

M A N I T O B A) Order No. 87/10
)
THE PUBLIC UTILITIES BOARD ACT) August 17, 2010

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

TOWN OF THE PAS
REVISED WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) varies an application by the Town of The Pas (Town) for water and sewer rates. Revised rates are effective for the next quarterly billing, scheduled to go out in October 2010.

A summary of existing interim and revised rates are as follows:

| Rates \$/1,000 gallons | Existing Interim | Revised Schedule | Revised Rates |
|------------------------|------------------|---------------------|---------------|
| Water | | Water | |
| First 18,000 | \$8.80 | First 20,000 | \$11.10 |
| Next 82,000 | \$6.80 | Over 20,000 | \$6.75 |
| Over 100,000 | \$4.30 | | |
| Sewer | \$3.20 | Sewer | \$3.40 |
| Combined - <18K | \$12.00 | Combined | |
| Next 82K | \$10.00 | First 20,000 | \$14.50 |
| Over 100K | \$7.50 | Over 20,000 | \$10.15 |
| Service Charge | \$11.00 | Service Charge | \$17.00 |
| Minimum Quarterly* | \$59.00 | Minimum Quarterly** | \$60.50 |
| Bulk Sales | \$8.00 | Bulk Sales | \$11.75 |

*Included 4,000 gallons
 **Includes 3,000 gallons

The Board will also approve an additional 5% increase to be effective January 1, 2012. Full details of the rates as well as terms and conditions of the service are available on the attached Schedule "A".

This decision follows a public hearing held in the Town on June 29, 2010.

Rate Application

The Town applied for revised water and sewer rates as set out in By-law No. 4421, read the first time on September 2, 2009, and supported by a rate study. At the public hearing, the Town submitted a revised proposal to the Board, and asked that this revised submission be considered.

The Board agreed and the application outlined is the one received June 29, 2010.

The utility provides services to 1,840 customers; about 1600 are residential with the remainder commercial.

Rates had not been revised since 2002, until the Board approved the first of two interim *ex parte* increases effective January 1, 2009. The first increase (15%) was by Order 163/08 and the current rates (an additional 25%) were set by Order No. 178/09, effective January 1, 2010. Please refer to the Board's website (www.pub.gov.mb.ca) for details and rationale for the interim rates as contained in the above noted orders.

The utility has experienced numerous deficits since 2002 beginning in 2003 (\$39,213), and followed in 2005 (\$11,118), 2007 (\$151,703), 2008 (\$193,127) and finally an anticipated 2009 deficit (\$150,000 to \$300,000). As at December 31, 2009, the Town reported the utility showed an accumulated deficit (including the reserve fund) in excess of (\$335,000).

Beside revised rates, the Town proposed to reduce its current three tier rate schedule to two tiers, increase the gallons to

be charged under the first rate from 18,000 to 20,000 and reduce the volume of water included in a minimum quarterly bill from 4,000 to 3,000 gallons. Water volume changes proposed are consistent with the Board's guidelines.

The Town proposed the following rates:

| Rates \$/1,000 gallons | Existing Interim | Proposed Schedule | Proposed Rates |
|------------------------|------------------|---------------------|----------------|
| Water | | Water | |
| First 18,000 | \$8.80 | First 20,000 | \$10.00 |
| Next 82,000 | \$6.80 | Over 20,000 | \$5.50 |
| Over 100,000 | \$4.30 | | |
| Sewer | \$3.20 | Sewer | \$2.75 |
| Combined - <18K | \$12.00 | Combined | |
| Next 82K | \$7.50 | First 20,000 | \$12.75 |
| Over 100K | \$5.45 | Over 20,000 | \$ 8.25 |
| Service Charge | \$11.00 | Service Charge | \$17.00 |
| Minimum Quarterly* | \$59.00 | Minimum Quarterly** | \$55.25 |
| Bulk Sales | \$8.00 | Bulk Sales | \$10.00 |

*Includes 4,000 gallons
 **Includes 3,000 gallons

The Town advised that moving to a one rate schedule would be too drastic an increase for large volume users. The Town proposed that future applications would narrow the gap to eventually introduce a single rate.

