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THE PUBLIC UTILITIES BOARD ACT) Order No. 129/08
) September 8, 2008

BEFORE: Susan Proven, P.H.Ec., Acting Chair
 Graham Lane, CA, Chairman

THE TOWN OF ROBLIN
REVISED WATER AND SEWER RATES

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) varies an application by the Town of Roblin (Town) and establishes new water and sewer rates effective October 2008.

The Board also approves two 5% discretionary rate increases, to be, if implemented by the Town, effective July 1, 2009 and July 1, 2010. If implemented, advanced notice is to be provided to customers and the Board. As well, the Board requests that the Town review fees charged to septic haulers and file proposed revised fees for the Board's approval by no later than January 1, 2009.

Existing and revised rates are noted below:

Commodity Rates (\$/cubic meters)	Existing	Approved	Increase
Water			
First 115 cm	\$ 1.43	\$ 1.75	22.4%
Next 1000 cm	\$ 1.06	\$ 1.27	19.8%
Over 1115 cm	\$ 0.78	\$ 0.90	15.4%
Sewer	\$ 0.68	\$ 0.80	17.6%
Service Charge	\$11.70	\$13.00	11.1%
Minimum Quarterly Bill (5/8" meter)¹	\$43.35	\$51.25	18.2%
Sewer only customers²	\$21.90	\$31.00	41.5%
Bulk Water	\$ 1.90	\$ 2.26	18.9%

¹ Includes 15 cubic meters

² Quarterly Flat Rate

This Order follows a public hearing that was held in the Town Council Chambers on August 18, 2008.

2.0 Application

On May 23, 2008, the Town applied to the Board for revised water and sewer rates; rates were last revised in 2004. Existing and proposed rates were:

Commodity Rates (\$/cubic meters (cm))	Existing	Proposed	Increase
Water			
First 115 cm	\$ 1.43	\$ 1.75	22.4%
Next 1000 cm	\$ 1.06	\$ 1.27	19.8%
Over 1115 cm	\$ 0.78	\$ 0.90	15.4%
Sewer	\$ 0.68	\$ 0.80	17.6%
Service Charge	\$11.70	\$13.00	11.1%
Minimum Quarterly Bill (5/8" meter)¹	\$43.35	\$51.25	18.2%
Sewer only customers²	\$21.90	\$25.00	14.2%
Bulk Water	\$ 1.90	\$ 2.26	18.9%

¹ Includes 15 cubic meters

² Quarterly Flat Rate

The Application was supported by a rate study prepared by Sensus dated May 13, 2008.

The Notice of Application and Public Hearing was published in the local newspaper on two occasions, and posted in several prominent locations in the area. The public hearing was held on August 18, 2008 and was attended by the Mayor, several councillors and several senior staff of the Town. No ratepayers attended.

2.1 Operating Expenses

The Town advised that rising operating and maintenance expenses have made it difficult to continue to operate the Utility on a breakeven basis, and that existing rates were insufficient for the Utility to meet its long term requirements. Annual operating surpluses have been declining, and, in 2007, the Utility earned a surplus of \$131.00, that being extremely small in relation to an annual operating budget of approximately \$490,000 not including annual debenture debt costs of \$175,000.

Accordingly, with rising expenses and diminishing surpluses, there is significant risk to being able to continue to operate on a breakeven basis and to continue to build the Utility Reserve Fund. The Town advised it is responding to the concerns raised by the Board in 2004 regarding the need for more frequent rate reviews. While the increases are significant, the Town believes they are the minimum required to meet current and long term requirements of the Utility.

The projected annual utility operating costs used to develop the proposed rates were:

Administration	\$ 42,640
Water	302,443
Sewer	144,917
Total	\$490,000

The above costs include an annual transfer to Utility reserves of \$50,000. The annual debenture debt cost in 2007 collected by taxes was \$160,841 (as noted earlier now budgeted at \$175,000).

In 2007, the Town experienced no water line breaks, this being reflective of its upgrading program. While the exact amount of unaccounted for water is unknown, the Town is taking steps to derive this figure in the future and will monitor unaccounted for water closely towards taking steps to reduce the associated water costs. The Town expects the current water loss is well under 10%, that being below the industry average.

The Town employs four individuals possessing certification levels varying from Water Treatment and Distribution Levels I and II and Wastewater Collection and Treatment Levels I and II as well. The Town has included \$8,000 in its operating budget for continuing education of its operators.

