

M A N I T O B A) Order No. 144/04
)
THE PUBLIC UTILITIES BOARD ACT) November 22, 2004

BEFORE: Graham F. J. Lane, C.A., Chairman
Susan Proven, P.H.Ec., Member

**THE TOWN OF NEEPAWA
WATER AND SEWER RATES
BY-LAW NO. 3003**

On July 30, 2004, the Town of Neepawa (the Town) applied to The Public Utilities Board (the Board) for an increase in water and sewer rates. The proposed revised rates were set out in By-law No. 3003, certified as to having been read the first time on July 27, 2004.

On October 28, 2004, after notice was published in the Neepawa Banner and posted in several prominent locations in the community, a public hearing was held to consider the application. The hearing took place in the boardroom of the Beautiful Plains School Division Office, in Neepawa at 7:00 p.m.

The following persons represented the Town at the hearing:

Mayor Bob Durston

Councillor Bill Stilwell

Ms. Sheila Mowat	- Chief Administrative Officer
Mr. Gerry Irving	- Operation and Maintenance Director
Mr. Don Wagner	- Water and Wastewater Superintendent
Mr. Todd Birkhan	- BDO Dunwoody LLP

From the general public, a member from the media was in attendance.

The following are the significant matters and issues discussed at the hearing, and/or obtained from the Town's pre-filed information:

1. Historically, the Town's water and sewer utility has been heavily subsidized from the Town's General Fund. The Town prefers a self-sustaining and user pay system, consistent with the objectives for water and sewer utilities as established by the Board. Accordingly, the Town plans to reduce its subsidies to the utility, over time. The Town stated that its goal was to reduce reliance on a) utility subsidization, and b) debenture debt to fund capital projects not related to utility capacity improvements.

2. Before accounting for projected transfers from the Town, but including administration costs, the utility projects the following operating deficits:

2004	\$224,229
2005	\$ 91,227
2006	\$301,436

3. To address these large deficits, and better provide for the future infrastructure renewal needs of the utility, the Town proposed a rate increase as follows:

	Water	Wastewater
2004	20%	25%
2005	15%	25%
2006	15%	25%

If the proposed increases were approved and implemented, the total Minimum Quarterly Bill for a residential customer would have risen as follows:

2004	\$33.64
2005	\$38.36
2006	\$43.72

4. The Town plans to set aside from revenue in its Reserve Account an amount of \$20,000 per year, towards the utility's future capital project needs. As at December 31, 2003, the reserve had a balance of \$169,673. The Town stated the balance of the reserve is insufficient and inadequate, with respect to meeting budgeted capital project costs. The Town would raise an additional \$17,000 through water rates, and \$3,000 from wastewater rates, per year.

5. The following other increases were proposed:
- i) Service charges to increase by \$1.00 per quarter per year.
 - ii) Hydrant rentals to increase to \$250.00 per hydrant.
 - iii) Bulk water rate to increase, as follows:

2004	\$2.11/cubic metre		
2005	\$2.38	"	"
2006	\$2.64	"	"
 - iv) Increases to connection charges, etc.

The utility's connection and reconnection charges had not changed since 1992. The new rates would reflect the Town's estimated current costs of providing the services.

6. In developing its rate proposal, the Town made a number of material assumptions. These included that the utility's operating expenses will increase 5% per year, debenture payments will be met by the general fund, 50% of the water and sewer renewal program will be funded by government grants of \$100,000 each for water and sewer, and future utility deficits will be paid for by transfers from the General Fund. The Town reported no certainty as to the securing of the projected Government Grants.
7. The Town noted that the operating costs of the utility will, in the forecast period, exceed \$1.0 million annually.

8. The Town projected the utility's future capital and reconstruction costs to be:

	Water	Wastewater	Total
2004	\$256,250	\$256,250	\$512,400
2005	\$246,875	\$246,875	\$493,750
2006	\$346,875	\$246,875	\$593,750

9. Debenture debt costs were forecast, as follows:

	Water	Wastewater	Total
2004	\$140,346	\$33,012	\$173,358
2005	\$ 58,275	\$91,287	\$149,562
2006	\$276,804	\$91,287	\$368,091

10. In addition to the projected Capital and Reconstruction costs noted above, the Town estimated requiring approximately \$1,085,000 for water line replacements, and \$400,000 for wastewater projects.

