

M A N I T O B A) Order No. 13/07
)
THE PUBLIC UTILITIES BOARD ACT) February 20, 2007

BEFORE: Graham Lane, C.A., Chairman
Monica Girouard, C.G.A., Member
Susan Proven, P.H.Ec., Member

THE TOWN OF BOISSEVAIN
REVISED WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves the Town of Boissevain's (Town) application for increased water and sewer rates, effective with the next billing. On average, water rates will increase by 2.7%; sewer rates by 8.10%. The minimum quarterly bill for a residential customer will increase from \$40.30 to \$42.30, an increase of 4.8%.

The Town's proposal was published in the local newspaper and posted in several prominent locations; no person responded to the Board in opposition to the proposal.

Background

The Town operates a water and sewer utility that serves approximately 738 customers. The existing water plant uses a lime softening process and was constructed in 2000; it has a capacity of 20 litres of water per minute, which is currently only half used. The Town obtains its water from five ground wells and an above ground reservoir. Drinking water currently meets all Provincial requirements.

The sewage treatment system consists of a single large lagoon constructed over thirty years ago. The full capacity of the lagoon has never been reached; the Town is able to discharge under its Provincial licence. Upgrading may be five to ten years out.

For the last ten years, the Town has been upgrading its water and sewer lines. The Town reported no water main breaks over the last two years.

The Town has sought infrastructure funding from senior government for upgrades to its pumping stations in the past, though, currently, no applications are outstanding for 2007, 2008 or 2009.

The Town employs a three-step rate schedule that provides lower rates for higher consumption. The sewer rates do not vary by consumption level. The Town considers its declining rate block approach for water is appropriate, and that the proposed cost of water is a sufficient incentive to promote water conservation.

The utility incurred operating deficits in 2001, 2002 and 2003. However, for 2006 the Town is expecting a surplus of approximately \$25,000, which is considerably higher than the \$8,810 surplus projected in its budget. The Town reported the level of unaccounted for water as being 4%, down from 6.0% in 2002 and well below industry average.

The \$126,310 annual debt servicing of the Town debentures issued for its water treatment plant is being recovered through the utility rates. The debenture matures in 2020, which will provide flexibility for increased capital expenditures at that time. The utility reserve balance as at December 31, 2006 was \$49,544.

Application

The Town applied to the Board for increased water and sewer rates as noted below:

<u>Category</u>	<u>Existing 2005 Rates</u>	<u>Proposed 2007 Rates</u>	<u>Incr. (Decr.)</u>
Service Charge	\$7.15	\$7.50	4.90%
Domestic Water	\$9.20	\$9.60	4.35%
Intermediate Water	\$8.20	\$8.40	2.40%
Wholesale Water	\$7.35	\$7.25	-1.40%
Bulk Water	\$9.20	\$9.60	4.30%
Sewage	\$1.85	\$2.00	8.10%

Notes:

Service charges are levied quarterly.
 Water and sewer rates are per 1000 gallons.

<u>Meter Size (inches)</u>	<u>2005 Rates</u>	<u>2007 Rates</u>	<u>Increase Dollar</u>	<u>%</u>
5/8	40.30	42.30	2.00	4.8
5/8 Water Only	34.75	36.30	2.55	4.5
3/4	73.45	77.10	3.65	4.5
1	139.75	146.70	6.95	4.9
1 1/4	206.05	216.30	10.25	4.9
1 1/2	328.65	343.50	14.85	4.5
2	772.70	811.50	38.80	5.0

The Town's proposed rates were set out in By-law No. 2006-20, which was read for the first time on December 12, 2006. The last rate increase occurred in 2005.

The Town, now having operating experience with the new water treatment plant, filed a rate review. While the utility has earned a surplus in 2006, the accumulated surpluses are not sufficient to allow the utility to fully recover past deficits.

Furthermore, higher operating costs have not allowed the utility to build its reserve fund.

The following is a breakdown of the operating expenses of the utility.

	<u>2005</u>	<u>Rate Study</u>	<u>Increase</u>
Admin.	\$ 19,586	\$ 22,075	
Water	\$281,853	\$293,538	
Sewer	<u>\$ 31,736</u>	<u>\$ 37,367</u>	
Subtotal	\$323,175	\$352,980	9.2%
Deficit	-	\$ 17,000 ⁽¹⁾	
Reserves	<u>-</u>	<u>\$ 50,000⁽¹⁾</u>	
Total	\$323,175	\$419,980	30.0%

⁽¹⁾Added to water and sewer expenses in equal amounts.

Projected operating costs reflect a 9.2% increase in operating expenses before considering deficit and reserve recovery, as compared to 2005.

The Town noted that by it financing the water treatment plant in rates, its borrowing capacity has increased. The Town advised this has allowed it to conduct other important non-utility work in the Town, i.e. a new shop for the fire hall and the Town.

