

M A N I T O B A) Order No. 118/08
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THE PUBLIC UTILITIES BOARD ACT) July 31, 2008

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

**TOWN OF NEEPAWA: WITH RESPECT TO PROPOSED
WATER AND SEWER RATES**

Executive Summary

By this Order, the Public Utilities Board (Board) determines that the Town of Neepawa's (Town) requirement for additional utility revenue, as represented by its application for revised water and sewer commodity rates to take effect over a three-year period, is justified.

When the application has been amended to reflect changes to the Town's proposal, as directed by the Board, the rates and charges should provide sufficient additional utility revenue to allow the Town to meet the challenges associated with the Town's planned extensive capital program, one devoted to system expansion and betterment.

Most importantly, the Board accepts the Town's plan to gradually collapse the current four-step rate structure, which provides discounts for higher consumption, to that of a single step by the year 2020. The Town's *Rate Equalization Plan* would, as proposed, begin the transition by significantly increasing the rate for the now-highly discounted 4th step over a three year period.

As well, the Board approves the Town's proposed increases to its lagoon tipping fees (for 2008, 2009 and 2010), amended sewer surcharges and hydrant rentals fees, rates for the sale of water beyond the Town's boundaries, late payment penalties, and fees for the activation and termination of service and oversized meters.

Finally, the Board also approves the Town's practice of charging \$75.00 for every service call-out to attend to blocked sewer

lines; this to recover the estimated cost of the average clean-out. This charge is currently set out in By-law No. 3059, and is also to be included in the Town's rate by-law, once amended to reflect the decisions of this Order.

However, the Board directs the following changes to the Town's application:

- i. The proposed increase to the volume of water consumption allowed for in the minimum quarterly bill for customers with $\frac{1}{2}$ " and $\frac{5}{8}$ " meter sizes to 24 cubic meters from 14 cubic meters, but the Board rejects that change.
- ii. The proposed reduction to the existing quarterly consumption allowance of 28 cubic meters of water for the minimum quarterly bill for customers with $\frac{3}{4}$ " meters to 24 cubic meters, but the Board rejects that change.
- iii. The proposed meter rental fee and, again, the Board rejects that change. While replacing meters is a legitimate cost that should be borne by ratepayers, the Board does not support a separate meter rental fee.

Implementing these three changes to the Town's application will reduce the expected additional annual revenue to be raised through the Town's overall proposal by approximately \$40,000. As the Board concludes the revenue loss should be offset by other changes to the Town's proposal, the Board also directs the Town to revise the proposed commodity rates upwards.

Accordingly, the Town is to resubmit its application to the Board to reflect the directions provided by the Board, and as described in greater detail throughout the Order. The Board will then review the Town's revised rate proposal to ensure it is consistent with the directions of this Order and, assuming that it is, will then approve the resubmitted application to take effect as of September 1, 2008, which will include the minimum quarterly bills billed in advance and on actual consumption over the minimum from September 1, 2008.

The determinations of this Order reflect in large part the proposals of the Town, and, on an overall basis, represent a reasonable and responsible step towards the Town being able to fund required improvements to the Utility.

This Order follows a public hearing held on July 3, 2008 in the Town's Council Chambers.

Application

On April 29, 2008, the Town applied to the Board for approval of revised water and sewer rates and miscellaneous service charges.

The Town's proposal included a commodity rate schedule, set out in By-law No. 3058 (filed with the Board and read the first time on April 1, 2008), and proposed to be implemented over a three-year period.

Existing and proposed rates, as noted in the Notice of Application and Public Hearing, were:

Commodity Rates (\$/cubic meters)	Existing	Proposed					
		Year 1 ⁽³⁾		Year 2		Year 3	Inc.
First 150 (140) ⁽¹⁾	\$2.1608	\$2.2364	3.5%	\$2.3035	3.0%	\$2.3726	3.0%
Next 1350 (1270) ⁽¹⁾	\$2.0315	\$2.0724	2.0%	\$2.1204	2.3%	\$2.1689	2.3%
Next 1500 (1410) ⁽¹⁾	\$1.6686	\$1.7307	3.7%	\$1.8259	5.5%	\$1.9187	5.1%
All over 3000 (2830) ⁽¹⁾	\$0.6985	\$0.9882	41.5%	\$1.2906	30.6%	\$1.5906	23.2%

	Existing	Proposed					
		Year 1		Year 2		Year 3	Inc.
Service charges/quarter	\$13.48	\$15.00	11.2%	\$15.00	0%	\$15.00	0%
Minimum Quarterly Bill (Residential) ⁽²⁾	\$43.72	\$68.67	57.1%	\$72.59	5.7%	\$76.69	5.7%
Bulk Water	\$ 2.64	\$ 2.73	3.4%	\$ 2.81	2.9%	\$ 2.90	3.2%

Note: ⁽¹⁾Volume of water allowed per rate step is increasing allowing more water to be consumed at lower rates.

