

M A N I T O B A                    )  
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THE PUBLIC UTILITIES BOARD ACT    )    Order No. 109/10  
  )    November 1, 2010

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

TOWN OF POWerview - PINE FALLS  
INTERIM WATER AND SEWER RATES  
EFFECTIVE JANUARY 1, 2011

**Executive Summary**

By this Order, the Public Utilities Board (Board) establishes on an interim *ex parte* basis revised water and sewer utility rates for the Town of Powerview - Pine Falls (Town), to take effect January 1, 2011.

The following table sets out the existing rates for Ward 1 and Ward 2. The interim rates, effective with this order, apply to both Ward 1 and Ward 2:

	Ward 1 Current Rates	Ward 2 Current Rates	Interim for Both Wards 1 and 2
Water rate	\$0.51 per m <sup>3</sup>	\$1.15 per 40 m <sup>3</sup>	\$1.01 per m <sup>3</sup>
Sewer rate	\$0.13 per m <sup>3</sup>	-	\$0.15 per m <sup>3</sup>
Quarterly Service Charge	\$7.75	-	\$7.75
<b>Quarterly Minimum</b>	\$16.48 <sup>(1)</sup>	\$15.00 <sup>(2)</sup>	\$23.99 <sup>(1)</sup>
Quarterly bill using 70 m <sup>3</sup>	\$52.55	\$16.15	\$88.95
Sewer Only	\$9.57	-	\$18.51 <sup>(3)</sup>
<b>Water and sewer quarterly - Unmetered customers, including mobile homes</b>	\$63.40	-	\$90.92 <sup>(3)</sup>

<sup>(1)</sup>Includes 14 m<sup>3</sup>

<sup>(2)</sup>Includes 30 m<sup>3</sup>

<sup>(3)</sup>Based on 71.7 m<sup>3</sup>

Rates were last amended for Ward 1 customers in 1996 (Order 104/96). Prior to the implementation of this order, Ward 2 customers were assessed for water services only (sewer services were previously provided by Tembec). While Tembec remains the owner of the water treatment plant (WTP) that services the Town, the Town and Tembec are negotiating the transfer of ownership of the WTP to the Town (the Town expects the transfer to take effect by the end of this year).

The Town is to file a new rate study addressing issues outlined in this order with the Board by June 30, 2011.

**Background**

The Town was incorporated in 2005 and is comprised of Ward 1, the former Village of Powerview, and Ward 2, the former town site of Pine

Falls. The total population serviced by the Utility is estimated to be 1,400.

A condition of the merger of Powerview and Pine Falls required that then-existing Utility reserve funds and accumulated surplus of the former village (Ward 1) are to be used only for the benefit of customers within the area of Ward 1.

Following the merger Tembec, the now-closed paper mill situated in Ward 2, remained the owner of the WTP that supplies water to the amalgamated Town. By agreement, Tembec is committed to provide potable water to the Town until 2012, this at a rate of \$0.3038 per m<sup>3</sup>.

The Town's distribution system approximates 20,000 lineal feet of water mains (ranging in age from 80 years to the date of recent replacements). In 2007, the Town changed all existing ½" service lines to a standard ¾" line, and installed water meters for all services except the trailer park, which is currently billed a flat rate.

The Utility provides water and/or sewer services to 525 customers, of which 264 are metered water and sewer customers, 260 are water only metered customers, and one is unmetered sewer only customers. There are also four properties that are disconnected; the Town does not anticipate reconnection of these properties in the near future.

### **Application**

The Town filed a rate study with the Board in December 2009, and followed that filing with a bylaw in March 2010 calling for revised rates for all customers connected to the Town's water and sewer system.

Subsequently, the Town learned of Tembec's intentions to discontinue

responsibility for operating the WTP by the end of 2010. The Town entered into discussions with Tembec towards acquiring the WTP, and advises that it is the intent of both parties to have the transfer of ownership completed by January 1, 2011.

The Town, noting that the previously filed information was likely subject to substantial change following the acquisition of the WTP, sought approval from the Board to implement an interim rate. The Town also asked the Board to accept the deferment of the Town filing a revised rate study until after at least three months of the Town operating the WTP.

Noting differences existed between current rates for each ward, the Town requested that Ward 2 rates be aligned with those of Ward 1 and, further, that the rates be increased on an interim basis by 25%.