The Town is meeting drinking water standards and its environmental licence for discharges from its lagoon.

The Town advised the Utility is operated on an unsubsidized basis and shared human resource and equipment costs are allocated 35% to the Utility Operation and the balance to General Operations.

With the rate increase, the Town hopes to generate the following surpluses after the contributions to its Utility Reserve Fund:

2008	Breakeven
2009	\$12,599
2010	\$ 5,012

2.2 Capital Expenditures

Since 2004, the Town has spent approximately \$1.9 million on capital projects relating to water main replacements, meter upgrades, installation of bleeders on shallow lines to prevent freezing, etc. and these projects were funded as follows:

Grants	\$ 634.9	33%
Rates	\$ 119.1	6%
Reserves	\$ 62.7	3%
Borrowing	<u>\$1,108.2</u>	<u>58%</u>
	\$1,924.9	100%

From 2008 to 2013, the Town expects to spend an additional \$750,000 on capital projects related to system upgrades and expansion, to be funded as follows:

Operating	\$150,000
Reserves	--
Borrowing	\$600,000

This capital cost projection does not include the planned upgrades to the Water Treatment Plant (WTP) system, originally estimated in 2005 to cost \$1.9 Million and now being estimated at \$3.0 Million. The 2005 engineering report by Stantec Consulting Ltd. notes that the chemical

feed systems are dated, there is a lack of proper chemical storage and working space in the WTP, building reservoir capacity and the pumping system is inadequate and the controls now obsolete are very difficult to upgrade.

The Town advised that it had hoped to commence this work earlier, however, the timelines did not agree with the availability of financial assistance from funding partners. The Town advised it also is considering seeking some recovery of the debenture debt costs in future utility rates.

The Town has engaged Stantec to perform an engineering assessment of the entire Utility system now required by Regulations and while the report is not yet available, further capital requirements may be identified.

The Town noted that since the last public hearing held in 2004 when complaints were raised about the aesthetic qualities of the water, the upgrades carried out by the Town since that time have improved water quality. As part of the WTP upgrade, the Town expects customers will no longer need to provide their own water softening. As more and more water line replacement and line looping occurs, the Town expects customer complaints will be reduced even further.

2.3 Rate Steps

The Board also reviewed with the Town whether the number of rate steps should be reduced from 3 steps to 1, the current

system provides discounts for large volume users. The Town advised this was not considered, noting that approximately 70% of water sold occurs at the 1st step.

The Board noted a recent trend in Manitoba to reduce and eliminate large volume discounts to increase the appreciation for the value of water and to promote water conservation. Conservation provides the benefit of potential deferral of plant expansions.

2.4 Sewer Only Customers

The Town has two sewer only customers with privately owned wells, a church and a residential customer. The Town proposed to charge these customers the minimum bill for sewer only and not a rate that recognizes customers using private wells (unmetered) tend to use larger volumes of water than a metered customer and therefore, minimum charges may be insufficient. The Town agreed to review this matter and subsequently provided information indicating that their records indicate this to be the case. Some churches examined by the Town use 1 to 2 times more water. However the Town did not propose a change in the flat charge.

2.5 Lagoon Tipping Fees

The Town does not provide piped services beyond its boundaries. However, two septic haulers are providing pump-out service to a new 15 lot subdivision in the Town

limits and the surrounding area and in particular to cottage owners in the Lake of the Prairies area (perhaps as many as 200 customers). The Town advised that the cottages are in Rural Municipality of Shell River. The Town charges each hauler \$1,575 per year to dump septic into the Town's lagoon and the charge, while not part of the rate by-law before the Board, has been increasing at the rate of inflation. The current charge was last increased by a resolution of Council on April 10, 2007. The Town felt that the charge needed to be reviewed for adequacy and fairness recognizing that the septic hauled is likely higher strength.

The haulers are to provide the Town details of the volumes dumped and on an honour system, are required to keep records of septic hauled. The haulers have keys to access the lagoon and dump septic at any time.

The Board questioned whether such volumes could be metered and the Town advised it considered this matter in the past and would provide the Board with the costs of so doing.

2.6 Low Pressure Sewer System

With respect to the new 15-lot subdivision, new residents will be connected to a low-pressure sewer system requiring them to install holding tanks for waste solids and to pay septic haulers the cost of the pumping out such tanks.

