

M A N I T O B A)	Order No. 16/08
)	
THE PUBLIC UTILITIES BOARD ACT)	March 7, 2008

BEFORE: Susan Proven, P.H.Ec., Acting Chair
Alain Molgat, B.Comm, CMA, Member

TOWN OF ALTONA
REVISED WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves the application of the Town of Altona (Town) for revised water and sewer rates effective April 1, 2008, and January 1, 2009 and 2010 as noted below:

(\$/1,000 gallons)	Existing	Apr. 1 2008	%↑	Jan. 1 2009	%↑	Jan. 1 2010	%↑
Water (first 500,000 gallons)	\$9.92	\$10.12	2.0	\$10.32	2.0	\$10.53	2.0
Water (over 500,000 gallons)	\$8.87	\$9.18	3.8	\$9.50	3.7	\$9.81	3.6
Sewer (first 500,000 gallons)	\$2.42	\$2.47	2.0	\$2.52	2.0	\$2.57	2.0
Sewer (over 500,000 gallons)	\$1.88	\$1.98	3.8	\$2.08	3.7	\$2.19	3.6
Service Charge	\$13.18	\$13.44	2.0	\$13.71	2.0	\$13.71	0
Minimum Quarterly Bill (5/8" meter)	\$50.20	\$51.21	2.0	\$52.23	2.0	\$53.01	1.5

The Board also confirms the interim rates approved on an ex parte basis by the Board in Order No. 39/06 which approved rate increases flowing from increases in the cost of water purchased from the Pembina Valley Water Co-op (Co-op).

The Board notes that these rates include further increases in the cost of water purchased from the Co-op.

The Board was pleased to note that the Town has been able to manage the utility operations in the past with rate increases at about the rate of inflation, and projects it will be able to continue to do so to 2018.

Application

On November 13, 2007, the Town applied to the Board for approval of three-year revised water and sewer rates, to be effective January 1 for each of 2008, 2009 and 2010, as set out in By-law No. 1653/2007, read for a first time on November 13, 2007.

During the public hearing the Town confirmed that due to the timing of the application and allowing time for the Board's review, an effective date of April 1, 2008 may only be possible.

In Order No. 3/05, the Board approved a rate change related to rising operating costs.

A further rate change occurred in 2006, as a result of an increase in the price of the cost of water purchased from the Co-op and was approved by an interim ex parte Order No. 39/06, which is to be confirmed, or otherwise, as part of this rate review. In that Order, the Board approved increases for 2006 and 2007 and the residential minimum quarterly billing rose by 9% and 2%, respectively.

The existing and applied for rates are as follows:

(\$/1,000 gallons)	Existing	Proposed effective January 1					
		2008	%↑	2009	%↑	2010	%↑
Water (first 500,000 gallons)	\$9.92	\$10.12	2.0	\$10.32	2.0	\$10.53	2.0
Water (over 500,000 gallons)	\$8.87	\$9.18	3.8	\$9.50	3.7	\$9.81	3.6
Sewer (first 500,000 gallons)	\$2.42	\$2.47	2.0	\$2.52	2.0	\$2.57	2.0
Sewer (over 500,000 gallons)	\$1.88	\$1.98	3.8	\$2.08	3.7	\$2.19	3.6
Service Charge	\$13.18	\$13.44	2.0	\$13.71	2.0	\$13.71	0
Minimum Quarterly Bill (5/8" meter) ⁽¹⁾	\$50.20	\$51.21	2.0	\$52.23	2.0	\$53.01	1.5

⁽¹⁾ These rates have been amended from the by-law to be consistent with the Board's guidelines and they were reflected in the Public Notice.

The Town's application proposed the minimum quarterly bills for

all meter sizes, provisions for billing and penalties, disconnection and reconnection, and a hydrant rental charge.

Pursuant to the Board's request, Notice of Application and Public Hearing was published in the local newspaper on two occasions and posted in several prominent locations in the area.

