

**Order No. 65/16**

**TOWN OF ARBORG  
WATER AND WASTEWATER RATES  
2016, 2017 and 2018**

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**May 10, 2016**

BEFORE: Susan Proven, P.H.Ec, Acting Chair  
The Hon. Anita Neville, P.C., B.A. (Hons.), Member

## Summary

By this Order, the Public Utilities Board (Board) approves the revised water and wastewater rates to be effective July 1, 2016, January 1, 2017 and 2018, for the Town of Arborg (Town) water and wastewater utility (Utility).

	Current	July 1, 2016	Increase	January 1, 2017	Increase	January 1, 2018	Increase
<b>Water \$/1,000 gallons</b>	\$5.75	\$8.40	46.09%	\$9.15	8.93%	\$9.40	2.73%
<b>Wastewater \$/1,000 gallons</b>	\$2.50	\$3.00	20.00%	\$2.90	-3.33%	\$2.85	-1.72%
<b>Quarterly Service Charge</b>	\$20.00	\$25.15	25.75%	\$30.30	20.48%	\$35.50	17.16%
<b>Minimum Quarterly Charge Water and Wastewater*</b>	\$44.75	\$59.35	32.63%	\$66.45	11.96%	\$72.25	8.73%
<b>Minimum Quarterly Charge- Water only*</b>	\$37.25	\$50.35	35.17%	\$57.75	14.70%	\$63.70	10.30%
<b>Wastewater only Flate rate per Quarter</b>	\$51.00	\$62.65	22.84%	\$66.55	6.23%	\$71.15	6.91%
<b>Bulk Water \$/1,000 gallons **</b>	\$20.00	\$20.00	0.00%	\$20.00	0.00%	\$20.00	0.00%
<b>Reconnection Fee</b>	\$50.00	\$50.00	0.00%	\$50.00	0.00%	\$50.00	0.00%
<b>Hydrant Rental (Annual)</b>	\$200.00	\$200.00	0.00%	\$200.00	0.00%	\$200.00	0.00%
*Based on 3,000 gallons							
**500 gallons or less- Minimum charge of \$10.00							

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

Rationale for the Board's decisions may be found under "Board Findings".

## Background

The Town owns and operates a water and wastewater utility serving 558 customers, of which 552 are water and wastewater customers, and six are wastewater only customers.

The Town provides piped water and wastewater services to customers close to its boundaries and also provides lagoon only service to customers located in the Municipalities of Bifrost and Armstrong.

The water supply is drawn from a well, constructed in 1995, with a secondary and older well serving as back up and used for fire protection. Raw water is filtered, chlorinated and stored in a well treated water reservoir until it is pumped through the distribution system. The Town serves 97 fire hydrants.

The Town has a \$1 million water main upgrading program planned, and intends to cover this cost through a combination of operating funds, reserves, borrowings and grants.

Drinking water standards are being met and in 2015, the Town will be conducting its second engineering assessment of the entire water system which is required every five years. Operators are certified in Water Treatment and Water Distribution.

The sewage collection system consists of a low pressure and a gravity collection system. All wastewater is pumped to a lagoon for treatment. These systems are in good condition. The sewage lift station has been upgraded recently.

Lagoon discharges meet the environmental licensing requirements.

## Application

The Town applied for revised water and wastewater rates in July 2015, as set out in By-law No. 4-2015 (read the first time on June 24, 2015). The application was supported by a 2015 rate study prepared by the Town's consultant. Rates had not been revised since initial utility rates were set in 2012 by Board Order No. 60/12.

A Public Notice of Application was issued on August 18, 2015 affording customers the opportunity to comment to both the Board and Town with respect to the proposed increases.

The Board received no comments.

When reviewing an application, the Board has at its disposal two approaches, either a paper or a public hearing review. After the publication of the Notice of Application, the Board will consider the application and stakeholder responses, and determine which method of review is most appropriate.

A public hearing process allows the Utility and stakeholders the opportunity to present their application and any concerns to the Board in person.