11. The Town further reported that the water treatment facility had a utilization rate of 60%, with the wastewater facility and the lagoons at maximum capability.

12. The Town provided details of its staffing levels for the operation of the utility, together with an indication of staff qualifications, on-going training plans, and details of its allocation approach with respect to shared services with the Town's other operations.

13. The Town indicated its intention to reduce the utility's unaccounted for water through various programs of maintenance and enhanced metering of other uses, such as hydrants.

14. As indicated, the Town's lagoons were reported as operating at or beyond maximum capacity, this due to Springhill W.P.C.P. which is located within the Town's limits.

Until Springhill's Wastewater Treatment Plant is retrofitted to meet current environmental standards, the Town opined that the risks and the situation remain problematic. This risk situation is currently projected to last at least two to three years. Wastewater from the Springhill Plant is now being treated in the Town's third lagoon cell, causing significant operating stresses on the Town's entire lagoon system and some erosion due to the high levels. A firm has been hired to investigate the matter. The Town estimates that the costs to retrofit the treatment facility at Springhill Farms would be approximately \$5 Million, and indicated that the retrofit is necessary to ensure environmental standards continue to be met.

The Town now meets all the capital and operating costs related to the Springhill Farms' wastewater treatment. Because of the higher loading, the operating cost of the lagoon has increased by

approximately \$75,000 per year. Notwithstanding these issues, including the increased loading on the system, the Town reported that it continues to meet the Province's licensing requirements.

15. Tipping fees are currently not being charged to septage haulers to the Town's lagoon, the Town indicated that such fees are under review.
16. The Town is considering furthering its water conservation efforts through customer promotions, and may apply to reduce the number of rate steps in the future. Presently, higher volume is at lower rates, contrary to the goal of conservation.
17. Service is provided beyond the Town's boundaries, and the Town reported that surcharges are being collected in accordance with the Town's By-law. The surcharge has not changed since 1997.
18. The Town reviewed the efforts to communicate its proposed rate increases to ratepayers, and reported that no complaints had been received with respect to the application.

Board Findings

The Board is pleased with the Town's identification of problematic issues and situations, and plans to address same. A financially strong utility is better able to provide essential services. In this case services that are vital not only for public health but also for the economic well being of the community. Taking these steps should be in the public interest.

It is clear from the information filed that the Town is confronting a number of financial challenges. It will take time, and the assistance of the Province and ratepayers, to meet these challenges. Future transfers from the General Fund to the utility may be required to assist in this transition. The Board supports the Town, and is encouraged that a plan is being put in place to better ensure ratepayers-the users of the system, not taxpayers - will eventually pay for utility costs.

During the hearing, it was observed that while the Town intended that an increase in rates would be effective in 2004, increases approved by the Board can only take effect in 2005. The Town was asked to comment on this apparent disconnect of plans and outcomes, and, in a letter dated November 3, 2004, advised of an amended application seeking increases to water rates of 20% effective January 1, 2005, 15% effective July 1, 2005 and 15% effective January 1, 2006. A similar amendment was provided for sewer rates.

Notwithstanding that the rate change meets the Board's understanding of rate shock, and will cause a financial burden on ratepayers, the financial situation and risks confronting the Town and its utility require approval of the Town's amended rate proposal.

It is important to ensure the economic sustainability of the utility. It is vital that the Town has the resources to do the necessary infrastructure work to maintain a safe and reliable system.

The high utilization rate of the Town's lagoons is of particular concern to the Board. Clearly the apprehended situation has to be addressed as quickly as possible. The Board has a concern related to the Town committing significant financial resources to an upgrade of a WWTP facility owned by Springhill Farms, unless a secured commitment is received from Springhill Farms and/or government to ensure the future recovery over the long term of the Town's investment.