The rates were calculated based on the following expenses:

Administrative Costs **\$123,950**

Water

| | |
|-----------------------|--------------------|
| Expenses | \$1,257,394 |
| Reserve | \$175,000 |
| Contingency | \$64,000 |
| Less Hydrant Rentals* | <u>-\$26,700</u> |
| Total Water | \$1,469,694 |

Sewer

| | |
|--------------------|------------------|
| Expenses | \$354,020 |
| Reserve | \$41,800 |
| Contingency | <u>\$16,000</u> |
| Total Sewer | \$411,820 |

*178 hydrants @ \$150.00

The estimates do not address changes to accounting standards as per Public Sector Accounting Board (PSAB) such as the inclusion of an amortization expense or the prescribed treatment of debenture debt payments. Also not included is the Board's requirement to amortize capital grants for the same number of years as for that of the asset for which it was received.

As per its initial submission, the Tangible Capital Assets (TCA) continuity schedule records the un-depreciated assets of the utility at \$14,144,064 as at December 31, 2009. (The Town has yet to confirm the accuracy of these numbers.)

According to the TCA's, the water expense should include an amortization expense of \$148,290 and the sewer, \$182,053. It is not known which assets may have received grants or what percentage of the project was funded.

Infrastructure and Capital Improvement Plans

The Town advises of a dire need to replace aging infrastructure.

Both the existing water treatment plant (WTP) and sewage facility (lagoon) were constructed in 1971 with many upgrades seen over the years.

The Town has planned an upgrade to the WTP and is facing the need to upgrade its sewage treatment to meet Manitoba Conservation licensing requirements.

The Town has received a grant to fund a \$2.5 million upgrade to the WTP; the Town's share is approximately \$833,333. The Town will fund its share from various reserve accounts, but none from the utility reserve as it has been depleted.

An initial review has been completed with respect to options to address sewage treatment, and the recommendation is for a \$20 million sewage treatment plant (STP). The concept is still in its early stages and no plans have been put in place. The Town advised of the possibility of a regional STP, to be built to serve the Town as well as the Opasquia Cree Nation (OCN), a First Nation community located to the north across the Saskatchewan River.

The Town reports significant water losses exceeding 50% of the amount of water produced in 2007 to 2009. This unaccounted for percentage includes known leaks which the Town indicates some have been addressed as well as 'bleeders' used during the winter months to ensure the lines do not freeze.

The Town advises of a failing utility infrastructure with most of the water losses attributable to the number of water breaks. In 2007, nine breaks occurred, in 2008, 28 breaks and in 2009 that number increased to over 50. The average cost to repair a water break is ~\$7,000. Other elements of the distribution system are also failing with the major influence being the weather.

The Town submitted its five and ten year capital plan which identifies water and sewer line replacement projects to begin in 2011. These line replacements, through to 2015, total almost \$5.0 million, with an additional \$3.0 million in plans for the next five years.

These line replacement projects are in addition to the \$2.5 million WTP upgrades currently underway, and the anticipated capital expenditures that the Town will need to raise to address sewage treatment.

Notice of the Board's public hearing was published in the local newspaper on three separate occasions and posted in at least five locations throughout the Town. No members of the public attended the hearing to voice any concerns or objections.

Board Findings

The Board understands the difficulties the Town has experienced of late with respect to staffing issues, but commends the current council and staff for the detailed submission provided at the hearing. Staff was well informed and was able to address questions that the Board asked about the utility.

The Board thanks the Town for the cooperation shown to ensure the additional information sought was provided. The Board appreciates the challenges faced by municipalities with transitioning to PSAB and in ensuring adequate financial resources are available to address aging infrastructure needs.

The Board will vary the Town's application further as a result of minor calculation errors and to include 50% of the annual amortization expense. Without the proper information to calculate the necessary rates, the Board will estimate that grants were received for approximately half of the assets.

