

MANITOBA ) Order No. 106/12  
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THE PUBLIC UTILITIES BOARD ACT ) August 09, 2012

BEFORE: Susan Proven, P.H.Ec. Acting Chair  
Rayomnd Lafond, CA, Member

MUNICIPALITY OF SHOAL LAKE  
WATER AND SEWER RATES  
2012, 2013 AND 2014

**Executive Summary**

The Public Utilities Board (Board) approves revised water and sewer rates for the Municipality of Shoal Lake (Shoal Lake) for the years 2012, 2013 and 2014. The rate revision will be effective April 1, 2012 and January 1 for each of the subsequent years.

The current and the revised approved rates are noted below:

	Current	Revised Approved					
		2012	Increase	2013	Increase	2014	Increase
Water \$/1,000 gallons	\$3.10	\$6.55	111%	\$6.82	4%	\$6.97	2%
Sewer \$/1,000 gallons	\$0.50	\$2.27	354%	\$2.47	9%	\$2.52	2%
Quarterly Service Charge	\$10.20	\$18.96	86%	\$19.53	3%	\$20.12	3%
Minimum Quarterly*	\$21.00	\$45.42	116%	\$47.40	4%	\$48.59	3%
Sewer Only Quarterly**	\$21.00	\$45.42	116%	\$47.40	4%	\$48.59	3%
Bulk Water \$/1000 gallons	\$6.20	\$7.88	27%	\$7.97	1%	\$8.08	1%
Reconnection fee	\$25.00	\$25.00	0%	\$25.00	0%	\$25.00	0%
Lagoon dumping fee (per load)	\$20.00	\$20.00	0%	\$20.00	0%	\$20.00	0%
Lagoon dumping fee (annual)	\$500.00	\$500.00	0%	\$500.00	0%	\$500.00	0%
Hydrant Rental Charge	\$75.00	\$100.00	33%	\$100.00	0%	\$100.00	0%

\*Based on 3,000 gallons

\*\*Equivalent to minimum water and sewer charge

The current and the revised approved residential equivalency unit charges are noted below:

REU rates (quarterly)*	Current	Revised Approved					
		2012	Increase	2013	Increase	2014	Increase
Water	\$39.60	\$56.75	43%	\$59.08	4%	\$60.31	2%
Sewer	\$6.40	\$19.65	207%	\$21.34	9%	\$21.82	2%
Quarterly Service Charge	\$10.20	\$18.96	86%	\$19.53	3%	\$20.12	3%
Total	\$56.20	\$95.36	70%	\$99.95	5%	\$102.25	2%

\*Residential Equivalency Units

Details of the revised rates are attached to this Order as Schedule "A".

## **Introduction**

Shoal Lake filed its application on December 2, 2011 requesting revised rates for 2012, 2013 and 2014. Rates were last reviewed in 1998, although metered rates were introduced in the year 2000.

Shoal Lake mailed out Notices of Application for revised rates to their customers on February 8, 2012. The Board received four expressions of concern from utility customers respecting the proposed rate increases.

In dealing with applications for revised rates, the Board has at its disposal the option of holding an oral hearing or alternatively, conducting the review using a paper review process. After having considered the responses from the customers and having reviewed the application, the Board has determined that a paper hearing would be in the best interest of the Municipality and its customers. Oral hearings are much more costly and, unless clearly indicated, create unnecessary expense for the Utility and its users.

## **Background**

The Town and the Rural Municipality of Shoal Lake amalgamated in 2011 to form the Municipality of Shoal Lake which now owns and operates a water and sewer utility serving approximately 375 customers. The Municipality also serves three customers with water and sewer services located outside of the Town's boundaries under individual agreements with all three parties.

Except for three customers outside the Town boundaries, customers are billed on a flat rate basis using residential equivalent units. The metered customers' billings are based on meter readings. However, the Municipality is currently installing meters for all its customers. It is noted in the application that it anticipates that it will begin to bill all customers based on metered consumption effective January 1, 2012.

In 2009, the Utility began incurring operating deficits which would be projected to continue without a rate increase.

Due to concerns over potable water quality and phosphorus levels in treated wastewater, the Municipality is facing future major capital upgrades to both its water and sewerage treatment facilities. This is expected to be funded through a combination of grants and debentures. Operating costs from these upgrades have not been factored into the current application.

