

M A N I T O B A) Order No. 53/10
)
THE PUBLIC UTILITIES BOARD ACT) May 20, 2010

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

**TOWN OF SNOW LAKE
INTERIM WATER AND SEWER RATES
EFFECTIVE IMMEDIATELY**

Executive Summary

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, new rates for the Town of Snow Lake (Town). The interim rates are effective immediately, to be reflected in the next billing scheduled for July 1, 2010.

Rates are as follows:

Commodity Rates/ (\$/cubic meter)	Existing			Interim			% Increase
	Water	Sewer	Total	Water	Sewer	Total	
First 100 cubic meters	\$1.66	\$1.23	\$ 2.89	\$2.08	\$1.54	\$ 3.62	25%
Next 350 cubic meters	\$1.53	\$1.23	\$ 2.76	\$1.91	\$1.54	\$ 3.45	25%
Over 450 cubic meters	\$1.39	\$1.23	\$ 2.62	\$1.74	\$1.54	\$ 3.28	25%
Quarterly Service Charge			\$ 19.36			\$ 24.20	25%
Minimum Quarterly Bill ⁽¹⁾			\$ 58.78			\$ 73.58	25%
Unmetered Customers ⁽²⁾			\$404.96			\$506.95	25%
Tipping Fees (\$/cubic meter)			\$ 2.34			\$ 2.93	25%

⁽¹⁾ Includes 13.64 cubic meters, quarterly.

⁽²⁾ Quarterly fee based on an estimated 135 cubic meters of usage.

The Board's interim *ex parte* approval of these rates is provided on a conditional basis and without prior public notice, due to the perception of the currently weak financial position of the Town's utility and a concurrent and urgent need for increased revenue.

As well, the Board conditionally approves the 2009 actual utility deficit of \$48,720.60 and the Town's 2010 budgeted utility deficit of \$74,782.75. Finalization of this approval is pending the Town's filing of a utility rate study on or before July 15, 2010, and the Board review thereof.

Background

The Town owns and operates a water treatment plant (constructed in 2005), a water distribution system, and a sewage collection and disposal system. The distribution system serves 388 customers, some unmetered, and consists primarily of cast iron pipe with newer sections employing PVC. The system also serves 42 fire hydrants.

Sewage is collected and transported by means of gravity collection mains with five lift stations and a mechanical sewage treatment plant. In 2007, the Town indicated that the sewage treatment plant required replacement, having been constructed over 30 years ago (it is, basically, an up-flow clarifier). Age has rendered the mechanical treatment process ineffective, and the community's wastewater now depends only on chlorination for treatment before the effluent is discharged into the Lake.

Applications for Recovery of Deficits

In 2009, the Board approved the Town's application for recovery of a 2008 utility deficit of \$78,181.71, the deficit attributable to a budgeted deficit of \$38,000 plus the deletion of a planned transfer from the Town's Gas Tax Reserve. At the same time, the Town sought Board approval for a 2009 budgeted utility deficit of \$22,366.50.

The Town advised that the budgeted deficit was due to a combination of the implementation of a rate increase having only being applied for the last three quarters of 2009, increased salaries and the addition of a 0.5 position to the utility.

The Town proposed that both deficits be recovered through future rate increases.

With its approval, the Board required the Town to file actual year-end utility results for 2009 as well as a review of the adequacy of rates by April 1, 2010; subsequently extended to May 1, 2010.

The Town has submitted its application to address the 2009 deficit, which was \$48,720.60, the result of lower than anticipated water sales. The Town advised that, in January 2009, Snow Lake's main employer, the Chisel North Mine, was put "on care and maintenance" status due to the economic downturn, resulting in the mine's 100 employees seeking work in Flin Flon. The Town reported that a number of families moved away permanently for other employment, including to Flin Flon.

The Town also submitted an application for approval to budget an additional deficit for 2010 of \$74,782.75. If approved by the Board, and if the deficit is incurred, the Town's utility will have an accumulated deficit of approximately \$300,000 by the end of 2010.

Following receipt of the Town's applications, the Board sought an update as to current and future economic conditions, population forecasts, and the likely impact on the Town's utility ratepayers of a large rate increase.

The Town has advised of a more positive outlook for the Town, with the Chisel North Mine scheduled to be in full operation again, and two other mines likely to open shortly. The Town predicts a 'boom' for the community.

The Town estimates that its population of 800 will grow to upwards of 2,000 over the next couple of years. That said, the Town also noted that there are seniors in the community, many of which lower-income and likely to be negatively impacted by any rate increase. On the other hand, the Town further noted that as a mining town, workers in the mines tend to have high incomes.

The Town advises that the current average quarterly residential bill approximates \$125. The Town indicates there are five large volume users, including the mine; these customers pay quarterly minimum bills that include volumes of water of 341 m³ (75,000 gallons).

The Town advises that, currently, there are few issues regarding water bill delinquency.

Board Findings

The Board agrees with the Town that an immediate increase in utility revenue is required; accordingly, the Board will provide, on an interim *ex parte* basis, a 25% across-the-board increase.

