

MANITOBA) Order No. 10/12
)
THE PUBLIC UTILITIES BOARD ACT) January 25, 2012

BEFORE: Susan Proven, P.H.Ec, Acting Chair
Raymond Lafond, CA, Member
Graham Lane, CA, Chairman

CITY OF THOMPSON
APPLICATION FOR
WATER AND SEWER RATES - 2012, 2013 AND 2014

Summary

The Public Utilities Board (PUB or Board) hereby approves the City of Thompson's (City) proposal for water and sewer rates for the years 2012, 2013 and 2014.

The current and approved revised rates are as follows:

	Current	Revised			Inc (dec)
	2011	2012	2013	2014	2011 to 2012
Quarterly Service Charge	\$50.82	\$50.73	\$52.26	\$53.01	-0.18%
Water rate (per cubic meter)	\$0.62	\$0.93	\$0.95	\$0.97	50.00%
Sewer rate (per cubic meter)	\$0.47	\$0.89	\$0.91	\$0.93	89.36%
Minimum quarterly charge (15 mm service)	\$67.17	\$78.03	\$80.16	\$81.51	11.70%
Average annual utility bill*	\$475.78	\$657.92	\$674.04	\$687.04	38.28%

* based on 250 cu. Meters per year

In providing this approval, the Board has deviated from its normal practice of establishing rates; it has used cash flow projections instead of projected results based on generally accepted accounting principles. The Board has found it necessary to recognize that the City approaches its maximum borrowing limits, especially with the imminent construction of a new waste-water treatment plant (WWTP).

The Board has been convinced that the City's water and sewer infrastructure is in need of significant renewal, and in order to accomplish this in the face of the restricted borrowing limits, the City will be required to generate a significant portion of the necessary cash through rates.

Because this is an unusual approach, the Board will require the City to carefully monitor the results, and report annually to the Board in order to determine if a rate change is in order before 2015.

The Board will direct that, notwithstanding the above, the City will file a new rate application for 2015, 2016 and 2017, on or before July 1, 2014, including an update as to the progress of the infrastructure renewal and the status of the City's borrowing authority.

INTRODUCTION

The City first applied for rates for its new utility on October 27, 2010.

That application included a proposal to pre-fund a major portion of its infrastructure renewal program on a cash basis, such cash being generated through rates.

Pre-funding through rates is unusual for major capital programs for Manitoba water and sewer utilities; thus, when the Board provided initial approval in 2010, it denied that approach and approved substantially lower rates than those requested, pending the results of its review of a rate application for 2012, 2013 and 2014, and the attendant public hearing process to be conducted in 2011.

The City has returned to the Board and asked that this approach be reconsidered in setting rates for 2012, 2013 and 2014.

This new application was filed on September 8, 2011, and the Board held a hearing in the Council Chambers in Thompson on December 1, 2011. The meeting was well attended by members of the public and the media.

BACKGROUND

The community of Thompson was established in the 1950's after the discovery of nickel in the area and the subsequent establishment of a mining industry. Inco not only developed the mine and processing plant, it also developed the community's water distribution and sewage collection services.

In 1958, Inco constructed a water treatment plant to service both the mine site and the community with potable water, free of charge. Today, Vale Inco owns the water treatment plant and provides potable water to the City at no cost (pursuant to an agreement entered into in 1956).

This Agreement is expected to remain in effect for the foreseeable future. The water treatment plant is operated by Vale Inco under a Licence issued under Manitoba's Drinking Water Safety Act.

Most of the City's water distribution system was installed between the late 1950's and mid 1960's. The water distribution network involves approximately 73,000 meters of pipeline. Most of the water distribution infrastructure (90%) consists of cast iron or ductile iron pipe, while newer distribution lines are typically plastic (PVC or HDPE).

New Utility

The City of Thompson created a new water and sewer utility in 2010, as approved by the Board in Order 127/10 issued December 17, 2010.

While the Utility represents a new delivery model for the City, Vale Inco will continue to provide treated water to the City, free of charge. The City, in turn, will continue to provide water and sewer services, though no longer through the City's public works and supporting departments but through a separate Utility.

