

M A N I T O B A) Order No. 67/05
)
THE PUBLIC UTILITIES BOARD ACT) May 11, 2005

BEFORE: Graham F. L. Lane, C.A., Chairman
 S. Proven, P.H.Ec., Member

THE TOWN OF CHURCHILL, AN APPLICATION FOR
REVISED WATER AND SEWER RATES, APPROVAL OF THE
FUNDING OF A 2004 UTILITY OPERATING DEFICIT,
AND CONFIRMATION OF INTERIM EX PARTE BOARD ORDER NO. 23/05

Abstract

The Town of Churchill ("the Town") applied to The Public Utilities Board ("the Board") for revised water and sewer rate schedules and rates estimated to increase billing revenue on an annualized basis by 27% (31% for residential and commercial customers). The Town also applied to the Board for approval of its 2004 utility operating deficit, and its recovery by a transfer from the Town's General Revenue Fund.

After determining an urgent requirement for additional utility revenue, the Board, by Board Order 23/05, approved an across-the-board 15% increase. The Board also called a public hearing to review the Town's original application; the meeting was held in Churchill on March 30, 2005.

Subsequent to the public hearing, the Board concluded that the Town's water and sewer utility required revenue and rate increases higher than those provided by Order 23/05, to meet increased operating costs, reduce General Revenue Fund subsidies and prepare for future projects.

Accordingly, and by this Order, the Board:

- a) confirms Order 23/05;
- b) further amends the Town's application to increase utility revenues in 2005;
- c) provides for higher than applied for annual rate increase as of January 1, 2006;
- d) provides for applied for annual rate increases from January 1, 2007 through to 2010 (conditionally for 2008, 2009 and 2010); and

e) accepts the Town's proposal to fund the 2004 utility deficit from the General Revenue Fund.

Through this Order, the Board recommends that the utility be operated on a break-even basis and encourages increased water conservation efforts.

Application

On November 18, 2004, the Town applied to the Board for revised water and sewer rates that were forecast to increase annualized utility revenue by 27%. The application was supported by Town By-law 736/2004 (first reading, November 12, 2004). Prior to this application, the last rate change took place in 1998, and the last rate review in 1995; the former increased rates by 1%, the latter by 5%.

Details of the Town's application follow:

1. Delete the current three-step rate structure and replace it with a single-rate approach. All metered customers would pay the same commodity rate for water; and large volume users would no longer receive volume-related reductions.
2. Concurrent with the elimination of the three-step rate schedule, the quarterly bills for customers without meters would rise significantly though the increased billings would be based on estimated quarterly consumption of 14,000 gallons rather than the current estimate of 9,000.
3. The following charges and rates would increase by 25% over current levels:

- a) quarterly service charge, \$19.19 to \$24.00;
- b) bulk water, \$10.10 per 1,000 gallons to \$12.63; and
- c) unmetered raw water, \$7.26/1,000 gallons to \$9.08.

4. Minimum monthly bills would increase as follows:

Meter Size	Existing	Proposed	% Increase
5/8"	\$ 51.62	\$ 64.56	25%
1"	\$ 148.91	\$ 186.26	25%
1½"	\$ 330.71	\$ 429.60	38%
2"	\$ 753.26	\$1,038.00	38%
3"	\$1,282.10	\$1,849.20	44%
4"	\$2,420.15	\$3,674.40	52%

5. The proposed single step commodity rate for water and sewer service is \$13.52 per 1,000 gallons, compared to the current schedule of:

Existing 3 Step Rates	Per 1,000 gallons
First 21,000 gallons	\$10.81
Next 78,000 gallons	\$ 9.39
Over 99,000 gallons	\$ 8.43

The elimination of the second and third steps would mean increases of 44% and 60% for volumes between 21,000 and 78,000 and between 78,000 and 99,000, respectively. With respect to metered residential customers, as the minimum quarterly billing volumes of 3,000 gallons are less than 20% of the average consumption in Canada, actual bills would be heavily influenced by the 25% increase in the commodity charge.

6. The Town sought further across-the-board rate increases of 5%, effective January 1, 2006, 2007, 2008, 2009 and 2010.

(In this Order, the Board will vary the application and provide an annual increase of 10% for 2006, a 5% increase for 2007, and, conditionally, further 5% annual increases from 2008 through to and including 2010).