Financial incentives to attract or maintain industry for the broader economic wellbeing of a community are common place and understandable, although these incentives should preferably not be provided by the utility ratepayers. As indicated, the utility is currently spending \$75,000 annually to meet the temporary problems related to Springhill Farms and the lagoon. It would be preferable for such costs to be met by transfers from the Town's General Fund, reflecting more equitably the fact that the operation of Springhill Farms contributes significantly to the economic health of the

community at large. Accordingly, any reduction in transfers from the General Fund should not exceed the expected costs related to Springhill Farms use of the lagoon.

Similarly, any Town contribution toward the capital costs related to improvements to the service provided to Springhill should be paid by the General Fund only after carefully considering the matters raised above. Utility ratepayers should not subsidize the operation of Springhill.

With respect to tipping fees, the Town indicated that once tipping rates are developed they will be submitted to the Board for approval. We encourage the timely establishment of tipping fees.

With respect to all other charges, the Board finds the proposal acceptable and will approve same.

The Board noted the uncertainty regarding future government grants, required to assist with the funding of critical projects. The Town suggested that if such monies do not materialize, projects may need to be deferred, bringing additional risks to the environment, and utility operations.

The Board notes the seriousness of the situation faced by the Town and its utility, and expects that if the required grant support does not materialize in a timely fashion, any deferrals will be carefully assessed based upon sound risk assessment principles.

Finally, the Board wishes to remind the Town that operating deficits require the approval of the Board, and while deficits are anticipated on a go forward basis, application for approval of deficits has to be made each year.

The Board will require the Town to provide it with a report as of December 31, 2005, by no later than March 31, 2006, together with its year end financial statement for 2005 and some commentary as to the adequacy of rates, on the status of the Town's infrastructure renewal program, and on future capital plans.

IT IS THEREFORE ORDERED THAT:

1. By-law No.3033 of The Town of Neepawa BE APPROVED, subject to amendment on second reading to agree with Schedule "A" attached hereto;
2. The Town of Neepawa file with the Board an application for approval of tipping fees following development;
3. That the Town of Neepawa file with the Board a report as of December 31, 2005, by no later than March 31, 2006. The report should be accompanied by year end financial statements for 2005, and commentary as to the adequacy of rates, the Town's infrastructure renewal program, and such other matters relevant to the financial and operating health of water and sewer operations.

SCHEDULE "A"

TO BOARD ORDER NO. 144/04

THE TOWN OF NEEPAWA

WATER AND SEWER RATES

BY-LAW NO. 3003

1. COMMODITY RATES - WATER & SEWER - Effective January 1, 2005

RATES PER CUBIC METER

	WATER	SEWER	WATER & SEWER
First 140 C.M. Per Quarter	1.3057	.2778	1.5835
Next 1270 C.M. Per Quarter	1.2079	.2778	1.4857
Next 1410 C.M. Per Quarter	1.1323	.1095	1.2418
All Over 2830 C.M. Per Quarter	.3988	.1095	.5083

2. MINIMUM CHARGES PER QUARTER - WATER & SEWER

Notwithstanding the Commodity Rates set forth in Paragraph 1 above, all consumers shall pay the quarterly minimum charges as set out below, such minimum charges to include the quarterly water allowances indicated as follows:

Meter Size	Minimum Quantity Per Quarter (C.M.)	Minimum Quarterly Water Charges	Minimum Quarterly Sewer Charges	Service Charge	Minimum Quarterly Bill
½ or 5/8 in.	14	\$ 18.28	\$ 3.89	\$11.48	\$ 33.64
¾ in.	28	36.56	7.78	11.48	55.82
1 in.	56	73.12	15.56	11.48	100.15
1½ in.	140	182.80	38.89	11.48	233.16
2 in.	350	436.46	97.21	11.48	545.16
3 in.	630	774.67	174.99	11.48	961.14
4 in.	1260	1,535.66	349.96	11.48	1,897.11

