

M A N I T O B A) Order No. 22/09
)
THE PUBLIC UTILITIES BOARD ACT) March 19, 2009

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

TOWN OF SNOW LAKE
REVISED WATER AND SEWER RATES
EFFECTIVE APRIL 1, 2009

Executive Summary

By this Order the Public Utilities Board (Board) approves an application for revised water and sewer rates for the Town of Snow Lake (Town).

Commodity Rates/ (\$/cubic meter)	Existing			Revised			% Increase
	Water	Sewer	Total	Water	Sewer	Total	
First 100 cubic meters	\$1.33	\$0.98	\$ 2.31	\$1.66	\$1.23	\$ 2.89	25%
Next 350 cubic meters	\$1.22	\$0.98	\$ 2.20	\$1.53	\$1.23	\$ 2.76	25%
Over 450 cubic meters	\$1.11	\$0.98	\$ 2.09	\$1.39	\$1.23	\$ 2.62	25%
Quarterly Service Charge			\$ 15.49			\$ 19.36	25%
Minimum Quarterly Bill ⁽¹⁾			\$ 47.00			\$ 58.78	25%
Unmetered Customers ⁽²⁾			\$323.49			\$404.96	25%
Tipping Fees (\$/cubic meter)			\$ 1.86			\$ 2.34	25%

⁽¹⁾ Includes 13.64 cubic meters, quarterly.

⁽²⁾ Quarterly fee based on an estimated 135 cubic meters of usage.

The Board also approves recovery of a 2007 revenue deficit of \$58,543.20 from rates, to occur over the next three years.

Background and Application

On June 28, 2007, by Order 83/07 the Board approved new rates for the Town, effective July 1, 2007. The Order followed a public hearing in Snow Lake. At that time, the Board also provided the Town with authority to implement two discretionary rate increases of up to 5% each, to be effective April 1, 2008 and April 1, 2009, subject to the following requirements:

- i) The Town of Snow Lake filing its year-end financial statements for the utility for 2007 and 2008 no later than March 1, 2008 and 2009, respectively; and
- ii) The Town of Snow Lake file a statement as to the need for the discretionary rate increases by March 1, 2008 and 2009, respectively.

In the Order, the Board acknowledged that the increases were representative of rate shock, though necessary while indicating

that further lower increases to meet current and future operating costs, as well as capital costs to replace an aging infrastructure, were likely to be needed.

The Board noted that:

"...while the rate increase is significant, the rates may not be able to support a breakeven position should uncertainties lead to costs and a worsening of the utility's financial position."

Order 83/07 also required the Town to set a tipping fee for septage hauled from outside the Town's boundaries, and called on the Town to file a proposed fee with the Board for approval. By Order 114/07, dated August 31, 2007, the Board approved By-law No. 870/07, establishing a tipping fee of \$1.86 per cubic metre for dumping of septage by haulers.

The fee recovers the operating costs of the service, plus a surcharge to recover part of the debenture debt costs of the system currently being recovered from residents in the Town through taxes.

On February 14, 2008, the Town filed with the Board its 2007 utility financial statements and the 2008 utility budget. The 2007 statements indicated a deficit of \$58,543.20. In its application for revised rates in 2007, the Town had projected a \$9,400 deficit, even with approved increased rates.

The 2008 budget anticipated a further deficit of \$38,830, which included the 5% discretionary increase effective April 1, 2008 provided by the Board.

The Town reported that the 2007 deficit resulted from lower than

expected revenues, attributable to the use of meters; with the elimination of the flat charge consumers are consuming less water.

The Town proposed to recover the 2007 deficit from future rates, over the next three years. The Town has had prior deficits (in 2005, \$11,693; and in 2006, \$51,915).

Because of the bleak utility financial outlook, the Board requested the Town advise whether the discretionary 5% increase scheduled for April 1, 2009 would be sufficient to operate the utility on a breakeven basis. On November 5, 2008 the Town advised they were going to apply for an additional 20% increase, making a total proposed increase of 25%.

On November 19, 2008, the Town submitted an application for a 25% across the board increase in rates, and attached By-law No. 883/08 read the first time on November 18, 2008.

The Town provided Notice to its customers of the proposed increases by mail on January 13, 2009, and posted the Notice in five locations in the Town. In response, four letters indicating concern were received.

Respondents

One respondent suggested that the proposed rate increase would not be high enough to allow the utility to operate on a stand-alone basis, without a subsidy from the general fund.

The three other respondents questioned the proposed tipping fee for dumping sewage into the Town's lagoon. Some held that the revenue from the tipping fee would cross-subsidize the cost of providing water in the Town (which they do not purchase). Some

also requested another public hearing in Snow Lake.

Board Findings

The Board will approve the 25% across the board increase requested by the Town.

As noted above, Order 83/07 accepted there were a number of uncertainties that could affect the ability of the utility to operate on a breakeven basis, even with the increases then-approved. Based on current information clearly, the 5% discretionary increase granted by the Board for April 1, 2009 is insufficient to allow the utility to breakeven, let alone allow for the recovery of prior operating deficits. In this regard the Board agrees with the Town and the one respondent's assessment, this with respect to the utility's bleak financial position.

Order 83/07 approved discretionary flat increases across the Board. The Board determined this methodology was appropriate having received and considered the Town's recent rate study. While the increases approved by this Order are larger, the Board will approve the across the board method of implementation for the higher increase as well. However, before any further future increase is considered, the Board will require a revised rate study, as only through such a rate study can the fairness of the allocation of costs between users be properly assessed.