Upon the Board approving the Town's application, the following summary quarterly minimum billings would be in place for 2005:

<u>Meter Size</u>	<u>Customer Service Charge</u>	<u>Commodity Charges</u>		<u>Revised Total Quarterly</u>	<u>Current Total Quarterly</u>	<u>% Increase</u>
		<u>Water</u>	<u>Sewer</u>			
5/8"	\$24.00	\$ 32.22	\$ 8.34	\$ 64.56	\$ 51.62	25%
1"	24.00	128.88	33.36	186.24	148.91	26
1 1/2"	24.00	322.20	83.40	429.60	330.71	30
2"	24.00	805.50	208.50	1,038.20	753.26	38
3"	24.00	1,449.80	375.30	1,849.20	1,282.10	44
4"	24.00	2,899.80	750.60	3,674.40	2,420.15	52
Unmetered homes	24.00	150.36	36.92	213.28	116.48	83
Hudson Bay Port	24.00	5,477.40	0	5,501.40	3,311.15	66
Hydrant Rentals				3,459.25	2,767.40	25
<u>Untreated raw water</u>						
Commercial	24.00	272.40	0	296.40	237.00	25
Residential	24.00	63.56	0	87.56	70.01	25

The Town also applied for approval of its 2004 utility operating deficit of \$59,980, and the recovery of the deficit by transfer from the Town's General Fund over a three-year period.

Introduction

The Town operates a utility system designed for 6,000 people, but has a current population of approximately 1,000. The Town's utility has approximately 400 customers, with approximately 90% having residential service addresses served by 5/8" meters. The estimated percentage volumes consumed by customer class follows:

Manitoba Housing residential customers	60%
Town Centre complex	15%
Port of Churchill	15%
Commercial and other	<u>10%</u>
	<u>100%</u>

The Town reported that 80% of Churchill residences are multi-family and owned by Manitoba Housing, accounting for 60% of water billed. The average consumption per residential customer was reported to be 13,645 gallons per quarter compared to the Canadian average of approximately 22,000 gallons.

The 240,000 square foot Town Centre Complex houses provincial and municipal education, social, medical and recreational services, as well as administrative offices. The complex accounts for 15% of billed water, 15% of consumption pertains to the Port of Churchill, and the remaining 10% is accounted for by commercial and other users.

The Town's water supply is drawn from the Churchill River, CR30 location at the end of Goose Creek Road, 17 kilometers upstream. The location of the intake is due to Manitoba Hydro's ("MH") Churchill River diversion. The relocation of the intake required the construction of a heated pipeline and pumping system. During 1976 and 1977, MH constructed the new water intake and pumphouse, an access road to the pumphouse, an extension to the water line and a new water treatment facility. The Town entered into an agreement with MH in 1978, whereby MH agreed to meet the additional operating and maintenance costs arising from the modifications to the City's water system necessitated by the diversion.

Considerable additional work was later undertaken by MH to address problems linked to melt-water. A bridge and an access road to the pumphouse was constructed, and aluminum water lines repaired. In 1992, MH transferred ownership of the water supply system to the Town; MH had held title previously while providing the Town funds to meet the on-going maintenance costs of the system. MH then commenced a new \$3 million effort to address arising problems associated with the diversion and the initial work done to ensure a potable water supply for Churchill. At this time, MH upgraded water system infrastructure, improving the distribution system in an effort to reduce water loss and costs. The aluminum water line between the CR20 Pumphouse and the Lake Pump house was replaced.

Subsequently, in 1997 MH provided the Town additional compensation related to the diversion and its impact on the Town and its residents, MH:

- a) expended \$15 million to construct a rockfill weir, with a marina and park complex;
- b) provided \$2.8 million to establish a community-administered trust fund, this to meet any adverse effects arising from the relocation of the intake and the diversion that had not been dealt with by the weir and other work; and
- c) by a \$3.5 million bond and a \$1.5 million payment to the Town, provided \$5 million as a capital payment to conclude MH's obligations with respect to the Town's water system.

While MH's efforts and payments have been considerable, not everything could have been known at the time of the 1997 settlement. Propane costs were much lower, a fraction of today's level. Energy price increases, particularly those related to

propane, have driven up the Town's water-heating costs far above anticipated levels.

