

M A N I T O B A) Order No. 172/09
)
THE PUBLIC UTILITIES BOARD ACT) December 22, 2009

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

CITY OF PORTAGE LA PRAIRIE
REVISED WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) establishes interim water and sewer rates for the City of Portage la Prairie (City), effective January 1, 2010.

Existing and interim revised rates are:

Existing Schedule of Quarterly Rates: **2009**

	Gallons per quarter		Water \$/1,000 gal.	Sewer \$/1,000 gal.	Total \$/1,000 gal.
	Minimum	Maximum			
Domestic		50,000	\$4.53	\$5.82	\$10.35
Intermediate	50,001	500,000	\$3.66	\$5.82	\$ 9.48
Wholesale	500,001	4,000,000	\$3.14	\$3.30	\$ 6.44
Variable	4,000,001	-	\$1.29	\$3.30	\$ 4.59
Bulk Sales	-	-	\$6.77	n/a	\$ 6.77
Service Charge*	-	-	-	-	\$15.59

Revised (interim) Schedule of Quarterly Rates: **2010**

	Gallons per quarter		Water \$/1,000 gal.	Sewer \$/1,000 gal.	Total \$/1,000 gal.
	Minimum	Maximum			
Domestic		50,000	\$4.58	\$6.40	\$10.98
Intermediate	50,001	500,000	\$3.70	\$6.40	\$10.10
Wholesale	500,001	4,000,000	\$3.23	\$3.83	\$ 7.06
Variable	4,000,001	-	\$1.33	\$3.83	\$ 5.16
Bulk Sales	-	-	\$6.84	n/a	\$ 6.84
Service Charge*	-	-	-	-	\$15.90

* Assessed quarterly

The revised rates are approved on an interim basis only to allow for the submission of information from McCain Foods (Canada), a division of McCain Foods Limited (McCain), and such other information as may be available with particular respect to the Province of Manitoba's intentions for mandating nutrient removal by the City and as to the potential for significant senior government grants (to assist the City in meeting the anticipated capital costs of nutrient removal).

The Board requires McCain to file such additional information as it decides is germane to its perspective on the interim rates established herein and the City's proposal for the finalization of the interim rates and the further increase of such rates in the future. McCain is to file such information with both the Board and the City, no later than May 31, 2010.

Following receipt of such additional information that may be then available to the Board, the Board will consider finalizing 2010 rates for 2010 and the City's proposal for 2011 and 2012 rates, providing such processes as the Board may determine.

Introduction

The City applied to the Board on October 14, 2009 for approval of its rate By-law No. 09-8448, read the first time on October 13, 2009. The City's application was accompanied by a rate study that had been prepared in September 2009.

The City provides water and sewer services to customers both within and outside the City's limits. The City's utility services involve both the supply of water and sewer services, including water treatment and water pollution control.

The water treatment process has been upgraded, so as to both increase water production and capacity, and improve the quality of the water. The city's wastewater treatment facilities have also been upgraded, this primarily to provide increased capacity.

The City advises that its existing Water Pollution Control Facility provides now-adequate service for residential, commercial and large industrial users, although the City anticipates a provincial directive to require nutrient removal from its wastewater by 2015.

The City advised that the present value of its water and sewer plants exceed \$86 million, and that senior government financial assistance as well as contributions and support from large industry has allowed for the facilities to be constructed, upgraded and operated.

The City surmised that if nutrient removal is required by the Province, the cost of a then-required upgrade to its sewer plant was likely to be in the \$51 million range, excluding anticipated ongoing additional annual operating costs. The City further noted that to be able to finance the upgrade, significant support would be required from senior government, and that utility rates would have to rise materially from both current and proposed levels.

Rate Proposal

The City's application included maintaining the current four-step declining block rate scale for water consumption, and the existing two-step declining block scale for wastewater.

The City's proposal also allows for a gradual narrowing of the current wide spread between the rates charged for various consumption levels. If approved by the Board this would mean higher percentage rate increases for large volume users compared

to the rate increases for domestic customers.

With the Board's approval of its rate proposal, the City expects that such increased rates would generate sufficient annual revenue to recover all maintenance and operating costs as well as some of the utility's capital needs, through to and including calendar year 2012. The proposed increases were broken down by the City to reflect both operational and capital needs separately.

The City proposed that to meet expected annual operational and maintenance costs through to and including 2012, a 1% per year increase for Steps 1 & 2 for water rates and Step 1 for sewer rate would be required. For the higher steps for each of the water and sewer rate schedules, a 3% per year increase would be required.

