

M A N I T O B A) Order No. 105/06
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THE PUBLIC UTILITIES BOARD ACT) July 7, 2006

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

THE TOWN OF GRETNA
REVISED WATER AND SEWER RATES
BY-LAW NO. 761-2006

Executive Summary

By this Order, the Public Utilities Board (the Board) confirms a 10% interim rate increase previously approved by Board Order 51/05 dated April 11, 2005. Furthermore, the Board approves the current rate application of the Town of Gretna (Town) for an additional 17% increase in rates effective July 1, 2006.

Municipal owned utilities have a statutory obligation to breakeven on operations; in the recent past the Town experienced increased utility operating costs without an offsetting rate increase and this eroded the financial strength of the Town's utility. In the absence of the Board's action by this Order, operating deficits would continue to develop, particularly given the Town continues with its much needed capital replacement program.

With this latest increase, the Town's combined water and sewer commodity rate will increase from \$11.75 to \$13.75 per thousand gallons, 17%, and the residential minimum quarterly bill will increase by 14%, from \$47.00 to \$53.65.

Application

On May 11, 2006, the Town applied to the Board for approval of revised water and sewer rates as noted below:

	Water		Sewer		Total	
	Existing	Proposed	Existing	Proposed	Existing	Proposed
Commodity rates per 1000 gallons	\$8.40	\$9.50	\$3.35	\$4.25	\$11.75	\$13.75
Minimum quarterly bill - residential					\$47.00	\$53.65
Bulk water rate per 1000 gallons					\$10.30	\$12.00

In support of its Application, the Town filed By-law No. 761-2006, which it certified as to having been read for the first time on May 10, 2006.

Pursuant to Board instruction, the Town's proposal was set out in a Public Notice mailed to each customer. Customers were requested to write the Board with any concerns by June 30, 2006. No response was received.

On April 11, 2005, Board Order 51/05 approved an interim 10% increase in rates, processed by the Board on the basis of necessity and urgency. In the Board's opinion, immediate rate relief was required to address projected annual operating deficits approximating \$10,000, representing 10% of the utility's total annual operating costs.

At the time the Town was seeking rate increases of 20% (water) and 38% (sewer). The Board granted 10% increases because of then-pending resolution of the Town's water loss problem and the

possibility of the Town obtaining financial compensation for the water loss. Subsequently, on February 16, 2006, the Town advised the Board that while the water loss problem had been corrected on an ongoing basis, compensation remained outstanding.

The Town's utility has 202 customers, of which 194 customers are residential or small commercial. All water is purchased from the Pembina Valley Water Co-operative, the current purchase rate is \$5.40 per 1000 gallons. Prior to the Board's approval of the interim rates, the rates last changed in 2000. The utility incurred deficits in the years 2002, 2003 and 2005.

The Town filed a water and sewer rate study in May 2006. In the rate study, the Town projected annual unaccounted for water (water produced but not billed) of 8.5%, down considerably from the previous 22%, though then-current measurements suggest the ongoing loss may be as low as 2.5%.

The Town projected a 2006 operating deficit of \$9,910.00, as the rate proposal would not be implemented until part way through the year. A water purchase price increase from the Pembina Valley Water Co-operative effective April 1, 2006 combined with the Town's rising costs of operation support the Town's deficit forecast for 2006.

The Town has embarked on a water meter replacement project (25% of meters will be replaced per year), and plans to repair a main line on Berlin Avenue in 2006 at a cost of \$24,620. While an application has been made to the federal-provincial

Infrastructure Secretariat to recover this cost, the Town can not be assured it will be successful. Accordingly, the Town proposed to draw down on its reserve fund to meet 2006 capital project costs; the rate study indicates that the Town's utility reserve balance was \$65,691 at the end of the last fiscal year.

The bulk water rate increase recognized that an annual contribution through rates should be provided towards the future renewal of the capital cost of the system, the initial cost, which was financed by debentures, is being recovered from ratepayers. The annual debenture debt servicing cost is \$30,383, which is recovered by taxes - frontage and assessment.

The Town's rate application includes an annual provision for contingencies of \$6,528.00, representing 1% of the historic capital cost of the utility and consistent with the Board's Guidelines. The total annual cost of utility operations for rate setting purposes was indicated to be \$128,272, details provided below:

Administration	\$ 10,020
Water	83,047
Sewer	<u>35,205</u>
	<u>\$128,272</u>

Board Findings

As previously indicated, the Town's rate proposal was published in a Public Notice mailed to all customers and no customer complained to the Board.