While the Municipality meets Canadian drinking water standards, the water is high in sodium. Nonetheless, Water Stewardship has indicated that there *"were no treated water parameters exceeding a health based guideline or standard."* Water stewardship has advised Shoal Lake that major upgrades will be required by 2014 to address this issue.

Shoal Lake continues to comply with its environmental license for its sewage lagoon but advises that it is becoming increasingly more difficult to meet the required parameters; and is examining some form of pre-or-post lagoon treatment.

The Municipality's five-year capital expenditure program includes upgrades to the water treatment and the sewage treatment lagoon, both of which are expected to be funded through debentures.

**Application**

The Municipality filed its application on December 2, 2011, supporting it with By-law No. 11-2011, which sets out proposed water and sewer rates for the years 2012 through 2014. The application was accompanied by a rate study prepared by the Municipality's consultant, Mr. G.O. Barron, FCGA.

The application for revised rates was based on projected expenses as follows:

	2010	2011	2012	2013	2014
General					
Administration	27,040	19,250	27,851	28,687	29,547
Billing and collection	571	500	588	606	624
Total general expenses	27,611	19,750	28,439	29,292	30,171
Net revenue general	27,611	19,750	28,439	29,292	30,171
Water					
Purification and treatment	9,455	9,050	9,738	10,030	10,331
Service of Supply	24,486	24,220	25,221	25,978	26,757
Transmission and Distribution	19,423	35,865	40,030	41,231	42,468
Other Water Supply Costs	3,550	3,100	3,657	3,767	3,880
Amortization/ depreciation			33,498	33,498	33,498
Interest on long term debt	-	-	9,045	8,165	7,443
Reserves			2,500	2,500	2,500
Minor capital upgrades			30,000	30,000	30,000
Contingency			5,550	5,717	5,888
Sub-total- water expenses	56,914	72,235	159,239	160,885	162,765
Revenue:					
Hydrant rentals	3,800	3,800	3,800	3,800	3,800
Amortization of capital grants			11,090	11,090	11,090
Taxation revenues	24,275	24,275	24,275	20,995	20,273
Total non-rate revenue - water	28,075	28,075	39,165	35,885	35,163
Net rate revenue requirement - water	28,839	44,160	120,074	125,000	127,602

Sewer					
Sewage Collection System	11,581	13,000	11,928	12,286	12,654
Sewage Lift Station	9,982	10,720	10,281	10,589	10,907
Sewage Treatment and Disposal	3,027	2,950	3,118	3,212	3,308
Other Sewage Collection & Disposal Costs	1,938	1,000	1,994	2,054	2,115
Amortization/ depreciation			24,578	24,578	24,578
Interest on long term debt	-	-	9,045	8,165	7,444
Reserves			2,500	2,500	2,500
Contingency			5,500	5,716	5,888
Total sewer expenses	26,528	27,670	68,944	69,100	69,395
<i>Revenue</i>					
Amortization of capital grants			2,960	2,960	2,960
Taxation revenues	-	-	24,473	20,995	20,273
Other Revenue				-	-
Total non-rate revenue- sewer	-	-	27,433	23,955	23,233
Net rate revenue requirements - sewer	26,528	27,670	41,511	45,145	46,162

The amounts for minor capital upgrades of \$30,000 for 2012 through 2014 are for water line replacement costs.

The rate study included a proposal for allocation of shared services and equipment which called for 25% of office wages and benefits as well as 25% of operator wages and benefits to be charged to the utility. The equipment would be charged based on time of use. The rate study was based on this allocation.

The rate study did not include the full amount of grant amortization on the basis that, in the Municipality's view, this offset revenue should not be more than amortization expense. Audited financial statements for 2009 and 2010 were not filed with the rate study.

The current and the proposed commodity rates are noted below:

	Current	Proposed					
		2012	Increase	2013	Increase	2014	Increase
Water \$/1,000 gallons	\$3.10	\$6.55	111%	\$6.82	4%	\$6.97	2%
Sewer \$/1,000 gallons	\$0.50	\$2.27	354%	\$2.47	9%	\$2.52	2%
Quarterly Service Charge	\$10.20	\$18.96	86%	\$19.53	3%	\$20.12	3%
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Reconnection fee	\$25.00	\$25.00	0%	\$25.00	0%	\$25.00	0%
Lagoon dumping fee (per load)	\$20.00	\$20.00	0%	\$20.00	0%	\$20.00	0%
Lagoon dumping fee (annual)	\$500.00	\$500.00	0%	\$500.00	0%	\$500.00	0%
Hydrant Rental Charge	\$75.00	\$100.00	33%	\$100.00	0%	\$100.00	0%