The Board provides the following revised expenditure calculations on which the revised rates are based.

| | |
|-----------------------------|------------------|
| Administrative Costs | \$123,950 |
| Water | |
| Expenses | \$1,257,394 |
| Reserve | \$175,000 |
| Contingency | \$64,000 |
| Amortization | \$74,145 |
| Long Term Debt Interest | \$14,671 |

| | |
|-------------------------|--------------------|
| Debenture Debt Revenues | <u>-\$66,986</u> |
| Less Hydrant Rentals | <u>-\$26,700</u> |
| Total Water | \$1,491,524 |

Sewer

| | |
|--------------------|------------------|
| Expenses | \$354,020 |
| Reserve | \$41,800 |
| Contingency | \$16,000 |
| Amortization | <u>\$91,027</u> |
| Total Sewer | \$502,847 |

The Town will be required to amend its bylaw prior to second reading to agree with the provisions in this order.

The Board will also provide the Town one additional 5% increase, to be effective January 1, 2012. This increase will help offset the increase in operational costs that are likely to be realized by 2012.

The Board notes that the TCA's have yet to be finalized and the 2009 utility audited financial statements have not been filed. The Board expects these items to be filed by September 30, 2010, along with an application to address any deficits including a proposed method of recovery.

The Board will require the Town to submit its 2010 and 2011 financial statements within three months after the respective year end. Following the 2012 year end, along with the financial statements, the Town is to provide comment to the Board as to the adequacy of the rates, or if required, an application to revise the rates. The 2012 submission is to be filed not later

than April 30, 2013.

The Board will require the Town to submit its Shared Cost Allocation policy with respect to costs shared between the utility and the general operations of the municipality. The Board encourages the Town to view Order 93/09, Item 3.4 for more information on this requirement and to work with Board staff to submit the information by November 30, 2010.

The Board notes that the Town permits septage to be dumped in its lagoon from parties outside its boundaries and realizes a small revenue from OCN and the neighbouring RM of Kelsey. The Board also notes that some capital contributions were made by the RM towards the cost of the lagoon and that the agreement with the RM is to be re-negotiated this year.

The Board will require the Town to review its tipping fees to ensure that the fees assessed to non-residents recover the full costs to treat this septage. The Board will require the Town to submit an application for tipping fees, by December 31, 2010.

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 The Pas amends By-law No. 4421, to agree with the provisions in this order, and the attached Schedule "A".
2. The Town of The Pas files a certified copy of By-law No. 4421, with the Public Utilities Board once it has received third and final reading.
3. The Town of The Pas file the Tangible Capital Asset continuity schedule for the utility and the audited 2009 utility financial statements with the Public Utilities Board by September 30, 2010.
4. The Town of The Pas file its Shared Cost Allocation Policy with the Public Utilities Board not later than November 30, 2010.
5. The Town of The Pas file an application for tipping fees for sewage dumped in its lagoon with the Public Utilities Board by December 31, 2010.
6. The Town of The Pas file the 2010 and 2011 utility financial statements within three months of the year end.
7. The Town of The Pas file the 2012 utility financial statement with the Public Utilities Board and comment as to the adequacy of rates by April 30, 2013.

Fees payable upon this Order - \$1,500.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SHIELDS"

Acting Secretary

Certified a true copy of Order No.
87/10 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 87/10
THE TOWN OF THE PAS
WATER AND SEWER RATES
BY-LAW NO. 4421

Schedule of Quarterly Rates:

1. Commodity Rates Per M.G. (1,000 Gals)

Effective October 1, 2010

| Water Consumption | <u>Water</u> | <u>Sewer</u> | <u>Combined</u> |
|-------------------|--------------|--------------|-----------------|
| First 20,000 | \$11.10 | \$3.40 | \$14.50 |
| Over 20,000 | \$ 6.75 | \$3.40 | \$10.15 |

Effective January 1, 2012

| Water Consumption | <u>Water</u> | <u>Sewer</u> | <u>Combined</u> |
|-------------------|--------------|--------------|-----------------|
| First 20,000 | \$11.65 | \$3.55 | \$15.20 |
| Over 20,000 | \$ 7.10 | \$3.55 | \$10.65 |

2. Quarterly Minimum Charges

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 allowance indicated;