1. COMMODITY RATES - WATER & SEWER - Effective July 1, 2005

RATES PER CUBIC METER

	WATER	SEWER	WATER & SEWER
First 140 C.M. Per Quarter	1.5016	.3472	1.8488
Next 1270 C.M. Per Quarter	1.3891	.3472	1.7363
Next 1410 C.M. Per Quarter	1.3022	.1369	1.4390
All Over 2830 C.M. Per Quarter	.4586	.1369	.5954

2. MINIMUM CHARGES PER QUARTER - WATER & SEWER

Notwithstanding the Commodity Rates set forth in Paragraph 1 above, all consumers shall pay the quarterly minimum charges as set out below, such minimum charges to include the quarterly water allowances indicated as follows:

Meter Size	Minimum Quantity Per Quarter (C.M.)	Minimum Quarterly Water Charges	Minimum Quarterly Sewer Charges	Service Charge	Minimum Quarterly Bill
½ or 5/8 in.	14	\$ 21.02	\$ 4.86	\$12.48	\$ 38.36
¾ in.	28	42.05	9.72	12.48	64.25
1 in.	56	84.08	19.44	12.48	116.00
1½ in.	140	210.22	48.61	12.48	271.30
2 in.	350	501.93	121.52	12.48	635.93
3 in.	630	890.87	218.73	12.48	1,122.09
4 in.	1260	1,766.01	437.45	12.48	2,215.95

1. COMMODITY RATES - WATER & SEWER - Effective January 1, 2006

RATES PER CUBIC METER

	<u>WATER</u>	<u>SEWER</u>	<u>WATER & SEWER</u>
First 140 C.M. Per Quarter	1.7268	.4340	2.1608
Next 1270 C.M. Per Quarter	1.5975	.4340	2.0315
Next 1410 C.M. Per Quarter	1.4975	.1711	1.6686
All Over 2830 C.M. Per Quarter	.5274	.1711	.6985

2. MINIMUM CHARGES PER QUARTER - WATER & SEWER

Notwithstanding the Commodity Rates set forth in Paragraph 1 above, all consumers shall pay the quarterly minimum charges as set out below, such minimum charges to include the quarterly water allowances indicated as follows:

Meter Size	Minimum Quantity Per Quarter (C.M.)	Minimum Quarterly Water Charges	Minimum Quarterly Sewer Charges	Service Charge	Minimum Quarterly Bill
½ or 5/8 in.	14	\$ 24.17	\$ 6.07	\$13.48	\$ 43.72
¾ in.	28	48.36	12.15	13.48	73.98
1 in.	56	96.70	24.30	13.48	134.47
1½ in.	140	241.75	60.76	13.48	315.99
2 in.	350	577.22	151.89	13.48	742.60
3 in.	630	1,024.50	273.42	13.48	1,311.40
4 in.	1260	2,030.92	546.82	13.48	2,591.21

3. WATER ONLY CUSTOMERS

Under all sections of the above referred to paragraph, a consumer having only water service shall pay a minimum charge made up of the service charge plus the water commodity charge.

4. SEWER ONLY CUSTOMERS

Users of Town sewage who discharge water and wastes into the Town's sewage system, and who obtain their water supply from other than the Town of Neepawa, are required to meter their water supply at their own expense and shall be billed for sewage on the water meter reading at rates set forth in Paragraph 1 plus the quarterly service charge as per paragraph 2. The minimum billing shall be based on 14 cubic meters per quarter plus the service charge.

5. BULK SALE OF WATER

Bulk sales of water at the treatment plant shall be charged at a rate of for 2004 - \$2.11 per cubic meter, 2005 - \$2.38 per cubic meter, and 2006 - \$2.64 per cubic meter.

6. SEWER SURCHARGES

(a) There will be levied annually, in addition to rates set forth above, a special surcharge on sewage having a Biochemical Oxygen Demand (B.O.D.) in excess of 300 parts per million in the amount of 40 cents per 100 pounds of B.O.D.

(b) A special surcharge for substances requiring special treatment shall be charged on the actual costs of treatment required for the particular sewage or industrial wastes.

