake Winnipeg in the summer, risking the health of communities and affecting the fishing and recreation industries.

Further illustrating the attention now being paid to water and effluent quality, and linking health and economics to water, the Auditor General of Manitoba issued a report on his Office's environmental audit of well water quality in Manitoba.

As cited in the Government of Manitoba's response to the Auditor General's audit report, the level of government attention to

water quality has been very high in recent years, as evidenced by:

- the establishment of the Department of Water Stewardship;
- the establishment of the Water Protection Act
- the establishment of the Office of Drinking Water
- new regulations, certification and training programs for all water and wastewater treatment operators;
- strengthening of on-site sewage and waste-disposal regulations;
- the establishment of the Lake Winnipeg Stewardship Board;
- implementation of the Lake Winnipeg Action Plan;
- the investment of $80 million in water and sewer; infrastructure; and
- initiation of water quality management zones.

The Board finds Portage's plans with respect to nutrient removal consistent with the recognition of problems associated with nutrient levels for Lake Winnipeg and the actions taken by the Province with respect to water and sewer effluent quality.

Accordingly, the Board commends Portage for planning to remove nutrients from its effluent, and advancing those plans in advance of direction by Manitoba Conservation to do so. The Board also commends Portage for undertaking long-range planning, a process critical to it being able to discharge its responsibilities to provide safe water and effluent.

Proper long-range planning provides Portage with an opportunity to inform its citizenry and customers of developments and needs

in advance of undertaking significant capital expenditure, new debenture issues, and establishing higher rate requirements.

Portage's diversity of utility customers is rather unique in that the food processing industry and neighbouring communities connected to Portage's system represent a substantial segment of the utility's operations and services. Customers of this significance require consultation in advance of major initiatives, and Portage should make every effort to work in cooperation with industry and its neighbouring communities to ensure that actions taken by one party do not unduly and negatively impact on others.

In the past, the processing industry has reportedly put in place proprietary effluent pre-treatment reducing the effort required of the sewer treatment plant, and by so doing reducing otherwise higher operating costs for Portage's utility. The Board is not certain as to the acceptability of such an approach with respect to the proposed nutrient removal project.

The larger industrial customers have proven amenable to cooperative action in the past, and the Board shares with Portage the view that nutrient removal is an objective not limited to the effluent from industrial customers. Discussions are clearly required, and should include not only industry but the Province and the MWSB.

As indicated above, there has been considerable government involvement in Lake Winnipeg and water issues in recent years,

as well as media reports of arrangements between the Province and the federal government in the same regard. Absent government financial and scientific assistance, Portage's nutrient removal plans may not prove achievable or efficacious, the Board urges and will direct Portage to involve the Province and the MWSB in its planning.

In short, the Board agrees with Simplot's Mr. Engler, and calls for a further consultation with industry and the Province, as well as enhanced engineering and costing studies to confirm or amend the current cost estimates with respect to nutrient removal.

Furthermore, the impact of a completed nutrient removal project on ongoing operating costs and customer rates needs to be developed and considered.

Better information and increased consultation may allow all parties to determine the route and timing of Portage's nutrient removal plan. It needs to be determined if proprietary plant processing changes would be more effective and economical, as well as acceptable to Portage and the Province with respect to nutrient removal from Portage effluent, before spending $20 million or more, and committing Portage's ratepayers to substantial future rate increases.

With further plan detailing, costing and consultation, Portage may have an opportunity to either reduce otherwise large capital expenditures, or alternatively, find further grant support for

the project given its importance to improving the status and future of Lake Winnipeg.

Though such efforts, Portage may find itself either in the position of being able to amend its plans and future rate increase proposals or, at least, having fuller support from industry, the Province and its citizens.

McCain's shift reduction as a result of a poor potato season is the subsequent event that is expected to depress utility revenues in 2006. This has resulted in a dilemma. First Portage and then the Board were faced with the question, are the proposed increases sufficient? Not having been anticipated in Portage's application and forecasts, the events and resultant negative variances have contributed to the Board's direction as set out in this Order.

The Board concludes that it is vital that Portage's utility forecasts be updated prior to the Board establishing new rates out to and including 2010. Accordingly, the Board will not grant the application beyond the amendments proposed for 2006.

As well, further consultations, design work and cost development need to occur with respect to Portage's plans for nutrient removal. And, new projections are required from Portage with respect to future surplus/deficit and reserve development.

In short, the Board needs more information before it is prepared to commit to a rate schedule out to 2010.

