

M A N I T O B A                    )     Order No. 175/09  
                                          )  
THE PUBLIC UTILITIES BOARD ACT    )     December 23, 2009

BEFORE:   Graham Lane, CA, Chairman  
            Monica Girouard, CGA, Member  
            Susan Proven, P.H.Ec., Member

**THE VILLAGE OF WINNIPEGOSIS**  
**INTERIM WATER AND SEWER RATES**

## Summary

By this Order, the Public Utilities Board (Board) varies an application for increased rates from The Village of Winnipegosis (Village), and approves interim water and sewer rates.

Current rates set in 2008 by Order 131/08 (prior to the 2008 increase, rates were last revised in 1993), and new and revised interim rates are as follows:

Commodity Rates (\$/1000 gallons)	Current	Interim	Increase
Water	\$13.55	\$12.80	-5.5%
Sewer	\$ 3.65	\$ 5.25	43.8%
Service charge	\$12.07	\$16.50	36.7%
Bulk Water	\$16.12	\$16.70	3.6%
Sewer only (flat charge)/quarterly	\$23.02	\$32.25	40.1%
Minimum Quarterly Bill (5/8" meter) <sup>1</sup>	\$63.67	\$70.65	11%

<sup>1</sup> Includes 3000 gallons

As required by Order 131/08, the Village provided a report to the Board with respect to rate adequacy; the report includes projections of costs associated with the operation and maintenance of the water treatment plant (which the Village acquired ownership of in April 2009).

The revised rates are approved on an interim basis only, as the Village is to provide notice of the new rates to its utility customers with an invitation for customers with concerns to provide their comments directly to the Board, by no later than February 15, 2010.

## Background

Issued in September 2008, Order 131/08 provided a long overdue increase to the Village's water and sewer rates. Please refer to Order 131/08, available on the Board's website, for complete details.

Order 131/08 not only sharply increased rates, it provided the Village authority to apply up to two additional 5% discretionary rate increases (to take effect January 1, 2010 and/or January 1, 2011 if implemented). Such discretion was to be exercised following an assessment of the financial needs of the Utility and notice to the Public Utilities Board and to customers if the ownership of the water treatment plant, then expected to be transferred to the Village, was deferred.

Subsequently, the Village advised that the transfer of ownership of the water treatment plant (WTP) from Manitoba Water Services Board (MWSB) occurred in April 2009. The Village then reassessed the then-recently established revised rates for adequacy, given that the Village was now responsible for the expenses of operating and maintaining the WTP.

### **Application**

By way of a September 28, 2009 correspondence, the Village submitted information with respect to its Utility's revenue requirements, based on estimates of the expenses arising as a result of the transfer of ownership of the WTP from MWSB to the Village in April 2009.

The cost estimates also included amortization and depreciation expenses of the utility's capital assets, a requirement of accounting standards by the Public Sector Accounting Board

(PSAB), which are to be implemented by all municipalities, beginning in 2009.

The Village proposed the following rates, as set out in its By-law #6/2009, read for the first time on November 19, 2009:

Commodity Rates (\$/1000 gallons)	Existing	Proposed	Increase
<b>Water</b>	\$13.55	\$15.58	15%
<b>Sewer</b>	\$ 3.65	\$ 4.19	15%
<b>Service charge</b>	\$12.07	\$13.88	15%
<b>Bulk Water</b>	\$16.12	\$18.53	15%
<b>Sewer only (flat charge)/quarterly</b>	\$23.02	\$26.45	15%
<b>Minimum Quarterly Bill (5/8" meter)<sup>1</sup></b>	\$63.67	\$73.19	15%

<sup>1</sup> Includes 3000 gallons

After consultation with Board staff with respect to the allocation of expenses and costs shared between the water and sewer services such as wages and vehicle expenses, the Village provided the following projections:

	2010	2011	2012
<b>Administration</b>	<b>\$ 18,000</b>	<b>\$ 18,800</b>	<b>\$ 19,100</b>
<b>Water</b>			
Staffing	\$ 18,000	\$ 18,360	\$ 18,727
Purification	4,000	4,500	4,500
Service of Supply	3,500	4,000	4,500
Transmission/Distribution	18,000	20,000	22,000
Other Water Supply costs	11,600	13,950	14,500
Amortization	67,849	67,849	67,849
Interest on long term debt	11,135	9,485	7,682
Reserves	10,800	10,800	10,800
Contingency	827	844	860
Subtotal	\$ 145,711	\$ 149,788	\$ 151,418
Less revenues			
Hydrant Rental	\$ - 4,500	\$ - 4,500	\$ - 4,500
Taxes - Debenture Debt	<u>- 29,017</u>	<u>- 29,017</u>	<u>- 29,017</u>