\*Based on 3,000 gallons

\*\*Equivalent to minimum water and sewer charge

The proposed residential equivalency unit charges are:

REU rates (quarterly)*	Current	Proposed					
		2012	Increase	2013	Increase	2014	Increase
Water	\$39.60	\$56.75	43%	\$59.08	4%	\$60.31	2%
Sewer	\$6.40	\$19.65	207%	\$21.34	9%	\$21.82	2%
Quarterly Service Charge	\$10.20	\$18.96	86%	\$19.53	3%	\$20.12	3%
Total	\$56.20	\$95.36	70%	\$99.95	5%	\$102.25	2%

\*Residential Equivalency Units

**Consumer concerns**

There were four expressions of concern by Utility customers. Two of these focused on what they viewed to be the unacceptable potable water quality. In their view, the water was not potable and caused damage to faucets, water softeners and hot water tanks.

One was concerned with the large percentage increase and the effect that this might have on the viability of businesses within the Municipality.

The fourth was focused on the equity of the charges being assessed for lagoon tipping fees.

### **Board Findings**

The Board thanks those that took the time to review the application and provide their comments to the Board. With respect to the water quality and its apparent corrosive nature, the Board shares the concerns of those who raise this issue. While the Board understands customers' resistance to be paying for an unacceptable product, utility revenues, by law, must be sufficient to support the Utility's reasonable operating expenses. Shutting down the Utility is not an option. The Board notes that the Municipality has discussed the water quality issue with the Water Stewardship Department. The Board strongly encourages Shoal Lake to identify causes and seek reasonable solutions as soon as possible to address the potable water issue.

Concerning lagoon tipping fees, the Board will approve the tipping fees as submitted. However, the Municipality will be required to define how those fees were determined and provide those results to the Board.

The Board understands the concern over the significant percentage increase in the rates but notes that it has been over 12 years since the last rate increase.



Further, as previously stated, the Utility must be provided with sufficient revenues to remain viable.

The Board continues to be concerned that audited financial results for Manitoba municipalities are delinquent.

In the case of Shoal Lake no audited financial results were provided with the submission, although 2009 financial statements were obtained subsequently through special request made by the Board. 2010 and 2011 audited statements have yet to be made available; the former now being over 12 months overdue. Further, note 16 in the 2009 audited statements does not contain the information required with respect to capital grants, as reported in the rate study. The Board will expect this oversight to be corrected when the 2011 audited statements are released.

The Board will approve the rates as submitted by the Municipality, the details of which are shown in the attached schedule "A". The expenditure projections appear reasonable when compared to the historical figures reported for 2010 in the rate study, with the caveat that, without the audited financial statements, it was not possible for the Board to verify the accuracy of those numbers. The Board will order that the 2010 and 2011 audited statements be filed as soon as they are available. Should audited results vary significantly from those in the rate study, the Board has the option to revisit and vary the rates accordingly.

The Board will also approve the cost allocation methodology proposed by Shoal Lake and reminds the Municipality that any changes to this

allocation methodology contemplated in the future must first be approved by the Board before being implemented.

The Board has varied the provision for late payments from 2% per month to 1.25% per month. This is consistent with previous Board recommendations and with the rates charged by the vast majority of other Manitoba municipalities.

The Board will require Shoal Lake to prepare a water and sewer rate By-law that agrees with the provisions of this Order, and provide a copy of same to the Board once it has received third and final reading.

Finally, the Board will require the Municipality to provide its customers with notice of the rate increase, to be included with the next quarterly bill.

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. Revised water and sewer rates for The Municipality of Shoal Lake BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", with 2012 rates to be effective April 1, 2012, and 2013 and 2014 rates effective January 1 of each of those years.
2. The Municipality of Shoal Lake submit a certified copy of its water and sewer By-law amended to reflect schedule "A" attached once it has received third and final reading.
3. The Municipality of Shoal Lake submit their complete audited financial statements for 2010 and 2011 as soon as they are available, and no later than November 30, 2012.
4. The cost allocation methodology proposed by the Municipality of Shoal Lake BE AND IS HEREBY APPROVED.
5. The Municipality of Shoal Lake conduct an analysis of its lagoon tipping fees, including the method of determination, and submit details of same to the Board by no later than October 1, 2012.
6. The Municipality of Shoal Lake investigate the causes and possible solutions with respect to water quality, and provide a progress report to the Board by no later than December 31, 2012.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."  
Acting Chair

