

MANITOBA) Order No. 80/12
)
THE PUBLIC UTILITIES BOARD ACT) July 5, 2012

BEFORE: Susan Proven, P.H.Ec, Acting Chair
Monica Girouard, CGA, Member
Raymond Lafond, CA, Member

CITY OF WINKLER
REVISED WATER AND SEWER RATES - 2012

Summary

The Public Utilities Board (Board) hereby approves the revised water and sewer rates for the City of Winkler (City) for 2012, effective March 1, 2012. The current and revised commodity rates are noted below:

	Existing 2011	Approved 2012	Increase/ Decrease
Water \$/1000 gallons	\$7.67	\$8.94	17%
Sewer \$/1000 gallons	\$3.60	\$6.42	78%
Quarterly Service Charge	\$17.56	\$18.15	3%
Minimum Quarterly ⁽¹⁾	\$51.46	\$64.23	25%
Sewer Only Quarterly ⁽²⁾	\$50.05	\$69.51	39%
Bulk Water	\$10.17	\$12.69	25%
Hydrant Rental Charge	\$75.00	\$75.00	0%

⁽¹⁾Based on 3,000 gallons

⁽²⁾Reduced from 9,000 gallons

Details of other rates may be found in the attached Schedule "A".

The previous rate increase came with Board Order 62/08, issued on May 26, 2008 following a Public Hearing. Flow-through increases from Pembina Valley Water Co-op (PVWC) were implemented in January 2010 (By-law 1985-09) and January 2011 (By-law 2014-10).

The Board found the City's application to be consistent with the objective to avoid utility deficits while meeting its obligations to provide safe and reliable drinking water and proper treatment of sewage.

With the increases approved in this Order, the City is building up reserves to meet its system requirements and to assist in the funding of future system renewal.

Public Notice of the City's application was published in the local newspaper on two occasions and posted in several prominent locations within the community. The Notice invited comments or concerns from the public by February 29, 2012. The Board received no comments from the public.

Application

The City applied on November 8, 2011, with an application that was supported by By-law No. 2049-11. With its current application, the City proposed the following 2012 increases:

	Existing 2011	Approved 2012	Increase/ Decrease
Water \$/1000 gallons	\$7.67	\$8.94	17%
Sewer \$/1000 gallons	\$3.60	\$6.42	78%
Quarterly Service Charge	\$17.56	\$18.15	3%
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Hydrant Rental Charge	\$75.00	\$75.00	0%

⁽¹⁾Based on 3,000 gallons

⁽²⁾Reduced from 9,000 gallons

With the Board's approval, a residential customer using 8,000 gallons of water per quarter would experience a 31% increase in their quarterly bills, from \$107.72 to \$141.03.

The City attributed the requested water and sewer rate increase due mainly to the cost of amortization of capital assets as required by Public Sector Accounting Board rules and by PUB Order No. 93/09, and in part to the cost of increased rates approved for the PVWC effective January 1, 2012. The City anticipates that increased rates should result in surpluses, which will be transferred to the Utility Reserves to assist in future upgrade requirements for wastewater treatment.

The City proposed a 25% increase in the bulk water rate to \$12.69, from \$10.17 per thousand gallons, to reflect the projected wholesale cost of water and the estimated operating costs to provide the service of the bulk water station.

Since 2008, the City has avoided deficits and has increased the utility reserve fund to a balance of \$1.1 million for fiscal 2010.

As of December 31, 2010, the capital expenditures of the Utility was \$31.5 million and consisted of:

Water production and distribution	\$10.1 million
Sewer collection and disposal	\$21.4 million

In 2012, the City expects to incur utility capital costs of \$500,000, to be recovered from internal operations (reserves and rates).

Over the next 5 years, the City plans to spend over \$16 million on capital projects; \$15 million is projected to be spent on wastewater treatment. Of the \$15 million, \$7.5 million will be spent in 2015 and another \$7.5 million in 2016.

The City plans on recovering the cost of the wastewater treatment upgrade by \$5 million (1/3) paid by the City and \$10 million (2/3) balance shared by the Provincial and Federal Governments.

The City reflected the following projected annual utility operating costs for rate setting purposes:

Administration	\$ 259,542.00
Water	\$ 1,791,897.00
Sewer	<u>\$ 1,350,421.00</u>
	<u>\$ 3,401,912.00</u>

A contingency of 1% has been included in the proposed rates to assist with unforeseen maintenance and repair. The City has included reserves of \$361,500 (\$145,000 water and \$216,500 sewer) for 2012. The Utility's annual debenture debt servicing costs are recovered as follows:

Frontage	\$ -
Tax Levy	110,017.00
Utility Rates	163,852.00
Developer Fees	<u>224,725.00</u>
	<u>\$ 498,594.00</u>

The City's overall revenue requirements for the purpose of rates are outlined in the following table.