The Board may review the application using a paper review process, which saves the cost of a public hearing process. Having received no expressions of concern from consumers, the Board decided to process this application with a paper-based review.

**Deficits:**

By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, the Utility is required to obtain Board approval for a recovery methodology. The Board is therefore duty bound to approve reasonable rates based on reasonable expense projections. The Board has reviewed the Town's budgeted expenditures, and finds them to be reasonable. The Town has had no deficits in the last four years.

**Working Capital Surplus/Deficit:**

Board Order No. 93/09 established that utilities should maintain a minimum working capital surplus, in an amount equal to 20% of annual expenses. The working capital surplus is defined as the Utility fund balance, excluding any capital related items plus Utility reserves.

As per the 2014 audited financial statements, the most recent information available, the working capital surplus at December 31, 2014 was:

	2014
Fund Surplus/Deficit	\$ 3,159,680
Deduct TCA	\$ 3,191,494
Add Long-Term Debt	\$ 89,534
Add Utility Reserves	\$ 260,867
<b>Equals Working Capital Surplus</b>	<b>\$ 318,587</b>
Operating expenses	\$ 387,472
<b>20% of operating expenses</b>	<b>\$ 77,494</b>

**Projected Expenditures:**

	3%	2016	2017	2018
Administration		\$ 76,065	\$ 78,347	\$ 80,697
<b>Net expenses general</b>		<b>\$ 76,065</b>	<b>\$ 78,347</b>	<b>\$ 80,697</b>
Penalties		\$ 1,425	\$ 1,425	\$ 1,425
<b>Net revenue general</b>		<b>\$ 1,425</b>	<b>\$ 1,425</b>	<b>\$ 1,425</b>
<b>Net costs general</b>		<b>\$ 74,640</b>	<b>\$ 76,922</b>	<b>\$ 79,272</b>
Purification and treatment		\$ 20,950	\$ 21,578	\$ 22,225
Transmission and distribution		\$ 50,300	\$ 51,809	\$ 53,363
Other water supply cost		\$ 14,725	\$ 15,167	\$ 15,622
Service of Supply		\$ 56,270	\$ 57,958	\$ 59,697
Amortization/depreciation		\$ 193,587	\$ 193,587	\$ 213,587
Interest on long term debt		\$ 39,031	\$ 34,578	\$ 38,080
Capital Upgrades - WTP		\$ 17,500	\$ 17,500	\$ 18,025
Contingency		\$ 22,500	\$ 22,500	\$ 23,500
<b>Total-water expenses</b>		<b>\$ 414,863</b>	<b>\$ 414,677</b>	<b>\$ 444,099</b>
Connection fees		\$ 2,450	\$ 2,450	\$ 2,450
Hydrant rentals		\$ 19,400	\$ 19,400	\$ 19,400
Other revenue		\$ 30,600	\$ 30,600	\$ 30,600
Taxation revenue		\$ 81,719	\$ 57,700	\$ 65,806
Amortization of Capital Grants-Water		\$ 101,029	\$ 101,029	\$ 111,029
<b>Total-water revenue</b>		<b>\$ 235,198</b>	<b>\$ 211,179</b>	<b>\$ 229,285</b>
<b>Net rate revenue-water</b>		<b>\$ 179,665</b>	<b>\$ 203,498</b>	<b>\$ 214,814</b>
Sewage collection system		\$ 7,210	\$ 7,426	\$ 7,649
Other sewage collection & Disposal cost		\$ 3,375	\$ 3,476	\$ 3,581
Staffing - sewage collection system		\$ 18,750	\$ 19,313	\$ 19,891
Sewage treatment and disposal		\$ 1,235	\$ 1,272	\$ 1,310
Lift station costs		\$ 5,210	\$ 5,366	\$ 5,527
Amortization		\$ 44,194	\$ 44,194	\$ 44,194
Contingency		\$ 7,500	\$ 7,500	\$ 8,000
<b>Total sewer expenses</b>		<b>\$ 87,474</b>	<b>\$ 88,547</b>	<b>\$ 90,152</b>
Amortization of capital grants-sewer		\$ 16,781	\$ 16,781	\$ 16,781
Other revenue		\$ 8,900	\$ 8,900	\$ 8,900
<b>Total sewer revenue</b>		<b>\$ 25,681</b>	<b>\$ 25,681</b>	<b>\$ 25,681</b>
<b>Net rate revenue-Sewer</b>		<b>\$ 61,793</b>	<b>\$ 62,866</b>	<b>\$ 64,471</b>