Current rates and those proposed as interim were as follows:

	<b>Ward 1 current</b>	<b>Ward 2 current</b>	<b>Proposed Interim</b>
Water rate	\$ 0.51 per m <sup>3</sup>	\$ 1.15 per 40 m <sup>3</sup>	\$ 0.65 per m <sup>3</sup>
Sewer rate	\$ 0.13 per m <sup>3</sup>	-	\$ 0.20 per m <sup>3</sup>
Quarterly Service Charge	\$ 7.75	-	\$ 9.70
Quarterly Minimum	\$16.48*	\$15.00**	\$21.60*
Sewer Only	\$9.57	-	\$11.96
Water and sewer quarterly - Unmetered	\$63.40	-	\$79.25
Mobile Homes - water and sewer quarterly unmetered	\$28.50 per month per mobile home	-	\$35.63 per month per mobile home

\*Includes 14 m<sup>3</sup>

\*\*Includes 30 m<sup>3</sup>

Pursuant to the application, and if approved by the Board, Ward 1 customers would see an increase of approximately 25%, while Ward 2 customers would experience significantly greater increases (as these

customers would now be charged for sewer services previously delivered at no cost by Tembec).

Based on an estimated use of 70 m<sup>3</sup> in a quarter, the minimum quarterly bill would increase to \$69.20 from \$52.55 for Ward 1 customers and from \$16.15 for Ward 2 customers.

Ward 2 customers would also note a drastic reduction in the volume of water included in their minimum quarterly billings, that to decline from 30 m<sup>3</sup> to 14 m<sup>3</sup>. Ward 2 customers would be responsible for the minimum billings plus for any amounts of water used during the quarterly period over the minimum 14 m<sup>3</sup> (equivalent to about 3,080 gallons).

The Town's past audited financial statements report the following year-end results for the utility; the 2009 results are not yet available:

2005 - (\$6,407); 2006 - (\$61,272); 2007 - (\$22,091); 2008 - (\$3,991)

Recovery of the 2005 and 2006 deficits were previously approved by the Board, but prior applications did not take into account such matters as which part of the utility was the cause of the deficit, i.e. Ward 1 or 2, water or sewer.

Further, the applications for recovery through existing reserve funds or surplus did not take into consideration the regulatory condition imposed with the merger (that any existing reserve funds and accumulated surplus of Ward 1 utility are to be used only for the benefit of Ward 1 customers).

The Town's capital costs of the Utility are \$2,581,429 (water) and \$1,494,320 (sewer); amounts subject to confirmation by the Municipal Auditor. There are no outstanding debentures related to the utility.

The Town provided the following estimates for Utility expenses and revenue requirement for 2011:

<b>Administration</b>	<b>\$ 15,500</b>
<b><u>Water</u></b>	
Expenses	\$111,240
Amortization	\$ 49,626*
Minor Capital	\$ 5,150
Reserve/Contingency	\$ 20,000
Revenues	<u>\$ (5,100)</u>
<b>Net Water Requirements</b>	<b>\$180,916</b>
<b><u>Sewer</u></b>	
Expenses	\$ 14,935
Amortization	\$ 28,410*
Reserve/Contingency	<u>\$ 8,000</u>
<b>Net Sewer Requirements</b>	<b>\$ 51,345</b>

\*These numbers are taken from the Tangible Capital Asset continuity schedules submitted by the Town.

Based on the interim rates proposed, 525 customers, and the estimated annual volumes included in the rate study of 103,000 m<sup>3</sup>, the following revenues were projected:

Administration charges	\$20,370
Water	\$66,950
Sewer	\$20,600

If realized, these revenues will not allow for break-even operating results, and would result in further operating deficits once amortization expense is reflected.

### **Board Findings**

There is an urgent need for an immediate increase in utility revenue, and, accordingly, the Board will provide, on an interim *ex parte* basis, revised and increased rates.

The changes in rates are to take effect for the next Utility quarter, which begins January 1, 2011. As the Town does not bill in advance,

the first bill with the new rates will be issued in April 2011.

The Board notes the financial impact of the closure of Tembec on the community and although "troubled" by the rate implications for the Town's customers, the Board recognizes that higher utility revenues are required to best ensure the continued provision of safe drinking water and sewer services.

With two months of notice before rates are to be imposed, the Board expects customers will have adequate notice to adjust their water use habits, if possible, before the higher rates take effect.

