

M A N I T O B A) Order No. 62/08
)
THE PUBLIC UTILITIES BOARD ACT) May 26, 2008

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

CITY OF WINKLER
REVISED WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves an application by the City of Winkler (City) for revised water and sewer rates; existing and revised rates are as follows:

	Existing	Approved	Increase
Water \$/1000 gallons	\$ 6.20	\$ 7.25	17%
Sewer \$/1000 gallons	\$ <u>2.85</u>	\$ <u>3.60</u>	26%
Total commodity rate	\$ 9.05	\$10.85	20%
Service Charge	\$ <u>14.25</u>	\$ <u>17.65</u>	24%
Minimum Quarterly Charge ⁽¹⁾	\$23.30	\$28.50	22%
Sewer Only (9000 gallons) ⁽²⁾	\$42.75	\$50.05	10%
Bulk Water	\$ 8.20	\$ 9.75	19%

Note: ⁽¹⁾Based on 1000 gallons
⁽²⁾Reduced from 10,000 gallons

The Board found the City's application to be consistent with the past objective to keep rates current to allow for the avoidance of utility deficits while the City meets its obligations to provide safe and reliable drinking water and proper treatment of sewage.

The previous rate increase came with Board Order 62/05, issued on May 2, 2005 following a public hearing. The then-approved increase was 25%.

Notice of the City's application was published in the local newspaper on two occasions and posted in several prominent locations. The notice invited comments or concerns, and the Board received none.

Application

The City applied on March 12, 2008, with an application that was supported by By-law No. 1940-08, read the first time on March 11, 2008

Since the increases that arose with Order 61/05 in 2005, the City inadvertently passed through a 20 cent increase per thousand gallons in its wholesale cost of water, purchased from the Pembina Valley Water Cooperative Inc. (PVWC), without first obtaining Board approval. Subsequently, Board staff advised the City of the legislative requirement for all rate changes to be first approved by the Board.

With its current application, the City proposed the following increases:

	Existing	Proposed	Increase
Water \$/1000 gallons	\$ 6.20	\$ 7.25	17%
Sewer \$/1000 gallons	<u>\$ 2.85</u>	<u>\$ 3.60</u>	26%
Total commodity rate	\$ 9.05	\$10.85	20%
Service Charge	<u>\$14.25</u>	<u>\$17.65</u>	24%
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With the Board's approval, a residential customer using 9,000 gallons of water per quarter would experience a 20% increase in their quarterly bills, from \$95.70 to \$115.30.

In 2005, through Board Order 61/05 the City's water rates increased

from \$5.25 to \$6.00 per thousand gallons (14%), while sewer rates increased 54% (\$1.85 per thousand gallons to \$2.85).

The then-increase in sewer rates were largely related to the reflection in rates of the inclusion of debt servicing costs, as related to a \$1.2 million sewer project. The debenture is to be repaid over a 10-year period, following which the City is to review rate adequacy. The annual debt servicing cost is \$163,852, representing 20% of the annual total cost for sewage treatment.

In its 2005 order, the Board noted rapid community growth and the need for the City to review its rates for adequacy on a frequent basis to best ensure its Utility remains financially able to meet future challenges.

Since 2005, the City advised that its Utility has avoided deficits and having been able to increase the utility reserve fund to a December 31, 2007 balance of \$1.3 million.

As of December 31, 2007, the original capital costs of the Utility were:

Water production and distribution	\$16.7 million
Sewer collection and disposal	\$19.8 million

In 2008 and 2009, 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 an estimated \$9.15 million on capital projects, of which only \$3.0 million is expected to be recovered from rates. The balance is currently expected to be

provided by grants, developer charges, utility reserves and a new debenture.

In 2010, the City expects to issue a new \$2.5 million debenture to assist in funding improvements to the water treatment and distribution system. The resultant annual debenture servicing costs are currently intended to be reflected in rates, this requiring a further increase in rates at that time.

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

Administration	\$ 237,558
Water	\$1,545,319
Sewer	<u>\$ 797,293</u>
	<u>\$2,581,170</u>

The projected costs include contingencies for water and sewer, \$166,945 and \$197,512 respectively. Contingency allowances are provided to meet unusual and/or unexpected utility repair costs. The Board's recommended guidelines suggest an annual contingency provision reflective of 1% of the original cost of the system be provided for in rates, and the City followed the guidelines.

Unused contingency provisions and/or favourable operating results are expected to accrue to the credit of the Utility reserve fund.

The City's Utility operates with 8 permanent staff, and vehicles and other equipment dedicated solely for the purpose of operating the Utility. Shared staff time, including administrative staff, is allocated to the Utility based on time spent.

Utility operators are duly certified and the City's utility budget provides allowances for training and continuing professional development.

