

M A N I T O B A                    )     Order No. 58/11  
  )  
THE PUBLIC UTILITIES BOARD ACT    )     April 18, 2011

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

**THE TOWN OF STONEWALL  
WATER AND SEWER RATES**

## Executive Summary

By this Order, the Public Utilities Board (Board) confirms and finalizes interim utility rates as set out in Order 58/10, and, establishes revised rates for the Town of Stonewall (Town).

The rate revision is minor, and reflects the amended allocation of revenues. Rates are set out in full in Schedule "A", attached hereto and are to take effect on the Town's next scheduled quarterly billing (consistent with its by-law).

Below is a summary of the interim and approved rates (increases to individual bills depend on usage and meter size):

Commodity \$/m <sup>3</sup>	Interim Water	Interim Sewer	Interim Combined	Revised Water	Revised Sewer	Revised Combined
First 1,000 m <sup>3</sup>	\$0.34	\$0.53	\$ 0.87	\$0.36	\$0.51	\$ 0.87
Over 1,000 m <sup>3</sup>	\$0.34	\$0.53	\$ 0.87	\$0.36	\$0.51	\$ 0.87
			<b>Interim</b>			<b>Revised</b>
Service Charges	-	-	\$22.27			\$22.27
Minimum Quarterly <sup>(1)</sup>			\$34.14			\$34.14
Average Quarterly Bill <sup>(2)</sup>	-	-	\$96.22			\$96.22
Hydrant Rental			\$75.00			\$75.00

Notes:       <sup>(1)</sup> Includes 13.64 m<sup>3</sup>  
                 <sup>(2)</sup> Based on 85 m<sup>3</sup>

The Board's approval is provided following a public hearing held September 14, 2010 in Stonewall.

## **Interim Rates**

By Order 58/10, the Board approved a request of the Town, and set interim *ex parte* rates. The Board recognized the need for the increases, as without the increases further large utility deficits would be expected. By law, municipal utilities are required to operate on no worse than a break-even level.

In the case of incurring a deficit, and in the absence of increased utility rates, property taxes may have been called on to meet the utility deficit. The Town, and the Board, prefers a "user pay" approach, and that required rate increases.

The Board also then-approved a proposed \$75.00 per hydrant rental charge and other incidental fees as set out in the Town's application. The interim rates took effect on consumption on and after July 1, 2010.

## **Background**

The Town operates a water supply and sewage collection and treatment system. The water distribution system consists of both asbestos cement pipe and (by way of more recent developments and extensions since the late 1970's) PVC pipe. There are 200 hydrants connected to the distribution system.

The original water treatment plant (WTP) was constructed to chlorinate water as it was pumped from the wells; however, the process did not provide sufficient "contact" time, and a new

reservoir pumping station was constructed in 2005.

Raw water is obtained from three wells located next to the WTP. The wells are not expected to be affected by surface water. The ground water is of very high quality, but is "hard" with some metals; accordingly, most homes have water softeners. A new WTP is planned for the future.

The Town's lagoon, located west of Stonewall, receives wastewater via three lift stations. Septage is also received into the lagoon by truck from the Stonewall Trailer Court, which is located in the RM of Rockwood. Effluent from the lagoon is discharged to the Grassmere Drain, and the system is reported to currently meet licence requirements.

A recent report (2009) indicated the lagoon could reach its organic limit by 2015, and exceed its hydraulic limit by 2027. The report provides several recommendations which the Town intends to begin addressing as soon as 2011.

In 2009, the utility produced 557,068 m<sup>3</sup> of water, of which 520,842 m<sup>3</sup> was sold including an estimated 71,000 m<sup>3</sup> used for firefighting, line flushing, unmetered facilities (skating rink, Quarry Pool) etc. leaving about 34,774 m<sup>3</sup> unaccounted for, or 6.2%. This rate of unaccounted for water is well below the industry standard of a maximum of 10%.

Of unmetered water, estimated (71,000 m<sup>3</sup>) the Town has committed to metering the largest users -- Quarry Park, arena and the sports complex.

The Town provides service to 1,478 customers: two are water only, six are sewer only, and the remaining receives both services.

Per capita consumption is upwards of 337 litres per person per day (in 2004, the average Manitoban used an average of 219 litres of fresh water per person per day). The Town acknowledges there is room for improving conservation, and is considering public education and requiring the use of low-flow fixtures in new homes.