Prior to the establishment of a separate utility, the City's costs to operate its water distribution and wastewater collection and treatment system have been paid by revenue received through property tax assessments. Beginning in 2011, the costs will be met by utility rates and revenues. The Board approved inaugural rates, effective for 2011, through Board Order no. 139/10, issued on December 23, 2010.

Condition of Infrastructure

The water distribution system is 40-50 years old and showing signs of distress. Water main breaks number in excess of 100 per year, and rising. In addition, preliminary examination of the distribution system indicates that upwards of 73% of the pipes are in "poor" condition and that the entire system is burdened with significant leakage.

The copper water service lines that connect the City's water main to the customers are also failing, which is relatively

unusual given copper is less prone to failures than metal pipe. The cause of these service line failures has yet to be determined.

The water distribution system is also experiencing lower than desirable levels of free chlorine residual at selected locations. Minimum free chlorine residual is required to ensure proper disinfection of the water supply.

These problems are compounded by a lack of adequate water pressures during specific times, which impact the capability of the distribution system to deliver proper "fire suppression" flows. This lack of distribution system pressure also increases the risk of backflow, which could result in contamination.

Water production records indicate per capita usage, prior to the installation of meters was in the order of 465 litres per day. Since meter installation (all customers except for three installations in progress, are now metered), consumption has dropped to 376 litres per day, a decrease of almost 25%. Awareness has apparently encouraged conservation. In addition to this consumption, an estimated 211 liters per day is lost (denoted as "unaccounted for water" or UAW), and is assumed to be in large part due to the poor condition of the infrastructure.

The wastewater management system consists of a wastewater collection system that takes wastewater to either a mechanical sewage treatment plant or a wastewater lagoon. The volume of wastewater being treated by the wastewater treatment plant (WWTP) is approximately 551 litres per capita per day.

This is a large volume of wastewater and indicates significant inflow and infiltration into the wastewater sewer and subsequently flows to the wastewater treatment plants. Like the water distribution system, the wastewater collection and treatment system is showing signs of "distress". There is also a suspicion that the wastewater collection system may be cross-connected or feeding the land drainage system.

A recent study of the mechanical sewage treatment plant indicated a \$25 million upgrade will be necessary to meet future demands and provincial wastewater treatment requirements. Planning for that upgrade is underway, with construction expected to begin in 2014, with a completion timeframe of December 2015, and an in-service date of January 1, 2016. The financial planning includes an expected grant for 60% of the project with 40% being funded mainly through a debenture issue.

With respect to the renewal of the water distribution system, annual expenditures of approximately \$1.5 million are projected to be required for the foreseeable future. It is intended that capital works programs be designed to initially address the issue of free chlorine residual and lack of pressure in the water distribution system, and ultimately, deal with the needed repair and rehabilitation of the distribution and collection system towards ensuring long-term sustainability.

The City has requested that this capital expenditure, normally funded through debentures in most Manitoba communities, be funded by cash generated through rates.

APPLICATION

The Application proposes a basic monthly customer service charge and water and sewer commodity rates based on water consumed.

The proposed rates are designed to generate sufficient revenue to cover all cash requirements for all projected operating and maintenance costs as well as capital expenditures, except for the WWTP renewal, which will be funded in the more traditional way through grants and debenture issues.

The City is constrained from the traditional debenture funding by the borrowing limits established by the Province. Borrowing is limited to 7% of Municipal assessment and debt repayment is limited to 20% of total municipal revenue. Current commitments plus the projected payments resulting from the WWTP upgrade are shown in table 1:

Table 1- Borrowing limits

Borrowing limit		Debt repayment limit	
Municipal assessment x 7%	\$23,977,058	Municipal revenue	\$2,965,228
Forecast debt	\$14,769,513	Forecast payments	\$1,453,213
Available	\$9,207,545	Available	\$1,512,015

Given the capital spending need, the water line upgrades alone would consume the City's entire borrowing capacity within 6 years, leaving no room for other capital improvements. The City is therefore strongly recommending a departure from the Board's normal practice of requiring that capital projects be funded through borrowing. Rather, the City is proposing use of a cash funding model.