**Cost allocation methodology:**

The Board requires all municipalities to review the costs shared between the general operations of the Municipality and the Utility, and to allocate appropriate and reasonable costs to the Utility, based on a policy known as a Cost Allocation Methodology. This policy must be submitted to the Board for approval and cannot be changed without receiving approval from the Board. The Board's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.

The rate application included a cost allocation methodology, approved in the Town's last rate study. The cost allocation methodology is as follows:

	%
Administration Salaries and Benefits	33%
Operators Salaries and Benefits	33%
Council Indemnity	33%
Computer Support and Maintenance	33%
Insurance (based on actual cost)	2.5%
Audit Fees	33%

**Lagoon Tipping Fees:**

No tipping fees are charged directly to the haulers as the respective Municipalities that receive lagoon services from the Town, pay for the lagoon services through the agreement made with the Town.

## Board Findings

The Board has reviewed the application and the projections presented by the Town in their rate study and the information provided subsequently in response to Board queries.

The quarterly service charge applied for by the Town was adjusted to “phase-in” the increase and minimize rate shock. The revenues lost in the rate years 2016 and 2017, due to the phase in approach; were included to be recovered in the water and wastewater revised rates. While this varies from Board recommended methodology, the Town provided their rationale and the resulting rates are not substantially different from that which would have resulted from applying Board formulae, so the Board will approve the rates as applied for.

The Board will require the Town to submit a copy of the by-law reflecting the decisions in this Order, once it has received third and final reading.

The Board will also require that the Town review the Utility’s rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates if required, by no later than November 30, 2019.

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 wastewater rates for the Town of Arborg Utility BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective July 1, 2016, January 1, 2017 and 2018.
2. The Town of Arborg amend its water and wastewater rate By-law for the Utility to reflect the decisions in this Order and submit a copy to the Board once it has received third and final reading.
3. The Town of Arborg review its water and wastewater rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates if required, by no later than November 30, 2019.
4. The Town of Arborg provide the 2015 audited financial statements to the Public Utilities Board as they are available, including any deficit applications if required.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."

Acting Chair

"JENNIFER DUBOIS, CPA, CMA"

Acting Secretary

Certified a true copy of Order No. 65/16  
issued by The Public Utilities Board

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Acting Secretary

**Schedule "A"**  
**Town of Arborg Utility**  
**Water & Wastewater Rates**

1. Commodity Rates per 1,000 Gallons:

	<u>Water</u>	<u>Wastewater</u>	<u>Water &amp; Sewer</u>
Effective January 1, 2016	8.40	3.00	11.40
Effective January 1, 2017	9.15	2.90	12.05
Effective January 1, 2018	9.40	2.85	12.25

2. Minimum Charges, Quarterly

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges as set out below, which will include water allowances indicated:

(a) Water and Sewer Customers

(i) **2016**

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
				Water	Sewer	
5/8 inch	1.00	3,000	\$25.15	\$25.20	\$9.00	<b>\$59.35</b>
¾ inch	2.00	6,000	\$25.15	\$50.40	\$18.00	<b>\$93.55</b>
1 inch	4.00	12,000	\$25.15	\$100.80	\$36.00	<b>\$161.95</b>
1½ inch	10.00	30,000	\$25.15	\$252.00	\$90.00	<b>\$367.15</b>
2 inch	25.00	75,000	\$25.15	\$630.00	\$225.00	<b>\$880.15</b>
3 inch	45.00	135,000	\$25.15	\$1,134.00	\$405.00	<b>\$1,564.15</b>