The Board will therefore not approve the pre-collection of costs for the nutrient project other than as may or may not develop in 2006 given the approval that will be granted for 2006.

Portage needs to finish its projections and consultations, and gain a commitment from the Province and the MWSB as to government funding for the project and Portage's other capital expenditures as set out in its capital expenditure plan.

However, the Board accepts that more planning and design work should occur in 2006, and funds to advance this work will be provided through this Order by the approval of rate increases for 2006.

According to Portage, it will have to meet at least $925,000 of the projected design and planning costs, and the Board will allow a portion of this need to be recovered in rates in 2006. However, the Board will also require a new rate hearing with updated information, and will revisit the rates at that time.

The balance of the nutrient removal initiative planning study cost is expected to be met by the MWSB. That commitment should be secured and the further consultations and engineering estimate work completed.

The Board will require a full and complete report from Portage following the close of its 2005 operations with forecasts out to 2010, along with any changes to its capital expenditure or other

utility plans. The reports should include a commentary on the status of Portage's plan for nutrient removal and further consultations with industry and the MWSB. The reports will be expected by June 30, 2006.

Once the new projections are submitted, Portage will be asked to file a revised rate application with the Board, including particulars with respect to plans for nutrient removal.

This subsequent rate application should also provide a review of the current water and sewer rate schedule. The substantial reductions provided for higher volumes of water and sewer could be considered inappropriate from a conservation perspective, and questionable from a customer equity basis. Environmental groups appearing before the Board at electricity and natural gas hearings have advanced the concept of inverted rates, an approach the mirror-opposite of the approach taken by Portage. Under an inverted rate approach, the rate for each volume block rises rather than falls.

This said, the Board is mindful of the understandings that Portage reached with its major industrial, municipal and non-Portage customers when service was extended to them. Portage has cited its lower utility rates than the City of Winnipeg as a competitive advantage, and the Board does and will take the wider implications of rate design changes into account. The Board notes that inverted rates, or at least an end to declining volume block rates, could possibly be introduced only for residential customers.

The main point is that the impact of Portage's declining rate block approach requires a public discussion.

The Board notes that Portage's water and sewer utility rates are heavily subsidized, and that a strict "user pay" approach is not in place. Water and effluent removal in Manitoba is generally heavily subsidized by municipal tax levies and senior government grants. Under the current approach, many municipal governments have met utility operating deficits by subsidies from operating funds and most have met capital costs associated with utility operations through levies on property taxes, such as are not met by senior government grants.

Water supply and safe effluent removal are expensive processes, with the magnitude of the expense masked by grants and the use of municipal operating funds. While this approach is generally in place and has been supported by the Board's guidelines, municipalities and utility customers should keep in mind the true cost associated with quality water supply and safe effluent treatment and discharge.

It should also be noted that costs incurred related to effluent outside the boundaries of a municipal utility, whether measured or not, need to be considered, such a case being represented by the algae blooms in Lake Winnipeg and the effect of such on recreational activities, tourism and fishing.

As previously indicated, the Board will accept Portage's rate and fee proposals for 2006, noting that incorporating the across-the-board rate increases are unlikely to over-recover the actual costs of providing the service and maintaining reasonable reserves.

Portage's forecast utility surplus and reserve balances as at the end of 2006 are clearly inadequate for a utility of this magnitude and complexity, with plans for major capital upgrades and a desire to continue to fund utility projects with utility customer billings (and grants).

As to the present allocation of administration charges which now represent only 65% of the actual cost of administration, the Board will allow the situation to continue through 2006 but will re-examine the situation at the hearing that will be scheduled for the fall of 2006. In the end, the utility should be assessed its fair share of administrative costs as well as all other costs associated with utility operations.

The Board notes that public acceptability of utility rates is an important consideration. However, in future, the Board will expect a plan to recover a larger share of administrative charges through utility billings.

Prior to consideration of the development of unexpected negative variances, expenditures are expected to grow on average about 3% per year without consideration for contingencies. Noting the City's detailed cost control initiatives and the low expenditure

growth in the forecast, the Board finds the City's 3% inflationary adjustments reasonable.

The Board notes that, while annual contingency provisions of 0.5% to 1.5% of capital costs are not out of step with industry norms, contingency provisions are generally not considered part of reserve building.

That said, given Portage's very low reserves, major capital expenditure plans and unsettled revenue outlook for 2006, the Board accepts a need for a large 2006 contingency provision.