The City proposed a 19% increase in the bulk water rate to \$9.75, from \$8.20 per thousand gallons, to reflect the projected wholesale cost of water plus the operating costs of the bulk water station and a 3% surcharge to reflect a portion of annual debenture servicing costs.

The City annually reviews surcharges for the treatment of extra-strength sewage, which are presently:

Total Suspended Solid	\$0.90/1000 gallons
Total Fat, Oil and Grease	\$1.05/1000 gallons
Total Kjeldahl Nitrogen	\$1.05/1000 gallons
Biochemical Oxygen Demand Surcharge	\$1.05/1000 gallons

The City plans to spend \$725,000 of Utility reserves over the next 5 years on the sewage collection and disposal system, this to include the force main, lagoon and lift station. The City also advised that it expects to continue to build utility reserves, planning to set aside out of utility revenues \$250,000 in 2008 and further amounts in future favourable operating years. The City also provides water and sewer services beyond 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.

Background

The City's Utility currently serves 3,167 customers, of which 96% are residential or small commercial customers.

Approximately 40% of the water distribution system was built pre-1978, and the City reports the system to be in very good condition. Approximately 35% of the sewage collection system pre-dates 1977, and was also reported to be in good to excellent condition.

The City advised that in the past year 6 line breaks occurred - 3 in each system, and that unaccounted for water averages approximately 5%, well below industry averages.

The Utility's annual debenture debt servicing costs are recovered as follows:

Frontage	\$ 26,170
Tax Levy	168,939
Utility Rates	163,852
Developer Fees	<u>138,259</u>
	<u>\$497,220</u>

Currently, the City purchases 36% of its water requirements from the PVWC, for a cost of \$5.40 per 1000 gallons. The balance of the City's water requirements is sourced from ground water. Over the next 5 years, the City expects to construct a new treatment facility to treat brackish groundwater. As well, the City is looking to the PVWC for increased water supplies to help meet future community growth.

The City noted that its hydraulic storage capacity had increased in 2006, and is expected to meet the City's needs to 2026. The City expects to conduct the provincially-mandated engineering assessment of the Utility system in the fall of 2008.

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

The City promotes water conservation - lawn watering days are cycled in the community, promotional material is distributed, and \$7,500 provided in the 2008 Utility budget as part of the City's low flow toilet replacement rebate initiative. The City also subsidizes the use of rain catchment barrels.

The City advised the Board that it has identified the risks to its Utility and has taken steps to provide for risk mitigation as part of the City's emergency planning.

Board Findings

The Board appreciates the thoroughness of the City's application and planning, and the timely and complete responses provided to the Board's inquiries through the application review process.

The information submitted suggests that the City has its utility challenges in hand and is taking appropriate steps to ensure that safe and adequate water and sewer services will be available to the community into the future.

As was the case in 2005, the rate increases provide herein are, once

again, double digit. However, the increases represent the minimums necessary for the City's utility to operate on a financially sound basis into the future.

Accordingly, the Board will approve the increases proposed by the City and, in doing so, accept as valid the pass-through wholesale water increase that was inadvertently processed without the Board's approval.

The City has an ambitious, yet apparently affordable capital plan to meet the growing needs of the community. Possibly, the additional utility debenture debt expected to arise from future utility system improvements will be reflected in the next rate application.

That said, the Board expects that relative rate stability will occur in the near term, and that the use of multi-year rate increases should bring added rate predictability for the community in the future.

This Order will also amend the clause in the City By-law dealing with the collection of arrears and providing for reasonable notice.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 1940-08 of the City of Winkler BE AND IS HEREBY APPROVED;

Fees payable upon this Order - \$1,175.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"G. BARRON, FCGA"

Acting Secretary

Certified a true copy of Order No.
62/08 issued by The Public Utilities
Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER No. 62/08
THE CITY OF WINKLER
REVISED WATER AND SEWER RATES
BY-LAW NO 1940-08

1. Commodity Rates per 1000 Gallons:

<u>Quantity per quarter</u>	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
All water consumption	\$7.25	\$3.60	\$10.85

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 Minimum
				Water	Sewer	
5/8"	1	1,000	17.65	7.25	3.60	28.50
3/4"	2	6,000	17.65	43.50	21.60	82.75
1"	4	12,000	17.65	87.00	43.20	147.85
1 1/4"	7	21,000	17.65	152.25	75.60	245.50
1 1/2"	10	30,000	17.65	217.50	108.00	343.15
2"	25	75,000	17.65	543.75	270.00	831.40
3"	45	135,000	17.65	978.75	486.00	1482.40
4"	90	270,000	17.65	1,957.50	972.00	2947.15
6"	170	510,000	17.65	3,697.50	1836.00	5551.15

- 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 9,000 gallons, the Flat Rate Charge per Quarter for these customers will be \$50.05/quarter including the customer service charge.
5. Bulk Water Sales
The rate to be charged for Bulk Water Sales shall be set at \$9.75 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.