The Board considered respondent concerns about the tipping fee. The Board noted that the tipping fee had been approved in Order 114/07 and that the Town, in support of the increase provided reasonable estimates of the costs of providing the service, plus provided for the recovery of a reasonable portion of the debenture debt costs of the utility currently being recovered from ratepayers in the Town. The Board reviewed this

Application and deemed the revised fee as fair and reasonable.

When the rate was proposed no costs were included to subsidize the operation of the water utility. As the Town proposed an across the board increase, the Board does not believe that the tipping fee should be exempted from such an increase.

A financially healthy public utility is in the best interest of all ratepayers. However, as noted above, and ahead of the next rate increase, the Board will require a detailed rate study and the tipping fees can be reviewed again at that time.

This approved across the board increase will include the previously approved 5% discretionary increase for April 1, 2009.

With respect to the request for public hearing, the Board notes that the need for a rate increase higher than previously approved stemmed from the Board's June 19, 2007 public hearing. The Board is concerned about the impact regulatory costs have on utilities, costs that are ultimately recovered from the ratepayers. Having just held a hearing where the substantive issues were discussed and having provided the ratepayers an opportunity to comment on the Town's proposal, the Board determines no further oral public hearing is currently required.

The Board is very mindful that this across the board 25% increase is significant, and represents the second increase in less than two years. However, the Board finds the increases necessary as statute law requires the Town's utility to cover its operating costs through rates. As well, prior years' deficits need to be recovered. In the long term, with the increases it is anticipated the financial health of the utility will improve.

The Board reminds the Town it is required to file its 2008 year-end utility financial statements and the utility budget for the

forthcoming year by March 1, 2009.

The Board will also require the Town to continue to monitor the utility's financial position closely, and file a report with the Board by March 1, 2010 including:

- 2009 year-end utility financial schedules;
- 2010 utility budget;
- 2010 utility five year capital plan; and
- a statement as to the adequacy of rates.

The Board noted that the terms of service for customers outside of the Town Limits does not conform with the standard clause found in most municipal utility by-laws. The Board will direct the Town amend its by-law as per Schedule "A" attached to this Order.

Note: 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 Rules are available at www.pub.gov.mb.ca.

IT IS THEREFORE ORDERED THAT:

1. The Town of Snow Lake's By-law No. 883/08 BE AND IS HEREBY APPROVED, subject to amendments to reflect the attached Schedule "A".

2. The 2007 revenue deficit of the Town of Snow Lake's Utility in the amount of \$58,543.20 be recovered from rates in 2009, 2010 and 2011.

3. The second discretionary 5% increase BE AND IS HEREBY included in this rate increase.

4. The Town of Snow Lake file with the Public Utilities Board, by March 1, 2010, the following:

- i) 2009 year end utility financial statements;
- ii) 2010 utility budget, including five year capital plan; and
- iii) A statement as to the adequacy of rates.

Fees payable upon this Order - \$250.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SCHWANKE"

Acting Secretary

Certified a true copy of
Order No. 22/09 issued by The
Public Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 22/09
THE TOWN OF SNOW LAKE
BY-LAW NO. 883/08

WATER AND SEWER RATES (Effective April 1, 2009)

A schedule of water and sewer rates for the properties in the Town of Snow Lake.

SCHEDULE OF QUARTERLY RATES:

1. Commodity Rates per Cubic Meter (C.M.)

		<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic	First 100 cubic metres	\$1.66	\$1.23	\$2.89
Intermediate	Next 350 cubic metres	\$1.53	\$1.23	\$2.76
Wholesale	Over 450 cubic metres	\$1.39	\$1.23	\$2.62

2. Minimum Charges, Quarterly

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

(a) Water and Sewer Customers

Meter Size	Group Capacity Ratio			Minimum Quarterly Consumption (C.M.)	Service Charge	Commodity Rates		Minimum Quarterly Charges
						Water	Sewer	
16mm	-	5/8"	1	13.64	\$19.36	\$22.64	\$16.78	\$58.78
19mm	-	3/4"	2	27.28	\$19.36	\$45.28	\$33.55	\$98.19
25mm	-	1"	4	54.56	\$19.36	\$90.57	\$67.11	\$177.04
38mm	-	1 1/2"	10	136.40	\$19.36	\$221.69	\$167.77	\$408.82
50mm	-	2"	25	341.00	\$19.36	\$534.73	\$419.43	\$973.52
75mm	-	3"	45	613.80	\$19.36	\$929.18	\$754.97	\$1703.51

3. Unmetered Customers

Based on a quarterly consumption of 135 cubic metres, non-metered sewer and water customers shall pay \$404.96 per quarter, which includes the quarterly service charge.

4. Service For Connecting Customers Outside of the Town Limits

The Council of the Town of Snow Lake 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 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. Billing And Penalties

Accounts shall be billed quarterly, and shall be due and payable upon receipt by owner. 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.

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 reconnection fee of \$50.00 have been paid. Any customer wishing to have billings discontinued due to vacancy of premises shall be required to pay a service disconnection fee of \$50.00 and to pay \$50.00 reconnection fee when service resumes.

8. Outstanding Bills

Pursuant to section 252(2) of the Municipal Act, the amount of all outstanding charges for water and sewer service may be collected by the municipality in the same manner as a tax may be collected or enforced under this Act.

9. Hydrant Rentals

The Town of Snow Lake shall pay to the utility an annual rental of \$150.00 for each hydrant connected to the system. This includes water for fire purposes.

10. Water Allowance Due To Line Freezing

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

11. Sewer Surcharge

- 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 mg/L, 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.

12. Tipping Fees

The rate of \$2.34 per cubic meter shall be charged for the dumping of septage by haulers.