In addition to the operating and maintenance costs, the City seeks increased sewer rates to build its reserves for the expected Nutrient Removal project, which will involve construction and annual operating costs, and to meet the cost of other required capital projects. These proposed rate increases would apply only to the sewer service component of overall rates, and would amount to a 9% increase for Step 1 customers and a 13% increase for Step 2.

The City proposed the following rates:

Schedule of Quarterly Rates: **2010**

	Gallons per quarter		Water \$/1,000 gal.	Sewer \$/1,000 gal.	Total \$/1,000 gal.
	Minimum	Maximum			
Domestic		50,000	\$4.58	\$6.40	\$10.98
Intermediate	50,001	500,000	\$3.70	\$6.40	\$10.10
Wholesale	500,001	4,000,000	\$3.23	\$3.83	\$ 7.06
Variable	4,000,001	-	\$1.33	\$3.83	\$ 5.16
Bulk Sales	-	-	\$6.84	n/a	\$ 6.84
Service Charge	-	-	-	-	\$15.90

Schedule of Quarterly Rates: **2011**

	Gallons per quarter		Water \$/1,000 gal.	Sewer \$/1,000 gal.	Total \$/1,000 gal.
	Minimum	Maximum			
Domestic		50,000	\$4.63	\$7.04	\$11.67
Intermediate	50,001	500,000	\$3.74	\$7.04	\$10.78
Wholesale	500,001	4,000,000	\$3.33	\$4.44	\$ 7.77
Variable	4,000,001	-	\$1.37	\$4.44	\$ 5.81
Bulk Sales	-	-	\$6.91	n/a	\$ 6.91
Service Charge	-	-	-	-	\$16.22

Schedule of Quarterly Rates: **2012**

	Gallons per quarter		Water \$/1,000 gal.	Sewer \$/1,000 gal.	Total \$/1,000 gal.
	Minimum	Maximum			
Domestic		50,000	\$4.68	\$7.74	\$12.42
Intermediate	50,001	500,000	\$3.78	\$7.74	\$11.52
Wholesale	500,001	4,000,000	\$3.43	\$5.15	\$ 8.58
Variable	4,000,001	-	\$1.41	\$5.15	\$ 6.56
Bulk Sales	-	-	\$6.98	n/a	\$ 6.98
Service Charge	-	-	-	-	\$16.54

The City advised that the variable rate step (the fourth step) was established primarily to recover variable costs, the servicing of debentures related to the Utility, and to provide contributions to the Utility reserve. The City further advised that step three was established as a wholesale rate, set to recover "costs" imbedded in the fourth step plus provisions for reservoir and administration costs.

The domestic and intermediate steps were established to not only accomplish the goals set for steps four and three, but also to recover the annual costs of local distribution and metering.

The City's Utility is dependent upon industrial users for a significant percentage of annual required revenue. Approximately 49% of annual utility revenues are generated from industrial users, while 30% is derived from residential customers, 5% from regional sales and 17% from other sales.

Translated into dollars, industrial user contributions for 2009 totalled \$4.5 million, representing a major contribution to overall expenditures, one deemed reasonably representative of the costs associated with the provision of "normal" water and sewer services as well as the significant costs involved in treating industrial wastewater.

The City provides water services to customers located outside of the City's boundaries, including an industrial customer and regional and individual customers, while reserving capacity for future population and related service requirements. Service to customers outside its boundaries raises the demand for the City's water while also allowing the City to access more funds from other sources for capital projects that are expected to improve the quality and efficiency of the Utility service.

The City advised regional customer sales provide a premium revenue source as the rate structure freezes at the third rate step for these customers. Regional customers include both the Cartier and Yellowhead regional water systems, which, in turn, provide services to customers in St. Francois Xavier, Gladstone,

MacGregor, Austin, Arden and Plumas. While in 2005 only 1% of the City's water sales were made to regional customers, by 2009 sales to regional customers increased to 5%.

At the end of 2009, the City's Utility reserve and surplus accounts comprised an aggregate balance of \$4.6 million. Of the annual \$1.12 million of required annual utility debenture service payments, \$464,561 is raised through property tax assessments and \$657,218 through rates, the rate contribution representing approximately 9% of total annual rate revenues.

If the rates sought by the City, through to 2012, were approved, the City anticipates achieving balances of \$6.8 million in its Nutrient Removal reserve by 2012, and a further \$4.1 million in the general utility reserve (to be available for other future capital projects).