The proposal is based on the cash requirements for sewer and water, shown below in tables 2 and 3.

Table 2. Revenue requirement- Water

WATER	2012	2013	2014
Volumes (000's cubic meters)	2178	2178	2173
Proposed rate / cu m	\$0.93	\$0.95	\$0.97
CASH INFLOW	\$000's		
Commodity revenue	\$2,026	\$2,069	\$2,108
Service charge	433	449	458
Other rev	493	503	511
less: Bad debt	(25)	(25)	(26)
Cash from operations	2,927	2,996	3,051
Grants			
Short term loans			
Long term loans			
Total cash inflow	2,927	2,996	3,051
CASH OUTFLOW			
Cash requirement			
Operations	1,534	1,590	1,623
Repay debt	266	279	293
Interest & commitment	101	88	74
Repay short term loan			
Capital projects	1,056	1,196	982
Total cash outflow	2,957	3,153	2,972
Net current cash	(30)	(157)	79
Opening balance	230	200	43
Closing cash	\$200	\$ 43	\$ 121

Table 3. Revenue requirement- Sewer

SEWER	2012	2013	2014
Volumes (000's cubic meters)	2178	2178	2173
Proposed rate / cu m	\$0.89	\$0.91	\$0.93
CASH INFLOW			
Commodity revenue	\$ 1,938	\$ 1,982	\$ 2,021
Service charge	317	329	335
Other rev	61	67	75
less: Bad debt	(23)	(23)	(24)
Cash from operations	2,293	2,355	2,407
Grants	306	812	5,794
Short term loans	158	420	3,001
Long term loans			
Total cash inflow	2,757	3,587	11,202
CASH OUTFLOW			
Cash requirement			
Operations	1,181	1,225	1,252
Repay debt	34	35	37
Interest & commitment	34	32	30
Repay short term loan			
Capital projects	1,250	1,779	9,880
Total cash outflow	2,499	3,071	11,199
Net current cash	258	516	3
Opening balance	140	398	914
Closing cash	398	914	917

The short-term loans for sewer in 2012, 2013 and 2014 are related to the construction of the upgraded WWTP and are replaced by debenture proceeds being projected for 2015.

The operating expenses are summarized in Tables 4 and 5.

Table 4- Operating expenses- Water

WATER	2012	2013	2014
	(\$000's)	(\$000's)	(\$000's)
Staffing			
Allocated administration	192	200	204
Public works	507	528	538
Hydrants	48	50	51
Service connections	81	84	86
Purification and treatment			
Water purchases			
Service of supply			
Transmission and distribution	103	108	110
Other water supply costs			
Allocated administration	32	33	34
Public works	82	85	87
Hydrant costs	36	38	39
Service connections	90	93	95
Reserves			
Minor capital upgrades	17	17	18
Water metering	92	94	96
Capital program admin	102	104	106
Asset management	50	52	53
Water Dist. OM	102	104	106
Total Operating Expenses	1,534	1,590	1,623

Table 5- Operating expenses- Sewer

SEWER	2012	2013	2014
	(\$000's)	(\$000's)	(\$000's)
Staffing			
Allocated administration	118	123	125
Public works	413	429	438
Service connections	25	26	27
Treatment	-	-	-
Lagoon	21	22	23
Wastewater Treatment plant	107	111	114
Lift stations	39	40	41
Collection	125	130	133
Other water supply costs	-	-	-
Allocated administration	32	33	34
Public works	70	72	74
Service connections	28	29	30
Minor capital upgrades Capital	1	1	1
Program Administration Water	51	52	53
Metering	71	73	74
Asset Management	50	52	53
Wastewater Collection O&M	31	31	32
Wastewater Treatment O&M	0	0	0
Total Operating Expenses	1,182	1,224	1,252

The Application proposes approximately 14 staff for the administrative and professional service functions; 11 staff for operations and maintenance, and three staff for capital programming.

One of the largest challenges will be capital planning. The City's water and wastewater systems are in distress and will require significant efforts in infrastructure assessment and capital planning. The City proposes obtaining cash resources

through rates for both capital programming and asset management.