A public hearing was held in the Town office in Altona on February 19, 2008. The Town was well represented by its elected officials and staff. However, no other persons appeared.

The Town advised that its application is consistent with the Town's long term plans to seek constant and minimum rate increases of 2% per year, which will allow it to provide safe and reliable water and sewer service to its residents and neighbours into the future.

The operating budget for each of the years as revised is as follows:

	2008	2009	2010
Total Revenue	<u>\$5,440,351</u>	<u>\$1,584,556</u>	<u>\$1,744,903</u>
Expenditures			
Water	\$1,041,200	\$1,075,100	\$1,111,500
Sewer	\$ 119,700	\$ 124,600	\$ 130,000
Debenture debt	\$ 28,210	\$ 28,210	\$ 115,395
Reserve	--	\$ 156,000	\$ 63,000
Other ⁽¹⁾	<u>\$4,250,000</u>	<u>\$ 200,000</u>	<u>\$ 325,000</u>
Total Expenditure	<u>\$5,439,110</u>	<u>\$1,583,910</u>	<u>\$1,744,895</u>
Net Revenue	<u>\$ 1,241</u>	<u>\$ 646</u>	<u>\$ 8</u>

⁽¹⁾Capital projects

The Town purchases all of its water from the Co-op and in 2007 purchased 134,117,855 gallons of treated water at a total cost of \$724,236. The cost of purchasing water is the largest expense of the utility. The Town discussed future rate increases with the Co-op and they were advised to expect annual

rate increases at the rate of inflation. For rate making purposes, the Town assumed a 3% increase per year and advised that the Co-op is reviewing several projects which may cause rate increases to be higher than forecast. Should such increases be higher, the Town advised that further rate increase may be required. The Town projected the purchase price of water to rise to \$5.40 in 2008, \$5.56 in 2009 and \$5.73 in 2010, all per 1000 gallons.

Of note, in 2006 the utility had annual debenture payments of \$171,122 which declined to \$18,895 in 2007. The Town advised that part of the annual debenture payment was being recovered in rates and the balance by frontage levies (taxes). The Town advised that it did not proceed in 2007 with the major lagoon work and hence, the surplus in rates from the debt retirement together with other monies was added to reserves in 2007, totalling \$245,000.

Of the remaining annual debenture cost of \$18,895, approximately \$12,000 continues to be recovered from rates. The Town is projecting that its annual debenture debt cost will rise to \$28,200 in each of 2008 and 2009, and then to \$115,400 in 2010. These amounts may vary depending on the final costs of the capital projects.

While the lagoon project did not proceed in 2007, the Town advised that it now has the environmental license to proceed and the project has been included in the Town's \$4.25 million capital plans for 2008. Capital costs are expected to decline to \$200,000 and \$325,000 in 2009 and 2010, respectively, which is more in line with the Town's year over year capital program.

The Town's 2008 capital program includes the following:

Lagoon Expansion & Upgrade	\$4,000,000
Water line extensions	\$ 150,000
Lift station upgrade	\$ 50,000
Meter replacement & GIS system	\$ 35,000
Water line financing	\$ 15,000
Total	<u>\$4,250,000</u>

The lagoon project will be financed as follows:

Province of Manitoba	\$ 800,000
Government of Canada	\$ 800,000
R.M. of Rhineland	\$ 880,000
Town of Altona Utility Reserve	\$1,020,000
Town of Altona Utility Debenture	<u>\$ 500,000</u>
Total	<u>\$4,000,000</u>

As of December 31, 2007, the utility had \$1.03 million in reserves. This will decline to \$14,197 by the end of 2008 after the allocation to the lagoon project as noted above. The Town plans to rebuild the reserves and projects that by December 31, 2010, there will be a balance of \$113,742.