NAME OF MUNICIPALITY AND UTILITY:		CITY OF WINKLER					
SCHEDULE OF UTILITY RATE REQUIREMENTS		2012 - 2015 with comparative numbers for current and past year					
Projected for the rate year(s)		*** Only insert information in blue areas					
		Inflation Rate: 3%				Budget forecasts	
		Prior year	Current year	Next year	Next year+1	Next year+2	Next year+3
		Actual	Projected	#	2013	2014	2015
		2010	2011				
General							
<i>Expenses:</i>							
Administration (building, office, staff, etc.)		232,773.00	228,300.00	235,149.00	242,203.47	249,469.57	256,953.66
Billing and collection		26,157.00	38,100.00	39,243.00	40,420.29	41,632.90	42,881.89
Total general expenses		258,930.00	266,400.00	274,392.00	282,623.76	291,102.47	299,835.55
Equity surcharge (1% of annual expenses)							
Deficit Recovery for the year 2010		6,628.00					
<i>Revenue:</i>							
Service charges		4,270.00	4,300.00	4,350.00	4,400.00	4,450.00	4,500.00
Penalties		8,660.00	10,000.00	10,500.00	11,000.00	11,500.00	12,000.00
Total general revenue		12,930.00	14,300.00	14,850.00	15,400.00	15,950.00	16,500.00
Net revenue general		252,628.00	252,100.00	259,542.00	267,223.76	275,152.47	283,335.55
Current # of customers	3549		3,549.00	3,624.00	3,699.00	3,774.00	3,849.00
3 year protection	225						
Total	3774						
### quarters			14,196.00	14,496.00	14,796.00	15,096.00	15,396.00
Service charge rate			17.65	17.90	18.06	18.23	18.40
Average net revenue from 2012-2015			271,313.00				
Divide by average # customers from 2012-2015			14,946.00 =	18.15			
Water							
<i>Expenses:</i>							
Staffing		354,205.00	364,135.00	377,000.00	388,310.00	399,959.30	411,958.08
Purification and treatment		160,997.00	210,000.00	216,300.00	222,789.00	229,472.67	236,356.85
Water purchases		475,857.00	486,500.00	496,230.00	506,200.00	516,300.00	526,000.00
Service of Supply		143,254.00	245,000.00	240,000.00	247,200.00	254,616.00	262,254.48
Transmission and Distribution		48,587.00	63,000.00	65,000.00	66,950.00	68,958.50	71,027.26
Other Water Supply Costs		39,099.00	61,500.00	125,500.00	129,265.00	133,142.95	137,137.24
Amortization/ depreciation		179,258.00	272,056.00	277,500.00	283,000.00	288,000.00	293,000.00
Interest on long term debt		7,554.00	6,187.00	4,752.00	3,244.00	1,662.00	-
Interest on LTD from developer deposits		20,961.70	19,888.44	18,762.05	17,579.90	16,339.23	15,037.15
P & I on LTD from rates							
Reserves							
Minor capital upgrades		31,318.00	74,500.00	60,000.00	61,800.00	63,654.00	65,563.62
Contingency		101,125.00	144,126.00	145,000.00	145,870.00	146,700.00	148,100.00
Sub-total- water expenses		1,562,215.70	1,946,892.44	2,026,044.05	2,072,207.90	2,118,804.65	2,166,434.68
<i>Revenue:</i>							
Connection Revenue		12,000.00	15,000.00	15,500.00	15,965.00	16,443.95	16,937.27
Hydrant rentals		30,825.00	31,575.00	32,175.00	32,775.00	33,375.00	33,375.00
Investment Income							
Amortization of capital grants & donation assets		419.00	86,930.00	88,930.00	90,930.00	92,930.00	94,930.00
Taxation revenues (1)		34,898.00	34,898.00	34,898.00	34,898.00	34,898.00	-
Revenue from developer deposits - LTD		42,643.84	42,643.84	42,643.84	42,643.84	42,643.84	42,643.84
Other revenue		8,153.50	17,500.00	20,000.00	20,600.00	21,218.00	21,854.54
Total non-rate revenue - water		128,939.34	228,546.84	234,146.84	237,811.84	241,508.79	209,740.65
Net rate revenue - water		1,433,276.36	1,718,345.60	1,791,897.21	1,834,396.06	1,877,295.86	1,956,694.03
Sales in gallon - 2010							
W & S Accounts	199,098,846						
Water Only	1,339,532						
3 year projection 0.0%	0						
Total Gallons	200,438,378			8.94	9.15	9.37	9.76
Average net revenue from 2012-2015			1,865,070.79				
Divide by average # customers from 2012-2015			9.30				