"KURT SIMONSEN, P.Eng"  
Acting Secretary

Certified a true copy of Order  
No. 106/12 issued by  
The Public Utilities Board

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

Schedule "A"  
 To Board Order No. 106/12  
 The Municipality of Shoal Lake  
 Water and Sewer Rates

1. Commodity rates per 1000 Gallons

	<u>Water</u>	<u>Sewer</u>	<u>Water &amp; Sewer</u>
<u>Effective April 1, 2012</u>			
All Consumption	6.55	2.27	8.82
<u>Effective January 1, 2013</u>			
All Consumption	6.82	2.47	9.29
<u>Effective January 1, 2014</u>			
All Consumption	6.97	2.52	9.49

2. Minimum Charges, Quarterly

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 allowances indicated:

a) Water & Sewer Customers

Effective April 1, 2012

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	1	3,000	\$18.96	\$19.65	\$6.81	\$45.42
3/4	2	6,000	\$18.96	\$39.30	\$13.62	\$71.88
1	4	12,000	\$18.96	\$78.60	\$27.24	\$124.80
1 1/4	7	21,000	\$18.96	\$137.55	\$47.67	\$204.18
1 1/2	10	30,000	\$18.96	\$196.50	\$68.10	\$283.56
2	25	75,000	\$18.96	\$491.25	\$170.25	\$680.46

Effective January 1, 2013

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	1	3,000	\$19.53	\$20.46	\$7.41	\$47.40
3/4	2	6,000	\$19.53	\$40.92	\$14.82	\$75.27
1	4	12,000	\$19.53	\$81.84	\$29.64	\$131.01
1 1/4	7	21,000	\$19.53	\$143.22	\$51.87	\$214.62
1 1/2	10	30,000	\$19.53	\$204.60	\$74.10	\$298.23
2	25	75,000	\$19.53	\$511.50	\$185.25	\$716.28

Effective January 1, 2014

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	1	3,000	\$20.12	\$20.91	\$7.56	\$48.59
3/4	2	6,000	\$20.12	\$41.82	\$15.12	\$77.06
1	4	12,000	\$20.12	\$83.64	\$30.24	\$134.00
1 1/4	7	21,000	\$20.12	\$146.37	\$52.92	\$219.41
1 1/2	10	30,000	\$20.12	\$209.10	\$75.60	\$304.82
2	25	75,000	\$20.12	\$522.75	\$189.00	\$731.87

The residential equivalency unit charges are:

Effective April 1, 2012

Units	Service charge	Water	Sewer	Quarterly Billing
1	\$18.96	\$56.75	\$19.65	\$95.36
1.5	\$18.96	\$85.13	\$29.48	\$133.56
2	\$18.96	\$113.50	\$39.30	\$171.76
2.5	\$18.96	\$141.88	\$49.13	\$209.96
3	\$18.96	\$170.25	\$58.95	\$248.16
4	\$18.96	\$227.00	\$78.60	\$324.56
8	\$18.96	\$454.00	\$157.20	\$630.16
9	\$18.96	\$510.75	\$176.85	\$706.56
10	\$18.96	\$567.50	\$196.50	\$782.96
11	\$18.96	\$624.25	\$216.15	\$859.36
12	\$18.96	\$681.00	\$235.80	\$935.76
18	\$18.96	\$1,021.50	\$353.70	\$1,394.16
20	\$18.96	\$1,135.00	\$393.00	\$1,546.96

Effective January 1, 2013

Units	Service charge	Water	Sewer	Quarterly billing
1	\$19.53	\$59.08	\$21.34	\$99.95
1.5	\$19.53	\$88.62	\$32.01	\$140.16
2	\$19.53	\$118.16	\$42.68	\$180.37
2.5	\$19.53	\$147.70	\$53.35	\$220.58
3	\$19.53	\$177.24	\$64.02	\$260.79
4	\$19.53	\$236.32	\$85.36	\$341.21
8	\$19.53	\$472.64	\$170.72	\$662.89
9	\$19.53	\$531.72	\$192.06	\$743.31
10	\$19.53	\$590.80	\$213.40	\$823.73
11	\$19.53	\$649.88	\$234.74	\$904.15
12	\$19.53	\$708.96	\$256.08	\$984.57
18	\$19.53	\$1,063.44	\$384.12	\$1,467.09
20	\$19.53	\$1,181.60	\$426.80	\$1,627.93

