

M A N I T O B A                    )  
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THE PUBLIC UTILITIES BOARD ACT    )    Order No. 28/09  
  )    March 24, 2009

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

THE TOWN OF DELORAINÉ  
REVISED WATER AND SEWER RATES  
EFFECTIVE APRIL 1, 2009

### Executive Summary

By this Order, the Public Utilities Board (Board) approves revised water and sewer rates for the Town of Deloraine (Town). The new rates, which will replace rates that have been in effect since 2001, will take effect April 1, 2009, 2010 and 2011.

Existing and now revised rates are:

Commodity \$/1000 gallons	Existing	Revised		
		2009 <sup>(1)</sup>	2010 <sup>(1)</sup>	2011 <sup>(1)</sup>
Water				
First 20,000	\$ 11.14	\$ 12.73	\$ 13.12	\$ 13.51
Next 80,000	9.30	12.73	13.12	13.51
Over 100,000	7.75	12.73	13.12	13.51
Sewer	4.20	5.30	5.46	5.61
Combined	13.60 <sup>(2)</sup>	18.03	18.58	19.12
Service Charges	10.25	13.30	13.75	14.25
Minimum Quarterly <sup>(3)</sup>	\$ 56.27	\$ 67.39	\$ 69.49	\$ 71.61
Average household <sup>(4)</sup>	\$105.82	\$125.63	\$129.50	\$133.37

Notes: <sup>(1)</sup> April 1<sup>st</sup> for each year

<sup>(2)</sup> Based on average of commodity rate

<sup>(3)</sup> Includes 3,000 gallons

<sup>(4)</sup> Based on 6,230 gallons per quarter

And, by this Order, the Board also approves revised monthly rates for the Rural Municipality of Winchester (rates were initially set by Order 59/08).

Water only	Existing	Revised		
		2009	2010	2011
First 20,000	\$ 11.80	\$ 13.14	\$ 13.53	\$ 13.92
Next 80,000	9.95	13.14	13.53	13.92
Over 100,000	8.30	13.14	13.53	13.92
Monthly Service Charge	3.42 <sup>(1)</sup>	4.43	4.58	4.75

Notes: <sup>(1)</sup> Same service charge as for residents but collected monthly

And finally, the Board ratifies the existing rate of \$1.14 per 1,000 gallons for untreated water supplied by the Town at the raw water dispenser located to the south of the Town's water treatment plant.

## **Background**

The Town's water treatment plant was originally constructed in 1962 and has since undergone several upgrades. The Town's source of supply is surface water, which is treated through the Town's Class III Lime Soda Ash Plant.

The Town advises that the utility's water lines are monitored and in good condition. The Town's total investment in the utility's water production, transmission and distribution facility is \$1,845,000.

The Town's sewer system is 40 years old. The Town hires an independent company to annually flush a portion of the system. The Town advised that through a closed circuit television camera, pipe inspections are regularly carried out, covering different areas. The Town indicated that the sewer system appears to be in reasonable condition. The Town's total investment in the sewer system is \$460,000.

The Town provides water and sewer service to 477 customers and 10 water only customers, including approximately 16 higher volume users and the Rural Municipality of Winchester (RM).

## **Application**

The Town applied to the Board on December 12, 2008 for approval of By-law No. 11/2008, which was read the first time on December 11, 2008, and included a rate study.

The Town indicated that with the increased costs of operating a utility, it was necessary to apply for a rate increase.

The Town forecast the following rate implications for customers:

Commodity \$/1000 gallons	Existing	2009 <sup>(1)</sup>	% Inc	2010 <sup>(1)</sup>	% Inc	2011 <sup>(1)</sup>	% Inc
Water							
First 20,000	\$ 11.14	\$ 12.73	14.3	\$ 13.12	3.1	\$ 13.51	3.0
Next 80,000	9.30	12.73	36.9	13.12	3.1	13.51	3.0
Over 100,000	7.75	12.73	64.3	13.12	3.1	13.51	3.0
Sewer	4.20	5.30	26.2	5.46	3.0	5.61	2.8
Combined	13.60 <sup>(2)</sup>	18.03	32.6	18.58	3.1	19.12	2.9
Service Charges	10.25	13.30	29.8	13.75	3.4	14.25	3.6
Minimum Quarterly <sup>(3)</sup>	\$ 56.27	\$ 67.39	19.8	\$ 69.49	3.1	\$ 71.61	3.1
Average household <sup>(4)</sup>	\$105.82	\$125.63	18.7	\$129.50	3.1	\$133.37	3.0