The Town also provided the Board details of its long term capital projects as follows:

Sewer relining reconstruction prog.	\$100,000	Annually
Upgrade old lagoon cells	\$600,000 - \$800,000	2014
Lift station repairs	Unidentified	2008/2009
Water main looping program	\$150,000	2012
	\$350,000	2009
Water main extension	\$ 25,000	
New lift station	\$300,000	
New servicing	\$250,000	
Supply line (Altona's share)	\$ 22,000	Per year
Sludge removal	\$ 50,000	For each of 3 yrs

The timing of these projects may vary depending on priorities, budgets and availability of contractors at reasonable prices.

With regard to operating costs, excluding capital, the Town's cost of providing water service will, for the first time in the Town's history, exceed \$1.0 million. Excluding the cost of purchasing water, the Town's operating cost declined in 2007 from 2006 to \$285.0 or 16% and the cost of sewer service rose to \$111.1 or by 14.6%, representing the more significant operating issue for the utility at this time. This increase was primarily related to lift station repairs.

During the hearing the Town provided an updated table on annual consumption reflecting water losses of 10.94% in 2007 and a 19 year average of 8.33%. This compares favourably to the industry average of 10% losses.

The Town is experiencing growth and with regards to its utility system, the Town advised that it has sufficient capacity to meet the requirements to 2015. The supply of water to the Town is

managed by the Co-op which is seeking new raw water supplies to ensure its customers' future needs are met.

The Town has two water reservoirs and provides some re-chlorination at each of these sites. Both reservoirs are in good condition. The Town does perform water testing daily, weekly and monthly, and samples are forwarded to ALS Laboratory for analysis. The Co-op provides treated water to the Town and hence, all other water sampling is performed by the Co-op.

As noted earlier, the lagoon system is the major challenge facing the community and with the expansion planned, there will be sufficient capacity to meet the community's needs out to 2025. The Town has worked with the Rural Municipality of Rhineland (RM) who shares in the use of the lagoon and, as noted above, a financial contribution will be paid to the Town by the RM for this use.

The Town discharges two times per year and before each release, ensures through analysis that the discharge meets environmental standards. Discharge through various drainage ditches and streams eventually reaches the Red River.

The Town employs two fully certified operators and four volunteer certifications are currently being examined at this time. Because the Town primarily distributes treated water, such certification exceeds current Provincial requirements. It was confirmed that, in the Town's budget, a provision is made for professional development in the General Fund which is, in part, recovered from the utility operation.

The Town makes no specific provision for contingencies in its

rates. Historically, unexpected expenditures have been managed throughout the operating year without a deficit. In the last five years, the utility incurred one deficit of \$5,632 and in the other four years had surpluses averaging \$2,900 per year.

In 1999, the Town recommended a 20 year process to reduce the number of rate steps from four to a single step and plans to bill all water at a single step by the end of 2018. The Town currently maintains a two step rate as previously noted and proposes a rate increase in the second step higher than in the first step - 3.8% versus 2%, respectively, which will allow for the collapsing of the two rate steps, over time.

The Town advised this plan was developed in consultation with its largest volume users who, at the time the plan was being developed, requested more time to adjust to the changing rate structure.

The reduction in rate steps was a major initiative of the Town to recognize the value of water and promote its efficient use. The Town advised that there are no major capital requirements related to water that could be deferred by the advancement of the rate step reduction plan. The Town also distributes a pamphlet, developed by the Co-op, titled "*Using Water Wisely*" which promotes further the efficient use of water.

For some time now, the Town has exempted 65% of the water used by the oil seed processing plant from sewer charge as such water is used in the end product. The Town proposed no change in this regard.

The Town provides both water and sewer service beyond its

boundaries. In addition to the capital contribution paid by the RM to the Town, the RM collects and remits between \$12,000 and \$14,000 annually, from haulers dumping sewage in the Town's lagoon system.

Water and sewer customers served beyond the Town's boundaries are paying the same rates paid by a Town resident. In this regard, the Town advised that the RM also remits 30% of the taxes collected from residents in the Town's fringe area in recognition of the service provided to these residents.

