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THE PUBLIC UTILITIES BOARD ACT) Order No. 106/11
) August 17, 2011

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

TOWN OF WINNIPEG BEACH
WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves the Town of Winnipeg Beach's (Town) application for revised water and sewer utility rates, rates which are to be reflected on the next quarterly billing, consistent with the Town's by-law. The Board will require the Town to amend its by-law prior to second reading to increase the annual hydrant rental fee to \$150.

Revised and previous quarterly rates for a residential equivalent unit are noted below. Details of all charges are shown in the attached Schedule representing the Town's by-law:

Quarterly charge*	<u>Sewer</u>	<u>Water</u>	<u>Service Charge</u>	<u>Total</u>
Current	\$5.87	\$37.60	\$15.04	\$58.51
Revised	\$8.29	\$53.71	\$24.26	\$86.26
Increase	\$2.42	\$16.11	\$ 9.22	\$27.75
% change	41%	43%	61%	47%

*The above rates are for a residential equivalent unit (REU), representing the cost based on the estimated average consumption for one residence.

This decision follows a public hearing held in Winnipeg Beach Council Chambers on July 26, 2011.

Introduction

The Town filed for revised rates on April 27, 2011.

The Board has the option of addressing such applications on either a paper basis or by public hearing. In this instance, because of the substantial increase being proposed to the rates previously

established in 2008, the Board determined that a public hearing would be in order.

Background

The water system was developed in 1962 and consists of ground water being pumped from the aquifer to the Town well where it is chlorinated before distribution.

The sewer system is a combination of gravity sewers, built in 1965, and low-pressure sewers, built in two phases in 1963 and 1986. Sewage is directed to a central lift station and then pumped into the Town's lagoon site.

The Town provides unmetered services to 69 year-round and 29 seasonal water and sewer customers. In addition, the Town services 1662 year-round sewer only customers.

Drinking water standards are being met. However, the Town had been advised in 2010 by Manitoba Conservation that it must take action to address inadequate hydraulic capacity for the lagoon, as identified by an engineering assessment conducted by the engineering firm of J.R. Cousins.

The Town advises that its senior utility staff have their required certification and that another staff member is currently in the process of obtaining same.

The Town notes previous recommendations to have their system metered but continues to report lack of funding to accommodate this.

Application

The Town applied to the Board for approval of its utility rates By-law 4/2011, which was supported by a rate study, prepared by Town staff, and other information as required.

The proposed rate increases are based on increased operating costs to some extent, but mostly attributable to the effects of compliance with Canadian accounting standards, now required by all municipalities, with amortization/depreciation of existing plant being the major item.

The Town included in its forecasts provisions for contingencies, but not for reserves. The contingency provisions are approximately 20% of operating expenses, and seen as sufficient to cover unexpected events in an aging system. Overestimated contingency provisions may be directed to reserve funds at year end. Utility reserves were reported to be \$60,386 at December 31, 2009.

In 2009, the utility incurred a \$10,776 operating deficit, and in approving that this amount be recovered from existing surplus, the Board noted in its order 130/10 that the Town would be proposing new rates to avoid recurrence of deficits.

The Town's five-year capital expenditure program totals \$8,865,000, mostly related to the lagoon upgrade, for which the Town is seeking funding participation from various levels of government. Remaining funding will be obtained through debentures, servicing of which will likely be assessed through the taxation system.

Rates

The Town proposed the following quarterly rates for each REU as well as a change to the *quarterly* service charge per customer for year round customers as shown below:

	<u>Sewer</u>	<u>Water</u>	<u>Service Charge</u>	<u>Total</u>
Current	\$5.87	\$37.60	\$15.04	\$58.51
Proposed	\$8.29	\$53.71	\$24.26	\$86.26

For seasonal customers, the Town proposed *annual* REU rates and service charges as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Service Charge</u>	<u>Total</u>
Current	\$11.75	\$ 75.19	\$30.08	\$117.02
Proposed	\$16.58	\$107.42	\$48.52	\$172.52

Seasonal customer rates for disconnection and reconnection to remain at \$50.