Stonewall's population was 4,376 as of the 2006 census.

### Application

The Town filed an application for revised rates, supported by a rate study and By-law No. 4/10.

Commodity \$/m <sup>3</sup>	First 1,000 m <sup>3</sup>	Over 1,000 m <sup>3</sup>
<b>1989 Water Rates</b>	\$ 0.48	\$ 0.25
<b>1989 Sewer Rates</b>	\$ 0.22	\$ 0.22
<b>1989 Combined Rate</b>	\$ 0.70	\$ 0.47
<b>1989 Service Charges</b>	\$9.50	
<b>1989 Minimum Quarterly</b>	\$22.10 <sup>(1)</sup>	
	<b>Proposed rates for all consumption</b>	
<b>Water</b>	\$0.34	
<b>Sewer</b>	\$0.53	
<b>Combined</b>	\$0.87	
<b>Service Charges</b>	\$22.27	
<b>Minimum Quarterly <sup>(2)</sup></b>	\$34.14	
<b>Hydrant Rental</b>	\$75.00	

Notes: <sup>(1)</sup>Included 18 m<sup>3</sup>  
<sup>(2)</sup>Includes 13.64 m<sup>3</sup>

The Town’s proposal included collapsing the current two-step water rate schedule to one rate for all consumption, this in an effort to simplify and demonstrate the value of water to consumers.

Approximately 3% of water sold in 2009 was priced at the second and lower rate. Prior to the interim rates, set in July 2010, and the new rates established herein, rates were last amended in 1989.

The large increase in the quarterly service charge is because prior Utility administration costs were largely met through the commodity rate rather than the service charge; the proposed and approved quarterly rate reflects reported actual costs.

The Town provided the projected annual operating costs of the utility as noted below:

	2011		2012		2013	
<b>General</b>						
Expenses	\$	149,745	\$	150,494	\$	151,246
Revenues	-\$	13,065	-\$	13,130	-\$	13,196
<b>General Revenue Requirements</b>	<b>\$</b>	<b>136,680</b>	<b>\$</b>	<b>137,364</b>	<b>\$</b>	<b>138,050</b>
<b>Water</b>						
Expenses	\$	175,500	\$	176,003	\$	176,508
Amortization	\$	71,442	\$	73,442	\$	73,442
Interest on long term debt	\$	35,262	\$	31,639	\$	28,310
Reserves	\$	20,000	\$	20,000	\$	20,000
Minor Capital	\$	17,000	\$	17,000	\$	17,000
Contingency	\$	10,000	\$	10,000	\$	10,000
Revenues	-\$	159,819	-\$	154,560	-\$	144,413
<b>Water Revenue Requirements</b>	<b>\$</b>	<b>169,384</b>	<b>\$</b>	<b>173,523</b>	<b>\$</b>	<b>180,846</b>
<b>Sewer</b>						
Expenses	\$	109,545	\$	110,093	\$	110,643
Amortization	\$	64,498	\$	64,498	\$	64,498
Interest on long term debt	\$	2,217	\$	901	\$	-
Reserves	\$	30,000	\$	30,000	\$	30,000
Minor Capital	\$	55,000	\$	55,000	\$	55,000
Contingency	\$	20,000	\$	20,000	\$	20,000
Revenues	-\$	15,406	-\$	10,146	\$	-
<b>Sewer Revenue Requirements</b>	<b>\$</b>	<b>265,854</b>	<b>\$</b>	<b>270,346</b>	<b>\$</b>	<b>280,142</b>

The Town estimates that of the projected increases, 48% is due to increased operating costs, 15% to provide for reserve fund contributions, and 37% to recent changes in accounting standards (that primarily being a requirement to record amortization of capital assets as an annual expense).

The Town proposed to implement a \$75 hydrant rental charge, a charge that represents new revenue for the Utility -- no charge has been imposed in the past. The Town has 200 hydrants.

Reflected in the revised rates are projected annual maintenance costs, as the Town intends to proceed with televising sewer lines (to determine the condition of the lines), reservoir cleaning and hydrant maintenance.

The annual servicing cost for the Utility debenture is reported to be \$182,300, and this is met through property taxes and developer levies rather than utility rates.