The City advised that additional increases to meet operational and maintenance costs are expected in 2013 and future years, to meet anticipated incremental costs plus additional expenses associated with the expected completion and then operation of the planned nutrient removal upgrade.

The City provided the following financial forecast, based on the premise that its rate proposal would be approved as presented.

	2009	2010	2011	2012
Utility Revenue	\$ 13,392,304	\$ 9,821,905	\$ 10,854,721	\$ 14,442,753
Expenses				
Finance & Administration	\$ 6,448,363	\$ 4,844,142	\$ 5,654,622	\$ 8,977,758
Water Treatment & Pumping	\$ 2,933,757	\$ 2,088,458	\$ 2,138,474	\$ 2,189,947
Water Distribution/Wastewater Collection	\$ 2,627,406	\$ 1,504,110	\$ 1,535,808	\$ 1,568,159
Wastewater Treatment/Conveyance	<u>\$ 1,382,778</u>	<u>\$ 1,440,863</u>	<u>\$ 1,447,125</u>	<u>\$ 1,453,511</u>
Total Expenses	\$ 13,392,304	\$ 9,877,573	\$ 10,776,029	\$ 14,189,375
Surplus/(Deficit)	\$ -	\$ (55,668)	\$ 78,692	\$ 253,378

The effects of accounting changes with the implementation of Public Sector Accounting Board standards, and the requirements of the Public Utilities Board when calculating rates, are not reflected in the above forecasts. The impact of these changes is discussed in more detail later in this order.

As required by the Board, the City provided its methodology for allocating costs of services shared between general and utility operations, to the Utility:

- 35% of costs associated with Mayor and Council, City Manager, Administration, Finance and Human Resources
- 50% of costs associated with Operation Administration, Engineering Staff and Public Works Administration
- grass cutting is a shared service and is prorated based on acreage.

In 2008, the total cost for shared services allocated to the Utility was \$700,092.

Capital Projects

Major capital projects for the proposed rate increase period, 2010 to 2012, include:

- GAC Media Replacement \$0.3 million
- Secure Chemical Storage Building \$0.25 million
- Lime ponds retrofit & sewer \$0.25 million
- Watermain and system upgrades \$0.7 million
- Sanitary Sewer renewals \$0.74 million
- Nutrient Removal-BVF liner replacement \$5.0 million
- Nutrient Removal-Engineering \$0.9 million

All proposed capital projects, including those noted above, for the above noted period total \$10.7 million, are to be funded by withdrawing \$4.6 million from reserves, allocating \$3.4 million of revenue forecast to be raised through increased rates, and borrowing \$2.7 million. Some of the forecast requirement of \$10.7 million for capital projects proposed for the next three years would allow the City to prepare for the anticipated Nutrient Removal requirement.

The City advised that Manitoba Conservation has indicated that the City's wastewater treatment will have to include nutrient removal. The City also advised that, although the Province has yet to set targets through regulation, the City has been advised that the nutrient targets would be a maximum of 1.0 mg/l for phosphorus and 15 mg/l for nitrogen.

Although a deadline for the completion of the expected major upgrade has yet to be set, the City is preparing for an

anticipated \$51 million project, to be completed in 2015.

The City noted that the requirement for Nutrient Removal is a recommendation of the Clean Environment Commission and the Lake Winnipeg Stewardship Committee, recommendations accepted by the Province. Nutrient removal is expected to result in the reduction of the levels of phosphorus and nitrogen in water discharged into the Assiniboine River, which then flows into the Red River and on to Lake Winnipeg.

Nitrogen and phosphorous have been identified as prime contributors to the growth of algae and aquatic vegetation (eutrophication), the decay of which depletes the shallow waters of oxygen in the summer. The City further advised that the imbalance of nutrients, such as high phosphorus and low nitrogen, is expected to lead to toxic algae blooms in Lake Winnipeg (which kills fish, wildlife and cattle).

The City has advised that the sources of nutrients originate from:

- a) domestic wastewater (typically 23 mg/l total nitrogen, 3.6 mg/l total phosphorus), and
- b) from industrial potato wastewater (typically 135 to >250 mg/l total nitrogen, 30 to >50 mg/l total phosphorus).

Surface water run-off combined with natural elements and agricultural uses also contribute. By removing phosphorus the present incidences of toxic blue-green algae are expected to

fall, while the removal of nitrogen is expected to reduce current and future levels of aquatic vegetation.