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SCHEDULE OF UTILITY RATE REQUIREMENTS		2012 - 2015 with comparative numbers for current and past year					
Projected for the rate year(s)		*** Only insert information in blue areas					
		Inflation Rate:			3%		
	Prior year	Current year	Next year	Budget forecasts			
	Actual	Projected	#	Next year+1	Next year+2	Next year+3	
	2010	2011		2012	2013	2014	2015
Sewer							
<i>Expenses:</i>							
Staffing	187,730.00	194,000.00		199,820.00	205,814.60	211,989.04	218,348.71
Sewage Collection System	54,133.00	115,000.00		119,000.00	122,570.00	126,247.10	130,034.51
Sewage Lift Station	62,974.00	74,800.00		77,000.00	79,310.00	81,689.30	84,139.98
Sewage Treatment and Disposal	93,242.00	78,600.00		81,000.00	83,430.00	85,932.90	88,510.89
Other Sewage Collection & Disposal Costs	69,725.00	96,500.00		96,500.00	99,395.00	102,376.85	105,448.16
Connection - Net Loss					-	-	-
Amortization/ depreciation	445,627.00	443,972.00		444,500.00	446,500.00	448,500.00	450,500.00
Interest on long term debt	8,890.00	4,585.00		-	-	-	-
Interest on LTD from developer deposits	85,918.97	81,192.70		76,234.15	71,031.87	65,573.90	59,847.67
Reserves	55,000.00	55,000.00		50,000.00	55,000.00	55,000.00	55,000.00
P & I on LTD from rates	163,852.00	163,852.00		163,852.00	163,852.00	163,852.00	163,852.00
Allocation to WWT plant							
Minor capital upgrades/sewer relining (\$200M)	34,722.00	200,000.00		200,000.00	200,000.00	200,000.00	200,000.00
Contingency	214,673.00	216,000.00		216,500.00	217,000.00	217,500.00	218,000.00
Total sewer expenses	1,476,486.97	1,723,501.70		1,724,406.15	1,743,903.47	1,758,661.09	1,773,681.92
<i>Revenue:</i>							
Connection Revenue	12,000.00	15,000.00		15,500.00	15,965.00	16,443.95	16,937.27
Lagoon Tipping Fees				2,000.00	2,060.00	2,121.80	2,185.45
Sewer Surcharges	113,867.00	150,000.00		117,000.00	120,510.00	124,125.30	127,849.06
Gain on Sale of TCA	7,944.00						
Amortization of capital grants & donated assets	31,342.00	32,404.00		34,404.00	34,404.00	34,404.00	34,404.00
Taxation revenues (2)	75,119.00	75,119.00		-	-	-	-
Revenue on Developer Deposits - LTD	182,081.45	182,081.45		182,081.45	182,081.45	182,081.45	182,081.45
Other Revenue	8,153.50	17,500.00		23,000.00	23,690.00	24,400.70	25,132.72
Total non-rate revenue- sewer	430,506.95	472,104.45		373,985.45	378,710.45	383,577.20	388,589.95
Net rate revenue - sewer	1,045,980.02	1,251,397.25		1,350,420.70	1,365,193.02	1,375,083.89	1,385,091.97
Sales in gallons -2010							
W & S Accounts	199,098,846						
Sewer Only	11,152,460						
3 year projection 0.0%	0						
Total Gallons	210,251,306						
Sewer Rate per 1000 gallons				6.42	6.49	6.54	6.59
Average net revenue from 2012-2015		1,368,947.39					
Divide by average # customers from 2012-2015		6.51					
(1) Water facility- debt servicing taxation revenues							
Principal	27,344.00	28,711.00		30,146.00	31,654.00	33,236.00	-
Interest	7,554.00	6,187.00		4,752.00	3,244.00	1,662.00	-
Total (ends 2014)	34,898.00	34,898.00		34,898.00	34,898.00	34,898.00	-
Water facility- debt servicing from developer deposits							
Principal	21,682.14	22,755.40		23,881.79	25,063.94	26,304.61	27,606.69
Interest	20,961.70	19,888.44		18,762.05	17,579.90	16,339.23	15,037.15
Total	42,643.84	42,643.84		42,643.84	42,643.84	42,643.84	42,643.84
(2) Sewer facility- debt servicing taxation revenues							
Principal	66,229.00	70,534.00					
Interest	8,890.00	4,585.00					
Total (ends 2011)	75,119.00	75,119.00		-	-	-	-
Sewer facility- debt servicing from developer deposits							
Principal	96,162.48	100,888.75		105,847.30	111,049.58	116,507.55	122,233.78
Interest	85,918.97	81,192.70		76,234.15	71,031.87	65,573.90	59,847.67
Total	182,081.45	182,081.45		182,081.45	182,081.45	182,081.45	182,081.45
(3) Accumulated Surplus (20% Prior Year Expenses)							
General & Water & Sewer Prior Year Expenses	3,297,632.67	3,297,632.67		3,936,794.14	4,024,842.20	4,098,735.13	4,168,568.21
Target Surplus	659,526.53	659,526.53		787,358.83	804,968.44	819,747.03	833,713.64
Actual Surplus (Surplus + Reserves)	1,614,637.00	2,645,422.00		2,660,000.00	2,760,000.00	2,760,000.00	2,760,000.00
Shortfall	(955,110.47)	(1,985,895.47)		(1,872,641.17)	(1,955,031.56)	(1,940,252.97)	(1,926,286.36)
WWT from rates - included LTD from developer deposits							