(ii) **2017**

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
				Water	Sewer	
5/8 inch	1.00	3,000	\$30.30	\$27.45	\$8.70	<b>\$66.45</b>
¾ inch	2.00	6,000	\$30.30	\$54.90	\$17.40	<b>\$102.60</b>
1 inch	4.00	12,000	\$30.30	\$109.80	\$34.80	<b>\$174.90</b>
1½ inch	10.00	30,000	\$30.30	\$274.50	\$87.00	<b>\$391.80</b>
2 inch	25.00	75,000	\$30.30	\$686.25	\$217.50	<b>\$934.05</b>
3 inch	45.00	135,000	\$30.30	\$1,235.25	\$391.50	<b>\$1,657.05</b>

## (iii) 2018

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Customer Service Charge	<u>Commodity Water</u>	<u>Charges Sewer</u>	Total Quarterly Minimum
5/8 inch	1.00	3,000	\$35.50	\$28.20	\$8.55	<b>\$72.25</b>
¾ inch	2.00	6,000	\$35.50	\$56.40	\$17.10	<b>\$109.00</b>
1 inch	4.00	12,000	\$35.50	\$112.80	\$34.20	<b>\$182.50</b>
1½ inch	10.00	30,000	\$35.50	\$282.00	\$85.50	<b>\$403.00</b>
2 inch	25.00	75,000	\$35.50	\$705.00	\$213.75	<b>\$954.25</b>
3 inch	45.00	135,000	\$35.50	\$1,269.00	\$384.75	<b>\$1,689.25</b>

**(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 Customers**

The Town of Arborg shall charge the owners or occupants of land serviced with sewer, but no water, the sum of **\$62.65** per quarter in **2016**, **\$66.55** per quarter in **2017** and **\$71.15** per quarter in **2018**, which includes the Customer Service Charge.

**(d) Quarterly Charges for Vacated Properties With Lot Line Connections**

The Town of Arborg shall charge the owners of vacated property, where a building once utilizing the service remains, the minimum water and sewer charges as shown in (a), (b) or (c) above.

**3. Bulk Sales Rate**

All water sold in bulk by the Town of Arborg shall be charged for at the rate of **\$20.00 per 1,000 gallons** on a pro-rated basis for all quantities greater than 500 gallons. For any quantity of 500 gallons or less the minimum charge will be **\$10.00**.

**4. Service to Customers Outside the Town of Arborg Boundaries**

The Council of the Town of Arborg may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town of Arborg. 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. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

#### 5. Billings and Penalties

- a) Accounts shall be billed quarterly; and  
The due date will be at least **14 days** after the date of billing;
- b) A late payment charge of **1¼%** shall be charged on the dollar amount owing after the billing due date;
- c) The late payment charge will compound monthly and will appear on the customer's next quarterly bill if unpaid.

#### 6. Disconnection

The Public Utilities Board, by Board Order No. 39/09, 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 Town 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 **\$50.00** have been paid.

#### 8. Outstanding Bills

Pursuant to Section 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.

#### 9. Hydrant Rentals

The Town of Arborg will pay to the utility an annual rental of **\$200.00** for each hydrant connected to the system.

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

That 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.

## 11. Sewer Surcharges

- a) There may be levied annually, in addition to rates set forth above, a special surcharge on sewage having a Biochemical Oxygen demand in excess of 300 parts per million, to be set by resolution of Council.
- b) A special surcharge for substances requiring special treatment shall be charged based on the actual costs of treatment required for the particular sewage or industrial wastes.

## 12. Disconnect and Reconnect Water

Where service is requested to be disconnected or reconnected for any length of time as a result of vacation or renovation, a service charge of **\$50.00** shall be assessed for each disconnect and/or reconnect. Further, the minimum water and/or sewer charge shall continue to be charged to each account whether the service is active or inactive.