Portage continues to expand its service territory beyond its geographic limits, and while such extensions provide much needed water to non-residents, Portage must continue to be cautious as to the financial arrangements. Already, the majority of utility billings are either to customers outside of Portage's boundaries or to major industry.

Through agreements with industry and adjacent municipalities, Portage has been attempting to ensure that those service areas contribute their fair share of the capital cost of the system and, through rates, a fair share of the ongoing operating costs. Portage must ensure that residents' interests are best protected as it looks out to its neighbours' needs.

The Board notes that, while Portage's population growth rate is marginal, the water treatment plant, which is capable of producing 34 million litres per day, has only 1.7 ml/day or 5%

of its capacity unallocated. The costs of further expansion may be high. This reality also needs to be taken into account in future planning.

The Board considered Portage's application with respect to miscellaneous charges, including charges for fire hydrant use, and finds Portage's application to be reasonable.

Finally, the Board reiterates the need for Portage to engage the Province, the MWSB and its major customers in discussions regarding the plans for nutrient removal. The Board will require Portage to file a full report on developments by June 30, 2006.

The Board expects Portage to file a new rate application for a public hearing to be held in Portage in the fall of 2006.

5.0 IT IS THEREFORE ORDERED THAT:

1. By-law No. 05-8278 of the City of Portage la Prairie BE AND THE SAME IS HEREBY APPROVED subject to amendment to agree with Schedule "A" attached hereto, reflecting the Board's rate direction (i.e. an across-the-board increase to water rates of 3% and increases of 6.5% and 8.5% to the first and second block of sewer rates, respectively, as well as increases to water activation fee of $5.00 and hydrant rental rates for non-metered hydrants located outside Portage of $75.00);

2. Proposed rate increases for the years 2007 to and including 2010 are deferred for a future rate hearing, provisionally to be held in the fall of 2006;

3. The City of Portage la Prairie file a report with The Public Utilities Board no later than June 30, 2006, providing:

   a) actual audited 2005 operating results of the utility;

   b) a report on its consultations with large industry with respect to its nutrient removal plans;

   c) a report on any discussions it may have had with the Manitoba Water Services Board and the Province with respect to its capital expenditures requirements for its utility through 2010;

   d) an update of its forecasts for 2006 through 2010 based on the rate increases provided by this Order;

   e) Portage's preliminary view of rate adequacy for the years 2007 through 2010;

   f) A review of the present volume blocks, comparing the blocks with revenue adequacy for equity and full cost recovery; and

   g) A review of the adequacy of the administrative cost allocation made against the utility by the general operating fund.

4. The City of Portage la Prairie continue to meet with industry and the Province regarding nutrient removal, and provide a report to the Board by June 30, 2006; and

5. A new public hearing shall be called for the fall of 2006, and Portage shall file an application in that respect with the Board by August 31, 2006.

Fees payable upon this Order - $2,200.00

The Public Utilities Board

"GRAHAM F. J. LANE, C.A."
Chairman

"G. O. BARRON"
Acting Secretary

Certified a true copy of
Order No. 166/05 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 166/05
THE CITY OF PORTAGE LA PRAIRIE
WATER AND SEWER RATES
BY-LAW NO. 05-8278

1.

I) Schedule of Quarterly Rates:

	gallons per quarter		Water /1,000 gal.	Sewer /1,000 gal.	Total Water and Sewer
	Min	Max			
Domestic		50,000	3.80	4.58	8.38
Intermediate	50,001	500,000	3.07	4.58	7.65
Wholesale	500,001	4,000,000	2.49	2.45	4.94
Variable	4,000,001		1.02	2.45	3.47
Bulk Sales			5.69		

Sewer only residential customers

For most customers, the average quarterly consumption in gallons of water used for residential customers at the domestic sewer rate plus the quarterly service charge.

Where an exception to this occurs there is a water meter installed at locations such as these and charged per quarter on measured consumption.