7. HYDRANT RENTALS

Hydrant rentals shall be set at \$250.00 per hydrant per annum. This includes water for fire fighting purposes.

8. SALE OF WATER TO CUSTOMERS OUTSIDE TOWN BOUNDARIES

(a) The Council of the Town of Neepawa may enter into agreements with municipalities, corporations and individuals outside the legal boundaries of the Town of Neepawa for the purpose of supplying water to such municipalities, corporations and individuals.

(b) The rates to be charged to such outside users shall be the same rates charged to consumers in the Town of Neepawa for comparable service. Such outside users shall also pay a surcharge which shall be equivalent to the frontage levy, general taxes and special taxes for

utility purposes in effect at the time, or which may be in effect from time to time, and which would be levied on the property concerned as if it were within town boundaries. In addition, all costs of connecting to the utility mains and installing, maintaining, and repairing service connections will be paid by the customer.

9. 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 to prevent the water lines in the water system 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.

10. 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.

11. DISCONNECTION AND RECONNECTION OF SERVICE FOR NON-PAYMENT

That services may be disconnected without further notice if the account has not been paid within 30 days of the due date. That, before service is reconnected, payment shall be made of all arrears and penalties, plus a reconnection charge of \$25.00.

12. OUTSTANDING UTILITY CHARGES ARE A LIEN ON LAND

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

13. DEPOSITS FOR HOOK-UP

The initial deposit for water connection and service shall be \$50.00 for domestic and commercial users.

14. INSTALLATION OF WATER & SEWER SERVICES

Water and sewer services installed from the sewer and water mains to the property line at a cost of \$1,000.00 per service. In the event that the sewer and water services are installed in a common trench not exceeding 3, in width and 7.5 m in length and at the discretion of the Operation and Maintenance Director, one installation surcharge of \$1000.00 will be charged to the property owner.

A street restoration surcharge of \$500.00 per service shall be charged to the property owner.

The cost of construction and connection from the property line to the building shall be the total responsibility of the property owner.

The contractor, the material list and the projected costs must be approved in writing by the Town of Neepawa prior to the start of construction. Work must be in accordance with provincial standards.

15. DISCONNECTION

Water and sewer services disconnected at the sewer and water mains complete with the removal of the curb stop box at the property line for water service at a cost of \$1000 per service. In the event that the sewer and water services are disconnected in a common excavation not exceeding 3m in any direction and at the discretion of the Operation and Maintenance Director, one disconnection surcharge of \$1000 will be charged to the property owner.

A street restoration surcharge of \$500.00 per service shall be charged to the property owner.

The contractor, the material list and the projected costs must be approved in writing by the Town of Neepawa prior to the start of disconnection. Work must be in accordance with provincial standards.

16. DISCONNECTION/INSTALLATION (RENEWAL)

Water & Sewer services disconnected and installed (renewed services) in a common trench not exceeding 3m in width and 7.5m in length and at the discretion of the Operation and Maintenance Director, one installation surcharge of \$1000 will be charged to the property owner.

A street restoration surcharge of \$500.00 per service shall be charged to the property owner.

The cost of construction and connection from the property line to the building shall be the total responsibility of the property owner.

The contractor, the material list and the projected costs must be approved in writing by the Town of Neepawa prior to the start of construction. Work must be in accordance with provincial standards.

17. STANDARD COMMERCIAL SERVICE

Water & Sewer service installation to the property line including street restoration at 50% of the total cost to an upset limit of \$4,500.00.

The cost of construction and connection from the property line to the building shall be the total responsibility of the property owner.

The contractor, material list and the projected costs must be approved in writing by the Town of Neepawa prior to start of construction. Work must be in accordance with provincial standards.

18. PRIVATE SEPTIC LINES (LOW PRESSURE SEWER SYSTEM)

The cost of construction and connection of private septic lines (low pressure sewer system) from the outside face of the building and/or holding tank to the sewer main and/or manhole including surface restoration shall be the total responsibility of the property owner.