Board Findings

The Board will approve the application of the Town for revised water and sewer rates effective April 1, 2008 and January 1, 2009 and 2010 respectively noting that the rate schedules will require amendment with regard to the calculation of the minimum quarterly bills.

While no person attended the public hearing, the Board gained a full understanding of the challenges faced by the Town and the significant capital expenditures required in the near term.

It is apparent that past challenges have been met successfully in the last five years with only a single deficit being incurred, all with rate increases at or below the rate of inflation. The Board expects such results will continue to be achieved. It is clear to the Board that that Town is managing its capital plan within the financial capacity of the Town without the reliance on large tax increases.

The Board is satisfied that the operating costs projected over

the three year term are reasonable and necessary to provide a safe and adequate supply of water to the Town's residents.

The Board encourages the Town to continue its long range plans to collapse its rate steps to a single step on a predictable basis within reasonable rate increases and in consultation with its large volume users.

While the Town does not charge customers served beyond its boundaries a surcharge which is the industry's normal practice, the Board is satisfied that through tax transfers, those customers are making a financial contribution to the Town for the capital cost of the utility.

IT IS THEREFORE ORDERED THAT:

2. Interim Ex Parte Order No. 39/06 is hereby confirmed.

Fees payable upon this Order - \$1,000.

THE PUBLIC UTILITIES BOARD

Acting Chair

Acting Secretary

Utilities Board

Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 16/08

**TOWN OF ALTONA
WATER AND SEWER RATES
BY-LAW NO. 1653/2007**

SCHEDULE OF QUARTERLY RATES:

1. Commodity Rates per 1000 gallons - (Effective January 1, 2008)

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
First 500,000 gallons per quarter	10.12	2.47	12.59
Over 500,000 gallons per quarter	9.18	1.98	11.16

2. Minimum Quarterly Rates

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

a.) Water & Sewer Customers

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Sewer	
5/8	1	3,000	\$13.44	\$30.36	\$7.41	\$51.21
3/4	2	6,000	\$13.44	\$60.72	\$14.82	\$88.98
1	4	12,000	\$13.44	\$121.44	\$29.64	\$164.52
1 1/4	10	30,000	\$13.44	\$303.60	\$74.10	\$391.14
1 1/2	10	30,000	\$13.44	\$303.60	\$74.10	\$391.14
2	25	75,000	\$13.44	\$759.00	\$185.25	\$957.69
4	90	270,000	\$13.44	\$2,732.40	\$666.90	\$3,412.74

b.) Sewer Only Customers

Customers with sewer only shall be charged \$43.57 per quarter.

c.) Water Only Customers

Customers with water only services shall be charged the minimum quarterly rate applicable to the customers meter size less the sewer charge.

3. Commodity Rates per 1000 gallons - (Effective January 1, 2009)

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
First 500,000 gallons per quarter	10.32	2.52	12.84
Over 500,000 gallons per quarter	9.50	2.08	11.58

4. Minimum Quarterly Rates

Notwithstanding the commodity rates set forth in paragraph 3 hereof, all customers will pay the applicable minimum charges set out below, which will include the water allowances indicated:

a.) Water & Sewer Customers

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Sewer	
5/8	1	3,000	\$13.71	\$30.96	\$7.56	\$52.23
3/4	2	6,000	\$13.71	\$61.92	\$15.12	\$90.75
1	4	12,000	\$13.71	\$123.84	\$30.24	\$167.79
1 1/4	10	30,000	\$13.71	\$309.60	\$75.60	\$398.91
1 1/2	10	30,000	\$13.71	\$309.60	\$75.60	\$398.91
2	25	75,000	\$13.71	\$774.00	\$189.00	\$976.71
4	90	270,000	\$13.71	\$2,786.40	\$680.40	\$3,480.51

b.) Sewer Only Customers

Customers with sewer only shall be charged \$44.44 per quarter.

c.) Water Only Customers

Customers with water only services shall be charged the minimum quarterly rate applicable to the customers meter size less the sewer charge.