The proposed capital expenditure program for the water distribution system for the next three years includes the following projects:

• Condition assessment	\$306,000
• Pressure upgrading	\$520,200
• Water main renewals	\$2,152,577
• Water system asset management	\$255,000

The proposed capital expenditure program for the wastewater collection and treatment system for the next three years includes the following projects:

• Inflow and infiltration study	\$408,000
• Sewer condition assessment	\$208,080
• Sewer renewal	\$392,053
• Lift station/force main upgrading	\$157,621
• WWTP Upgrade	\$21,176,506
• Water system asset management	\$255,000

RATE DESIGN

Revenue for the new utility is proposed to be derived from rates charged to customers, with bills to be based on actual consumption. The City has now metered all but three customers, whose installation is in process.

Water consumption based on production volumes from the Vale Inco water treatment plant suggest annual production volumes in the order of 587 litres per capita per day, reduced from pre-metering consumption of 676 liters per day. How to account for

the volume of water after it leaves the water treatment plant is uncertain; preliminary analysis suggests there is significant leakage from the water distribution system, thus UAW volumes of 211 liters per day.

For the purpose of rate design, it was assumed metered "revenue water" would be in the order of 376 litres per capita per day.

The projected population and water consumption assumptions are shown in the table below:

Table 6: Projected Population and Water Consumption

	2012	2013	2014
Population	16,044	16,139	16,239
Customers	3,697	3,717	3,738
Water sold (m3/day)	5,967	5,967	5,952
Water Sold (m3/year)	2,177,834	2,178,125	2,172,597

Utility bills will segregate water and wastewater services. The rate design process will include a minimum bill portion, which will include a uniform service charge and a charge for a minimum volume of water based on the water commodity charge.

The minimum volume of water varies by meter size based on a group capacity ratio used in the calculation of the rate. This rate design process is typical for water and sewer utilities with the minimum quarterly charge designed to recover fixed costs such as administration and customer-related charges.

The costs allocated to the proposed quarterly service charge are shown in table 7.

Table 7: Proposed Minimum Quarterly Customer Charge

	Approved	Proposed			Inc (dec)
	2011	2012	2013	2014	2011 to 2012
Quarterly Service Charge	\$50.82	\$50.73	\$52.26	\$53.01	-0.18%
Water rate (per cubic meter)	\$0.62	\$0.93	\$0.95	\$0.97	50.00%
Sewer rate (per cubic meter)	\$0.47	\$0.89	\$0.91	\$0.93	89.36%
Minimum quarterly charge (15 mm service)	\$67.17	\$78.03	\$80.16	\$81.51	11.70%
Average annual utility bill*	\$475.78	\$657.92	\$674.04	\$687.04	38.28%

* based on 250 cu meters per year

The remainder of the utility's net revenue requirements is recovered from customers through a water and wastewater commodity charge based on actual water consumption. This charge is derived to meet remaining projected cash requirements for administration, operation and maintenance, planned capital expenditures, and debt servicing.

These rates are expected to result in "cash sufficiency" and, with further anticipated rate increases annually, in a moderate cash reserve at the end of a 10 year period to 2021.

The proposed rates do not include an allowance for the ongoing repair and replacement of customer service extensions. These costs are recovered through a Special Services tax in accordance with By-Law 1826-2010. This special service charge has been approved by the Municipal Board (Municipal Board Decision and Order No. E-10-087, dated May 4, 2010).

PUBLIC HEARING

The Public hearing of December 1, 2011 was attended by approximately 30 members of the public. The media was also present. Included in the audience were several landlords and/or their representatives.

The hearing provided both the utility and the public to clarify some misunderstandings. For example, some believed that maintenance of the recently installed water meters was their responsibility. The city was able to clarify that this was only the case if the customer caused damages to the meters. General maintenance responsibility rests with the City.

The most common concerns expressed by those present were capital planning and bill clarity.

Long-range capital plans, with specific replacement locations were called for; the City indicated that the problem was that, due to the age of the infrastructure, they had to address the problems as they came up, despite whatever location they might have been planning to address.