⁽²⁾Residential customers include ½", 5/8" and ¾" meter sizes.

⁽³⁾Years 1, 2 and 3 reflect a 12 month period from the effective date of the rate.

The Town also proposed new quarterly water meter rental fees:

Meter Size	Quarterly Rental Rate
5/8" to ¾"	\$ 5.00
1"	\$ 7.50
1½" to 2"	\$ 10.00
Over 2"	\$ 25.00

The Town also sought increases to its lagoon tipping fees, the increases to be 3.5% (in Year 1), 3.0% (in Year 2), and 3.0% (in Year 3). And, the Town's proposal also dealt with sewer

surcharges, hydrant rentals, the sale of water beyond the Town's boundaries, billings and penalties, activation and termination of service, and oversize meter charges (the latter to be a new charge). The by-law that contains the details of these changes is available for inspection at the Town's office.

A number of ratepayers attended the public hearing and inquired about various matters, including the proposed \$75.00 per call out charge for sewer line blockage inspection and clean out. The Town responded that the charge was set out in its Rules and Regulations By-law (No. 3059), and provided its understanding that the call out charge was not required to be approved by the Board. Further details of ratepayers' submissions are noted below in this Order.

In support of its application, the Town filed a rate study which had been prepared by Town staff, supported by the Town's assumptions, a Long Term Capital Plan (entitled *2008 and Beyond*), excerpts from various consultant reports dealing with the Town's water treatment plant, wastewater treatment plant and water supply source, and an April 20, 2007 water quality report by the provincial Department of Water Stewardship.

The Town proposed that its proposed rate changes take effect upon approval by the Board, and with respect to changes to occur two or three years in the future, on the anniversary date of the first increase approved by the Board.

The Town's Mayor, Bob Durston, welcomed the Board and members of the public noting that 2008 is the Town's 125th anniversary. He then introduced Councillor Wendy Menzies who led the Board and ratepayers present through the Town's application.

The Town advised that it is facing significant utility capital renewal requirements, and that it plans to address these needs with the assistance of rate increases.

The Town reported having approximately 58,000 metres of water and sewer lines - with the majority of those lines constructed before 1950 and now quite aged. The Town's rebuilding plan, to be financed in part by its proposed rate increases, was reported to include the replacing of 200 metres of line per year at an estimated annual cost of approximately \$240,000 (2008 \$).

The Town advised that since 2006 it has reviewed and cleaned over 7,200 metres of sewer main, with 18,248 metres yet to be assessed. The information obtained from the ongoing surveys is to allow for the prioritization of this part of its planned and extensive utility capital renewal program.

In addition to the above, the Town advised its Long Term Capital Plan, as per the *2008 and Beyond* document, includes very significant capital expenditures, as follows:

- i. **A \$3.0 million water treatment plant upgrade to be completed by 2010, with funding to be shared with the Manitoba Water Services Board (MWSB).**

The Town advised that Genivar Engineering Ltd. completed a feasibility study of the facility and its ancillary components, and determined that a necessary upgrade should encompass an increase in the treatment capacity of the plant. The Town reported that its water treatment plant is currently operating at peak flows during the summer months, leaving very little room for emergencies. The Town also

advised that the current treatment plant is not expected to meet new provincial regulations, particularly with respect to turbidity and trihalomethanes.

- ii. Changing the Town's raw water source from Lake Irwin to the Assiniboine Delta Aquifer, to be cost shared with the MWSB and neighbouring municipalities, an estimated cost of \$5.65 million, also to be completed by 2010.**

The Town advised that Lake Irwin is becoming entropic and that algae bloom have caused colour, taste and odour problems. The Town reported that periods of high turbidity are being experienced during spring run off, which in turn has caused Lake Irwin to be silted, resulting in reduced raw water capacity. By changing to reliance on the Assiniboine Delta Aquifer, the Town indicated that the quality of raw water should be uniform year round, which should also result in higher quality and more consistently treated effluent.