Background

The City's Utility currently serves 3,549 customers, of which 96% are residential or small commercial customers. The majority of customer accounts are metered with 14 sewer only flat rate customers. The City also provides water and sewer services outside its boundaries. In all such cases, except for one residential customer who is supplied raw water in exchange for the use of a right-of-way, the City recovers a fair share of the capital cost of the system by either an upfront one-time charge or by charging customers a surcharge of \$1.20/1000 gallons, in addition to the stated commodity rates.

The City provides service to several customers in the RM of Stanley. Three households are provided service at the City bulk rate.

Water Production and Distribution

Currently, the City purchases approximately 36% of its water requirements from the PVWC, at a cost of \$6.65 per 1000 gallons. The balance of the City's water requirements is sourced from ground water.

The City produced a volume of over 137.2 million gallons of water in 2010, and purchased 74.8 million gallons from Pembina Valley Water Co-op, for a total of 212 million gallons. The Utility produced 204.8 million gallons to connected customers and bulk sales. The City advised that it had encountered one water-main break, which resulted in a loss of 3.7 million gallons. The City also had unaccounted for water of approximately 7.2 million gallons or 3.4%.

The City built a new water treatment plant in 2010. The plant was put into operation in March 2011. The treatment process consists of greensand filters for the removal of iron and manganese and reverse osmosis membranes to remove the total dissolved solids and high hardness. The quality of water is continually monitored by instrumentation between the different processes and chemical dosing points and is also monitored by qualified staff. A permit to operate the plant has been issued by the Office of Drinking Water.

The City indicated that the new plant is functioning at only 67% of its design capacity; 40% of the City's potable water is bought from the Pembina Valley Water Co-op.

The agreement between the City and PVWC will expire in 2018 at which time the City must determine the feasibility of upgrading the new water treatment plant to provide for future growth and the extent of dependence on PVWC.

The old water treatment plant has not yet been decommissioned but is no longer in operation. Consideration is being given for the demolition of the tower and plant, in return for recovery of steel value.

The City continues to meet provincial Drinking Water Quality Guidelines, and its wastewater discharges comply with the City's licensing requirements.

Wastewater Treatment and Collection System

The City is operating an aerated lagoon system with two lift stations pumping the raw sewage to the lagoon.

Capacities have been reached and the City is currently in the process of investigating the upgrade of the sewer system. However, it is not foreseen that any major capital works will be put in place in the next two to three years.

The City indicated it is facing storage capacity limitations at the existing lagoon system due to very high infiltration/inflow during wet weather flows. In the spring of 2011, for the first time in its operational history, the City requested early release of effluent from its lagoons, and did not meet the conditions of the Environmental License. The city indicated that it intends to develop a wastewater management strategy over the next five years. This will allow the City time to examine alternative treatment strategies based on different dry and wet flows. In the interim the City is preparing a Notice of Alteration to allow for early release of stored effluent for that period.

