

MANITOBA) Order No. 83/10
)
THE PUBLIC UTILITIES BOARD ACT) August 5, 2010

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

TOWN OF LEAF RAPIDS
REVISED WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) varies an application by the Town of Leaf Rapids (Town) and approves water and sewer rates that are higher than those requested. The new rates are to be effective as of the next quarterly billing.

The Board also approves an additional increase, to be effective April 1, 2011, this to begin the recovery of the 2009 utility operating deficit over three years.

Previously approved, interim and revised rates are:

Residential Equivalent Unit (REU)	2005	Interim (2009)	Revised 2010	April 1 2011
General Fee	\$22.50	\$ 22.50	\$ 30.25	\$ 31.75
Water Service	\$48.25	\$ 55.00	\$ 69.00	\$ 75.50
Sewer Service	\$25.25	\$ 28.50	\$ 47.00	\$ 52.50
Quarterly Bill	\$96.00	\$106.00	\$146.25	\$159.75

Full details of rates and their application to individual customers are provided in attached Schedule "A".

Notice of the Town's application was mailed to all customers of the utility and posted in five prominent locations in the community.

Application

The Town filed an application in November 2009 which proposed revised rates pursuant to its By-law 487; the application was supported by a rate study.

The Town advised of past utility operating deficits in 2004 (\$22,487), 2007 (\$3,302), 2008 (\$22,969) and a 2009 budgeted deficit (\$29,030). The Town attributed the deficits to increased expenses, aging infrastructure and fewer customers.

By way of Order 110/09, the Board approved interim *ex parte* rates, and the Town's request for the recovery of its expected 2009 utility deficit through revenue to be generated from the revised rates.

Previously approved rates (set in 2005), 2009 interim rates, and the Town's most recent proposed rates were:

REU*	2005	Interim	Proposed
General Fee	\$22.50	\$ 22.50	\$ 25.00
Water Service	\$48.25	\$ 55.00	\$ 64.00
Sewer Service	\$25.25	\$ 28.50	\$ 40.00
Quarterly Bill	\$96.00	\$106.00	\$129.00
Hydrant Rental	\$75.00	\$ 75.00	\$ 75.00
Reconnection Fee	\$50.00	\$ 50.00	\$100.00

*REU - per Residential Equivalent Unit

Notice of the Town's application was mailed to each customer and posted in the community, inviting customers to write the Board with concerns by March 1, 2010. No responses were received.

In 2002, the Ruttan Mine ceased operations, resulting in a significant decrease in REU allocations, and reduced and unstable annual revenues for the utility. In 2004, the Town's population stabilized, although then-anticipated growth did not materialize.

The Town's utility is not metered and serves 223 customers; the total Residential Equivalent Units are 403.

The utility includes a water treatment plant and a sewage treatment plant. The un-depreciated capital assets of the water production and distribution system are \$1,059,356, and the cost of the sewer collection and disposal system was \$672,055. The Town reported negligible financial surplus and reserve funds.

The Town provided the following three year estimated expenses for the utility.

Description	2010	2011	2012
Administration	\$20,000	\$20,400	\$20,808
Equity Surcharge	\$1,951	\$1,988	\$1,950
Deficit Recovery (2008)	\$7,656	\$7,656	-
Less Revenues	-\$500	-\$510	-\$520
General Revenue Requirements	\$29,107	\$29,534	\$22,238
Water Expenses	\$103,000	\$105,060	\$107,162
Less Hydrant Rentals	-\$4,575	-\$4,575	-\$4,575
Water Revenue Requirements	\$98,425	\$100,485	\$102,587
Sewer Expenses	\$64,440	\$65,729	\$67,043

Sewer Revenue Requirements	\$64,440	\$65,729	\$67,043
Total Expenses	\$191,972	\$195,748	\$191,868
Projected Revenues	\$189,948	\$189,948	\$189,948
Surplus/(Deficit)	-\$2,024	-\$5,800	-\$1,920

NB - The above was calculated by Board staff based on information garnered from the rate study.

The Town's cost estimates do not include provision for amortization of capital assets (now required by the Public Sector Accounting Board, PSAB).

The Town has advised of plans to upgrade its water treatment plant over a three year period beginning in 2010, at a cost estimated at \$3,000,000. Also planned for 2010 is the \$30,000 installation of UV Disinfectant to the sewage treatment process.

Board Review

The Board established Minimum Filing Requirements for Municipalities filing an application for revised rates in 2009. Many of those requirements were not met by the Town's application, requiring the Board to seek clarification from the Town and resulting in the Board's decision to vary the Town's application and increase the proposed new rates.

While the Town hopes to fully recover the actual 2009 utility shortfall from future rates, the Board is unable to be assured of this result. The Board will monitor results and seek further information and a new application in the future. Such a new application should clarify the Town's intent with respect to reserve fund contributions, amortization costs, and contingency provisions.