Utility bills are new to Thompson customers and many have indicated that they find them difficult to read and understand. City Officials acknowledged that the transition was an issue; they pointed out that there was help available at the front desk at City Hall; further, an explanatory insert was being planned to accompany the next bill, which should help residents to more easily understand the billings.

Landlords and their representatives had a different concern, specifically the effect of the significant increase on their profitability. Due to landlord/ tenancy regulations, they are unable to recover the increased costs for the first year of operations, and must apply to the Rentalsman's office for increases in year 2 and forward. Because of the significant increases, resulting from the infrastructure renewal needs, this is a substantial "hit" on their bottom line. Because a separate water utility was new to Thompson, they felt that some special consideration should be given.

Generally, the public seemed to understand that this was a difficult transition for utility staff as well as for customers, and that the staff were being reasonably responsive to their needs.

BOARD FINDINGS

The Board begins by commending the City, and the utility staff in particular, for its initiative and recognizes the effort that has gone into the planning, design and implementation of the new utility.

The City's Application is complex with the creation of a new utility and the issues faced by this new utility are significant, particularly given the age of the utility's water and sewer assets and the apparent "distressed" nature of these assets.

Preliminary engineering studies have identified more immediate concerns with the water distribution system. These concerns

include the lack of free chlorine residual at certain locations within the distribution system and lack of suitable operating pressures which may compromise the ability to deliver required fire flows.

Likewise, the wastewater collection system is subject to significant inflows and infiltration. The sources of these extraneous flows are undefined but are certainly impacting the characteristics of sewage entering the WWTP and the volumes of sewage the treatment facilities must accommodate. Despite these uncertainties, the City is proposing a potential \$25 million upgrade to their mechanical plant with construction proposed to begin in 2013.

Rates:

The Board has carefully considered the City's renewed request to set rates on a cash requirements basis, rather than using the accounting standards usually applied to utility rate setting. Of particular concern to the Board is the establishment of a precedent for other rate applications.

Based on the unique requirements of a newly formed utility with significant and immediate infrastructure renewal needs, and with a strong caveat that this decision is not to be considered precedent-setting, the Board will approve the request to set the City's utility rates for 2012, 2013 and 2014 using a cash requirements model. However, this will come with some conditions:

1. The City will prepare and file annual statements showing:
 - a. the status of the City's borrowing authority limits, and
 - b. operating results on a cash basis, and
 - c. operating results on an accounting basis, using generally accepted accounting principles dictated by the Public Sector Accounting Board, as modified by the Public Utilities Board in its Order no.93/09.
2. The City will file an updated rate application for 2015, 2016 and 2017 by mid-2014, reflecting the actual experience and modifying the rate model, if necessary.
3. Cash surpluses are to be transferred to a dedicated reserve at the end of each fiscal year; spending from that reserve is restricted to capital projects unless otherwise specifically approved by the Board.

The Board also confirms as final the interim *ex parte* rates set for 2011 by Order no. 139/10.

The Board will approve the projected revenue to generate the cash requirements for the 2012, 2013 and 2014 calendar years. These revenue requirements are based on the Applicant's projected costs for operations and maintenance, debt servicing charges, and projected capital works, except for the upgraded Waste Water Treatment Plant, which is to be funded through a combination of a grant and debenture proceeds.

The Board notes the rates make no allowance for amortization of tangible capital assets, contingencies or reserves, although reserves may result as previously described in these findings.

The Board will now require that the appropriate By-law, reflecting this approval, receive third reading and a copy filed with the Board.

The Board is concerned about the apparent "distressed" nature of the water and sewer infrastructure and the uncertainty that remains around how best to manage the immediate problems of low water pressures, lack of free chlorine residual and significant water losses. These issues need to be resolved as soon as possible. The Board is optimistic that this approval will allow the City to attend expeditiously to the solution to these problems.

Public issues:

The Board is sympathetic to the public's concerns regarding clarity on the billings, given the newness of this process and the significant cost increases. The apparent efforts being made by City officials to help with this are acknowledged and encouraged.