5. Commodity Rates per 1000 gallons - (Effective January 1, 2010)

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
First 500,000 gallons per quarter	10.53	2.57	13.10
Over 500,000 gallons per quarter	9.81	2.19	12.00

6. Minimum Quarterly Rates

Notwithstanding the commodity rates set forth in paragraph 5 hereof, all customers will pay the applicable minimum charges set out below, which will include the water allowances indicated:

a.) Water & Sewer Customers

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Sewer	
5/8	1	3,000	\$13.71	\$31.59	\$7.71	\$53.01
3/4	2	6,000	\$13.71	\$63.18	\$15.42	\$92.31
1	4	12,000	\$13.71	\$126.36	\$30.84	\$170.91
1 1/4	10	30,000	\$13.71	\$315.90	\$77.10	\$406.71
1 1/2	10	30,000	\$13.71	\$315.90	\$77.10	\$406.71
2	25	75,000	\$13.71	\$789.75	\$192.75	\$996.21
4	90	270,000	\$13.71	\$2,843.10	\$693.90	\$3,550.71

b.) Sewer Only Customers

Customers with sewer only shall be charged \$45.33 per quarter.

c.) Water Only Customers

Customers with water only services shall be charged the minimum quarterly rate applicable to the customers meter size less the sewer charge.

7. **Customers with a Significant Volume of Water not returned to the Sewers**

Bunge Ltd., shall be billed quarterly for each meter for water and sewer at the rates set forth in this Schedule. However, sixty-five (65) percent of the water metered in any quarter through the two (2) inch meter supplying the boiler room shall be exempt from sewer charges at the applicable sewer rate charged on consumption over 500,000 gallons per quarter.

8. **Bulk Sales**

All water sold in bulk by the Town of Altona shall be charged as follows:

January 1st to December 31st, 2008 - \$10.39 per 1,000 gallons or \$0.25 per 24.1 gallons
January 1st to December 31st, 2009 - \$10.60 per 1,000 gallons or \$0.25 per 23.6 gallons
January 1st to December 31st, 2010 - \$10.81 per 1,000 gallons or \$0.25 per 23.1 gallons

9. **Quarterly Meter Reading**

All customers shall complete and submit a quarterly meter reading by the end of the month in which it is mailed. Failure by any customer to complete and submit the card by the due date will result in an estimate of the water consumption for that customer for the specified quarter. The estimate shall be based on the average consumption per quarter in the previous year, or in the case of a new

customer the estimate shall be based on the average quarterly residential consumption. All estimated readings shall be subject to a \$10.00 administration fee. The fee may be waived in the case of a physical disability and/or extended leave from the community.

10. Billings and Penalties

Accounts shall be billed quarterly, and shall be due and payable on or before the fifteenth day of the month following the month of billing. A late payment charge of 1 ¼% per month 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.

11. Disconnection and Reconnection

Service may be disconnected and discontinued immediately and without further notice in the event of non-payment of the account within thirty (30) days of the due date. Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a re-connection fee of \$30.00 have been paid.

Service may be interrupted or disconnected as follows:
Curb Stop Turn On or Turn Off - \$10.00 per incident;
Curb Stop Turn Off & Removal of Meter - \$15.00 per incident;
Re-installation of Meter & Curb Stop Turn On - \$20.00 per incident.

12. Outstanding Bills

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 collectible, and with like remedies.

13. Hydrant Rentals

The Town of Altona will pay to the Utility an annual rental for each hydrant connected to the system that includes the cost of water for firefighting as follows:

2008 - \$86.20 per hydrant
2009 - \$87.92 per hydrant
2010 - \$89.68 per hydrant

14. Sewer Surcharges

- a.) There may be levied annually, in addition to the rates set forth above, a special surcharge on sewage having a Biochemical Oxygen Demand in excess of 300 parts per million, to be set by Resolution of Council.
- b.) A special surcharge for substances requiring special treatment shall be charged based on the actual costs of treatment required for the particular sewage or industrial waste.