- iii. Required Industrial Wastewater Treatment Facility upgrades are expected to involve an estimated cost of \$23.5 Million, of which \$1.5 Million would be funded by the Town, \$11.8 Million by the Provincial and Federal Governments, and \$10.2 by Springhill Farms LP (Springhill).**

The Town advised that an upgrade to the existing wastewater treatment facility is necessary to meet current provincial effluent standards, as set by Manitoba Conservation. The Town reported that the planned new facility is to be built adjacent to the existing plant, and that the construction is expected to include the reuse of some of the original

components, and utilize biological nutrient removal processes, membrane filtration technology and U/V disinfection. The Town further advised that the new facility is designed to facilitate future expansion.

As noted by the Board in the 2004 public hearing, Springhill continues to use the Town's third lagoon cell to service its plant, due to the overcapacity of Springhill's existing treatment facility. In the Town's third cell, sewage is held and then released on an emergency basis upon provincial environmental approval. The Town continues to own and operate this wastewater treatment facility and, by agreement, recovers all operating costs from Springhill. Once the new industrial treatment facility is built, the third cell will be upgraded and returned for Town use only.

The Town projected that its new wastewater treatment facility would be in service by August 2009.

- iv. As an interim measure, the Town advised it will arrange for water purchases from the Yellowhead Regional Water Co-op (YRWC), at an estimated annual cost of \$0.4 million, the water to be supplied to Springhill. As this is to be a dedicated line, the cost is to be met by Springhill.**

The Town reported that YRWC was expected to supply 500,000 litres of water per day for Springhill, with the Town to supply one million litres per day, as per its existing contract with Springhill. The Town advised that it will not supply any higher volumes due to capacity constraints on its system (not expected to change with water sourced from an aquifer).

Springhill is to be billed by the Town at YRWC set rates, and is to receive two invoices quarterly (one for each supplier).

The Town advised that the new owner of Springhill - Hytek Ltd. - plans to examine Springhill's current operations towards undertaking water conservation measures for an expanded facility.

- v. There are a number of other projects that have been recommended by UMA Engineering, these related to capital upgrades to remedy fire flow concerns, etc., totalling \$3.1 Million.

The following tables summarize the water and wastewater capital program and funding thereof over the three year period, as included in the Town's rate study, and which includes, in part, the cost of the projects noted above:

FUTURE CAPITAL PROJECTS - WATER

Year 1	Amount	Town Portion	Funding
PCH - Water	\$100,000.00	51%	Utility Reserve
Portion of Paving Program (Westcreek)	\$ 80,000.00	100%	Utility Fund
Water Meter Replacement	\$ 40,000.00	100%	Utility Reserve
Water Treatment Plant Upgrades	\$100,000.00	100%	Utility Reserve
Water Renewals	\$120,000.00	100%	Gas Tax Reserve
	\$440,000.00		

Year 2	Amount	Town Portion	Funding
Water Renewals	\$120,000.00	100%	Utility Fund
Water Meter Replacement	\$ 40,000.00	100%	Utility Reserve
	\$160,000.00		

Year 3	Amount	Town Portion	Funding
Water Plant upgrades	\$3,000,000.00	50%	General Fund
Water Sourcing	\$5,650,000.00	50%	General Fund
Water Renewals	\$ 120,000.00	100%	Utility Fund
Water Meter Replacement	\$ 40,000.00	100%	Utility Reserve
	\$8,810,000.00		

FUTURE CAPITAL PROJECTS - WASTEWATER

Year 1	Amount	Town Portion	Funding
Waste Water Treatment Plant	\$23,000,000.00	\$1,500,000.00	General Fund
PCH - Sewer	\$ 100,000.00	100%	General Fund
Sewer Cleaning & Televising	\$ 50,000.00	100%	Operating
Sewer Renewals	\$ 120,000.00	100%	Gas Tax Reserve
	\$23,150,000.00		

Year 2	Amount	Town Portion	Funding
Sewer Renewals	\$120,000.00	100%	Utility Fund
Sewer Cleaning & Televising	\$ 50,000.00	100%	Operating
	\$170,000.00		

Year 3	Amount	Town Portion	Funding
Sewer Renewals	\$120,000.00	100%	Utility Fund
Sewer Cleaning & Televising	\$ 50,000.00	100%	Operating
	\$170,000.00		

Besides its intended extensive capital works program, the Town forecast an increase in utility operating expenses of 6% per year for Years 1 to Year 3, and, given planned greater efforts to promote water conservation, the Town forecast that water consumption levels will decline by 10% to 20% over the same three year period. Unaccounted for water presently represents approximately 16% of water produced.