The distant intake combined with temperature extremes and permafrost conditions make the Town's water and sewer infrastructure more costly to maintain on a per capita basis than many systems located further south.

The water is pumped to the reservoir before being pumped to Town's Water Treatment Plant. At the plant, the water is filtered, fluoridated and chlorinated, then stored in a large well system. The Town has six large boilers (three electric, and three propane) that generate steam to heat the water to prevent the water freezing under winter conditions. Also, the water is re-circulated continuously. Utility customers protect service lines from freezing by heat tapes and the re-circulation; and the Town provides a thawing service. (The Sewage Treatment Plant is an oxygest system capable of processing 250,000 gallons per day; treated sewage is returned to the river after chlorination.)

The Town reported to the Board that its water and sewer system met provincial standards for safe drinking water and effluent discharge, and that the Town invests in competent and well-trained personnel, and their on-going professional development.

Of the water reaching the reservoir, an estimated 54% ends up not being "billed" to customers. Some of this difference can be attributed to routine operational matters like line breaks and 30% has been attributable to re-circulation to prevent freezing. Another major factor is the flat billing of Manitoba Housing units, where the estimates of quarterly consumption may be lower

than actual experience. Without meters, actual consumption cannot be known.

Interim Ex Parte Board Order 23/05

After an initial review of the Town's application, and upon determining an urgency for additional utility revenue, the Board issued interim ex parte Order 23/05 on February 14, 2005.

The Order approved an across-the-board 15% increase, about half of what was requested. The Board also preserved for the interim the three-step rate structure, pending the public Board hearing in Churchill.

In Order 23/05, the Board noted that the utility had incurred a succession of significant deficits (\$121,763 in 2002, \$40,484 in 2003, and \$59,980.00 in 2004; taking into account subsidies from the Town's General Revenue Fund). The utility had become dependent upon subsidies from the General Revenue Fund, contrary to the legislative requirement for balanced budgets. Accordingly, the Board indicated concern about the financial position of the utility and its reliance on Town tax revenues.

The utility's annual losses have been a burden on the Town's General Revenue Fund, and the last rate adjustments, in 1995 and 1998 had been very modest and insufficient.

The Board observed that the utility had neither a cash surplus nor a utility reserve fund, and relied upon the interest from the MH bond as well as annual subsidies from the General Revenue Fund.

The Board established a public hearing date of March 31, 2005, to be held in the Pioneer's Gallery, Town Centre Complex, Town of Churchill.

Public Hearing, March 31, 2005

At the hearing, the Board heard the City's application, reviewed the information provided and examined Town officials. The following were in attendance:

Board Representatives:

Mr. Graham F. J. Lane	Chairman
Ms. Susan Proven	Member
Mr. Gerry O. Barron	Executive Director

Town Representatives:

Mr. Michael Spence	Mayor
Mr. Darren Ottaway	Chief Administrative Officer
Ms. Roxanne Chan	Chief Financial Officer
Mr. Dale Kiesmar	Manager of Public Works & Utilities
Mr. Bill Ayotte	Chief Engineer

In addition, members of the public were present.

Mayor Spence advised of the challenges of operating a water and sewer utility in the north. He reiterated the economic consequences of having a system designed for a population of 6,000 serving 1,000. Mayor Spence noted that the cost of operating a water and sewer system meeting provincial standards in the north, particularly with a low population and a high capacity plant, places a higher burden on utility ratepayers than would otherwise be the case.

The Town reported that its utility deficits are not attributable to extraordinary events but to a systemic revenue shortfall that could only be addressed by a substantial rate increase.

In 2004, aggregate utility revenues were \$989,000, comprised as follows:

Water billings	\$498,000	50%
Sewer service charges	<u>36,000</u>	<u>4</u>
	534,000	54
Other revenue	<u>25,000</u>	<u>3</u>
	<u>559,000</u>	<u>57</u>
Manitoba Hydro, interest	270,000	27
Federal grants, GST rebate	<u>36,000</u>	<u>4</u>
	<u>306,000</u>	<u>31</u>
Subsidy, General Revenue Fund	<u>124,000</u>	<u>12</u>
Aggregate utility revenue	<u>\$989,000</u>	<u>100%</u>

This Order increases absolute dollar revenue and the percentage contribution to aggregate revenues with respect to only 57% of category-contributors to revenue. The other 43% of revenue is not directly controllable by either rate increases or Town actions.