In addition, the Town proposed a change to some of the REU assignments. Users are assigned REU's based on their estimated consumption compared to what a typical residence would use. The allocation amendments, along with a brief rationale for the proposed change, are as follows:

	REU allocation		
Customer	Current	Proposed	Explanation
Car wash	3	11	Based on estimated consumption of like car washes
Gateway Housing units	3	32	Based on number of housing units
Pleasant Homes estate	1	6	Based on number of housing units
Valentino's Restaurant	4	3	Proposal was for 3 in winter months and 4 in summer
Department of Conservation			
Lakefront	23	17	Upgrades to washrooms
Murray	73	55	Upgrades to washrooms

Revenue Requirements

The Town provided the following summary of expenses, setting out the net revenue requirement for the utility:

	2011
General	
Expenses	\$15,430
Less Revenues	1,450
Net Revenue Requirements - General	\$13,980
Water	
Expenses	\$34,788
Amortization	14,390
Interest on Long Term Debt	0
Reserves	0
Contingency	2,096
Less Revenues	2,400
Net Revenue Requirements - Water	\$48,874
Sewer	
Expenses	\$25,780
Amortization	21,703
Interest on Long Term Debt	0
Reserves	0
Contingency	19,782
Less Revenues	3,100
Net Revenue Requirements - Sewer	\$64,164

Capital Assets, Future Works and Debt

The Tangible Capital Assets are reported at the historical cost of the water and sewer infrastructure at \$2,419,635, with an annual amortization expense of \$36,223.

The five year capital plans are projected to cost approximately \$8,865,000, with the vast majority being \$8,000,000 to upgrade the lagoon. The Town is seeking a grant contribution of \$4,000,000 toward the lagoon upgrade. The balance will be funded mostly from debentures, with minor contributions from operations or reserves.

The Town engaged an engineering consultant to conduct a feasibility study of the wastewater collection and treatment infrastructure. The consultant suggested that the Town consider a regional wastewater treatment system in cooperation with the RM of Gimli. Options, including funding sources, continue to be investigated.

The Town also indicated the current water treatment plant is in need of upgrades to ensure it continues to meet drinking water standards.

There is no outstanding debenture debt as at December 31, 2010.

Shared Cost Allocation Policy

The Town provided a breakdown with respect to costs allocated to the Utility operation. With the exception of the administrative assistant who is charged back at the rate of 10%, 5% of administrative and equipment expenses of the Town is allocated to the Utility.

Public Hearing

Pursuant to instructions from the Board, the Town advertised Notice of its application and the July 26, 2011 public hearing, held at the Town's Council Chambers.

All members of the Town council attended the hearing as well as the Chief Administrative Officer. The Mayor spoke to the Town's application and assured those present that the costs to operate the differing parts of the Town's utility have been carefully reviewed to ensure the appropriate costs have been assessed to the proper user.

The Town has met with Manitoba Water Services Board and has requested funding for its required lagoon expansion/upgrades. The Town is exploring its options including a regional approach for wastewater treatment.

The Town is also aware that a new/upgraded water treatment plant is needed, and expects that the installation of water meters will again be discussed as part of that project.

The Mayor commented that without additional water customers, the costs need to be met by the current customers, of which there are only about 100. Currently the opportunities for expansion and development in the Town are limited, as the lagoon has reached its capacity.

There were seven customers of the Town's utility (not including Councillors) present at the hearing. Some of the concerns expressed included:

- If installing water meters would help the utility. Who pays and would costs be assessed proportionately? With only a small number of customers; is it worth the cost right now?
- The owner of the Laundromat indicated that any savings he might have realized with recently installed high efficiency washers

will be gone with the increased rates.

- One business owner commented that with the installation of meters, customers would pay a fairer share of the costs, based on the amount of water used. He stated that metered water is more equitable to the users, and attracts development, however with the lagoon at its capacity, the timing is off. He also commented that a regional system may encourage the campgrounds to connect.
- Another gentleman, also a business owner, commented that he agreed with small annual increases and thought the last increases were to help with the costs of installing meters. He noted that with the Town being slower during the winter months when water consumption is significantly lower, he was not offered a discount for these slow times.
- One customer noted that she would like to see something going into reserves (the proposed rates do not include a provision for reserve fund contributions). And another thought an additional charge would be acceptable, if it went to build the reserve funds.

The Mayor acknowledged all the concerns and did his best to address questions as they arose. He concluded by indicating that the proposed rates represent a fair balance, with a 47% increase.

Board Findings

The Board appreciates any input from members of the public related to a water and sewer rate application and in particular thanks those

members of the public who attended the public hearing.

The Board is concerned with rate increases in the magnitude of those proposed by the Town, but finds the anticipated expenses to be reasonable and the rates just.

The Board is also concerned that there are insufficient reserves to address upcoming expenditures given the imminent need to upgrade the lagoon and then the water treatment plant. The Board expects that the Town will only proceed with these major capital projects, when capital grants are available to assist with the costs and the Town's portion will be through borrowing.