The City estimated that the daily percentage of phosphorus loading by customer class is as follows: municipal <10%, Poplar Bluff ~35% (includes Simplot an industrial plant) and from other industrial users ~55%. The daily percentage of nitrogen loading by customer class was reported as: municipal 10%, Poplar Bluff 35%, and other industrial users, 55%.

To remove these nutrients, the City proposes additional wastewater treatment facilities, which may include: increased aeration capacity, dissolved oxygen control, chemical feed, phosphorus precipitate sedimentation or filtration, carbon source for nitrogen removal and/or residual solids thickening; digestion; storage; and land application.

The City began the process of preparing for nutrient removal earlier, with a Pre-feasibility Study completed by AECOM in 2008 and, more recently, pilot testing at the Water Pollution Control Facility. The measures were undertaken to assist the City in identifying the scope and estimated cost of the required upgrading. AECOM is currently completing a report on the nitrogen and phosphorous pilot testing and is expected to submit a report to the City soon.

In an AECOM document dated April 7, 2009, the consultant identified a number of steps to be taken to more fully develop the most viable alternative for the City's system and the final arrangements. Following those steps would be the functional and detailed design stages, the final design step before the

construction. The report contains an approach to accomplish nutrient removal, including advantages and disadvantages, and indicates an estimated price of \$51.1 million.

To meet the Province's expected direction, the City hopes to complete a feasibility study in 2010, prepare a functional design in 2011, and have ready a detailed design for tendering in 2012. The City plans for construction to occur in the 2013 to 2015 timeframe, this to allow the City to meet the anticipated provincial compliance deadline of 2015.

The City advised that it has applied for 2/3 funding of the expected \$51.1 million cost for the upgrade from Canada Manitoba Infrastructure (the Provincial and Federal governments). The City projects its share to be \$17.0 million, an amount it anticipates being met through draws on reserve funds and borrowing.

As well, the City anticipates additional annual operating costs for Nutrient Removal, the estimate being an additional \$2.0 million, once the project is completed and removal underway. Accordingly, the City projects a requirement for further rate increases, following the start-up of nutrient removal.

Public Sector Accounting Board (PSAB) and Other Changes

Effective January 1, 2009, PSAB accounting standards became applicable for municipalities, including utility operations.

The implications for the City's annual audited financial

statements are significant: remove capital expenditures and principal debt payments - that is, no longer treat such expenditures as accounting costs; remove reserve transfers - transfers would not affect the net income or loss of the Utility; and, add amortization expense (which would increase Utility annual costs. As well, PSAB requires the consolidation of all funds, which will include the Utility.

In addition to the required PSAB changes, there are implications for the development of rate proposals. The Board has determined that, contrary to PSAB, capital grants related to the Utility are to be capitalized and amortized at the same rate that the capital asset is amortized.

The City advised that as a result of the imposed accounting changes, it expects its 2009 year-end statements will be impacted as follows:

	<u>2009 Budget</u>
Revenues	\$13,392,304
Expenses	<u>\$13,392,304</u>
Net Surplus/Deficit	0

With PUB/PSAB Adjustments Reflected

<u>Remove:</u>	
Capital Expenditures	\$ 1,218,500
Debt Principal Payments	\$ 355,987
Grant Revenue	(\$ 100,000)
Reserve Transfers	(\$ 647,500)
<u>Add:</u>	
Amortization of Capital	(\$ 3,195,134)
Amortization of Grants	<u>\$ 1,529,102</u>
ADJUSTED SURPLUS/(DEFICIT)	(\$ 839,044)

Implications for Utility Customers (Current Rate Proposal)

If the Board were to approve the rates contained in the City's application, customers would be affected differently, depending on consumption levels. To provide an idea of what the increases might look like, the City presented the following examples:

- An average family using 15,000 gallons per quarter, would, with the Board approving the City's application, expect to note an annual increase for 2010 of \$39, in 2011, of \$43, and, in 2012 of \$46.
- A mid-sized industrial user with consumption of 1,000,000 per quarter would see their annual bills rise from \$34,560 in 2010, to \$37,343 in 2011 and to \$40,466 in 2012 (or an average of 8% in each year).
- For a large industry, based on 90,000,000 gallons per quarter, users should expect increases of \$204,212, \$232,860 and \$268,466 in 2010, 2011 and 2012 respectively, or a 12.4% increase each year.

Prior Consultation

In a letter to the Board dated November 12, 2009, the City advised that it had met with large volume users in early October 2009 (specifically, Simplot on October 5 and McCain on October 8, 2009). The City advised that it presented the parties with the proposed water and sewer rates for the next three years, the rationale for the proposed increases, and an estimate of the

cost impact on the firms.