The outstanding debt as at December 31, 2009 was \$776,390, with the majority of the debt related to the new WTP. All but one (WTP) debenture will mature by 2013.

The Engineering Assessment concludes the Town's water system to be in good condition and the distributed water safe for consumption. Some upgrades are recommended to improve operations and maintenance such as wellhead protection and a well inspection, monitoring and abandonment program.

The Town's capital assets cost \$2.02 million for the water system and \$1.15 million for the sewer system (as of December

31, 2009). With planned projects to 2012, the water systems assets would increase to \$3.4 million, and the sewer system to \$2.6 million.

Future capital projects currently identified by the Town include:

Project	Budgeted Cost	Year	Proposed Funding
5 <sup>th</sup> St. W Water Main Project	\$978,200	2010 (completed)	Debenture / Reserves / Grants
Lagoon Fencing/Security	\$45,000	2010 (not complete)	Reserves
Lagoon Discharge Upgrades	\$50,000	2010 (delayed)	Reserves
West Lift Station Upgrades	\$400,000	2011	Debentures
Aeration of Primary Lagoon Cell	\$40,000	2011	Reserves

Other minor capital purchases include vehicles and equipment.

The Town assesses shared administrative and public works costs between the utility and its general operations, based on the following percentages:

- Salaries and Benefits 20% to 50%
- Public Works equipment 30%

The Town estimates the annual shared cost allocation to the utility at \$150,000.

The balance in the utility reserve fund as at December 31, 2009 was \$337,569. With projected additions and withdrawals made for capital projects, the Town expects the reserve fund will have a balance at the end of 2013 of \$247,000.



The Town has yet to file its 2009 audited financial statements, which are required to be filed by the Board.

Additional information filed by the Town includes advice that the Town's utility realizes an annual payment of \$8,500 from the Stonewall Trailer Court for use of the Town's lagoon. This revenue was initially recorded as water rather than sewer revenue, but the allocation error has been corrected.

By recording this revenue in the appropriate area, the sewer rate is reduced by \$0.02 to \$0.51/m<sup>3</sup> and the water rate increased by \$0.02 to \$0.36/ m<sup>3</sup>. The overall end result is the same.

The Town also sought approval from the Board to authorize minor amendments to its rates bylaw. The amendments include:

1. The Town does not bill the minimum amount quarterly in advance, and asks its bylaw clause be amended to reflect actual billing practices.
2. The Town has in the past applied a minimum amount for an unpaid account before services may be disconnected. The Town seeks to continue this practice, and include a minimum \$50 amount in Clause 5 of Schedule "A" (attached to the Town's By-law 4/10).
3. The Town requests that when service is disconnected at the request of the customer, as is such for seasonal operations and pools, revised wording be added to Clause 6(b) to reflect the removal of the water meter.

4. The Town seeks to introduce wording in its bylaw to address acts of tampering with the remote touch pad of the water meter without first obtaining permission from the Town.
5. The Town seeks approval to include a clause in its bylaw to identify the cost of repairing touch pads is the responsibility of the property owner.

At the September 14, 2010 public hearing, the Town advised that rates had not required an increase during the 1990's, as, with the addition of 40 new homes annually, the utility was realizing surpluses of 20% to 30% of its annual operating expenses. Since 2000, the Town's growth has significantly decreased, and rate increases are now required.

The Town also reports that retaining utility operating staff to be an issue, however, the most recent utility manager is proposing to implement an annual maintenance program.

Two Town residents attended the hearing and expressed concern as to the significant increases proposed. One of the residents spoke in favour of ensuring revenues, such as the trailer park tipping fees, are recorded properly, and that administration cost sharing should be calculated correctly.

Other concerns raised dealt with the funding of large capital projects and development fees. Capital projects are determined by the municipal Council and are based in part on funding opportunities made available by senior government. Development fees also are determined by Council, and developers are required to pay for all infrastructure costs.

## **Board Findings**

The Board finds the projected annual expenses reasonable, but will vary the Town's application to reflect the minor change in commodity rates (as a result of recording the tipping fee revenue in the correct part of the utility).

Although the increases are significant, the rates have not been revised since 1989, over twenty years ago, and with increased expenses and regulatory changes, rates need to be adequate to address costs.