The Town advised that a low-pressure system was installed

in this subdivision as the capital cost was lower than a conventional gravity flow system. The Town was asked to consider whether the sewer rates charged for regular sewer service ought to be the same as that charged to customers in this subdivision.

The Town further advised that while the manner in which sewage is collected is different, the Town's treatment cost is the same. Further, while these customers have the additional cost of pump-outs, the subdivision benefited from the lower capital costs of the low-pressure system. The Town proposed to charge the same sewer rate to all of their customers.

2.7 Meter Testing Clause

The Board also reviewed the Town's Meter Testing clause in its By-law. The policy therein allows for a 4% error in the meter. The Town advised that as meters generally fail slow to the advantage of the customer, the clause allows slower meters to remain in place longer to avoid the cost of a meter replacement. The Town felt the clause was no longer relevant and suggested the reference to the error rate be deleted. Only one customer has requested a meter test in recent time and therefore, the level of the charge for a meter test of \$15.00 was not a concern at this time.

2.8 Discretionary Rate Increases

The Board reviewed with the Town the need and desirability for additional discretionary rate increases which would

allow the Utility to meet its long term requirements with less reliance on borrowing. This was not considered by the Town.

Background

The Town has 820 customers, with combined consumption 187,714 cubic meters; 794 of the customers are residential customers. The Town also sells bulk water, with volumes being small.

The water distribution and wastewater collection systems were installed in 1959. Approximately 50% of the water lines have been replaced and the Town has developed a plan to replace the balance of lines in 10 years. The sewer lines continue to be monitored and lines are replaced in priority.

As noted earlier, considerable upgrading is planned to the WTP to meet future demand and fire flow requirements. There are issues related to hardness of water which is an aesthetic parameter and one which the Town plans to address through the upgrade.

The wastewater treatment system includes a 4 cell lagoon system - 2 primary and 2 secondary cells. Discharge from the secondary cells is made to an engineered 4-cell wetland and to a spray irrigation system. The planned improvement to water hardness and the reduction in customer owned softeners will also eliminate concerns of high saline solution being directed to the lagoon.

As of 2007 the utility had an accumulative surplus of \$164,600 and reserves of \$144,500.

Board Findings

The Board will approve the rate increases applied for by the Town effective October 1, 2008, and, in addition, will approve two 5% discretionary rate increases to be effective July 1, 2009 and July 1, 2010.

The discretionary increases may be implemented by Council following a review of its financial requirements. While the Town has made considerable efforts to address its aging system, it has a long way to go. While the Board is pleased that the Town is setting aside moneys in its Utility Reserve Fund for smaller capital replacement projects, the forecasted operating surpluses for the Utility are small in relation to the size of the Utility.

The discretionary rate increase will provide the Town with increased ability to finance unusual and unexpected expenditures, such as line breaks, without causing the Utility to incur a deficit.

While the Town proposed no change to the flat rate charged to the sewer only customers, based on the information filed by the Town, the Board will approve an increase to the flat rate charge (to \$31.00 per quarter, which includes the quarterly service charge of \$13.00 plus 1.5 times the minimum sewer usage charge proposed by the Town, from

\$12.00 to \$18.00). This will result in a 41.5% increase, which reflects a more equitable recovery of sewer costs.

Considerable upgrades are planned for the WTP and the Board is prepared to consider recovering some part of the borrowing costs in rates to reflect the truer cost of water. In considering this matter the Town will need to consider what amount is appropriate to be included in rates considering rate impacts. If any amount is to be included in rates and depending on the timing of the project, the Town may need to reassess the 5% discretionary rate increases approved by the Board.

The Board will not require a reduction of the rate steps at this time, but the matter should be re-considered before another rate application is made to the Board.

The Board will require the Town to review the dumping fees and file revised rates for the Board's approval by January 1, 2009. The Town shall consider metering such dumping and perhaps, consider a sharing of the cost with the haulers.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 535-08 BE AND IS HEREBY approved, subject to amendment to agree with Schedule "A" to this Order, with rates being effective October 1, 2008.
2. The Town of Roblin is provided the authority to implement two 5% discretionary rate increases, to, if implemented, to be effective July 1, 2009 and July 1, 2010 (the Town shall notify the Board prior to the increase and advise its customers upon implementation).
3. The Town of Roblin review its dumping fees and bring forward a rate application for the Board's approval by January 1, 2009.
4. The Town of Roblin shall review its 3-step rate schedule and consider a reduction in the rate steps when it files its next rate application.