Notes: <sup>(1)</sup> April 1<sup>st</sup> for each year  
<sup>(2)</sup> Based on average of commodity rate  
<sup>(3)</sup> Includes 3,000 gallons  
<sup>(4)</sup> Based on 6,230 gallons per quarter

The Town also proposed revising monthly rates for the RM, those to replace rates set by Board Order 59/08:

	Existing (per 59/08)	2009	% Inc	2010	% Inc	2011	% Inc
<b>Water only</b>							
First 20,000	\$11.80	\$13.14	11.4	\$13.53	3.0	\$13.92	2.9
Next 80,000	9.95	13.14	32.1	13.53	3.0	13.92	2.9
Over 100,000	8.30	13.14	58.3	13.53	3.0	13.92	2.9
Monthly Service Charge	3.42 <sup>(1)</sup>	4.43	29.5	4.58	3.4	4.75	3.7

Notes: <sup>(1)</sup> Same service charge as for residents but collected monthly

The Town's proposal included collapsing the previously approved three-step rate schedule to one step, and forecast a larger impact on higher volume users.

The Town also requested approval to increase the hydrant rental charge from \$100 to \$150 per year.

Based on the filed rate study, the utility's estimated annual expenses were:

**Expenses**

Administration	\$ 25,875.00
Water	\$207,000.00
Water Reserve	\$ 20,000.00
Water Contingency	\$ 18,450.00
Sewer	\$ 69,345.00
Sewer Reserve	\$ 10,000.00
Sewer Contingency	\$ 4,600.00
<b>Total Expenses</b>	<b><u>\$355,270.00</u></b>

The rates reflect a contingency allowance equal to 1% of capital costs of water and sewer system. The expenses provided in the rate study were based on the estimated 2008 operating costs plus 10.87% (representing 3.5% per year inflation). The rates proposed, if implemented, are expected to recover utility operating costs at least through 2011.

There have been no deficits since 1999, and the Town advised that as of December 31, 2008, the reserve fund held a balance of \$205,992 and the accumulated surplus \$59,688.

Following proper notice, a public hearing was held on February 26, 2009 in the Town's Council chambers. The notice advised as to the Town's proposal and the by-law, which were made available for public inspection.

The Town's Council, Chief Administrative Officer and assistant, and two ratepayers attended the hearing, which was conducted by Board Member Proven on a hear and report basis. The required quorum to allow for this Order is the result of a review and acceptance of Ms. Proven's findings by the Board's Chairman.

At the hearing, the Town advised of a review of different rate schedule options, those relating to the gradual collapsing of rate steps, but that the Town opted for a proposal of collapsing all at one time.

The Town advised of the only capital project being considered, that being the planned construction of a 100,000 underground reservoir at an estimated cost of \$1.0 million. However, Council also advised of receipt of a draft water system assessment provided by an engineer, and of a decision to review the assessment before committing to the project.

The rate study discloses a very high unaccounted for water level, that being 24.4%. Unaccounted for water is the difference between the amount of water produced and the amount sold; industry standards suggest this amount should be no higher than 10%.

The Town advised at the hearing that there was a 2% error in the study and the amount of unaccounted water should be reduced to 22.4%. Since the completion of the study, the Town noted that a water main break had been repaired and, as well, a leaking curb stop.

The Town also advised that water is provided for three parks, the ball diamonds, fire hydrants and the fire department, the orchard and drip taps. The Town indicated that some of the water is metered, some not, and therefore it is difficult to estimate the actual amount of unaccounted for water.

The Town advised the Board that a raw water dispenser is located south of the water treatment plant. This dispenser is metered and the two main customers are the RM and the concrete business. Readings are taken monthly and the Town bills the user at \$1.14 per 1,000 gallons annually. The Town advised that over 1.1 million gallons are sold annually and estimated that the direct costs for operating are \$600 per year. The Town told the Board that the sales rate has been in place for at least 25 years.

The Town, after the hearing, advised the Board they have commenced discussions with the RM regarding this raw water dispenser, with consideration being given to the installation of a storage tank and other upgrades.

Two customers attended the hearing, both representing a 24-unit co-operative apartment block. These representatives held that the proposed increases were too high, noting that the apartment consumes approximately 110,000 gallons per quarter. The representatives forecast that if the proposed rates were implemented, the overall quarterly bill to the apartment block would increase by approximately \$480.

The representatives advised that the co-operative board recently increased the rent for the apartments, and that rent increases are restricted to one increase per year. Further, they indicated that the co-operative board does not like to increase the rent by more than 1 or 2% at a time; water service is included in apartment rental rates.

### **Board Findings**

The Board commends the Town for reviewing its rates and filing an application prior to the utility experiencing financial difficulties.