The Town applied for its 2004 utility deficit to be met by transfers from the General Fund, to take place over a three-year period. The Town noted that while the deficits have been large, without rate increases, the annual deficits would increase and continue to place even more pressure on the General Revenue Fund and the Town's tax base.

In 2004, the General Revenue Fund subsidized utility operations with a transfer of \$123,523, yet a deficit was still incurred. The only way to achieve break-even and maintain a reliable and safe system is to raise consumer rates. Licensing and safety requirements, and the location and nature of the system require a high level of maintenance and expenditure.

As previously indicated, expenditure growth has been driven by significantly higher energy costs. Heat is required to pump and re-circulate the water throughout the year, with the exception of the summer, and the Town's heating expenditures reached \$364,700 in 2004 (approximately 45% of the Town's total direct water supply costs).

Total utility expenditures in 2004 were \$1.049 million, with \$810,000 attributed to the water supply and \$185,000 to sewage collection and disposal. Administration costs were low, with only \$18,050 attributed to administration and customer billings and collections. General overhead with respect to overall Town expenses are not allocated to the utility.

The Town reported that it switches its energy source for water heating between propane and electricity, depending on the then-current price. Propane costs have soared, as propane is a derivative of natural gas and natural gas prices have increased 300% since 1999. (And, propane is shipped to Churchill by rail car, not pipeline, with attendant high costs.) MH's Surplus Energy Program provides the non-propane alternative, but the 2002-2004 drought drove up surplus energy pricing, forcing the Town to rely more on propane. And, oftentimes the heating need occurs during peak MH electricity price periods, not "shoulder" and "off-peak" hours.

There are other cost pressures being faced by the utility, these include increased provincial standards for both water and sewer services, resulting in increased training of water treatment personnel, and increased monitoring of water quality. The Town reports that its professional development costs are high, sending personnel for training from Churchill is expensive though necessary to ensure the meeting of provincial standards for water quality and safe effluent.

Through discussion at the public hearing, it was indicated that water conservation could be profitably enhanced to reduce further pressure on water and sewer rates. Currently, Manitoba Housing tenants are not billed individually for water use, and it was suggested that this was a contributor to high unaccounted for water and lax residential water conservation efforts. It was reported that unnecessary spilling of water by tenants to avoid water line freezing has been observed.

Because of the high water supply costs due to heating, wastage has a significant bearing on the cost of the utility.

While at the time of the public hearing, the Town had not yet prepared its 2005 budget, it completed and forwarded the budget to the Board shortly thereafter. The Town's draft budget projects further utility deficits in 2005 and 2006 of \$120,243 and \$88,700, respectively, even after taking into account an assumption that the Board would approve the Town's application and that further subsidies of \$144,000 and \$180,000, respectively, would be received from the General Revenue Fund. No provision for the development of a utility reserve was made in either the 2005 budget or the 2006 preliminary forecast.

On other related matters, the Town reported:

- a) its intention to spend approximately a minimum of \$120,000 annually on water and sewer system renovations and upgrades, up to and including the year 2007;
- b) plans to develop a utility reserve, towards better ensuring its longer-term commitment to replace the water treatment plant; and
- c) major system line and other replacements are scheduled for 2027 (\$3 million) and 2037 (\$2.2 Million), the cost estimates are in current 2005 dollars.

Clearly, in the absence of much higher revenue the Town will have considerable difficulty in providing for future major capital requirements.

With respect to the agreement with MH, the Town advised that:

- "1. MB Hydro used to be responsible for certain operating costs of part of (the Town's) utility system. As part of the MB Hydro settlement, (MH) gave (the Town) a \$3.468 million bond* (which they hold) and pay (the Town) interest of just over \$315,000 annually. It was intended that the interest be used to pay for the operations that MB Hydro previously paid for, and that the remainder be used for capital upgrades that were identified in the report by Duncan and Associates (an engineering firm). In 2003 (the Town) used \$250,000 of the \$315,000 ... for operations and in 2004, (the Town) budgeted to use \$275,000.
- 2) ... another part of the MB Hydro settlement (was MH) gave (the Town) \$1.5 million* in 1997 for water system upgrades. Most of the money was used in 1997 and the balance was to be put in a reserve for the purpose of water system repairs and upgrades. The balance of this reserve is currently sitting at approximately \$215,000. (The Town) has been using small amounts from this reserve since it was set up in 1997. It is expected that this reserve will soon be depleted and no funds are expected to replenish it."