The Town also assumed that all debenture debt costs, to arise from debentures to be issued to meet in large part the capital contributions required of the Town to meet its planned capital project list, will be funded through tax levies not utility bills.

Based upon all assumptions, the Town projected the following operating results with the new rates in place for Year 1 and 2 only:

(\$ '000)	2007	Year 1	Year 2
Revenues:	\$928.0	\$1,465.1	\$1,353.3
Expenditures:			
Water	\$507.5	\$ 757.2	\$ 759.5
Sewer	66.2	98.0	98.5
Reserves	20.0	45.0	45.0
Debentures	180.3	90.8	50.3
Capital	154.0	474.1	400.0
Total Expenditures:	\$928.0	\$1,465.1	\$1,353.3
Net Operating Surplus/Deficit	\$0	\$0	\$0

In addition to the proposed rate increases, the Town advised that it had reviewed all of its other services to assess if there was a need to revise or add new charges, based on an overall 'user pay' principle. The proposed changes that arose as a result of the review included:

1. Increase the amount of water included in the minimum quarterly bill for customers using a 5/8" meter size or less, from 14 cubic meters to 24 cubic meters, primarily to affect residential customers. A customer using a 3/4" meter size would expect a reduction in the minimum bill allowance from 28 to 24 cubic meters. This change alone, if approved and implemented, would represent a \$22.36 increase in the minimum quarterly bill out of a total proposed increase of \$24.95 in Year 1 for 5/8" and 1/2" meter size customers.

Without the change, and at the rates proposed for Year 1, the projected increase would be \$2.59 for each quarter, from \$43.72 to \$46.31, an increase of approximately 6%. The Town advised that 477 out of its total 1,283 customers

would be affected.

While the Town did not provide the additional revenue it expected to be collected as a result of the proposal, it would appear that the increased revenue would approximate \$10,500 (477 X \$22.36). The Town advised that the quarterly minimum billing does not adequately cover costs incurred for treating and supplying water. However, no estimate was provided as to the level a minimum bill would have to be to represent full recovery.

2. Equalization of Rate Steps - The Town's current commodity rates have been based on four steps - "the more a customer uses the less they pay". Currently, customers purchasing water at the 4th step at existing rates receive a discount of \$1.46 per cubic meter or, 68%.

The Town advised of its plan to equalize rates and move to one rate by 2020, as its cost of water is the same regardless of the amount used. During the hearing, it was noted that the statement is true with respect to the production cost of water, but not with respect to distribution costs. The accepted primary reason for rate step reductions is related to water conservation.

3. Water Meter Rental Fee - There are currently a large number of water meters in service that are 15 - 20 years old. The Town advised that meters of that age have a minimum loss of accuracy of 15%. The Town is planning to replace meters with a new RF system allowing for reading meters from a meter reader's vehicle and data entry into the Town's

billing system electronically. The cost of these meters is approximately twice the cost of traditional meters.

To offset this cost, the Town proposed a meter rental fee increasing with meter size as noted earlier that would generate approximately \$27,650 annually. The Town advised that the fee would only recover, in part, the cost of meter replacement, and that the fee will remain in place for all time, to cover the roll-over costs of the program.

4. Oversize Meter Charge - The Town advised that often customers request a meter size larger than required by their demand and the Town has complied with such requests, at no additional cost to the customer. The Town proposes to continue to meet such requests but proposed an oversize meter charge recognizing that the meter and installation costs are higher. The charges proposed by the Town increase from \$50.00 for a $\frac{3}{4}$ " meter size and up to \$4,155.00 for a 6" meter size.

It was noted that increases in meter size also cause an increase in the minimum quarterly bill for the customer.

During the hearing the clause covering this charge in the By-law was reviewed. It appeared clarity was required with respect to how the charge was to be assessed for example, does the maximum fee of \$4,155.00 cover the cost of difference between a 4" meter size properly sized and a 6" meter if oversized.

5. Activation and Termination of Water Service - The Town provides activation and termination service at no charge

for customers who, for example, leave on extended stays. The Town proposed a \$30.00 fee for each termination or activation service, or otherwise, each time a curb stop is operated. This fee would also apply to disconnections of service for non-payment.