The Board requires the Town to amend its water and sewer rate By-law No. 883/08 in accordance with the provisions of this Order, and provide notice to its customers as soon as possible of the immediate increase in rates and the reason for the increase.

The Board will approve the 2009 deficit and the 2010 budgeted deficit, but will withhold approval of the method of recovery of the actual shortfalls until such time as the Town submits a rate study (with a proposal to address the deficit position of the utility and meet future annual operating costs).

The rate study will need to be prepared in accordance with the Board's requirements and recognize the Public Sector Accounting Board's accounting standards for municipal operations, which provide for a prescribed treatment of debt payments and the amortization of capital assets.

Therefore, in preparing its rate study and making application for

revised rates, the Town should consider applying for rates adequate to recover over time the recent shortfalls and avoid further deficits in 2011 and future years.

The application should include:

- rate schedule proposals;
- utility revenue and expense forecasts for 2011, 2012 and 2013;
- current year and projected five-year capital expenditure plans;
- projected surplus/deficit and reserve balances out five years;
and
- actual/projected number of customers by service category.

The Board requires the Town to provide its responses to the Board by no later than July 15, 2010. The Town is to ensure that its filing is comprehensive and includes all matters noted in the Board's Minimum Filing Requirements, available on the Board's website.

Following receipt of that study and the Town's plans, the Board intends to review the application and establish reasonable rates sufficient to provide for future breakeven operations. The Board will also then require the Town to issue a public notice to allow ratepayers an opportunity to express concerns with respect to current interim and proposed rates.

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.

IT IS THEREFORE ORDERED THAT:

1. The Town of Snow Lake is hereby directed to amend its water and sewer rate By-law No. 883/08 to agree with this Order and Schedule "A", attached hereto, for interim *ex parte* rates to be effective immediately.
2. The Town of Snow Lake is to provide notice to its customers of this immediate increase, such notice to be vetted by the Public Utilities Board.
3. Confirmation of interim *ex parte* increases is conditional, requiring the Town of Snow Lake to conduct a rate study and file a rate application with the Board no later than July 15, 2010.
4. The Town of Snow Lake's 2010 water and sewer utility budgets, which project a deficit in the amount of \$74,782.75 be approved.

Fees payable upon this Order - \$250.00

THE PUBLIC UTILITIES BOARD

Chairman

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 53/10
THE TOWN OF SNOW LAKE

WATER AND SEWER RATES

A schedule of water and sewer rates for the properties in the Town of Snow Lake.

SCHEDULE OF QUARTERLY RATES:

1. Commodity Rates per Cubic Meter (C.M.)

		<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic	First 100 cubic metres	\$2.08	\$1.54	\$3.62
Intermediate	Next 350 cubic metres	\$1.91	\$1.54	\$3.45
Wholesale	Over 450 cubic metres	\$1.74	\$1.54	\$3.28

2. Minimum Charges, Quarterly

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

(a) Water and Sewer Customers

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption (C.M.)	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Sewer	
16mm - 5/8"	1	13.64	\$24.20	\$ 28.37	\$ 21.01	\$ 73.58
19mm - 3/4"	2	27.28	\$24.20	\$ 56.74	\$ 42.01	\$ 122.95
25mm - 1"	4	54.56	\$24.20	\$ 113.48	\$ 84.02	\$ 221.70
38mm - 1 1/2"	10	136.40	\$24.20	\$ 277.52	\$210.06	\$ 511.78
50mm - 2"	25	341.00	\$24.20	\$ 668.31	\$525.14	\$1,217.65
75mm - 3"	45	613.80	\$24.20	\$1,161.51	\$945.25	\$2,130.96

3. Unmetered Customers

Based on a quarterly consumption of 135 cubic metres, non-metered sewer and water customers shall pay \$506.95 per quarter, which includes the quarterly service charge.

4. Service For Connecting Customers Outside of the Town Limits

The Council of the Town of Snow Lake may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town. Such agreements shall provide for payment of the appropriate rates set out in the schedule, as well as a surcharge, set by resolution of Council, which shall be equivalent to the frontage levy, general taxes and special taxes for utility purposes in effect at the time, or may be in effect from time to time, and which would be levied on the property concerned if it were within these boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

5. Billing And Penalties

Accounts shall be billed quarterly, and shall be due and payable upon receipt by owner. A late payment charge of 1 ¼% shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen days after the mailing of the bills.

6. Disconnection

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.

7. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and reconnection fee of \$50.00 have been paid. Any customer wishing to have billings discontinued due to vacancy of premises shall be required to pay a service disconnection fee of \$50.00 and to pay \$50.00 reconnection fee when service resumes.

8. Outstanding Bills

Pursuant to section 252(2) of the Municipal Act, the amount of all outstanding charges for water and sewer service may be collected by

the municipality in the same manner as a tax may be collected or enforced under this Act.

9. Hydrant Rentals

The Town of Snow Lake shall pay to the utility an annual rental of \$150.00 for each hydrant connected to the system. This includes water for fire purposes.

10. Water Allowance Due To Line Freezing

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

11. Sewer Surcharge

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

12. Tipping Fees

The rate of \$2.93 per cubic meter shall be charged for the dumping of septage by haulers.