(Together, the \$3.5 million bond and the \$1.5 million contribution to the Town's utility reserve comprise MH's \$5 million capital fund obligation.)

The Town confirmed that all elements of its water and sewer system are in need of repair, including the structures that house the plant; one particular structure was described as being in deplorable condition. The Town indicated that although its sewage lagoon has reached its capacity, there is no money in the budget to address the issue.

Rationale for proposed new rate structure:

In the Town's view, the elimination of the three-step rate schedule will result in fairer and more equitable billing. From the Town's perspective, the single-step rate approach will more fairly distribute utility costs amongst the utility's customers, while promoting conservation (to reduce demand).

The Town opined that a single-rate approach will ensure that customers contributing to demand peaks, a significant summer peaking load is related to tourism and the Port, will pay an appropriate portion of overall costs.

The Town plans to promote water conservation more aggressively, and may model its conservation program after MH's Power Smart Program. While, according to the Town, and as echoed by the members of the public present at the hearing, Manitoba Housing has been slow to respond to the Town's entreaties with respect to conservation measures, the Town advised that Manitoba Housing has recently begun to respond more favourably. The Town looks forward to increasing cooperation from Manitoba Housing, and expects higher rates will assist in providing motivation.

Representatives of the public spoke to the issue of water usage and conservation, and noted that some of the Town's service

lines are too long to allow the effective utilization of low-flow toilets (which reduce flushing requirements from 13 liters to 6 liters per flush). The Town accepted the contention and indicated an intention to shorten the lines to facilitate low-flush toilet use. Another member of the public alleged Manitoba Housing disregarded the need for water conservation.

The member noted that Manitoba Housing is slow to respond when asked by tenants to repair leaks, and suggested there was no incentive for the tenant to pursue the matter.

Furthermore, the member indicated that individuals not residing in Manitoba Housing properties use Manitoba Housing washers and dryers, because there are no coin-operated machines. The Town agreed to look into the matter.

Board Findings

The Board is pleased that the Town is focused on the financial and operating needs of its water and sewer utility, and that a commitment to long-term planning is in place. The Town's attention to provincial water and effluent standards and appropriate staff qualifications is congratulated. Water and sewer services are necessary for the health, welfare and economic wellbeing of the community.

De-population and low population are problematic for several Manitoba communities. The few remaining residents struggle to support systems larger than now required. For Churchill, the matter is more complicated because it is a tourist destination and has a seasonal port, meaning a peak water need season.

Leaving aside the usefulness of single-step structure for conservation, with the water heating and long-distance water conveyance from the intake faced by Churchill, the present system of discounts for high volume ratepayers is not appropriate particularly recognizing the seasonality of the large loads on the system. Accordingly, the Board will approve the change to the single-step model.

It is evident that the immediate, short and long-term capital expenditure requirements of the utility need to be funded.

Unfortunately, the funding provided by MH has not proved fully adequate, for circumstances beyond the control of the Town and MH. The on-going contributions of MH to the Town's water and sewer operations are diminishing. The \$1.5 million utility reserve for capital expenditures is virtually exhausted, and the interest off the \$3.5 million bond is virtually all absorbed by allocations to operating expenses each year. And, the Board notes that the MH bond is providing an annual yield of approximately 9%, and that yield is twice that of current bond yields. Fortunately, the bond matures at the end of 2021, this provides a significant period of time of considerable benefit arising out of this funding source.

The Board has a long-term concern that upon the maturity of the current bond, its replacement may provide the Town with substantially less per year to meet rising utility costs and current plans and commitments.

Capital project requirements are becoming more evident. Without appropriate funding for utility capital needs, added pressure

will be placed on the residents, either through taxes or higher water and sewer bills.

The Board suggests that the Town consult with the Water Services Board with respect to the Town's future capital needs and long-term plans, towards soliciting contributions in due course.