The Board is pleased to see the healthy accumulated surplus and reserve fund of the utility and is confident the utility will be able to address unforeseen expenses that may arise in the future. The Board will require the Town to maintain a three to four year cycle for reviewing rates.

The Board will approve the proposed rates, with amendments as detailed below.

The Board notes the Town's by-law provides for disconnection of service but attaches no fee for this service. Whether disconnection occurs as a result of non-payment of an account or from the request of the property owner or occupier, there is a cost to the utility of providing this service. Therefore, the Board will require the Town to amend its by-law to reflect a charge of \$25.00 for both disconnection and reconnection of service.

The Board also notes no provision in its by-law for the supply of raw untreated water supplied by the Town. Upon receiving additional information filed by the Town and reviewing same, the Board will set this rate at \$1.14/1,000 gallons. The Board will direct the Town to amend By-law 11/2008 to include this provision. The Board expects the Town will apply for revised rates if the cost of operating the dispenser increases with the planned upgrades.



And lastly, the Board notes the Town's by-law does not provide for monthly billing specific to the RM. The Board will require the Town to amend its by-law accordingly.

The Board was pleased to see customers in attendance at the hearing, they provided the Board with a needed perspective and thus assisted the Board in its consideration.

While the Board is mindful of the impact on larger volume users, including residents in the apartment block, the Board is also encouraged that the Town is removing the rate steps. The removal of stepped rates generally leads to users becoming more aware of water consumption, which, in the end, should lead to conservation and bills lower than they would otherwise be.

The Board notes that while the parties attending the hearing expressed concerns with regards to the increase in rates occurring at this time for the apartment, they also recognized there is a cost to providing safe water in sufficient supply to meet the needs of the customers.

Prior to the hearing the Board was concerned with the high level of unaccounted for water; there is a significant cost to utility customers for unaccounted for water. The Board was pleased to hear the Town had discovered and fixed two separate breaches in the system. The Board will direct the Town to continue to monitor the unaccounted for water and asks to Town to provide an update by December 31, 2009.

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 (Rules). 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. By-law No. 11/2008 of the Town of Deloraine BE AND THE SAME IS HEREBY APPROVED, with Schedule "A" to be amended, as attached.
2. The Town of Deloraine shall file with the Public Utilities Board a certified copy of By-law No. 11/2008 after having received third and final reading.
3. The Town of Deloraine will provide a report to the Public Utilities Board on unaccounted for water by December 31, 2009.
4. The Town of Deloraine review its rates within four years, and file a report with the Public Utilities Board on rate adequacy no later than November 30, 2012.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SCHWANKE"

Acting Secretary

Certified a true copy of  
Order No. 28/09 issued by The  
Public Utilities Board

\_\_\_\_\_  
Acting Secretary

**SCHEDULE "A"**  
**TO BOARD ORDER NO. 28/09**

**TOWN OF DELORAIN**  
**WATER AND SEWER RATES**  
**BY-LAW NO. 11/2008**

1. SCHEDULE OF QUARTERLY RATES (April 1/09)

1.1 Commodity Rates per 1000 gallons

	<u>Water</u>	<u>Sewer</u>	<u>Water &amp; Sewer</u>
Per 1,000 gal	\$12.73	\$5.30	\$18.03

1.2 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

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Meter Size	Capacity Ratio	Min. Water Allow. Quarterly in gals.	Quarterly Service Charge	Quarterly Commodity Charges		Minimum Quarterly Bill
				Water	Sewer	
5/8"	1	3,000	\$13.30	\$38.19	\$15.90	\$67.39
3/4"	2	6,000	\$13.30	\$76.38	\$31.80	\$121.48
1"	4	12,000	\$13.30	\$152.76	\$63.60	\$229.66
1 1/2"	10	30,000	\$13.30	\$381.90	\$159.00	\$554.20
2"	25	75,000	\$13.30	\$954.75	\$397.50	\$1,365.55

(b) Water Only Customers

All customers connected to the water system, but not the sewage collection system, shall pay the same minimum charge as in 1.2 (a) less the sewer charge.