With respect to the rental issue raised by Landlords and their representatives, the Board is powerless to address their concern. The Board notes that costs increases may have happened with or without the creation of a separate utility, due to capital spending needs, and this would have been reflected on property taxes instead of utility bills. Nonetheless, the Board also recognizes that these are quite unusual circumstances and would encourage the Rentalsmans' office in concert with the area landlords to consider the matter carefully with a goal of fair and reasonable solutions.

Future Filings:

The Board notes that, while there has been allusion to a cost allocation methodology, no formal and council-approved methodology was filed for approval. The Board directs that this be addressed as soon as possible and in any event no later than with the 2014 rate filing for 2015 rates.

Future filings must also be completed with reference to the minimum filing requirements as posted by the Board on its website.

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.

IT IS THEREFORE ORDERED THAT:

1. The revised water and sewer rates effective for January 1, 2012, 2013 and 2014 for the City of Thompson as reflected in Schedule "A" attached BE AND ARE HEREBY APPROVED.
2. The City of Thompson file a By-law complete with third reading reflecting this approval.
3. The interim rates set for 2011 by Order No. 139/10 BE AND ARE HEREBY CONFIRMED AS FINAL.

4. The City of Thompson transfer any operating cash surplus to a reserve account to be spent solely on capital renewal projects or with the express approval of the Board for spending from that account for any other purpose.
5. The City of Thompson prepare and file annual reports on the operation of the utility on both a cash basis and on an accrual basis consistent with the accounting practices defined by the Board in its Order 93/09, including an update on the status of the City's borrowing limits.
6. The City of Thompson file their cost allocation methodology for approval by the Board as soon as possible and no later than with their next rate filing.
7. The City of Thompson file an application for rate review on or before July 1, 2014.

Fees payable upon this Order - \$1,500.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN"

Acting Chair

"KURT SIMONSEN P.ENG"

Acting Secretary

Certified a true copy of Order No.
10/12 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 10/12
CITY OF THOMPSON
WATER AND SEWER UTILITY

1. Water Rates

1. SCHEDULE OF QUARTERLY RATES - 2012

Service

	Water	Wastewater	Combined
a. Commodity Rates per cubic metre	\$0.93	\$0.89	\$1.82
b. Quarterly Service Charge per meter			\$50.73
c. Minimum Quarterly Charges			

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

Meter Size	Group Capacity Ratio	Water Included (cubic metres)	Customer Service Charge (\$)	Commodity Charge Water (\$)	Commodity Charge Wastewater (\$)	Total Quarterly Bill (\$)
15mm	1	15	50.73	13.95	13.35	78.03
20mm	2	30	50.73	27.90	26.70	105.33
25mm	4	60	50.73	55.80	53.40	159.93
37mm	10	150	50.73	139.50	133.50	323.73
50mm	25	375	50.73	348.75	333.75	733.23
75mm	45	675	50.73	627.75	600.75	1,279.23
100mm	90	1,350	50.73	1,255.50	1,201.50	2,507.73
150mm	170	2,550	50.73	2,371.50	2,269.50	4,691.73
200mm	320	4,800	50.73	4,464.00	4,272.00	8,786.73
250mm	610	9,150	50.73	8,509.50	8,143.50	16,703.73

2. SCHEDULE OF QUARTERLY RATES - 2013

Service

	Water	Wastewater Combined	
a. Commodity Rates per cubic metre	\$0.95	\$0.91	\$1.86
b. Quarterly Service Charge per meter			\$52.26
c. Minimum Quarterly Charges			

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

Meter Size	Group Capacity Ratio	Water Included (cubic metres)	Customer Service Charge (\$)	Commodity Charge Water (\$)	Commodity Charge Wastewater (\$)	Total Quarterly Bill (\$)
15mm	1	15	52.26	14.25	13.65	80.16
20mm	2	30	52.26	28.50	27.30	108.06
25mm	4	60	52.26	57.00	54.60	163.86
37mm	10	150	52.26	142.50	136.50	331.26
50mm	25	375	52.26	356.25	341.25	749.76
75mm	45	675	52.26	641.25	614.25	1,307.76
100mm	90	1,350	52.26	1,282.50	1,228.50	2,563.26
150mm	170	2,550	52.26	2,422.50	2,320.50	4,795.26
200mm	320	4,800	52.26	4,560.00	4,368.00	8,980.26
250mm	610	9,150	52.26	8,692.50	8,326.50	17,071.26