The Board will approve rates to recover estimated operating costs, before amortization is taken into account, while expecting that the Town will file with the Board a plan to phase in:

- additional rate increases required to meet full "cash" costs;
- annual amortization expense requirements for the Utility; and
- reserve fund and contingency provisions (to meet future expected and unexpected needs).

The rates to be approved are not as high as rates would have to be if all anticipated costs, including amortization, were to be reflected. If the Board were to approve increases to recover all anticipated costs, rate increases would be much higher.

For now, the Board will require the quarterly service charge to remain at \$7.75.

The sewer rate will be reduced to \$0.15 per m<sup>3</sup>, and will be applied to customers in Ward 2 who have been receiving but not paying for sewer services. As services are being used by these customers, they must be assessed a fair share of the costs.

The Board will increase the water rate to \$1.01 per m<sup>3</sup>. While this

rate will not fully cover all the estimated expenses, the Board anticipates efforts to control costs may relieve some of the otherwise continuing rate pressure. The changes will increase the minimum quarterly bill (includes 14 m<sup>3</sup>) to \$23.99 and for a family using 70 m<sup>3</sup> in a quarter, to \$88.95.

Other existing rates and charges will not be altered at this time such as hydrant rentals and reconnection charges. The Board asks that the Town include these previously approved charges in a revised utility rates by-law.

While the revised rates will not address all expenses of the utility, the increases may provide adequate basic revenues to allow the utility to continue operating safely. Also, as the rate increases will not address prior years' deficits that still need to be recovered, the Board anticipates the Town will address this matter in a new application.

The Board will require the Town to prepare a water and sewer rate by-law that agrees with the provisions of this order. As well, the Town is to provide notice to its customers of the upcoming change in rates, the impacts expected for customers, and the reasons for the increases. The notice is to be reviewed and approved by the Board prior to circulation.

The Board will address the Town's need for additional increases following receipt and review of a new rate application. The new application is to include all documents required by the Board's Minimum Filing Requirements. In addition the Board requires that the new rate study include additional information addressing specific matters such as:

- Details of and a plan to address prior years' deficits dating back to 2005 and including financial statements for the year



ended December 31, 2009, and a plan to address any identified utility deficit;

- A final Tangible Capital Asset continuity schedule for the Town's utility, including annual amortization expenses for 2012, 2013 and 2014 as well as a schedule of all utility capital grants received, amortization rate and to which asset the grant was provided;
- Effects of now required Public Sector Accounting Board accounting standards;
- A review of outstanding, ongoing and future capital expenditure projects, including proposed funding arrangements, planned for the next five years.

The Board will require the Town to submit the above noted information, as well as address other specific items, no later than June 30, 2011.

Following receipt of that information, the Board intends to review and establish, as reasonable as possible, rates to be sufficient to provide for future utility break-even operations. Before final rates are determined, the Board will require the Town to issue a public notice, to allow ratepayers an opportunity to address interim and proposed rates through a public review process, to be conducted by the Board later in 2011.

With a June 30, 2011 filing deadline, the Town will have had the opportunity of operating the WTP for a full quarter to gain a better understanding of the associated costs, and the actual amount of water produced and sold. It is expected that the Town will have adequate time to prepare a filing to meet the June deadline, with an application for revised rates for 2012, 2013 and 2014.

Board decisions may be appealed in accordance with the provisions of

Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure (Rules). The Board's Rules may be viewed on the Board's website at [www.pub.gov.mb.ca](http://www.pub.gov.mb.ca).

**IT IS THEREFORE ORDERED THAT:**

1. The Town of Powerview - Pine Falls is hereby directed to prepare a water and sewer rate by-law to agree with this order and the attached Schedule "A", for interim *ex parte* rates to be effective on January 1, 2011.
2. The Town of Powerview - Pine Falls shall submit a certified copy of the by-law required in No. 1 with the Public Utilities Board upon having received third and final reading.
3. The Town of Powerview - Pine Falls provide timely notice to its customers of this increase, such notice to be pre-vetted by the Public Utilities Board.
4. Subsequent confirmation of interim *ex parte* increases as final is conditional upon the Town of Powerview - Pine Falls completing a new rate study and filing it and other supporting information with the Public Utilities Board no later than June 30, 2011.