2. SCHEDULE OF QUARTERLY RATES (April 1/2010)

2.1 Commodity Rates per 1000 gallons

	<u>Water</u>	<u>Sewer</u>	<u>Water &amp; Sewer</u>
Per 1,000 gal	\$13.12	\$5.46	\$18.58

2.2 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	Capacity Ratio	Min. Water Allow. Quarterly in gals.	Quarterly Service Charge	Quarterly Commodity Charges		Minimum Quarterly Bill
				Water	Sewer	
5/8"	1	3,000	\$13.75	\$39.36	\$16.38	\$69.49
3/4"	2	6,000	\$13.75	\$78.72	\$32.76	\$125.23
1"	4	12,000	\$13.75	\$157.44	\$65.52	\$236.71
1 1/2"	10	30,000	\$13.75	\$393.60	\$163.80	\$571.15
2"	25	75,000	\$13.75	\$984.00	\$409.50	\$1,407.25

(b) Water Only Customers

All customers connected to the water system, but not the sewage collection system, shall pay the same minimum charge as in 2.2 (a) less the sewer charge.

3. SCHEDULE OF QUARTERLY RATES (April 1/2011)

3.1 Commodity Rates per 1000 gallons

	<u>Water</u>	<u>Sewer</u>	<u>Water &amp; Sewer</u>
Per 1,000 gal	\$13.51	\$5.61	\$19.12

### 3.2 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 allowance indicated:

Meter Size	Capacity Ratio	Min. Water Allow. Quarterly in gals.	Quarterly Service Charge	Quarterly Commodity Charges		Minimum Quarterly Bill
				Water	Sewer	
5/8"	1	3,000	\$14.25	\$40.53	\$16.83	\$71.61
¾"	2	6,000	\$14.25	\$81.06	\$33.66	\$128.67
1"	4	12,000	\$14.25	\$162.12	\$67.32	\$243.69
1 ½"	10	30,000	\$14.25	\$405.30	\$168.30	\$587.85
2"	25	75,000	\$14.25	\$1,013.25	\$420.75	\$1,448.25

#### (b) Water Only Customers

All customers connected to the water system, but not the sewage collection system, shall pay the same minimum charge as in 3.2 (a) less the sewer charge.

#### 4. SCHEDULE OF MONTHLY RATES APRIL 1/2009 APPLICABLE TO THE RURAL MUNICIPALITY OF WINCHESTER

##### 4.1. Water Rates per 1000 gallons and service charge

	<u>Water</u>	<u>Service/Charge (Monthly)</u>
<b>Per 1,000 gals</b>	<b>13.14</b>	<b>4.43</b>

#### 5. SCHEDULE OF MONTHLY RATES APRIL 1/2010 APPLICABLE TO THE RURAL MUNICIPALITY OF WINCHESTER

##### 5.1. Water Rates per 1000 gallons and service charge

	<u>Water</u>	<u>Service Charge (Monthly)</u>
<b>Per 1,000 gals</b>	<b>13.53</b>	<b>4.58</b>

6. SCHEDULE OF MONTHLY RATES APRIL 1/2011 APPLICABLE TO THE  
RURAL MUNICIPALITY OF WINCHESTER

6.1. Water Rates per 1,000 gallons and service charge

	<u>Water</u>	<u>Service Charge (Monthly)</u>
<b>Per 1,000 gals</b>	<b>13.92</b>	<b>4.75</b>

7. SCHEDULE OF RATES FOR RAW WATER FROM THE BULK WATER  
DISPENSER LOCATED SOUTH OF THE WATER TREATMENT PLANT

	<u>Water</u>
<b>Per 1,000 gallons</b>	<b>1.14</b>

8. SERVICE TO CUSTOMERS OUTSIDE THE TOWN LIMITS

The Council of the Town of Deloraine may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town of Deloraine. Such agreements shall provide for payment of the appropriate minimum quarterly rates, as well as a surcharge, set by resolution of Council, which shall be equivalent to the frontage levy, general taxes and special taxes for the 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 the town boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connection will be paid by the customer.

9. BILLINGS AND PENALTIES

Residential and Commercial accounts shall be billed quarterly and the bulk user will be billed monthly, and shall be due and payable within twenty (20) days of the date of billing. A penalty of 1.25 percent of the amount of the bill shall be added if not paid by the due date.

#### 10. DISCONNECTION AND NON PAYMENT

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.

##### Conditions and Procedures:

- After the due date, with a further 20 day period there will be one late notice sent and a final notice stating the bill will be added to the tax roll or disconnection will take place by a certain date if payment is not made in full or a payment plan has been agreed upon.
- Upon approval of this by-law all rental properties that have not paid their utility notice by the due date, will have the land owner notified of their utility in arrears.
- All notices will be sent by mail.

#### 11. DISCONNECTION and/OR 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 \$25.00 and to pay \$25.00 reconnection fee when service resumes.

#### 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 collectable, and with like remedies.



13. HYDRANT RENTALS

The Town of Deloraine will pay to the Utility an annual rental of \$ 150.00 for each hydrant connected to the system which includes the cost of water for fire-fighting.

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.

15. 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.