The Board notes the significant rise in energy costs since 1999, particularly with respect to propane, and suggests that there may be no future relief given the seemingly ever-increasing continental demand for natural gas (propane being a derivative), and the pricing consequences in world energy markets.

And, MH projects annual increases in electricity prices going-forward, though those increases are mild compared to the increases that have occurred with oil, natural gas, coal and uranium. (The Board observes that Churchill is a major beneficiary of the legislated change to uniform Manitoba electricity rates.)

In short, the Board finds Churchill's water and sewer utility to be in need of immediate revenue increase, and, as suggested by the Town, the only evident source of additional operating revenue is through rates.

The Board provided interim rate relief in Order No. 23/05. In this Order, and despite the rate shock this will bring, the Board will confirm 23/05 and amend the 2005 rates to conform to the Town's initial rate proposal for the balance of 2005.

The Board recognizes these increases will have implications for all ratepayers, government included.

Furthermore, the Board notes that even with the rate increases approved for 2005 the utility is unlikely to breakeven, and that for 2005 only a 45% rate increase would accomplish that.

While the Board will not approve such an increase for 2005, it will increase the rates for 2006 to 10%, rather than the 5% proposed, and will approve the 5% increase proposed for 2007 and beyond 2007 to 2010, though conditionally for 2008, 2009 and 2010.

In 2007, the Board will require a new rate study.

The Board recommends the avoidance of the need for large annual rate increases in future, this to be accomplished through annual projections and assessments of future needs with rate adjustment proposals kept as best as possible to single digit percentages.

Accordingly, the Board will direct the Town to reaffirm the objective of annual utility break-even operations, and bring a rate change application to the Board if it becomes clear the rate increases provided for will not be sufficient.

The Board will provide these firm and conditional rate increases through to 2010, while recognizing that the future holds many uncertainties that may require amendments to current plans. With the certainty of the availability of these increases, the Town will be able to plan with increased confidence.

Hopefully, the Town will find that the new rates will provide, in time, for sustainable break-even operations. This should allow for the avoidance of a constant reliance on annual

transfers from its General Revenue Fund, and permit the building of cash surpluses and reserves. Surpluses and reserves are required to meet emergencies and the long-term needs of the utility and the Town.

Also, in this Order the Board will approve the 2004 utility deficit, and accepts the Town's plan to offset the deficit through transfers from the General Fund over three years. Again, if the utility can reach and sustain break-even on operations, the pressure on the General Fund and the tax base that supports it will fall.

The following table provides a summary of the existing rates at the time of the application (2004), the interim rates approved by the Board, and the rates that will apply with the Board's approval of the Town's application in full.

Commodity Rates	2000/04 Existing	2005 Interim	2005 Final
First 21,000	\$10.81	\$12.43	\$13.52
Next 78,000	9.39	10.89	n/a
Over 99,000	8.43	9.69	n/a

Minimum Quarter Bills	2000/04 Existing	2005 Interim	2005 Final
5/8"	\$51.62	\$61.29	\$64.56
1"	148.91	173.16	186.24
1½"	330.71	382.23	429.60
2"	753.26	868.23	1,038.00
3"	1,282.10	1,476.27	1,849.20
4"	2,420.15	2,784.42	3,674.40

As well, with this Order the Town will implement the 10% annual across-the-board increase as at January 1, 2006 and 5% as at January 1, 2007 inclusively as noted above.

When applied, the new 2005 rates will involve annualized rate increases for the Town's utility customers of between 25% and 83%. These are very large increases, justifiable only because of the deficit situation and the limited prospects of the utility without rate increases. The increases are expected to further interest in water conservation, this by all customers including Manitoba Housing. Metering of all service addresses would further the objective of fair billing and appropriate conservation.

The Board hopes that reduced reliance on subsidy from the Town's General Revenue Fund will provide either some tax relief or at least reduced pressure for tax increases with respect to property taxes.

The Board found the Town cooperative, helpful and informative, and appreciates the courtesies extended to the Board through this process.

Authority

As the Board will vary the Town's application, and approve higher rate increases for 2006 through 2010 than sought by the Town, it is useful to be aware of the legal basis for the Board's actions.