6. Lagoon Tipping Fees - As noted earlier, the Town proposed 3.5% in Year 1, 3% in Year 2 and 3% in Year 3 increases in these fees to coincide with the general increase in the Town's commodity rates. The Town noted that the discretionary 5% increase approved by the Board for 2007 and 2008 was not implemented. The Town's Lagoon Tipping Fees are higher for customers outside the Town's Boundaries to allow for the recovery of some part of the debenture debt cost of the Utility as previously approved by the Board. However, the percentage increase being requested is the same for all customers.

The Town provides service beyond its boundaries to residents located in the RM of Langford and collects, through the RM of Langford \$0.1101 per cubic metre, in addition to the commodity rates proposed for future capital replacement. No change was proposed in this regard.

Background

The Utility currently serves approximately 1275 customers.

The Town last revised water and sewer rates in 2005; by Order 144/04 issued November 22, 2004, the Board approved rate

increases for 2005 and 2006. There have been no rate increases since.

The last deficit incurred by the Utility was in 2005, that being \$11,859. In 2007, the Utility broke even after transferring \$20,000 to the Utility Reserve Fund. All Utility surpluses are transferred to the Reserve Fund, which, at the end of 2007, had a balance of approximately \$441,280.

The Town reported water losses of 16% in 2007 and noted in the past such losses have been within acceptable limits, less than 10%. Such an increase is of concern to the Town and explained as being related to human error related, in part, to the conversion of the Town's accounting software in 2006.

However, the Town has since instituted closer monitoring. The Town has begun to meter previously unmetered water usage, including watering of football fields by the Beautiful Plains School Division and fire hydrant use, and further, has taken steps to read the meters on the Neepawa Riverside Cemetery regularly.

Ratepayers Concerns

The Board received three (3) written comments from the Beautiful Plains School Division dated June 23, 2008, Westpark Place Mobile Home Park on June 26, 2008 (updated at the hearing dated July 3, 2008) and Springhill Farms dated July 3, 2008. The Board also heard oral presentations from Neepawa Drycleaning and Laundromat Ltd. and from other citizens.

Beautiful Plains School Division (Division)

The Division operates two schools in the Town and water consumption for each is considerably less than the allowances provided in the minimum quarterly bill. The Division noted that except for the rise in the minimum quarterly for residential customers, the Town provides no change in the minimum volumes of water included in the quarterly bills for large meter size customers. The Division noted that one way to promote water conservation is to eliminate the minimum quarterly bill. As long as the Division uses less than the minimum volumes in the quarterly bill, there is little incentive to reduce consumption.

The Town advised that the Division has oversized meters in use, and will review whether a reduction in meter size to fit more appropriately their demand is required and if so, the minimum quarterly bill will decline accordingly (the larger size, the higher the minimum quarterly bill).

Westpark Place Mobile Home Park (Westpark)

Westpark opposed the Town's Application as in their view the Town is unwilling to become an active player in water conservation. In Westpark's view while the Town talks about user pay principles when it wishes to introduce user pay charges, it fails to accept that the use of individual meters in their trailer park is consistent with the user pay principle and if installed would provide trailer park residents a greater appreciation for the value of water. Westpark is prepared to pay for the installation of such meters if the Town agrees to bill each trailer park resident individually for water use.

The Town advised it is considering Westpark's proposal and is

awaiting legal advice as to responsibilities under such an arrangement. The Town agreed to review the matter further with Westpark.

Springhill Farms Ltd. (Springhill)

Springhill advised the Board that the company had only heard of the Town's application one week before the hearing and had inadequate time to understand the implications or the rationale as related to the proposed increases, plans for alternate water supply sourcing, and competitive rate setting.

Springhill suggested that the Town's proposals, if implemented, would result in a 228% rate increase over the next 3 years, compared to a 9.6% increase for other customers. (Subsequent to the hearing, the Town reported that the firm had recalculated the estimated impact of the Town's proposal and reduced its estimated impact, though it remains very material.)

When Springhill compared the Town's proposal with Winnipeg, Portage la Prairie and Brandon, the company noted that Neepawa's rates would be 48%, 350% and 26% higher, respectively (again, this prior to the subsequent recalculation).

Springhill noted that when large volume users have a significant investment, whether existing or planned, in a community, there should be sufficient time allowed for the firm to assess the potential bill impacts and time to seek solutions to address the issues.

The Town advised that Springhill had been notified on June 9, 2008 of the Town's intention to increase rates, and of the

estimated rate impact.