<b>Total Water Expenses</b>	<b>\$ 112,194</b>	<b>\$ 116,271</b>	<b>\$ 117,901</b>
<b>Sewer</b>			
Staffing	\$ 12,000	\$ 12,240	\$ 12,240
Treatment and Disposal	5,400	5,508	5,618
Other Sewage Costs	5,600	5,712	5,826
Amortization	14,319	14,319	14,319
Reserves	10,000	10,000	10,000
Contingency	551	562	573
<b>Total Sewer Expenses</b>	<b>\$ 47,870</b>	<b>\$ 48,341</b>	<b>\$ 48,821</b>

The Village advised that prior to ownership of the WTP, the cost of purchasing water represented approximately 74% of revenues (\$84,000 was the cost in 2008) - water was purchased from the MWSB.

Included in estimated water and sewer expenses is a \$10,000 allocation to the reserve fund, as was required by the Board in Order 131/08.

The Village also indicated that for the portion of the reserve contribution raised through the water rates, \$2,400 annually is earmarked for the replacement of membrane filters (estimated to cost \$12,000 every five years). Another \$3,000 will be assigned to the cost of the engineering assessment required every five years for all public water systems; this is estimated to cost \$15,000.

The Village advised that as at December 31, 2008 the utility reserve fund held a balance of \$13,314, projected to increase to \$63,654 at 2009 year end, and as a result of the \$20,000 budgeted transfer, a \$30,000 refund from the MWSB and interest. The Village indicated that the balance in the utility's accumulated surplus as at December 31, 2008 was \$39,472.

All municipal utilities are required to develop a shared cost methodology to be approved by the Board, which identifies and allocates costs shared between the general operations of the municipality and the utility. The Village provided the following:

Office equipment and supplies (\$250/month)	\$ 3,000
Administration wages (50% of salary)	\$15,000*
Public works/operator staff (75% of salary)	\$30,000*
Vehicle** (\$500/month)	<u>\$ 6,000</u>
<b>Total annual costs allocated to the utility</b>	<b>\$54,000</b>

\*These amounts will increase as salaries increase

\*\*Includes insurance, fuel, usage costs, etc.

The Village's unaccounted for water (water produced but not sold) is estimated at 8%, well within the norm for municipal water systems.

The Village received funding approval from the Infrastructure Investment Fund as noted in a September 18, 2009 press release. The funding was for:

- an upgrade to the main lift station;
- replacement of sewer pipe from the main lift station of the lagoon;
- a sewer pipe lining project, at the north end of the village; and
- the establishment of an engineered wet land.

The estimated total cost of the project is \$723,000, of which the Federal and Provincial Governments will each contribute \$241,000. The Village expects to contribute its share through draws on the Utility Reserve, the existing Gas Tax Reserve,

future payments to the Gas Tax Reserve and withdrawals from the utility's accumulated surplus.

The Village advised that as a condition of receiving senior government funding, all works are required to be completed by March 31, 2011.

The Village advised that it expected that, as at the end of 2010, the Gas Tax Reserve will have a balance of approximately \$6,000, but payments in 2011 through to 2014 totaling \$34,275 are expected to rebuild the fund to meet future project needs. The Village also reported that the utility's reserve and surplus accounts will be, for the most part, depleted.

#### **Board Findings**

The Board will vary the water and sewer rates proposed by the Village, and approve revised rates on an interim basis.

The Village will be required to give notice to its customers with respect to the interim rates provided by this Order, with an invitation to submit written representation to the Board by February 15, 2010. After that date, the Board will review any submissions, and provide a final decision with respect to water and sewer rates for 2010 and thereafter.

While the additional increases to rates come only one year following a significant increase (69% for minimum quarterly billings), the Board commends the Village on reviewing the rates for adequacy in a timely manner. The importance of regular reviews and incremental increases are evident when rate shock

occurs as happened in 2008. More frequent single digit increases are more palatable to customers than double digit increases.

The Board is also pleased with the work by the Village to allocate expenses to the proper service (water or sewer) and include current issues (PSAB) and future planning in its review. Although extra time was spent in assessing the material for completeness and accuracy, the Board notes the importance of apportioning the expense to the proper service.

Through this Order, and while providing an increase greater than the 5% discretionary increase previously approved by Order 131/08, the Board will also adjust the commodity rates and service charges to more accurately reflect proper recovery of costs for where the expense is incurred.