The Board will require the Town to review its rates on a timelier three year schedule. The Board holds inflation level increases made each year are more acceptable to ratepayers than the "sudden" overall increase of 55% (for the minimum quarterly billing).

The Town provided a breakdown of shared administration costs, and while actual time is not tracked, the Board finds the percentages proposed to be reasonable. The Town is reminded that if the allocation needs to be changed, prior Board approval is required.

The Town must file a copy of its audited 2009 financial statements, once they are received. The Town must also file its audited 2010 accounts when they are finalized. As well, the Town is to file a report of any substantial differences between the rate study and the 2009 audited statements, along with comments as to the adequacy of the now-approved rates.

The Board will approve the amendments as requested by the Town to its bylaw, such amendments to be included prior to second reading.

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 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. Revised water and sewer rates and fees, as set out in the attached Schedule "A" are HEREBY APPROVED for the Town of Stonewall's water and sewer utility.
2. The Town of Stonewall file a copy of By-law No. 4/10, as amended to reflect the provisions contained within this order, with the Public Utilities Board by May 31, 2011.
3. The Town of Stonewall file a copy of both its 2009 and 2010 audited financial statements as well as a report of any differences affecting the adequacy of rates approved herein, this by July 31, 2011.
4. The Town of Stonewall file a copy of its 2013 audited utility financial statements, as well as a report as to the adequacy of rates, with the Board by July 31, 2014.

Fees payable upon this Order - \$750.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"  
Chairman

"KRISTINE SHIELDS"  
Acting Secretary

Certified a true copy of Order No.  
58/11 issued by The Public  
Utilities Board

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

SCHEDULE "A"  
TO BOARD ORDER NO. 58/11  
THE TOWN OF STONEWALL  
WATER AND SEWER RATES

1. Commodity Rates per Cubic Meter (m<sup>3</sup>)

		<u>Water</u>	<u>Sewer</u>	<u>Water &amp; Sewer</u>
Domestic	All Water Sold	\$0.36	\$0.51	\$0.87

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 the water allowances indicated:

(a) Water and Sewer Customers

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption (m <sup>3</sup> )	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Sewer	
16mm - 5/8"	1	13.64	\$22.27	\$4.91	\$6.96	\$34.14
19mm - 3/4"	1	13.64	\$22.27	\$4.91	\$6.96	\$34.14
25mm - 1"	4	54.56	\$22.27	\$19.64	\$27.84	\$69.74
38mm - 1 1/2"	10	136.40	\$22.27	\$49.10	\$69.56	\$140.93
50mm - 2"	25	341.00	\$22.27	\$122.76	\$173.91	\$318.94
75mm - 3"	45	613.80	\$22.27	\$220.97	\$313.04	\$556.28
100mm - 4"	90	1,227.60	\$22.27	\$441.94	\$626.08	\$1,090.29

(b) Water Only Customers

Customers with water only services shall be charged the minimum quarterly rate applicable to the customer's meter size less the sewer charge.

(c) Sewer Rate Reductions

If it can be clearly shown that a customer uses a substantial amount of water which is not returned to the sewer system (at least 10% of the water sold to such customers), the utility may deduct such water in calculating the sewer charge to such customers.

### 3. Service To Properties Outside Town Limits

The Council of the Town of Stonewall may sign agreements with customers for the provision of water and sewer services to properties located outside the Town boundaries. Such agreements shall provide for payment of the appropriate rates set out in the Schedule, a surcharge set by resolution of Council which shall be equivalent to the frontage levy, municipal general and special taxes for utility purposes in effect at the time and which would be levied on the subject property if it were located within the Town limits, as well as terms and conditions, including connection, installation and maintenance fees or other charges for providing the service. Such terms and conditions may differ from ones that apply in the Town.

### 4. Billing And Penalties

Accounts shall be billed quarterly, except in the case of large volume consumers with usage over 4,000 cubic metres per month which may be billed monthly, and shall be due and payable 30 days after date of billing. A penalty of 1.25% of the amount of the bill shall be added if not paid by the due date. For every month after that, a further penalty of 1.25% of the amount of the bill shall be added if the debt is unpaid.

### 5. Disconnection

Service may be disconnected and discontinued for non-payment of the account where the unpaid balance of the account, inclusive of penalties, is Fifty Dollars (\$50.00) or greater and in accordance with the Conditions Precedent attached hereto as Appendix "A".