In the letter the City advised that:

"Both industries know of the requirement for nutrient removal from previous discussions but nonetheless expressed concern on the increase in operating costs and impact this will have to their operations and production planning. Preliminary Nutrient Removal design elements were discussed and an interest to attend the public hearing was expressed. Both groups appreciated the rate increase notice in advance."

The City published notice of the application and public hearing, scheduled for December 1, 2009, in the November 17th and 24th editions of the Daily Graphic newspaper, and posted copies of the notice in six locations in the City.

Intervener Request and Motion to Adjourn

The Board received an application and Notice of Motion dated November 16, 2009 from Taylor McCaffrey LLP (Taylor) requesting McCain be a named Intervener with respect to the City's application for revised rates. Taylor submitted the application on behalf of their client. The motion also requested the Public Hearing be adjourned for at least four to six months.

The Board, through Order 157/09, granted Intervener status to McCain but denied the request of adjournment.

(Please refer to Order 157/09 on the Board's website for details of McCain's motion and the Board's decision.)

Public Hearing

Approximately thirteen people attended the public hearing including representatives from Simplot and McCain, the media, City Councillors and staff.

Ms. N. Neudorf, Director of Finance, Mr. K. Braden, Director of Operations, and Mr. D. Lyle, City Manager, attended the hearing and spoke on behalf of the City.

The City representatives provided an overview of the application and ended the presentation by indicating that while the City's proposed rate increases are high, the resultant annual costs to all customers were reasonable when compared with Brandon and Winnipeg utility rates. The City advised that in comparison to the City of Winnipeg, the City's proposed rates would result in annual utility costs for large industries of less than half the cost that would be applied by the City of Winnipeg.

Mr. R. Neuman spoke on behalf of McCain and advised that:

- There has been little sharing of information from the City, even after the Board requested consultations with large industry take place.
- The City provided its 2008 Pre-feasibility study, which provided 27 options. McCain had thought more consultation would take place, yet no further consultations took place until October 2009.
- McCain is not convinced that the costs to the City will be \$51 million, and has not had time to review. McCain may implement an upgrade to its wastewater treatment that may reduce the requirements of the City. Accordingly, McCain

questioned the reasonableness of the City's expected project cost and the proposed rate increases.

- McCain advises that consultation is very important, as whatever system for Nutrient Removal the City puts into place needs to be compatible with internal systems of McCain and Simplot.
- McCain intends to build its own Bulk Volume Fermenter (BVF), which is a proprietary term owned by ADI Technologies, generically known as a covered anaerobic lagoon.
- Many agreements between the City and industry for the provision of utility service will expire in the next 18 months; McCain advised that the firm needed to meet with the City to negotiate.
- McCain advised that it, as a firm, has more expertise with respect to Nutrient Removal than the City.

In closing, Mr. Neuman advised that McCain sought an adjournment of four to six months, during which McCain would prepare a response, as this additional time was needed to review the City's application and obtain any technical information available from the City for consultation.

Mr. C. Tompkins, Plant Manager with Simplot, agreed with the concerns expressed by Mr. Neuman. He expressed concern of the uncertainty of funding for the construction of a Nutrient Removal system and as to the estimated price tag of \$51 million. Mr. Tompkins indicated a desire to know what portion of the

nutrient removal requirements relate to Simplot, as the firm has its own BVF.

Should the Board approve the City's proposed rates through to 2012 as well as further anticipated increases, Simplot estimated that it would experience a 70% increase in its water and sewer costs by 2015. Mr. Tompkins also advised of the company's forecast of a decrease in french fry sales through 2015, which would have a further negative impact on the profitability of Simplot's operations.

Mr. Tompkins concluded that he too, would be interested in receiving technical information with respect to any proposal of the City's and the opportunity to engage in further consultations. He advised that Simplot wants to be comfortable with the City's plans before the rates rise significantly.

Mr. Lyle acknowledged that the estimated \$17 million share of the costs of the project expected for the City is conservative, as it is seldom that any project receives full 2/3 funding by senior government. The increases proposed by the City beyond 2012 were also indicated as being "conservative" given the "many unknowns", although the City did expect that the Province would establish a deadline for Nutrient Removal shortly.

The City has been advised of a meeting to take place in January 2010 with Manitoba Conservation representatives, at which time the City anticipates the announcement of a 2015 compliance deadline. The City advised it had expected a decision 18 months ago.