Firstly, the Notice of Public Hearing for the Town's application clearly indicated that the Board could vary the application, it stated:

"It is possible that the rates applied for will not produce sufficient revenue to cover the utility's operating and maintenance expenses. Furthermore certain of the rates proposed by the Town may be

deemed by the Board to be inequitable. Accordingly in considering this application the Board may find it necessary to determine rates which, in some cases may be higher or otherwise different than those applied for by the Town of Churchill."

With respect to the authority of the Board, the following sections of The Public Utilities Board Act provide guidance:

"When orders effective

50(1) Every order of the board comes into effect at the time prescribed by the order, and its operation is not suspended by an appeal to The Court of Appeal for which provision is hereinafter made, unless otherwise ordered by the judge granting leave to appeal or by the court on hearing of the appeal; but the board itself may suspend the operation of the order from which appeal is made until the decision of The Court of Appeal is rendered."

"Effective date of order against utilities

96(2) Every other order made under this Part is effective upon the date specified therein, which shall be at least 20 days after the date of the order, unless the board, for good reason, specially provides for an earlier date."

Therefore, the Board finds that the legal responsibilities for Notice were fully and adequately discharged, and the public had an opportunity to participate in the hearing and make any contrary views known. As well, the Board has the authority to act as it does by issuing this Board Order.

IT IS THEREFORE ORDERED THAT:

1. That the revenue deficit in the amount of \$59,980 incurred by water and sewer utility of The Town of Churchill during the year 2004 BE AND IS HEREBY APPROVED subject to the said revenue deficit being recovered by a transfer from the General Revenue Fund.
2. That Interim Ex Parte Order No. 23/05 and the rates charged prior to the issuance of Order BE AND IS HEREBY CONFIRMED.
3. That the water and sewer rates set forth in Schedule "A-1" hereto shall apply to all customers of the utility effective on all water consumed and on all minimum bills effective on the next billing in the normal course after June 30, 2005.
4. That the water and sewer rates set forth in Schedule "A-2" hereto shall apply to all customers of the utility effective on all water consumed and on all minimum bills effective on the next billing in the normal course after December 31, 2005.
5. That the water and sewer rates set forth in Schedule "A-3" hereto shall apply to all customers of the utility effective on all water consumed and on all minimum bills effective on the next billing in the normal course after December 31, 2006.

6. That the 5% across-the-board rate increase for 2008 through to and including 2010 effective January 1 of each year BE AND IS HEREBY APPROVED conditionally subject to Directive #6 below.

6. Town of Churchill will monitor annual utility results and file with the Board support for the conditionally approved rate increases by no later than September 1, 2007.

7. Town of Churchill will communicate the effect of this Order in the form of bill inserts, to be approved prior to mailing by the Board.

THE PUBLIC UTILITIES BOARD

"GRAHAM F. J. LANE, C.A."
Chairman

"G. O. BARRON"
Secretary

Certified a true copy of Order No.
67/05 issued by The Public
Utilities Board

Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 67/05

THE TOWN OF CHURCHILL

WATER AND SEWER RATES

BY-LAW NO. 736/2004

SCHEDULE A-1

1. Schedule of Rates - June 30, 2005

	Commodity Rates per Thousand Gallons		
	Water	Sewer	Water & Sewer
All Consumption	\$10.74	\$2.78	\$13.52
Bulk Rate (minimum 3 thousand gallons)	\$12.63		
Untreated Raw Water	\$9.08		

2. Minimum Charges Quarterly

Meter Size	Group Capacity Ratio	Minimum Quantity Gallons	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
				Water	Sewer	
5/8"	1	3,000	\$24.00	\$ 32.22	\$ 8.34	\$ 64.56
1"	4	12,000	\$24.00	\$ 128.88	\$ 33.36	\$ 186.24
1½"	10	30,000	\$24.00	\$ 322.20	\$ 83.40	\$ 429.60
2"	25	75,000	\$24.00	\$ 805.50	\$208.50	\$1038.00
3"	45	135,000	\$24.00	\$1449.90	\$375.30	\$1849.20
4"	90	270,000	\$24.00	\$2899.80	\$750.60	\$3674.40
Unmetered residential		14,000	\$24.00	\$ 150.36	\$ 38.92	\$ 213.28
Hudson Bay Port	170	510,000	\$24.00	\$5477.40	\$ 0.00	\$5501.40
Untreated Raw Water						
Commercial	10	30,000	\$24.00	\$ 272.40	\$ 0.00	\$ 296.40
Residential	1	7,000	\$24.00	\$ 63.56	\$ 0.00	\$ 87.56