The Board will ask the Town to review its minor capital projects that are required over the next five years, such as the replacement of water and sewer shut off valves. The Board will then invite the Town to make a submission, at its discretion, to increase water and/or sewer rates in 2012 or 2013, to provide for a contribution to reserves to assist with costs of these and other minor capital projects identified.

The Board recognizes the implications of Public Sector Accounting Board accounting changes; the introduction of amortization, and the impact to rates is significant, with amortization representing over 28% of the revenue requirement.

The Board will also approve the requested amendments to the residential equivalent units proposed on the schedules of the by-law. The explanations provided by the Town officials were thoughtful and reasonable, with increases and decreases having been established based on estimated usage.

The Board notes the current hydrant rental charge does not cover the cost of hydrant maintenance and repairs, and directs the Town to amend the per-hydrant charge to \$150, from the current and proposed \$100, to cover costs. With all costs rising, the increased revenues should prove helpful to the utility.

The Board will approve the Shared Cost Allocation methodology as submitted by the Town based on percentages. The Board reminds the Town that if the now approved methodology is to change, prior Board approval is required.

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.

IT IS THEREFORE ORDERED THAT:

1. Final rates as set out in this order and the attached Schedule "A" for the Town of Winnipeg Beach BE AND ARE HEREBY APPROVED and to be reflected on the next scheduled quarterly billing, consistent with the Town's rates by-law.
2. Town of Winnipeg Beach By-law No. 4/2011, which shall be amended as noted within this Order and the attached Schedule "A", BE AND IS HEREBY APPROVED.

3. The Public Utilities Board approves the Shared Cost Allocation Policy as submitted by the Town of Winnipeg, that policy based on a percentage allocated to the utility for a portion of shared services of the Town's operations.
4. The Town of Winnipeg Beach file a copy of its 2009 audited financial statement and preliminary 2010 utility operating results no later than October 1, 2011.
5. The Town of Winnipeg Beach file a copy of its 2010 audited financial statements and preliminary 2011 utility operating results with the Public Utilities Board by July 1, 2012, including comments as to the adequacy of rates.
6. The Town of Winnipeg Beach keep the Board apprised of developments with respect to the capital projects, and in particular the upgrade to the lagoon.

Fees payable upon this Order - \$1,200.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE CA"

Chairman

"KRISTINE SHIELDS"

Acting Secretary

Certified a true copy of Order No.
106/11 issued by the Public Utilities
Board

Acting Secretary

Schedule "A"

PUBLIC UTILITIES BOARD ORDER NO. 106/11

By-law 4/2011

**The Town of Winnipeg Beach
Water and Sewer Rates**

1. That all accounts for **quarterly charges** as set forth in the Schedule of Quarterly Rates shall be billed quarterly in advance. Consumers shall pay for water and sewer service supplied to them by the Town of Winnipeg Beach at the rates and terms set out in "Schedule A" attached hereto and forming part of this By-Law.
2. That all accounts for **seasonal charges**, as set forth in the Schedule of Seasonal Rates shall be billed seasonally in advance. Consumers shall pay for water and sewer service supplied to them by the Town of Winnipeg Beach at the rates and terms set out in "Schedule B" also as per Clause 8 attached hereto and forming part of this By-Law.
3. That each property situated in L.I.D. #3 shall make an annual contribution to the maintenance and operation of the utility. This levy will be charged on the annual tax bill of each property as set out in "Schedule C" attached hereto and forming part of this By-Law.
4. **Billing and Outstanding Bills**
 - 4.1 Accounts (except seasonal) shall be billed quarterly and be due and payable up to 30 days after the date of billing.
 - 4.2 Seasonal accounts shall be billed annually and be due and payable up to 30 days after the date of billing.
 - 4.3 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.
 - 4.4 Accounts (except seasonal) that are outstanding and not paid by the next billing period may be added to taxes of the property in respect of which the account is unpaid, by the

Chief Administrative Officer of the Town, to be collected as ordinary taxes, as authorized under Section 236(1) of *The Municipal Act*.

- 4.5 Seasonal accounts that are outstanding and not paid within 90 days of the billing date may be added to taxes of the property in respect of which the account is unpaid, by the Chief Administrative Officer of the Town, to be collected as ordinary taxes, as authorized under Section 236(1) of *The Municipal Act*.

5. Connections

- 5.1 The Town of Winnipeg Beach shall charge the amount of twenty-five dollars (\$25.00) to disconnect a service and twenty-five dollars (\$25.00) to reconnect that same service unless included in the seasonal billing.
- 5.2 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.

6. Hydrant Rental

The Town of Winnipeg Beach shall pay to the utility an annual fee of \$150.00 per hydrant for firefighting which will include a charge for the water used.