Effective January 1, 2014

Units	Service charge	Water	Sewer	Quarterly billing
1	\$20.12	\$60.31	\$21.82	\$102.25
1.5	\$20.12	\$90.47	\$32.73	\$143.32
2	\$20.12	\$120.62	\$43.64	\$184.38
2.5	\$20.12	\$150.78	\$54.55	\$225.45
3	\$20.12	\$180.93	\$65.46	\$266.51
4	\$20.12	\$241.24	\$87.28	\$348.64
8	\$20.12	\$482.48	\$174.56	\$677.16
9	\$20.12	\$542.79	\$196.38	\$759.29
10	\$20.12	\$603.10	\$218.20	\$841.42
11	\$20.12	\$663.41	\$240.02	\$923.55
12	\$20.12	\$723.72	\$261.84	\$1,005.68
18	\$20.12	\$1,085.58	\$392.76	\$1,498.46
20	\$20.12	\$1,206.20	\$436.40	\$1,662.72

All Users are 1 Unit or a 5/8" line, unless listed below.

	Units	<u>Line Size</u>
Allen Choy Restaurant	2.5	
ARHA (512-4 <sup>th</sup> Ave)	1.5	
ARHA Ambulance Garage		
Burlington Development	1.5	
Canada Post (Lynndale)	3	1"
Central S Car Wash	3	
Century 21	2.5	
Group 11	8	
Kool Doz	1.5	
Lakeshore Lodge	9	1.5"
Lakeside Autobody		1"
Lakeview Park	2.5	1"
Manitoba Hydro	3	1"
Miller Farm Equipment	2	
Morley House	12	2"
Parkland Estates	8	
Parkwest SD	11	1.5"
Personal Care Home	20	2"
Rae's Funeral Home	2	
RCMP		1"
Sensus	2	



Shepherd Implements	2	1.5"
Shoal Lake & District Fire Hall	1	1"
Shoal Lake Communiplex	10	2"
Shoal Lake Community Hall	2	
Shoal Lake Farm Equipment	2	
Shoal Lake Motor Inn	18	1.5"
Shoal Lake Rad & Glass	4	1"
Shoal Lake/Strathclair Hospital	11	2"
The Cutting Edge	1.5	
Trendsetter Hair Styling	2.5	
Woodworth Dodge	2	

b) Water only Customers

Minimum charges will be the same for each meter size as shown above but the Sewer Commodity Charge will be excluded.

c) Sewer only for Residential Customers

The Municipality of Shoal Lake charges the owners of land serviced with sewer but no water the sum equivalent to the water and sewer minimum charge for a 5/8" water meter size.

3. Bulk Sales Rate

All water sold in bulk by the Municipality of Shoal Lake shall be charged for at the following rates per 1000 gallons;

Effective April 1, 2012 - \$7.88

Effective January 1, 2013 - \$7.97

Effective January 1, 2014 - \$8.08

4. Billings and Penalties

Accounts shall be billed quarterly and shall be due and payable within 30 days of the billing date. A penalty of 1.25% per month of the amount of the bill shall be charged if not paid by the due date. The penalty shall be added to the account at the beginning of the quarterly billing period.

5. Disconnection for 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.

6. 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. Water turned off at the request of the customer shall be charged a fee of \$25.00 and to turn the water on a fee of \$25.00.

7. Outstanding Bills

Pursuant to Section 236(1)(b) and 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 collectible, and with like remedies.

8. Administration Fee

A customer will be charged an administrative fee of \$10.00 to cover the cost of adding outstanding accounts as of December 31<sup>st</sup> to the tax roll.

9. Rental Property

Owners of rental properties will be required to pay the utility charges for their properties.

10. Hydrant Rentals

The Municipality of Shoal Lake will pay to the Utility an annual rental of \$100.00 for each hydrant connected to the system. This will include the cost of water used for fire fighting.

11. Water Allowance Due to Line Freezing

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.

12. Lagoon Dumping Fees

Customers unloading septic trucks at the lagoon will be charged \$20.00 per load or \$500.00 per year.

13. New Connections

Customers requiring new hook up to the water and sewer main lines will be responsible for the whole cost of installation right up to the main lines including the purchase of a water meter from the Municipality. This work must be done under the supervision of the Water Plant Operator. The customer will be responsible for the cost of maintenance of the line from the dwelling to the property line. The Utility will be responsible for the cost of maintenance from the property line to the main line.