### 6. Reconnection

- (a) Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$75.00 have been paid.
- (b) Any customer wishing to have billings discontinued due to vacancy of premises or another reason shall be required to have the service disconnected and the water meter removed and shall pay a \$75.00 reconnection fee when the meter is reinstalled and the service resumes.

### 7. Outstanding Bills

Pursuant to section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water and sewer service, including fines and penalties, are a lien and charge upon the property serviced, and shall be collected in the same manner in which ordinary property taxes upon the property are collectible and enforced.

#### 8. Hydrant Rentals

The Town of Stonewall shall pay to the utility an annual rental of \$75.00 for each hydrant connected to the system. This includes water for fire purposes.

#### 9. Water Allowance Due to Line Freezing

That in any case where, at the request of the Town of Stonewall, 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 average of the billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.

#### 10. Connection Fees and Inspection Rates

- (a) For a property within the Town of Stonewall limits to connect to the water and wastewater distribution and collection systems the cost of the connection from the mains to the property line including any boulevard and street restoration, and any permit fee, shall be as prescribed in Policy No. 16.2 in the Town's Policy and Procedure Manual.
- (b) A \$50.00 inspection fee shall be levied on any water and sewer service connections made to the water and wastewater distribution and collection systems, to ensure the connections are constructed and installed in accordance with applicable codes and standards.
- (c) No property within the Town of Stonewall shall be permitted to connect to either the water and wastewater distribution and collection systems without connecting to both systems.

#### 11. Water Meters

- (a) The Town shall supply an appropriate size water meter and remote read touch pad. Each customer shall be required to pay in advance a \$50.00 refundable meter deposit. This deposit will be refunded without interest upon termination of service, less any outstanding charges for water and sewer service. Meter deposits may be transferred from one premises to another in the municipality.
- (b) The meter and touch pad shall be installed by a licensed and/or registered plumber and the costs shall be the responsibility of the property owner. The remote touch pad shall be located at a point easily accessible at all times and approved by the Town. The property owner shall ensure the touch pad is maintained in working condition and not removed or relocated without prior approval of the Town
- (c) The meter shall be installed 75 cm above the floor or as approved by the Town.



- (d) The meter shall be located as close as practical to the point of entry of the water line. Ample room must be provided for access to the meter and main valve at all times.
- (e) The meter shall be in a horizontal position with the main shut off valve immediately before the meter. Another valve shall be installed downstream of the meter before any distribution piping or ports.
- (f) No distribution piping or ports shall be allowed before the meter.
- (g) The meter shall be protected from any type of damage including freezing.
- (h) Costs for any damage and labour for repairs to the water meter, remote touch pad and associated equipment shall be the responsibility of the property owner.
- (i) A customer may request that his/her water meter be tested for accuracy and before having the same tested by the Town, he/she shall deposit with the Town of Stonewall Administration office the amount of \$50.00, and if the meter is found to be accurate the \$50.00 shall be retained by the Town and if the meter is found to be inaccurate the \$50.00 will be repaid to the customer.
- (j) If a meter is tampered with so as to not record or properly record water provided to and used by the customer a fine in the amount of \$500.00 will be assessed to the account of the customer plus an estimated cost for the unmetered water and sewer used.

## 12. Water - Sewer Use

- (a) New residential, commercial, institutional and industrial construction within the Town of Stonewall shall install low flow plumbing fixtures.
- (b) All commercial and institutional food service facilities shall have installed and shall properly maintain grease traps sufficient to prevent cooking grease from entering the wastewater collection system.
- (c) All commercial and private vehicle and equipment wash bays shall have a solid material debris collection pit which will prevent the solids from entering the wastewater collection system.

13. Contraventions

- (a) Every person who contravenes any provision of By-law 4/10 is guilty of an offence and on conviction is liable to a fine of not more than Five Hundred (\$500.00) Dollars for every day or part thereof upon which such offence occurs or continues.
- (b) Every person who contravenes any provision of By-law 4/10 and as a result of which contravention damage or injury is or may be caused to the water and wastewater distribution and collection systems, or any part thereof, is liable to the Town for the full costs of such damage or injury including any fine or penalty imposed on the Town in relation to said contravention.