The City plans to engage engineering consultants to provide assistance in moving the project forward. Mr. Lyle advised that, to-date, little has been done, and what information the City has acquired has been provided to industry. Mr. Lyle indicated that the City was advised by the Province to apply for funding for the project now, and has done so.

Mr. Lyle noted that as there has been no design work done to this point, more technical engineering work is clearly required. Mr. Lyle confirmed the City's plans to involve industry in the overall project (as information becomes available).

Board Findings

In reviewing the application, and after taking into account the concerns raised by McCain and Simplot, and noting the significant costs anticipated to be incurred annually by large industry with the adoption of the City's application, the Board will only approve the City's proposed 2010 rates, and that approval will be an interim decision (interim rates for 2010 are to be implemented effective January 1, 2010).

Interim means that the Board will reconsider the rates before finalizing 2010 rates and considering the City's proposal for 2011 and 2012 rates.

The Board finds that the City's operating cost estimates to 2012 are reasonable, and notes that it heard no opposition to the proposed increases to meet those expected cost increases (either from residential or industrial customers).

However, as to the concerns expressed from industry with respect

to the proposed increases to fund capital projects, the Board agrees in part. There are too many unknowns to justify either the finalization of rates for 2010 or the establishment of rates beyond 2010, at this point.

That said, the Board is pleased that the City is looking forward, and accepts the wisdom of the City's plans to build reserves to assist with future capital expenses, including nutrient removal. Such planning represents good common sense, and may avoid significant rate shock in the future.

So, while the Board will provide authority for implementing the proposed 2010 rates on an interim basis, time will also be provided for McCain, and others, to review the application in greater detail and make such additional submissions as may be deemed advisable.

The Board is quite sensitive to the impacts of rate increases during a time of economic downturn.

As to further details with respect to planning for nutrient removal, the Board encourages readers to review Order 159/06, available on the Board's website.

While the Board is pleased that some consultation has occurred with industry, it also empathizes with industry's frustration with the lack of information available.

The Board maintains its position as noted in Order 159/06, that the City engage industry and other interested parties in consultation as the Nutrient Removal project moves forward,

making all information, technical and otherwise, available.

The Board will require the City to provide annual reports to the Board as the project moves forward.

In Order 159/06, the Board then-provided authority to the City to implement discretionary rate increases to meet known challenges including preparing for eventual requirements with respect to nutrient removal. The Board recognized in that Order that the requirement for the City to provide nutrient removal was likely no longer a question of 'if', but more likely one of 'when'.

Accordingly, the Board seeks a report from the City following the City's planned meeting for January 2010 with Manitoba Conservation -- a meeting at which the City has indicated it believes a compliance deadline will be announced.

By implementing the increases on an interim basis, the Board understands the importance of the City's plan to build reserves for future projects while noting that plans may change. The Board is cognizant of the fact that much work needs to be done prior to the City finalizing any plans for Nutrient Removal.

While the Board agrees with industry that the final costs of any project are unknown at this time, it also agrees with the City that, while the final cost of the project may or may not be \$51 million, the City's hoped-for \$17 million share may prove low putting more pressure on future rates.

By not providing any increase to rates, interim or otherwise,

the Board recognizes this would upset the City's plans and financial goals with respect to what appears to be reasonable long-range plans. The Board is not willing to place undue risk on the utility or its customers with the potential for even higher future increases to make up the difference.

If and when the City's plans change, and more or less dollars are identified, the rates can again be reviewed for adequacy. This may occur as early as next year depending on the results of meetings with Manitoba Conservation, anticipated support for funding assistance, and of course the expected response from industry with additional information.

The Board will also approve the Shared Cost Methodology as submitted by the City in its application. The Board notes the methodology is based on percentages and if the City wishes to change these percentages from those put forth or to include additional categories, request for approval needs to be made to the Board.

With respect to the application from McCain to act as an Intervener in this process, Board Order 157/09 granted this status. As per the rationale provided in support of the application for intervener status as well as the request to adjourn the hearing (which was denied by the Board), the Board will grant McCain adequate time to make a submission. The Board will look to McCain to address the items included in their motion such as:

- The effect the proposed increases may have with contractual rights between McCain and the City (with respect to the cost sharing and use of the waste treatment infrastructure);
- An opportunity to meet with and a summary of discussions with the City with respect to proposed changes to the waste treatment infrastructure, and the implications such changes may have for the City's rate proposal as submitted to the Board;
- A report with respect to McCain's consideration of a multi-million dollar capital expenditure to build additional waste treatment facilities, which may affect McCain's use of the City's water and sewer service and may lead to the possible discontinuance of certain existing waste treatment facilities which in turn may free up the City's existing system capacity;
- A report with respect to McCain's assertion that the "freeing up" of capacity may materially affect the overall cost of the City's proposed capital project and have direct relevance to the proposed rate increases sought by the City; and
- Details of McCain claim to provide highly relevant and important information and evidence regarding the proposed rate increases, and its assertion that it is in the public interest that the Board has this information and evidence to assist the Board in its decision.