Board Findings

The Board will approve the increases in water and sewer rates as proposed by the City. The Board found the City's application to be consistent with the objective to avoid utility deficits while meeting its obligations to provide safe and reliable drinking water and proper treatment of sewage. With the increases approved in this Order, the City is building up reserves to meet its system requirements and to assist in the funding of future system renewal.

The Board is encouraged by the system renewal investments, which include a new water treatment plant, and the plans for further wastewater treatment system improvements planned for 2015 and 2016.

The Board notes that the existing water plant has yet to be decommissioned and would like to be apprised of the status of the plant, costs incurred and recoveries realized. Such costs and recoveries should be allocated to the water utility.

The Board is concerned that the City's Wastewater Treatment Collection and Treatment System is at capacity and requires changes to meet its Environmental licence. The Board encourages the City to develop an effective strategy to meet its wastewater treatment needs as soon as possible.

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 water and sewer rates for 2012 for the City of Winkler, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED effective on March 1, 2012.
2. The City of Winkler submits its water and sewer By-law once it has received third and final reading.
3. The City of Winkler develop an acceptable strategy that is effective in meeting its wastewater treatment needs to maintain its Environmental Licence.

Fees payable upon this Order - \$500.00.

THE PUBLIC UTILITIES BOARD

"Susan Proven, P.H.Ec."
Acting Chair

"K. Simonsen P.Eng."
Acting Secretary

Certified a true copy of Order
No.80/12 issued by The Public Utilities
Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER No. 80/12
THE CITY OF WINKLER REVISED WATER AND SEWER RATES
BY-LAW NO 2049-11

1. Commodity Rates per 1000 Gallons:

<u>Quantity per quarter</u>	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
All water consumption	\$8.94	\$6.42	\$15.36

2. Minimum Charges, Quarterly

Notwithstanding Section 1 hereof, the minimum rates according to Column V of this Section shall be charged per quarter for which the occupant shall be entitled to receive up to the quantity of water according to Column I of this section per quarter and included therein shall be a quarterly service charge as shown in Column II of this section.

Meter Size	Group Capacity Ratio	I Water Included Gallons	II Customer Service Charge	III Commodity Charges		V Quarterly
				Water	Sewer	Minimum
5/8"	1	3,000	18.15	26.82	19.26	64.23
3/4"	2	6,000	18.15	53.64	38.52	110.31
1"	4	12,000	18.15	107.28	77.04	202.47
1 1/4"	7	21,000	18.15	187.74	134.82	340.71
1 1/2"	10	30,000	18.15	268.20	192.60	478.95
2"	25	75,000	18.15	670.50	481.50	1,170.15
3"	45	135,000	18.15	1,206.90	866.70	2,091.75
4"	90	270,000	18.15	2,413.80	1,733.40	4,165.35
6"	170	510,000	18.15	4,559.40	3,274.20	7,851.75

➤ Although the customer is responsible for the supply of water meters of ¾" and larger, the City assumes the responsibility of servicing and repairing the same.

3. Water Only customers

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

4. Sewer Only customers

Since these customers are all single family residences without meters, and the average quarterly consumption of water by residential customers was 8,000 gallons, the Flat Rate Charge per Quarter for these customers will be \$69.51/quarter including the customer service charge.

5. Bulk Water Sales

The rate to be charged for Bulk Water Sales shall be set at \$12.69 per 1,000 gallons.

6. Sewer Service to outside the boundaries of the City of Winkler

The sewer rate to be charged to customers outside the boundaries of the City of Winkler shall be as set in this Schedule "A" plus a surcharge as calculated and set from time to time by separate agreement.

7. Hydrant Rentals

The general operating fund shall pay the utility fund an annual rental of \$75.00 for each hydrant connected to the utility system.

8. Billings and Penalties

Accounts shall be billed quarterly. A late payment charge of 1 ¼% per month shall be charged on the dollar amount owing after the billing due date, and compounded monthly. The due date shall be at least 14 days after the mailing of the bills.

9. Disconnection

- i) Service may be disconnected and discontinued for non-payment of the account. If the account remains unpaid 30 days past the due date, customers will be sent a reminder notice. If after a further 30 days, the account remains unpaid, a second notice will be issued providing disconnection advice unless payment is received within 30 days. All disconnection notices shall advise the customer of the specific date of the disconnection and of their right to appeal to The Public Utilities Board and include the Board's relevant contact information
- ii) If service is disconnected, it will not be restored until the account is paid in full, in addition to a penalty of \$30.00.
- iii) The outstanding amount may be added to taxes of the property, by the Chief Administrative Officer of the City, to be collected in a like manner.