7. Service to Customers Outside the Town Limits

The Town of Winnipeg Beach 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, which shall be the equivalent to the frontage levy, general taxes and special taxes and which would be levied on the property concerned if it were within these boundaries. In addition, all costs connecting to the utility's mains and installing and maintaining service connections will be paid for by the customer.

8. Seasonal Customers

- 8.1 Customers may declare a property seasonal use whereby the whole or part of their establishment will not be in use during the periods October 1 to December 31 and January 1 to March 31 of each year and billing will be discontinued for those quarters. Billing will automatically restart April 1 of each year.
- 8.2 Once the customer makes the declaration in Clause 8.1 and if the establishment uses the utility services for any part of the quarters, the whole quarter will be charged regardless of the number of days use in the quarter.
- 8.3 Properties for billing purposes with joined residential and commercial uses may be split with residences being billed 1 R.E.U. but at no time shall the commercial establishment be used during the declared period.
- 8.4 Commercial establishments that remain open year round but operate 2 days or less per week in the October 1 to March 31 period will be billed for three quarters only.

"SCHEDULE A"
TO THE TOWN OF WINNIPEG BEACH
WATER & SEWER RATE BY-LAW

1. Schedule of Quarterly Rates

All accounts shall be billed quarterly and shall be based on equivalent units as set out below.

Equivalent Units	Consumer	Service Charge	Water Charge	Sewer Charge	Total Quarterly Bill
1.0	Single Family Residence; Canada Post; Church of England; Dept of Conservation-Parks Office; Workshop; Gimli Credit Union; Park Place Meats; United Church	\$24.26	\$53.71	\$8.29	\$86.26
2.0	Wendy's Hair Care; Boardwalk Arcade; Royal Canadian Legion	\$24.26	\$107.42	\$16.58	\$148.26
3.0	Bonnie Lynn's Café; Town of Winnipeg Beach; Brili Properties; Boardwalk Restaurant, Valentino without patio	\$24.26	\$161.13	\$24.87	\$210.26
4.0	Beach Plaza; Hamilton House; Valentino-with patio	\$24.26	\$214.84	\$33.16	\$272.26
5.0	Recreation Centre; Curling Club	\$24.26	\$268.55	\$41.45	\$334.26
8.0	Lone Oak Motel & residence; Evergreen School Division	\$24.26	\$429.68	\$66.32	\$520.26
9.0	Beach Laundromat	\$24.26	\$483.39	\$74.61	\$582.26
15.0	MHRC Seniors Home	\$24.26	\$805.65	\$124.35	\$954.26
18.0	Beach Station Hotel	\$24.26	\$966.78	\$149.22	\$1,140.26
26.0	Condo Corporation	\$24.26	\$1,396.46	\$215.54	\$1,636.26

"SCHEDULE B"

**TO THE TOWN OF WINNIPEG BEACH
WATER & SEWER RATE BY-LAW**

1. Schedule of Seasonal Rates

All accounts shall be billed annually and shall be based on equivalent units as set out below.

Equivalent Units	Consumer	Service Charge	Water Charge	Sewer Charge	Connection/ Disconnection Charges	Total Seasonal Bill
1.0	Single Family Residence	\$48.52	\$107.42	\$16.58	\$50.00	\$222.52
2.0	Casa Bianca; Dairy Bee; Dept of Conservation - Bunkhouses; Johnnees; Playland	\$48.52	\$214.84	\$33.16	\$50.00	\$346.52
4.0	Pizza Place;	\$48.52	\$429.68	\$66.32	\$50.00	\$594.52
17.0	Dept of Conservation - Public Washrooms (Lakefront)	\$48.52	\$1,826.14	\$281.86	\$50.00	\$2,206.52
55.0	Dept of Conservation - Public Washrooms (Murray Avenue)	\$48.52	\$5,908.10	\$911.90	\$50.00	\$6,918.52

"SCHEDULE C"
TO THE TOWN OF WINNIPEG BEACH
WATER & SEWER RATE BY-LAW

1. Schedule of Annual Rates

All accounts shall be billed annually on the tax bill and shall be based on equivalent units as set out below.

Equivalent Units	Consumer	Service Charge	Water Charge	Sewer Charge	Total Annual Bill
1.0	LID 3 Property Owners with the exception of those listed below	\$3.52	\$0.00	\$33.16	\$36.68
6.0	Pleasant Homes Estates	\$3.52	\$0.00	\$198.96	\$202.48
11.0	Winnipeg Beach Car Wash	\$3.52	\$0.00	\$364.76	\$368.28
32.0	Gateway	\$3.52	\$0.00	\$1,061.12	\$1,064.64