The Board expects that any arguments put forth by McCain with respect to the City's application will be substantiated by expert testimony. Such expert testimony must be supported with credentials and be from experts independent of McCain.

The Board will require McCain to file copies of its submission to the Board as well as to the City. Upon receipt of that submission, the Board will look to the City to respond within 30 days from the date it is received. The Board will then consider both submissions, and provide a final decision.

The Board also notes that the City's proposed by-law did not include the required provision for disconnection of service and will require that a clause be included in the interim by-law. The Board's Conditions Precedent as noted in Order 127/08, amended by Order 39/09 are to be followed when services are to be disconnected for non-payment of account which includes provision for proper notice.

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. The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.

IT IS THEREFORE ORDERED THAT:

1. The City of Portage la Prairie enacts a new by-law or amends its existing by-law, as required to effect the authority provided by the Public Utilities Board to impose interim rates as of January 1, 2010 as noted in Schedule "A", attached hereto.
2. McCain Foods (Canada), a division of McCain Foods Limited, file a submission by no later than May 31, 2010, with the Public Utilities Board and the City of Portage la Prairie, which is to include a response to the City's application in addition to addressing the following items:
 - The effect that the proposed increases may have on contractual rights between McCain and the City (with respect to the cost sharing and use of the waste treatment infrastructure);
 - Any meetings attended and a summary of discussions with the City with respect to proposed changes to the waste treatment infrastructure, and the implications such changes may have for the City's rate proposal as submitted to the Board;
 - A report with respect to McCain's consideration of a multi-million dollar capital expenditure to build additional waste treatment facilities, which may affect McCain's use of the City's water and sewer service and may lead to the possible discontinuance of certain existing waste treatment facilities which in turn may free up the City's existing system capacity;

- A report with respect to McCain's assertion that the "freeing up" of capacity may materially affect the overall cost of the City's proposed capital project and have direct relevance to the proposed rate increases sought by the City; and
- Details of McCain's claim to provide relevant and important information and evidence regarding the proposed rate increases, and the assertion that it is in the public interest that the Board has this information and evidence to assist the Board in its decision.

Fees payable upon this Order - \$1,500.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SHIELDS"

Acting Secretary

Certified a true copy of Order No.
172/09 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 172/09
CITY OF PORTAGE LA PRAIRIE
WATER AND SEWER RATES
BY-LAW NO. 09-8448

1. Revised (interim) Schedule of Quarterly Rates: **2010**

	gallons per quarter		Water	Sewer	Total
	Min	Max	\$/1,000 gal.	\$/1,000 gal.	
Domestic		50,000	\$4.58	\$6.40	\$10.98
Intermediate	50,001	500,000	\$3.70	\$6.40	\$10.10
Wholesale	500,001	4,000,000	\$3.23	\$3.83	\$ 7.06
Variable	4,000,001	-	\$1.33	\$3.83	\$ 5.16
Bulk Sales	-	-	\$6.84	n/a	\$ 6.84
Service Charge	-	-	-	-	\$15.90

2. **II) Minimum Charges per Quarter 2010**
A) Water & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Quarterly Minimum	Total Non-sewer Quarterly Minimum
5/8 inch	1	3,000	\$ 15.90	13.74	19.20	\$ 48.84	\$ 29.64
3/4 inch	2	6,000	\$ 15.90	27.48	38.40	\$ 81.78	\$ 43.38
1 inch	4	12,000	\$ 15.90	54.96	76.80	\$ 147.66	\$ 70.86
1 1/2 inch	10	30,000	\$ 15.90	137.40	192.00	\$ 345.30	\$ 153.30
2 inch	25	75,000	\$ 15.90	321.50	480.00	\$ 817.40	\$ 337.40
3 inch	45	135,000	\$ 15.90	543.50	864.00	\$ 1,423.40	\$ 559.40
4 inch	90	270,000	\$ 15.90	1,043.00	1,728.00	\$ 2,786.90	\$1,058.90
6 inch	170	510,000	\$ 15.90	1,926.30	3,238.30	\$ 5,180.50	\$1,942.20

B) Water only customers
 Quarterly minimum charge is the same for each meter size as shown in table above, except that the Sewer Commodity charge is excluded.