(a) Water and Sewer Customers

Effective October 1, 2010

| <u>Meter Size</u> | <u>Group Capacity Ratio</u> | <u>Water Included (Gallons)</u> | <u>Customer Service Charge</u> | <u>Commodity Charge</u> | <u>Total Quarterly Minimum</u> |
|-------------------|-----------------------------|---------------------------------|--------------------------------|-------------------------|--------------------------------|
| 5/8" | 1 | 3,000 | \$17.00 | \$ 43.50 | \$ 60.50 |
| 3/4" | 2 | 6,000 | \$17.00 | \$ 87.00 | \$ 104.00 |
| 1" | 4 | 12,000 | \$17.00 | \$ 174.00 | \$ 191.00 |
| 1 1/2" | 10 | 30,000 | \$17.00 | \$ 391.50 | \$ 408.50 |
| 2" | 25 | 75,000 | \$17.00 | \$ 848.25 | \$ 865.25 |
| 3" | 45 | 135,000 | \$17.00 | \$1,457.25 | \$1,474.25 |
| 4" | 90 | 270,000 | \$17.00 | \$2,827.50 | \$2,844.50 |

Effective January 1, 2012

| <u>Meter Size</u> | <u>Group Capacity Ratio</u> | <u>Water Included (Gallons)</u> | <u>Customer Service Charge</u> | <u>Commodity Charge</u> | <u>Total Quarterly Minimum</u> |
|-------------------|-----------------------------|---------------------------------|--------------------------------|-------------------------|--------------------------------|
| 5/8" | 1 | 3,000 | \$17.85 | \$ 45.60 | \$ 63.45 |
| 3/4" | 2 | 6,000 | \$17.85 | \$ 91.20 | \$ 109.05 |
| 1" | 4 | 12,000 | \$17.85 | \$ 182.40 | \$ 200.25 |
| 1 1/2" | 10 | 30,000 | \$17.85 | \$ 410.50 | \$ 428.35 |
| 2" | 25 | 75,000 | \$17.85 | \$ 889.75 | \$ 907.60 |
| 3" | 45 | 135,000 | \$17.85 | \$1,528.75 | \$1,546.60 |
| 4" | 90 | 270,000 | \$17.85 | \$2,966.50 | \$2,984.35 |

(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 Charge

Minimum charge will be the same as shown above, but the water commodity charge will be excluded.

3. Bulk Sales Rate

All water sold in bulk by The Town of The Pas shall be charged for at the rate of:

Effective October 1, 2010 - \$11.75 per thousand gallons

Effective January 1, 2012 - \$12.35 per thousand gallons

4. Service to Customers Outside Municipality

(a) The Council of The Town of The Pas may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of The Town of The Pas. 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.

(b) All costs of connecting to the utility's mains, installing and maintaining service connections will be paid by the customers.

5. Billing and Penalties

Accounts shall be billed quarterly, and shall be due and payable thirty days (30) after the due date of billing. A penalty of 1.25% of the amount of the bill shall be added monthly if not paid by the due date.

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 \$25.00 have been paid.

8. Outstanding Bills

Pursuant to Subsection 252(2) of *The Municipal Act*, the amount of all outstanding charges for water and sewer 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.

9. Thawing

The charge for electric thawing of water service shall be Thirty Dollars (\$30.00)

10. Temporary Shutoff

If a temporary shutoff is required by any user for the purpose of repairs to the equipment within his premises, or for any other cause, where a service man must visit the premises for such a purpose, a charge of Twenty-Five Dollars (\$25.00) shall be made for such service, said sum to be paid by said user with his next bill for water used.

11. Moving of a Meter

In any case where a user is moving from one residence to another and requires the service discontinued in such said residence, a final billing will be generated for the customer. A new account is then created and the prepayment is applied to the new location.

12. Hydrant Rental

The Town of The Pas shall pay an annual hydrant rental charge computed at the rate of One Hundred and Fifty dollars (\$150.00) for each hydrant in use in The Town of The Pas as at January 1 of each and every year.

13. Water Allowance Due to Line Freezing

That in any case where, at the request of the Municipal Superintendent, 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.

14. Damage Meters

If the meter of a consumer is damaged and/or fails to register during any quarter, the amount of water consumption shall be taken to be the average of the two preceding quarters as shown by their respective readings.