The Town has advised of experiencing staff changes, which has affected its ability to provide information.

Board Findings

The Board concludes that although its information requirements have not been fully met at this time, it is satisfied that higher rates are required and will thus approve and establish rates higher than those applied for, and will require the Town to amend its by-law and attached Schedule "A" to reflect this Order. By law, municipal utilities are required to "break-even" on operations.

The Board's revised rates were determined on the basis of the information available.

Reflected in the new rates is provision for annual \$10,000 contributions to the utility's reserve fund for both the water and sewer service.

Further and beginning April 1, 2011, rates are to again increase, these by 5%, as well, the water and sewer REU charge is to increase to begin recovery of the 2009, \$29,030 operating deficit.

The rates herein approved are calculated as follows, with all rates "rounded up":

General Quarterly Fee

Average expenses/customers/4 = Quarterly Fee

$\$26,960/223/4 = \30.25

April 1, 2011 - Rate plus 5% = \$31.75

Water Residential Equivalent Unit

Average expenses + Reserve Fund / Total REU's/4

$\$100,499 + \$10,000 = \$110,499/403/4 = \69.00

April 1, 2011 - Rate plus 5% + 2009 Deficit x $\frac{1}{2}$ / 3 years/403 REU's/4

$\$29,030/2/3 = \$4,838/403/4 = \$3.00$

April 1, 2011 = \$69.00 + 5% + \$3.00 = \$75.50

Sewer Residential Equivalent Unit

Average expenses + Reserve Fund / Total REU's/4

$\$65,737 + \$10,000 = \$75,737/403/4 = \47.00

April 1, 2011 - Rate plus 5% + 2009 Deficit x $\frac{1}{2}$ / 3 years/403 REU's/4

$\$29,030/2/3 = \$4,838/403/4 = \$3.00$

April 1, 2011 = \$47.00 + 5% + \$3.00 = \$52.50

The Board will also increase the annual hydrant rental charge from \$75.00 to \$100.00; this to bring it more in line with actual costs and more consistent with the charges of other utilities.

The Board will require the Town to file its actual 2009 utility operating results, as well as provide additional information related to its rate application (as originally requested by the Board). Following receipt of this information, the Board may find it necessary to revise rates further.

The Board will also require the Town to file its 2010 and 2011 utility financial statements no later than April 1, 2011 and 2012, respectively. The Town is also to provide comments on rate adequacy and provide an opinion as to whether additional rate increases are warranted.

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.

IT IS THEREFORE ORDERED THAT:

1. The Town of Leaf Rapids amends By-law No. 487, to agree with the provisions in this order and attached Schedule "A".
2. The Town of Leaf Rapids files a certified copy of By-law No. 487 with the Public Utilities Board once it has received third and final reading.
3. The Town of Leaf Rapids files its 2009 utility financial statements, preferably audited, not later than October 31, 2010.
4. The Town of Leaf Rapids files supporting documentation and responses to questions in the Board's letter dated January 25, 2010, with the Public Utilities Board not later than October 31, 2010.
5. The Town of Leaf Rapids files its 2010 and 2011 utility financial statements with the Public Utilities Board not later than April 1, 2011 and April 1, 2012 respectively.
6. The Town of Leaf Rapids file with the Public Utilities Board its views on its utility's rate adequacy and whether additional increases are required, with its filings required as noted in item 5 above.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"
Chairman

"KRISTINE SHIELDS"
Acting Secretary

Certified a true copy of Order No.
83/10 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 83/10
THE TOWN OF LEAF RAPIDS
WATER AND SEWER RATES
BY-LAW NO. 487

1. THAT all rates shown below shall be quarterly rates charged to the user based on the equivalent scale included below, effective as noted:

Effective Immediately

Code #	Customer	No. of Units	General Fee	Commodity Charge		Total Quarterly
				Water	Sewer	
1	Single Residence	1	\$30.25	\$69.00	\$47.00	\$146.25
2	Duplex Residence	2	\$30.25	\$138.00	\$94.00	\$262.25
3	Apartment Blocks	24	\$30.25	\$1,656.00	\$1,128.00	\$2,814.25
4	Apartment Blocks	12	\$30.25	\$828.00	\$564.00	\$1,422.25
5	Leaf Grove Town Houses	59	\$30.25	\$4,071.00	\$2,773.00	\$6,874.25
Industrial and Commercial						
7	Commercial A Manitoba Hydro, Pinecone Outfitters, Tri-Track, L.R. Consumers Co-op II, Co-op II Storage, Churchill River Marine, Manitoba Metis Federation, L.R. Dental Clinic, King's Health & Variety, MTS Allstream, Public Works Canada (Post Office), Fire Hall, Tenants' Washrooms L.R.T.P. X 2, Leaf Rapids Community Development Corporation, Manitoba Conservation Bunkhouse, Manitoba Conservation Warehouse, Christ the King Parish, Pentecostal Assemblies c/o Good News Tabernacle, D&D Fuels, Susan's Art Café	1	\$30.25	\$69.00	\$47.00	\$146.25
8	Commercial B Town Garage, Bank, L.R.T.P., Town Office, Gardewine North, Centre Auto, R.C.M.P., Youth Centre, Fields	2	\$30.25	\$138.00	\$94.00	\$262.25
9	Commercial C Strilkiwski Contracting, Northern Cartage, Arena, Cinema, Royal Canadian Legion, Curling Rink, Almost Arctic Inn, Good Cook Ol-Man	3	\$30.25	\$207.00	\$141.00	\$378.25
10	Commercial D Public Washrooms L.R.T.P., L.R. Consumer's Co-op	5	\$30.25	\$345.00	\$235.00	\$610.25

11	Commercial E Gym	10	\$30.25	\$690.00	\$470.00	\$1,190.25
12	Commercial F L.R. Health Centre, Frontier School Division No. 48	20	\$30.25	\$1,380.00	\$940.00	\$2,350.25
13	Commercial G Whitewater Inn	40	\$30.25	\$2,760.00	\$1,880.00	\$4,670.25
16	Commercial H Commercial Building L.R.T.P.	6	\$30.25	\$414.00	\$282.00	\$726.25

Effective April 1, 2011

Code #	Customer	No. of Units	General Fee	Commodity Charge		Total Quarterly
				Water	Sewer	
1	Single Residence	1	\$31.75	\$75.50	\$52.50	\$159.75
2	Duplex Residence	2	\$31.75	\$151.00	\$105.00	\$287.75
3	Apartment Blocks	24	\$31.75	\$1,812.00	\$1,260.00	\$3,103.75
4	Apartment Blocks	12	\$31.75	\$906.00	\$630.00	\$1,567.75
5	Leaf Grove Town Houses	59	\$31.75	\$4,454.50	\$3,097.50	\$7,583.75
Industrial and Commercial						
7	Commercial A Manitoba Hydro, Pinecone Outfitters, Tri-Track, L.R. Consumers Co-op II, Co-op II Storage, Churchill River Marine, Manitoba Metis Federation, L.R. Dental Clinic, King's Health & Variety, Manitoba Telephone Systems, Public Works Canada (Post Office), Fire Hall, Tenants' Washrooms L.R.T.P. X 2, Leaf Rapids Community Development Corporation, Manitoba Conservation Bunkhouse, Manitoba Conservation Warehouse, Christ the King Parish, Pentecostal Assemblies c/o Good News Tabernacle, D&D Fuels, Susan's Art Cafe	1	\$31.75	\$75.50	\$52.50	\$159.75
8	Commercial B Town Garage, Bank, L.R.T.P., Town Office, Gardewine North, Centre Auto, R.C.M.P., Youth Centre, Fields	2	\$31.75	\$151.00	\$105.00	\$287.75
9	Commercial C Strilkiwski Contracting, Northern Cartage, Arena, Cinema, Royal Canadian Legion, Curling Rink, Almost Arctic Inn, Good Cook Ol-Man	3	\$31.75	\$226.50	\$157.50	\$415.75
10	Commercial D Public Washrooms L.R.T.P., L.R. Consumer's Co-op					

		5	\$31.75	\$377.50	\$262.50	\$671.75
11	Commercial E Gym					
		10	\$31.75	\$755.00	\$525.00	\$1,311.75
12	Commercial F L.R. Health Centre, Frontier School Division No. 48					
		20	\$31.75	\$1,510.00	\$1,050.00	\$2,591.75
13	Commercial G Whitewater Inn					
		40	\$31.75	\$3,020.00	\$2,100.00	\$5,151.75
16	Commercial H Commercial Building L.R.T.P.					
		6	\$31.75	\$453.00	\$315.00	\$799.75

2. THAT a late payment charge of 1 1/4% monthly 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.
3. THAT the quarterly service and commodity charges as shown in 1. above shall be collected in advance.
4. THAT the Town of Leaf Rapids will pay to the utility an annual rental of \$100.00 for each hydrant.
5. THAT any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and the reconnection fee of one hundred dollars (\$100.00) have been paid.
6. THAT any unpaid account for sewer or water connections supplied, or work or services done or performed, in respect of the land are a lien and charge upon that land, and shall be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies pursuant to Subsection 252(2) of The Municipal Act.
7. THAT the Public Utilities Board has approved Conditions Precedent to be followed by the municipality with respect to 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 municipal office.