The Board is pleased outside funding is to be received for the Village's needed sewer projects, but notes that the utility reserve fund and the accumulated surplus will both be depleted once the project is complete. To help strengthen the financial health of the utility, the Board will increase the required annual reserve contribution raised through the water rate to \$15,400, while maintaining the planned annual \$10,000 contribution to be raised through sewer rates.

The Board refers readers to Order 131/08, where the Village identified water line replacement for 2011 within its future capital plans. With the increased reserve contributions, the Board expects additional financial resources may be available for future projects without compromising the ability to fund known filter replacement needs and the required engineering



assessment for all public water systems.

The Board notes that the annual contingency allowance of \$1,378 for both water and sewer is low, and lower than \$3,011 provided in the last rate review. However, the Village reassured the Board that the allocation was likely to be adequate.

The Board will approve the Shared Cost Allocation Methodology as submitted by the Village noting that any changes to this methodology require prior Board approval.

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at [www.pub.gov.mb.ca](http://www.pub.gov.mb.ca).

**IT IS THEREFORE ORDERED THAT**

1. The Village of Winnipegosis amend By-law #6/2009 to agree with provisions of this Order and as per the attached Schedule "A".
2. The Village of Winnipegosis file a copy of its amended By-law #6/2009 once given third and final reading.
3. The Village of Winnipegosis prepares and files a draft notice for Public Utilities Board's approval no later than January 8, 2010, to be issued to all customers of the utility; the notice is to advise of the interim rate decision and shall provide the opportunity to write the Board with comments or concerns by February 15, 2010.
4. The Public Utilities Board approves the Shared Cost Methodology as follows:

Office equipment and supplies (\$250/month)	\$ 3,000
Administration wages (50% of salary)	\$15,000*
Public works/operator staff (75% of salary)	\$30,000*
Vehicle (\$500/month)	\$ 6,000

\*These amounts will increase after 2010 based on salary increases

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Fees payable upon this Order - to be assessed following issuing of a Final Order.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"  
Chairman

"KRISTINE SHIELDS"  
Acting Secretary

Certified a true copy of Order No.  
175/09 issued by The Public  
Utilities Board

Acting Secretary

**SCHEDULE "A"**

**TO BOARD ORDER NO. 175/09**

SCHEDULE OF QUARTERLY RATES:

1. Commodity rates per M.G.

	<u>Water</u>	<u>Sewer</u>	<u>Water &amp; Sewer</u>
All water consumption	\$12.80	\$5.25	\$18.05

2. Minimum Charges, Quarterly

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 and Sewer Customers

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Gallons</u>	<u>Customer Service Charge</u>	<u>Commodity Charges</u>		<u>Total Quarterly Minimum</u>
				<u>Water</u>	<u>Sewer</u>	
5/8"	1	3,000	\$16.50	\$ 38.40	\$ 15.75	\$ 70.65
3/4"	2	6,000	\$16.50	\$ 76.80	\$ 31.50	\$ 124.80
1"	4	12,000	\$16.50	\$ 153.60	\$ 63.00	\$ 233.10
1 1/2"	10	30,000	\$16.50	\$ 384.00	\$ 157.50	\$ 558.00
2"	25	75,000	\$16.50	\$ 960.00	\$ 393.75	\$ 1,370.25
3"	45	135,000	\$16.50	\$1,728.00	\$ 708.75	\$ 2,453.25

(b) Water Only Customers

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

(c) Sewer Only for Residential Customers

The Village of Winnipegosis does charge the owners or occupants of land serviced with sewer but no water the sum of \$ 32.25 per quarter.

3. Bulk Sales Rate

All water sold in bulk by the Village of Winnipegosis shall be charged for at the rate of \$16.70 per 1,000 gallons on a pro-rated basis for all quantities.

4. Service to Customers outside Municipality, Town, or L.I.D., limits

The Council of the Village of Winnipegosis may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Village of Winnipegosis. 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 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 utility's mains and installing and maintaining service connections will be paid by the customer.

5. Billings and Penalties

A late payment charge of 1¼% 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.

6. 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. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$ 50.00 have been paid.

8. 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.

9. Hydrant Rentals

The Village of Winnipegosis will pay to the utility an annual rental of \$ 150.00 for each hydrant connected to the system, which includes a charge for the water used.

10. Water Allowance Due to Line Freezing

That in any case where, at the request of the Council, 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 to the same premises if the occupant has changed.

11. Sewage Surcharges

- (a) There may be levied annually, in addition to 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 wastes.