Having reviewed the Application and supporting material, including the rate study, it is evident that the 10% interim rate increase was necessary and accordingly, interim ex parte Order No. 51/05 will be confirmed. Furthermore, for similar reasons, the Board will approve the proposed further rate increases.

The provision of water and sewer services and meeting the new higher provincial standard for drinking water is critical for not only good health but for the economic well being of the community. Municipal owned utilities have a statutory obligation to breakeven, and, when deficits are incurred, they are to be recovered as quickly as possible with Board approval.

Past deficits have eroded the accumulated cash surplus account of the utility, and the Board is pleased that the Town brought forward an Application addressing its current financial needs and providing for the re-building of a reserve fund to meet future capital projects.

The Board is also pleased that the Town has addressed its significant water loss problem. The leak has been located and repaired, and this should result in annual unaccounted for water falling to below industry average. The Board understands that the Town is seeking compensation towards meeting the costs of the water losses and related cost of relocating the water line.

IT IS THEREFORE ORDERED THAT:

1. Interim ex parte Order No. 51/05 dated April 11, 2005 IS HEREBY CONFIRMED.
2. By-law No. 761-2006 of the Town of Gretna BE AND THE SAME IS HEREBY APPROVED;
3. The water and sewer rates set forth in Schedule "A" hereto shall apply to all customers of the utility effective on all water consumed and on all minimum bills effective on the next billing in the normal course after the date of this Order.
4. This Order is subject to moneys being expended from the utility reserve fund only to support existing infrastructure, unless expenditures are made pursuant to Section 168 of The Municipal and Various Acts Amendment Act, c. 58.

Fees payable upon this Order - \$350.00

THE PUBLIC UTILITIES BOARD

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

"G. O. BARRON"
Acting Secretary

Certified a true copy of
Order No. 105/06 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 105/06

THE TOWN OF GRETNA

WATER AND SEWER RATES

BY-LAW NO. 761-2006

1. Commodity Rates per 1000 Imperial Gallons:

Water	Sewer	Total
\$9.50	\$4.25	\$13.75

2. Minimum Quarterly Charges:

Water and Sewer Customers:

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Gallons</u>	<u>Water Charge</u>	<u>Sewer Charge</u>	<u>Service Charge</u>	<u>Total Quarterly Minimum</u>
5/8"	1	3,000	\$ 28.50	\$ 12.75	\$12.40	\$ 53.65
3/4"	2	6,000	57.00	25.50	12.40	94.90
1"	4	12,000	114.00	51.00	12.40	177.40
1 1/2"	10	30,000	285.00	127.50	12.40	424.90
2"	25	75,000	712.50	318.75	12.40	1,043.65

Water Only Customers:

Minimum charges will be the same for each meter size as shown above, but the Sewer Commodity charge will be excluded.

3. Bulk Sales Rate:

All water sold in bulk by the Town of Gretna shall be charged for at a rate of \$0.25 per 20 gallons = Bulk Rate of \$12.00 M.G.

4. Billings and Payments for Non-payment of Account:

All connected customers shall be billed quarterly. A penalty of 1.25% per month of the total amount owing shall be charged on each bill if the amount so owing is not paid on or before the last day of the month in which the billing is mailed.

5. Hydrant Rentals:
The Town of Gretna shall pay the utility an annual rental of \$60.00 for each hydrant connected to the system.
6. Disconnection of Service:
Service may be disconnected and discontinued immediately and without further notice in the event of non-payment of account within 30 days after the due date.
7. Reconnection of Service:
Any service disconnected, whether due to non-payment of account or for any other reason(s) mutually agreed to by the customer and the Town (i.e. repairs necessitated by negligence of the customer, changes in tenant, vacancy for an extended period of time, etc.) shall not be reconnected until a reconnection fee of \$30.00 and all arrears and penalties, if any, have been paid.
8. Service to Customers outside Town of Gretna limits:
Council of the Town of Gretna may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town. Such agreements shall provide for payment of the appropriate rates set out in the schedule, 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 from time to time, or may be in effect from time to time and which would be levied on the property concerned if it were located within the Town boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining the service connections shall be paid for by the customer.