The major reason for the increase in cost forecast for the company is the Town's Rate Equalization Plan, which includes higher increases in commodity rates for water in the 4th step, 41.5%, 30.6% and 23.2% in Years 1, 2 and 3, respectively. The Town's letter of notice advised Springhill about the Board's upcoming public hearing.

The Town advised that the estimated quarterly impact using 43,000 cubic meters which was based on current consumption and with approval of its rate application in Year 1 to Year 3 would be as follows:

		Increase	%
Current	\$25,572.43	-	-
Year 1	\$36,454.21	\$10,881.78	42.5%
Year 2	\$47,030.24	\$10,576.03	29.0%
Year 3	\$56,854.96	\$ 9,824.72	21.0%

Further, the Town provided a rate comparison with Winnipeg, Portage la Prairie and Brandon, and noted that at current rates, Winnipeg is 52% and Brandon is 77% higher than Neepawa's current rates, while Portage la Prairie's rates are 27% lower. After Year 3 of the increase, the Town estimates its rates will be higher than all three, as follows: Winnipeg by 47%, Brandon by 8%, and Portage la Prairie by 183%, while noting the City of Winnipeg's rates are not fully-loaded costs.

The Town further advised it is working closely with Springhill regarding future water and wastewater requirements.

Other Ratepayer Concerns

The owner of Neepawa Drycleaning and Laundromat Ltd. wanted assurances that the bill increase as a result of this proposal would not exceed 3.5% in Year 1, 3.0% in Year 2 and 3.0% in Year 3 and no more. The Town noted that the Neepawa Drycleaning was notified, on June 9, 2008, of the Town's Application and the rate impacts on their business based on historical consumption.

The Town advised the estimated increase would be \$66.52 per quarter in Year 1 and \$266.08 over the three (3) year period if their application was approved.

Other ratepayers disagreed with the Town's intention to charge \$75.00 for each and every call out concerning blocked sewer lines as contained in clause 6(c) of By-law No. 3059, which came into effect on March 18, 2008. The residents noted that the cause of the blockages may be roots belonging to trees on the Town's property and therefore, such costs should not be borne by the homeowner.

The Town advised that there are costs associated with such services and such costs ought to be recovered from individual landowners consistent with the user pay principle and to control abuse of a "no charge" service. The Town noted that there were some residents abusing the "no charge" service by requesting a call-out every year. The Town advised that the charge is to some extent experimental to contend with the abuse and will be reassessed following one year's experience.

At the Board's request the Town provided the policies of the City of Dauphin and the Town of Minnedosa in this regard.

The Town of Minnedosa's policy is as follows:

"Cost of repairs to sewer and water service lines from the curb stop to premises served due to breakage after one year of installation will be the responsibility of the property owner.

The Town of Minnedosa will remove blockages in the sewer service lines from the sewer main to the residential premises served, once per calendar year, at no charge, if blockage is related to tree roots, effective March 3rd, 1999.

The Town of Minnedosa will remove subsequent and other blockages, regardless of the cause of the blockage, at the fee for service established March 3rd, 1998. The rate schedule is as follows:

During Normal Working Hours - \$50.00 per call

Overtime (Evenings & Weekends) - \$75.00 per call

The Town of Minnedosa will assume responsibility for repair of a leaking Curb Stop."

The City of Dauphin's policy is as follows (By-law No. 08/2005):

"2. The owner shall be responsible for the removal of blockages in the sewer service pipe and the sewer service pipe connection:

- (a) The City may from time to time visually inspect the condition of the sewer service pipe using closed circuit television camera (CCTV) equipment. The owner of the premises shall allow City workers access to the sewer service cleanout in his premises for purposes of performing the sewer service inspection;
- (b) The City will visually inspect the internal condition of the sewer service pipe to determine the condition of the pipe and where root infiltration is evident, determine the location along the sewer service pipe where the root infiltration is occurring;
- (c) Where the sewer service pipe is found to be in such a deteriorated condition as to likely result in internal blockage of sewer flows or root infiltration is evident and this condition exists within the

boundaries of the owners property then the cost of clearing the blockage and inspecting the condition of the sewer service pipe shall be born by the owner of the premises;

- (d) Where the sewer service pipe is found to be in such a deteriorated condition as to likely result in internal blockage of sewer flows or root infiltration is evident and this condition exists within the boundaries of the public right-of-way, then the cost of clearing the blockage and inspecting the condition of the sewer service pipe shall be born by the City;*
- (e) Where the sewer service pipe is found to be in such a deteriorated condition as to likely result in internal blockage of sewer flows or root infiltration is evident and this condition exists within the boundaries of the owner's property and the public right of way, then the cost of clearing the blockage and inspecting the condition of the sewer service pipe shall be born equally by the Owner of the premises and the City."*

The City advised the Town of Neepawa on July 8, 2008 that the City does not charge a flat fee but rather actual costs incurred.