II) **Minimum Charges per Quarter**

A) Water & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Quarterly Minimum	Total Non-sewer Quarterly Minimum
5/8"	1	3,000	$13.09	$ 11.40	$ 13.74	$ 38.23	$ 24.49
¾"	2	6,000	$13.09	$ 22.80	$ 27.48	$ 63.37	$ 35.89
1"	4	12,000	$13.09	$ 45.60	$ 54.96	$ 113.65	$ 58.69
1½"	10	30,000	$13.09	$ 114.00	$ 137.40	$ 264.49	$ 127.09
2"	25	75,000	$13.09	$ 266.75	$ 343.50	$ 623.34	$ 279.84
3"	45	135,000	$13.09	$ 450.95	$ 618.30	$1,082.34	$ 464.04
4"	90	270,000	$13.09	$ 865.40	$1,236.60	$2,115.09	$ 878.49
6"	170	510,000	$13.09	$1,596.40	$2,314.50	$3,923.99	$1,609.49

B) Water only customers

Quarterly minimum charge is the same for each meter size as shown in table above, except that the Sewer Commodity charge is excluded.

C) Sewer only residential customers

Customers using sewer service only will pay the relevant minimum charge shown in "A" above except that the water commodity charge will be omitted.

2. Accounts Due - Disconnect and Reconnect

All water accounts shall be filed within 15 days following the end of the quarter in which the water was used, and shall be payable at par on the first day of the month, next following the date of billing, called hereafter the due date, and for 21 days thereafter. A late payment charge of 1¼% shall be charged on the dollar amount owing after the billing due date.

One month after the due date for the payment of the account, the water may be shut off at the discretion of the City, and may be turned on only after all arrears and penalties have been paid together with the sum of $35.00 for the turning on of the water, during the normal working hours of the City Employees.

3. Outstanding Charges From a Lien on the Land

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 collected, and with like remedies.

4. Service to customers Outside the City Limits

The Council of the City may sign agreements with customers for the provision of water and sewer services to properties outside the legal boundaries of the City. Such agreements shall provide for payment of the appropriate rates set out in this schedule herein, 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 utilities mains and installing and maintaining service connections will be paid by the customer.

5. Fire Hydrant Rental and Connections

The City shall pay to the water utility an annual rent of $125.00 per hydrant for fire hydrants situated within the corporate limits of the City, which annual rental amount shall include charges for all water used through such hydrants for fire fighting purposes.

Privately owned hydrants that are direct extension of the City's internal water distribution system shall be subject to an annual connection fee as follows:

Location of hydrant:

	In-city	Rural
Metered	$ 50	$125
Unmetered	$125	$200

6. Bulk Sales

All water sold in bulk sales shall be charged for at the rate as identified in this schedule per 1,000 gallons on a pro-rated basis for all quantities greater than 250 gallons.

7. Water Service Activations

a) THAT a rate for a construction turn-on be created for the purpose of providing a Contractor with construction water. This rate would be a flat rate of $40.00 per construction turn-on for a period up to the date of substantial completion of the project as defined by the Builders Liens Act. The Contractor will also be responsible to pay the City the cost of any water consumed during this period at the applicable sewer and water rates. There would be a maximum of one construction turn-on per building allowed.

b) That the rate for either construction turn-on performed outside of normal working hours be fixed at $85 per construction turn-on.

8. Oversize Meter Charges

That an oversize meter charge be levied on every water meter installed larger than the basic 5/8" water meter. The oversize meter charges shall be as follows:

Meter Size	Oversize charge
5/8 inch	$ 0.00
¾ inch	50.00
1 inch	115.00
1½ inch	295.00
2 inch	400.00
3 inch	1,455.00
4 inch	2,355.00
6 inch	4,170.00

9. Calibration Fee

That a calibration fee by charged on each water meter removed to check the meter calibration. That calibration shall be $35.00

per calibration, which represents the cost of removing the water meter, checking the calibration and installing of a water meter. When the calibration of the water meter is found to be reading incorrect, the calibration fee shall be returned to the water meter user.

10. Change of Water or Water & Sewer

a) That a charge for change of water or water and sewer shall be $35.00 per meter per turn on, performed during normal working hours, for a service that has changed users or service, the fee to recover the cost of completing the change of user or service.

b) That the charge for a change of water or water and sewer user shall be $85.00 per meter per turn-on, performed outside of normal working hours, for a service that has changed users, the fee to recover the cost of completing the change of user.

11. Inspection Fee

That the inspection fee for a new sewer and water installation shall be $50.00 per inspection per service installation between the street property line and the buildings. The inspection fee recovers the cost of the inspection and the completion of the records.

12. Reconnection Fee

a) That the reconnection fee shall be $35.00 per meter per reconnection performed during normal working hours. That the charge be services that are discontinued due to unpaid accounts.

b) That the reconnection fee shall be $85.00 per meter per reconnection performed outside of normal working hours. That the charge be for services that are discontinued due to unpaid accounts.