3. SCHEDULE OF QUARTERLY RATES - 2014

Service

	Water	Wastewater	Combined
a. Commodity Rates per cubic metre	\$0.97	\$0.93	\$1.90
b. Quarterly Service Charge per meter			\$53.01

c. Minimum Quarterly Charges

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

Meter Size	Group Capacity Ratio	Water Included (cubic metres)	Customer Service Charge (\$)	Commodity Charge Water (\$)	Commodity Charge Wastewater (\$)	Total Quarterly Bill (\$)
15mm	1	15	53.01	14.55	13.95	81.51
20mm	2	30	53.01	29.10	27.90	110.01
25mm	4	60	53.01	58.20	55.80	167.01
37mm	10	150	53.01	145.50	139.50	338.01
50mm	25	375	53.01	363.75	348.75	765.51
75mm	45	675	53.01	654.75	627.75	1,335.51
100mm	90	1,350	53.01	1,309.50	1,255.50	2,618.01
150mm	170	2,550	53.01	2,473.50	2,371.50	4,898.01
200mm	320	4,800	53.01	4,656.00	4,464.00	9,173.01
250mm	610	9,150	53.01	8,875.50	8,509.50	17,438.01

2. Bulk Water Sales

Water sold in bulk shall be charged for at the rate of \$6.00 per cubic meter.

3. Unmetered Fire Lines

Unmetered Fire Lines shall be charged at a flat rate of \$75.00 per quarter.

4. Application Fee

An application fee of \$50.00 will be charged for new water utility customers.

5. Water Meter Installation

Water meters will be provided free of charge for new construction within the City of Thompson, with an installation fee of \$500.00 for a standard installation of a meter not greater than one inch (25mm), or an inspection fee at the rates for Service Calls if the installation is not performed by the City.

6. Service Calls and Additional Services

A fee for service of \$250.00 for the first hour and \$125.00 thereafter shall apply for testing of water meters at the request of the Customer, repair of damage to water meters attributable to the Customer, inspection of installations, or any other minor service requested by the Customer.

7. Service to Outside Customers

The Council of the City of Thompson may sign agreements with customers for the provision of water and wastewater services to properties located outside the legal boundaries of the City of Thompson. 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.

8. Billings and Penalties

A late payment charge of 1¼% 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.

9. Disconnection and Shut-Off

A scheduled shut-off charge of \$320.00 shall apply.

An unscheduled shut-off charge of \$480.00 shall apply.

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.

10. Reconnection

A reconnection fee of \$320.00 shall apply.

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

11. Outstanding Bills

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water and wastewater 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 collectible, and with like remedies.

12. Hydrant Rentals

The City of Thompson will pay to the utility an annual rental of \$125.00 for each hydrant connected to the system. In addition, the City of Thompson will pay for water used for fire-fighting at the current rates applied to a volume identified by the Water Utility.

13. Allowance For Prevention of Freezing

Where advanced approval has been granted by the Utility, a customer allows water to run continuously for any period of time to prevent water service lines from freezing, the charge to that customer for the current quarter shall be the average of the billings for the two previous quarters to the same customer, or to the same premises if the occupant has changed.

14. Thawing of Frozen Lines

A fee for service of \$250.00 for the first hour and \$125.00 thereafter shall apply for thawing of Private Water Service lines by the Water Utility.

15. Sewage Surcharges

There may be levied annually, in addition to rates set forth above:

- (a) a special surcharge on sewage having a Biochemical Oxygen Demand in excess of 300 parts per million, to be set by resolution of Council.
- (b) a special surcharge for substances requiring special treatment based on the actual costs of treatment required for the particular sewage or industrial wastes.

16. Hauled Sewage Dumping Fee (Septage)

All hauled sewage fee shall be charged for at the rate of \$4.00 per cubic meter.