One resident complained that the increases are excessive and seem to suggest the Town is "broke" and is "nitpicking" through user pay charges which are not affordable.

Board Findings

The Board is pleased with the Town's evident effort to recognize and fund the many identified challenges facing the Utility.

As noted by the Board at the 2004 rate hearing, when a single customer is as significant as Springhill, this can present considerable challenges as well as opportunities. While such an

employer contributes to economic prosperity, the community still has an obligation to ensure that utility charges made to that firm are reasonable and do not prejudice the position of the Utility's other, and smaller, customers.

The Board concludes that the Town is attempting to reach a reasonable balance, one that will allow for the retention of the firm with its sizeable employment base while avoiding undue utility billings to the other customers.

Once again, as noted in 2004, the Utility faces a significant capital renewal challenge and, to the Town's benefit, it has addressed those challenges directly with a plan that involves, once the Board's directions are implemented, rate increases. For most smaller volume customers increases will be slightly above the rate of general annual inflation, while increases to its overall utility revenue flow through large increases to be imposed on the Utility's largest customer - this through the beginning of the implementation of collapsing the four step rate schedule to one step.

The Board supports user pay systems, that is, utilities that are not subsidized from general municipal tax revenues. The Board also supports rates that are fair and equitable.

It was evident during the hearing that not all parts of the Town's Application met public acceptability, particularly the meter rental fee and the fee associated with cleaning out blocked sewer lines. The Board addresses each of these issues separately in this Order, as well as commenting on other matters.

While the Board will approve the continued use of minimum bills, it will not approve the changes to the minimum bill proposed by the Town. The Board is not satisfied that the changes to allowable quarterly consumption associated with minimum bills proposed by the Town are reasonable. The Town's application was not sufficiently supportive to cause the Board to alter its long-standing practice of establishing minimum bills that recognize a balance between a reasonable minimum bill and the recovery of the cost of services. The Board agrees that inordinately high minimum bills associated with high consumption volume allowances promote increased water use rather than conservation, and, therefore, will not approve the minimum quarterly volume of water charges proposed for the ½", 5/8" and ¾" meter size.

The Board notes and encourages the Town to continue its dialogue with the school division to ensure that the customer's meter is properly sized for its requirements.

With respect to the concern of Westpark, the Board notes that, historically, the Town's service has ended at the trailer park property - beyond that point, the delivery and charging for water use was the responsibility of Westpark. The Board agrees that meters represent the fairest method to recover Utility costs and further, that meters allow for customers to understand and appreciate the demands they place on the system and represent an opportunity to appreciate the value of conservation efforts.

The Board also notes that by having the Town collect utility bills relieves the trailer park of the responsibility and

eliminates a variable cost to the trailer park owner, and suggests that this may be subject to rent control requirements. The Board notes that in Brandon, with the Rate Equalization Plan employed there, trailer park owners claimed they were unable to recover the cost of providing water because the trailer park owner was charging customers the same retail rates charged by the City of Brandon, but was buying water at the City's lower step rate thereby creating a margin to allow for the operation of the park's Utility.

Brandon's Rate Equalization Plan would erode such margins and hence, the trailer park owner wanted the City of Brandon to bill customers individually, based on metered consumption. The City of Brandon was prepared to entertain such a request, but accepted no responsibility for the maintenance of the utility system on the trailer park owner's property.

The Board notes that the Town is reviewing this matter and is considering legal advice, an approach the Board finds appropriate. While the Board takes no position on this matter, it does note that the Town currently provides a similar service to a trailer park-like property. The decision to install meters rests with the Town.

Further, and as noted above, while the Board will not approve the meter rental fee, it accepts that the annual revenue proposed to be collected from the fee is required and will direct that it be recovered through an adjustment to the Town's proposed commodity rates. Meter rental fees are not common in the industry, and do not meet with general public acceptance, as evidenced by the reaction of several rate payers in attendance

at the hearing.