SCHEDULE A-2

1. Schedule of Rates - 2006

	Commodity Rates per Thousand Gallons		
	Water	Sewer	Water & Sewer
All Consumption	\$11.81	\$3.06	\$14.87
Bulk Rate (minimum 3 thousand gallons)	\$13.89		
Untreated Raw Water	\$ 9.99		

2. Minimum Charges Quarterly

Meter Size	Group Capacity Ratio	Minimum Quantity Gallons	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
				Water	Sewer	
5/8"	1	3,000	\$24.00	\$ 35.43	\$ 9.18	\$ 68.61
1"	4	12,000	\$24.00	\$ 141.72	\$ 36.72	\$ 202.44
1½"	10	30,000	\$24.00	\$ 354.30	\$ 91.80	\$ 470.10
2"	25	75,000	\$24.00	\$ 885.75	\$229.50	\$1139.25
3"	45	135,000	\$24.00	\$1594.35	\$413.10	\$2031.45
4"	90	270,000	\$24.00	\$3188.70	\$826.20	\$4038.90
Unmetered residential		14,000	\$24.00	\$ 165.34	\$ 42.84	\$ 232.18
Hudson Bay Port	170	510,000	\$24.00	\$6023.10	\$ 0.00	\$6047.10
Untreated Raw Water						
Commercial	10	30,000	\$24.00	\$ 299.70	\$ 0.00	\$ 323.70
Residential	1	7,000	\$24.00	\$ 69.93	\$ 0.00	\$ 93.93

SCHEDULE A-3

1. Schedule of Rates - 2007

	Commodity Rates per Thousand Gallons		
	Water	Sewer	Water & Sewer
All Consumption	\$12.40	\$3.21	\$15.61
Bulk Rate (minimum 3 thousand gallons)	\$14.58		
Untreated Raw Water	\$10.49		

2. Minimum Charges Quarterly

Meter Size	Group Capacity Ratio	Minimum Quantity Gallons	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
				Water	Sewer	
5/8"	1	3,000	\$24.00	\$ 37.20	\$ 9.63	\$ 70.83
1"	4	12,000	\$24.00	\$ 148.80	\$ 38.52	\$ 211.32
1½"	10	30,000	\$24.00	\$ 372.00	\$ 96.30	\$ 492.30
2"	25	75,000	\$24.00	\$ 930.00	\$240.75	\$1194.75
3"	45	135,000	\$24.00	\$1674.00	\$433.35	\$2131.35
4"	90	270,000	\$24.00	\$3348.00	\$866.70	\$4238.70
Unmetered residential		14,000	\$24.00	\$ 173.60	\$ 44.94	\$ 242.54
Hudson Bay Port	170	510,000	\$24.00	\$6324.00	\$ 0.00	\$6348.00
Untreated Raw Water						
Commercial	10	30,000	\$24.00	\$ 314.70	\$ 0.00	\$ 338.70
Residential	1	7,000	\$24.00	\$ 73.43	\$ 0.00	\$ 97.43

3. Billings and Penalties for Non-Payment

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. The charge is monthly and will be compounded monthly.

4. Disconnection and Reconnection

(a) Water and sewer services may be disconnected without further notice if the water and sewer accounts have not been paid within 30 days of the due date. A disconnection fee of \$65.00 will be added to the account at this time. Prior to turning the water back on, a further \$65.00 will be added to the amount which must be paid to clear the account;

(b) In the event that a customer desires to disconnect their water service, a fee of \$65.00 will be instituted and added to the final bill for the service. When the service is turned back on, a further fee of \$65.00 will be charged.

5. Hudson Bay Port Company

The schedule of rates take into account the fact that the Hudson Bay Port Company does not use the sewage collection or sewage treatment system.

6. Hydrant Rentals

The Town of Churchill shall pay the Utility an annual rental per hydrant for 29 hydrants connected to the system as set out below:

2005	2006	2007	2008	2009	2010
\$3,459.25	\$3,632.21	\$3,813.82	\$4,004.51	\$4,204.74	\$4,414.98