C) Sewer only residential customers
 Customers using sewer service only will pay the relevant minimum charge shown in "A" above except that the water commodity charge will be omitted.

3. Accounts Due - Penalties, Disconnect and Reconnect

All water accounts shall be filed within 15 days following the end of the quarter in which the water was used, and shall be payable at par on the first day of the month, next following the date of billing, called hereafter the due date, and for 21 days thereafter. A late payment charge of 1¼% shall be charged on the dollar amount owing after the billing due date.

One month after the due date for the payment of the account, the water may be shut off at the discretion of the City, and may be turned on only after all arrears and penalties have been paid together with the sum of \$35.00 for the turning on of the water, during the normal working hours of the City Employees.

The Public Utilities Board has approved the Conditions Precedent to be followed by the municipality with respect to the disconnection of service for non-payment including, such matters, as notice and the right to appeal such action to the Public Utilities Board. A copy of the Conditions Precedent is available for inspection at the Municipality's office.

4. Outstanding Charges Form a Lien on the Land

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 collected, and with like remedies.

5. Service to customers Outside the City Limits

The Council of the City may sign agreements with customers for the provision of water and sewer services to properties outside the legal boundaries of the City. Such agreements shall provide for payment of the appropriate rates set out in this schedule herein, 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 utilities mains and installing and maintaining service connections will be paid by the customer.

6. Fire Hydrant Rental and Connections

The City shall pay to the water utility an annual rent of \$125.00 per hydrant for fire hydrants situated within the corporate limits of the City, which annual rental amount shall include charges for all water used through such hydrants for fire fighting purposes.

Privately owned hydrants that are direct extensions of the City's internal water distribution system shall be subject to an annual connection fee as follows:

	i. Location of hydrant:	
	ii. <u>In-city</u>	<u>Rural</u>
Metered	\$50	\$125
Unmetered	\$125	\$200

7. Bulk Sales

All water sold in bulk sales shall be charged for at the rate as identified in this schedule per 1,000 gallons on a pro-rated basis for all quantities greater than 250 gallons.

8. Water Service Activations

THAT a rate for a construction turn-on be created for the purpose of providing a Contractor with construction water. This rate would be a flat rate of \$40.00 per construction turn-on for a period up to the date of substantial completion of the project as defined by the Builders Liens Act. The Contractor will also be responsible to pay the City the cost of any water consumed during this period at the applicable sewer and water rates. There would be a maximum of one construction turn-on per building allowed.

That the rate for either construction turn-on performed outside of normal working hours be fixed at \$85 per construction turn-on.

9. Oversize Meter Charges

That an oversize meter charge be levied on every water meter installed larger than the basic 5/8" water meter. The oversize meter charges shall be as follows:

Meter Size	
5/8 inch	\$ 0.00
¾ inch	50.00
1 inch	115.00
1 1/2 inch	295.00
2 inch	400.00
3 inch	1,455.00
4 inch	2,355.00
6 inch	4,170.00

11. Calibration Fee

That a calibration fee be charged on each water meter removed to check the meter calibration. That calibration shall be \$35.00 per calibration, which represents the cost of removing the water meter, checking the calibration and installing of a water meter. When the calibration of the water meter is found to be reading incorrect, the calibration fee shall be returned to the water meter user.

12. Change of Water or Water & Sewer

That a charge for change of water or water and sewer shall be \$35.00 per meter per turn on, performed during normal working hours, for a service that has changed users or service, the fee to recover the cost of completing the change of user or service.

That the charge for a change of water or water and sewer user shall be \$85.00 per meter per turn-on, performed outside of normal working hours, for a service that has changed users, the fee to recover the cost of completing the change of user.

13. Inspection Fee

That the inspection fee for a new sewer and water installation shall be \$50.00 per inspection per service installation between the street property line and the buildings. The inspection fee recovers the cost of the inspection and the completion of the records.

14. Reconnection Fee

That the reconnection fee shall be \$35.00 per meter per reconnection performed during normal working hours. That the charge be services that are discontinued due to unpaid accounts.

That the reconnection fee shall be \$85.00 per meter per reconnection performed outside of normal working hours. That the charge be for services that are discontinued due to unpaid accounts.