Fees payable upon this Order - \$350.00.

THE PUBLIC UTILITIES BOARD
"GRAHAM LANE, CA"

Chairman

"G.O. BARRON, FCGA"

Acting Secretary

Certified a true copy of
Order No. 129/08 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 129/08

THE TOWN OF ROBLIN

WATER AND SEWER RATES

BY-LAW NO. 535-08

1.0 Schedule of Quarterly Rates

A schedule of water rates per cubic meter (220.2 imperial gallons)

<u>Commodity Rates Per Cubic Meter</u>	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
First 115 cm per quarter (Domestic Rate)	\$1.75	\$0.80	\$2.55
Next 1 000 cm per quarter (Intermediate Rate)	\$1.27	\$0.80	\$2.07
Over 1 115 cm per quarter (Wholesale Rate)	\$0.90	\$0.80	\$1.70

2.0 Minimum Quarterly Charges

Notwithstanding the Commodity Rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

a) Water & Sewer Customers

Meter Size	Capacity Ratio	Min. Water Allowance Quarterly in Cm	Quarterly Service Chg.	<u>Quarterly Commodity Charges</u>		Minimum Quarterly Bill
				Water	Sewer	
5/8"	1	15	\$13.00	\$ 26.25	\$ 12.00	\$ 51.25
3/4"	2	30	13.00	52.50	24.00	89.50
1"	4	60	13.00	105.00	48.00	166.00
1 1/2"	10	150	13.00	245.70	120.00	378.70
2"	25	375	13.00	531.45	300.00	844.45
3"	45	675	13.00	912.45	540.00	1465.45

b) Water Only Customers

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

c) Sewer Only Customers

The quarterly commodity charge, based on the average residential water consumption in the community plus the service charge and shall be \$31.00.

3.0 Bulk Sales Rate

All water sold in bulk shall be charged at the rate of \$2.26 per cubic meter. Charges for water sold in bulk are payable at the time of delivery.

4.0 Surcharge For Connecting Customers Outside The Town Limits

The Council of the Town of Roblin may sign agreements with customers for the provision of water services to properties located outside the legal boundaries of the Town of Roblin. Such agreements shall provide for payment of the appropriate rates set out in this Schedule, as well as a surcharge, set by resolution of Council, which shall be the equivalent to the frontage levy, general taxes and special taxes for utility purposes in effect at the time, or which 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 utility's mains and installing and maintaining service connections will be paid by the customer.

5.0 Billings and Outstanding Bills

A late payment charge of 1 ¼% shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen days after the mailing of the bills.

The late payment charge will compound monthly, and will appear on the customer's next quarterly bill if unpaid.

6.0 Disconnection

The Public Utilities Board has approved the Conditions Precedent to be followed by the municipality with respect to the disconnection of service for non-payment including, such matters, as notice and the right to appeal such action to the Public Utilities Board. A copy of the Conditions Precedent is available for inspection at the Municipality's office.

7.0 Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$40.00 has been paid.

8.0 Multi-Use Customers

If more than one business is carried on in a building, or if a building is used for both business and residential purposes, a separate minimum charge shall be made for each such business or residential premises, if connected to the water system.

9.0 Hydrant Rentals

The Town of Roblin will pay to the utility an annual rental of \$100.00 per year for each hydrant connected to the system.

10.0 Water Meters

All new residential customers for sewer and water shall be charged a turn-on service charge of \$40.00. Ownership, inspection and maintenance of meters will remain the responsibility of the utility system of the Town of Roblin. Commercial meter maintenance will be the responsibility of the utility system of Roblin but will be billed to the commercial user.

11.0 Re-checking of Meter Readings

Any customer requesting their meter reading be rechecked for accuracy shall be levied a charge of \$10.00 on their next regular utility billing if the meter reading is found to have been read correctly in the first place.

12.0 Meter Testing Charges

Any customer desiring and requesting their meter be tested for accuracy shall deposit with the Town the sum of \$15.00, which will be retained if the meter when tested shall be found to register within the allowable limits of variation from accuracy. If the meter shall be found to register in excess of allowable limits the deposit shall be refunded and the consumer's account adjusted.

13.0 Water Allowance Due To Line Freezing

That in any case, at the request of Council of the Town of Roblin, a 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 the same premises if the occupant has changed.