Concerning the oversize meter charge, the Board believes that without strong justification such as the possibility of near future increased demand, the installation of oversized meters ought to be discouraged. Where justified, the oversized meter can be installed and the charge to be collected should represent the additional cost of the oversized meter. The Board believes that the oversize charge should represent the difference in cost of the oversized meter - the difference in cost, for example, between a 3" meter and a 4" meter if a 3" meter will suffice for current demand. The Board will require the Town to add clarity to the applicable clause in its rate by-law.

Concerning the sewer line blockage fee, the Board believes that the 'user pay' principle in this regard is appropriate and is reasonable, notwithstanding such charges now are set out in the Town's Water Works by-law rather than the rate by-law, and the Board will approve the fee. The charges are to be noted in the rate By-law.

The Board accepts the commitment of the Town to reassess its policy in this regard after one year of experience, and will require the Town to report to the Board on this matter on or before September 30, 2009.

The reduction of rate steps is commonly considered by many utilities, and the Board generally supports the move as it provides for a greater appreciation of the value of water and enables ratepayers to take steps to reduce their consumption.

Further, through conservation efforts capital investments can be

delayed. The Board recognizes that rate impacts on large volume users can be significant which is why the Board encourages rate equalization plans to be discussed with their customers in advance. The Board notes that all of its large volume users, including Springhill, were provided, by letter, specific details of the rate impacts as estimated by the Town.

Despite the Board's recognition that the increase in costs for large customers, particularly Springhill, can be considered a form of rate shock, given the revenue requirements of the Utility and a lack of reasonable options, the Board will approve rates flowing from the Town's Rate Equalization Plan once those rates have been amended in compliance with the directions of this Order.

In all other respects the Board will approve the charges proposed by the Town including fire hydrant charges, bulk water rates, lagoon tipping fees and the activation and termination fees.

With respect to the terms and conditions related to disconnection of service, the Board will direct amendments to agree with the current requirements of the Board that provide for adequate notice and for appeals.

It is critical that customers of the Utility receive reasonable notice of matters that affect them. The Board notes that Notice of the Town's Application and Public Hearing was provided in the local newspaper on two occurrences on June 16 and 23, 2008, and was posted in several prominent locations. As well, a letter was sent to the Town's large volume customers advising these

customers of the Town's application. In the Board's view, Notice was adequate.

Rate predictability is of importance to all customers but particularly to large volume users. While the Town was unable to provide a specific rate plan to eliminate all rate steps by 2020, the Board notes that a 50% increase in the 4th step would be required to equal the rates in the first step after Year 3 of the Town's rate proposal. The Town also noted that if Springhill, with the owner now being Hytek Ltd., were to purchase all of its water from the YRWC, it would note a significant increase in costs over those to arise from the Town's rates.

Accordingly, the Board will require the Town to amend its rate proposal and resubmit revised water and sewer rates and other fees and charges to agree with this Order including the following:

1. by reducing the minimum quarterly bills based on meter size for the 1/2" and 5/8" meters to the existing amount of 14 cubic meters each. The 3/4" meter size will increase from the proposed 24 cubic meter to the existing 28 cubic meters and adding the reduced revenues into revised commodity rates;
2. by eliminating the meter rental fee and including the requested \$27,650 increased revenue in the proposed commodity rates for water and sewer equally;
3. by noting the reference to the blocked sewer service fee of \$75.00 per call out in By-law No. 3059 in the rates

by-law; and

4. by clarifying the oversized meter charge policy and fee consistent with this Order.

Upon receipt of the amended by-law and schedules with the rate proposal, the Board will consider approval thereof.

IT IS THEREFORE ORDERED THAT:

1. The Town of Neepawa, as soon as possible, amend and file with the Board revised proposed water and sewer rates and other changes to conform to the directions contained within this Order. (The Board intends to review the amended rate proposal and, if it finds the amendments satisfactory, approve the new rate schedule to take effect as early as September 1, 2008 - for minimum quarterly bills and for water consumed on or after September 1, 2008.)
2. All other changes as sought by the Town and approved by the Board are to be effective on all bills on or after September 1, 2008.
3. The Town of Neepawa file with the Board an assessment report on the application of a \$75.00 call-out charge, as provided for in the Town's Waterworks By-law No. 3059, by no later than September 1, 2009.
5. The Town of Neepawa file with the Board the final Rate Equalization Plan for the collapsing of the four-step rate schedule to a one step schedule, by no later than December 31, 2009.

Fees payable upon this Order - \$2,500.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SCHWANKE"

Acting Secretary

Certified a true copy of Order No.
118/08 issued by The Public
Utilities Board

Acting Secretary