Fees payable upon this order - \$750.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SHIELDS"

Acting Secretary

Certified a true copy of Order No.  
109/10 issued by the Public Utilities  
Board

\_\_\_\_\_  
Acting Secretary

Schedule "A"  
 To Board Order No. 109/10  
 The Town of Powerview - Pine Falls  
 Water and Sewer Rates

**1.0--SCHEDULE OF QUARTERLY RATES**

A schedule of rates per m<sup>3</sup> per quarter

Commodity Rates	Water	Sewer	Water & Sewer
All water consumption	\$1.01	\$0.15	\$1.16

**2.0 --MINIMUM QUARTERLY CHARGES**

Notwithstanding the Commodity Rates set forth in paragraph 1.0 hereof, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

a) Water & Sewer Customers – All customers

Meter Size	Group Capacity Ratio	Water Included m <sup>3</sup>	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
				Water	Sewer	
5/8" or 3/4"	1	14	\$7.75	\$ 14.14	\$ 2.10	\$ 23.99
1"	4	56	\$7.75	\$ 56.56	\$ 8.40	\$ 72.71
1-1/2"	10	140	\$7.75	\$141.40	\$21.00	\$170.15
2"	25	350	\$7.75	\$353.50	\$52.50	\$413.75

b) Water Only Customers – metered

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

c) Water and Sewer Customers – Unmetered (calculated based on 71.7 m<sup>3</sup>/quarter (3.5 persons x 91 days x 225 L/person/day)

Quarterly charge will be \$90.92

d) Sewer Only Customers – Unmetered (calculated based on 71.7 m<sup>3</sup>/quarter (3.5 persons x 91 days x 225 L/person/day)

Quarterly charge will be \$18.51

**3. SERVICE TO CUSTOMERS OUTSIDE THE TOWN OF POWERVUE-PINE FALLS**

The council of the Town may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town for supplying services to such Municipalities, Corporations and individuals.

The rates to be charged to such outside users shall be the same rates set out in this schedule, as well as a surcharge, set by resolution of council, which shall be equivalent to the frontage levy, general taxes and special taxes for utility purposes in effect at the time, or may be in effect from time to time, and which would be levied on the property concerned if it were within these boundaries.

In addition, all costs of connecting to the utility mains and installing and maintaining service connections will be paid by the customer.

**4. BILLINGS AND PENALTIES**

Accounts shall be billed quarterly and shall be due and payable at least fourteen days after the billing date. A penalty of 1¼% per month shall be charged on the dollar amount owing after the billing due date.

**5. DISCONNECTION AND RECONNECTION OF SERVICE FOR NON-PAYMENT**

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 these Conditions Precedent is available for review at the Town office.

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$40.00 have been paid.

**6. OUTSTANDING UTILITY CHARGES ARE A LIEN ON LAND**

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for utility services are a lien and charge upon the land serviced, and shall be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies.

**7. HYDRANT RENTALS**

The annual charge for hydrant rentals shall be One hundred (\$100.00) Dollars to the Town of Powerview - Pine Falls.

**8. WATER ALLOWANCE DUE TO LINE FREEZING**

That in any case, where, at the request of the Council, a customer allows water to run continuously for any period of time to prevent the water lines from freezing, the charge to that customer for the current quarter shall be the average of the billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.

**9. SEWAGE SURCHARGE**

There may be levied annually, in addition to rates set forth above, a special surcharge on sewage having a Biochemical Oxygen Demand in excess of 300 parts per million, to be set by resolution of Council.

**10. AUTHORIZATION FOR OFFICER TO ENTER UPON ANY PREMISES**

The Public Works Foreman, or other employee authorized by the Town in the absence of the Public Works Foreman, shall be authorized to enter upon any premises for the purpose of:

- 1) affixing to any pipe, wire, or apparatus connected with any such utility, a meter or any other measuring or testing device;
- 2) taking readings from, repairing, inspecting or removing any meter or apparatus belonging to the Town

**11. CROSS CONNECTION AND BACKFLOW PREVENTION**

No customer or person shall connect, cause to be connected or allow to remain connected any piping, fixture, fitting, container, or appliance, in a manner which under any circumstances may allow water, wastewater, or any harmful liquid or substance to enter the Town's water system.

If a condition is found to exist which, in the opinion of the Town, is contrary to the aforesaid, the Town may either:

- 1) shut off the service or services. or
- 2) give notice to the customer to correct the fault at his or her own expense within a specified time period. If the customer fails to comply with such notice the Town shall proceed in accordance with clause 1 of this section.

**12. METER INSTALLATIONS**

The Town will install meters in all presently flat rated customer buildings with the cost of the meter and installation fee of same borne by a one time set fee to the customer.