While Board Order 95/04, dated July 6, 2004, directed that past deficits be recovered from the utility reserve fund, the Town proposed instead to recover the deficits from future rates. The Town's auditor noted that as of December 31, 2005, \$61,475 remained outstanding to be collected.

While, pursuant to the Board's instruction, the Town's proposed rates were published in a Notice and posted in several prominent locations in the Town, no one responded to the Board.

Board Findings

The Board has reviewed the Town's Application and the Town's reply to the Board's information requests and is satisfied that the proposed rates are just and reasonable.

Through this Order, the Board will also amend Order 95/04 and provide authority to the Town to recover past revenue deficits from rates.

The Board is pleased the Town is addressing its aging infrastructure in a timely fashion and accepts the Town's proposal to continue to build its reserves towards financing future capital projects. Unaccounted for water has a cost and these upgrading efforts have allowed the Town to continue holding down the level of lost water to very reasonable levels.

The Town should continue to carefully monitor its utility rates; decreases may be warranted after the accumulated deficit has been recovered, reserves built and the existing debenture matures.

While it cannot be determined when new rates will be required, the Board will direct the Town to provide the Board a report on the adequacy of rates by March 31, 2010.

Notwithstanding that by this Order, the Board has approved a decline in the wholesale rate for water (the third step) driven largely by the lower costs of producing water, the Board will require the Town to provide a report to the Board as to whether the number of rate steps continues to be warranted. Water conservation is furthered by flat rate schedules, whereby all water consumed is billed at the same rate.

IT IS THEREFORE ORDERED THAT:

1. Order No. 95/04 dated July 6, 2004 be amended to provide for the recovery of the revenue deficits from rates over the period 2007, 2008 and 2009.
2. By-law No. 2006-20 of the Town of Boissevain BE AND THE SAME IS HEREBY APPROVED subject to amendment on second reading to amend clauses 2 and 5 as set out in Schedule "A" attached hereto;
3. The water and sewer rates set forth in Schedule "A" 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 the date of this Order;
4. The Town file a report with the Public Utilities Board on rate adequacy and rate steps by no later than March 31, 2010; and

5. This Order is subject to moneys being expended from the utility reserve fund only to support existing infrastructure, unless the Board has authorized the expenditure pursuant to Section 168 of *The Municipal and Various Acts Amendment Act*, c. 58.

Fees payable upon this Order - \$500.00.

THE PUBLIC UTILITIES BOARD

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

"G. O. BARRON"
Acting Secretary

Certified a true copy of
Order No. 13/07 issued by The
Public Utilities Board

Acting Secretary

SCHEDULE A

TO BOARD ORDER NO. 13/07

TOWN OF BOISSEVAIN

WATER AND SEWER RATES

BY-LAW NO. 2006-20

1. Commodity Rates

	<u>Rates per Thousand Gallons</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Water and Sewer</u>
First 20,000 gallon per quarter	\$9.60	\$2.00	\$11.60
Next 60,000 gallons per quarter	8.40	2.00	10.40
All over 80,000 gallons per quarter	7.25	2.00	9.25

2. Minimum Charges Per Quarter

No. of Meters	Size (Inches)	Gallons Per Quarter (Minimum)	Service Charge	Commodity Charges Water Charge	Charges Sewer Charge	Quarterly Minimum Charge
673	5/8"	3,000	7.50	28.80	6.00	42.30
44	3/4"	6,000	7.50	57.60	12.00	77.10
12	1	12,000	7.50	115.20	24.00	146.70
1	1 1/4"	18,000	7.50	172.80	36.00	216.30
7	1 1/2"	30,000	7.50	276.00	60.00	343.50
2	2"	75,000	7.50	654.00	150.00	811.50

3. Bulk Sales Rate

All water sold in bulk by the Town of Boissevain shall be charged for at the rate of \$9.60 per 1,000 gallons on a pro-rated basis for all quantities greater than 500 gallons. For any quantity of 500 gallons or less the minimum charge will be \$4.80.

4. Service to Customers Outside Municipality, Town, or L.I.D., Limits

The Council of the Town of Boissevain may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town of Boissevain. 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 from time to time and which would be levied on the property concerned if it were within these boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

5. Billing and Penalties

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.

6. Disconnection

Service may be disconnected and discontinued immediately and without further notice in the event of non-payment of the account within 30 days after due date.

7. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$15.00 have been paid.

8. Outstanding Bills

Pursuant to Section 252(2) (d) of the Municipal Act, the amount of all outstanding charges for water and sewer 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.

9. Hydrant Rentals

The Town of Boissevain will pay to the utility an annual rental of \$60.00 for each hydrant connected to the system.

10. Water Allowance Due to Line Freezing

That in any case where, at the request of the Council, a customer allows water to run continuously for any period of time to prevent the water lines 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.

11. Providing Water Meter Read On/Or Before Due Date

Anyone not providing their water meter reading on/or before the due date of their quarterly billing will automatically receive a \$10.00 surcharge on their next water billing.