

M A N I T O B A) Order No. 75/07
THE PUBLIC UTILITIES BOARD ACT)
) May 31, 2007

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

THE VILLAGE OF WAWANESA
REVISED WATER AND SEWER RATES
EFFECTIVE JULY 1, 2007

Executive Summary

The Village of Wawanesa (Village) applied to the Public Utilities Board (Board) for approval of revised water and sewer rates effective July 1, 2007.

The Board approved the application after considering the Village's initial submission, the Village's pre-hearing written responses to Board questions on the application, and responses to questions raised at a public hearing held on May 16, 2007.

Existing and approved rates were and are:

	\$/1,000 gallons	Existing	Approved
Water		\$4.50	\$5.25
Sewer		\$3.75	\$5.50
Quarterly Service		\$7.25	\$7.50
Residential Minimum Quarterly Bill (5/8" meter)	\$32.00		\$39.75
Sewer only customers (Flat Quarterly Charge)		\$37.25	\$51.50
Bulk Water (Minimum Charge \$8.00)	\$11.50		\$14.50

The minimum quarterly residential bill will increase by 24%, over the current level; the bulk water rate will increase by 26%.

In addition to approving the Village's rate application, the Board provided the Village discretionary authority to implement up to 10% increases in each of 2008 and 2009, to better ensure the Village is able to proceed with its capital expenditure program.

Application

By a letter dated March 13, 2007, the Village applied to the Board for approval of revised water and sewer rates, as set out in its By-law No. 500, which was read the first time on March 12, 2007.

Notice of the application and the public hearing was mailed by the Village to customers and posted in several prominent locations in the area, as required by the Board.

Board Member Susan Proven presided on a "hear and report" basis, in an effort to restrain regulatory costs. Pursuant to *The Public Utilities Board Act*, one Board member may hear an application and make a report to another Member to provide the necessary decision quorum.

The Mayor, several councillors, the Chief Administrative Officer and the utility operators were in attendance in support of the application. Neither representation from the customer base was present, nor were any written comments received in advance of the hearing.

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Existing and proposed rates (now approved) were:

	\$/1,000 gallons	Existing	Proposed
Water		\$4.50	\$5.25
Sewer		\$3.75	\$5.50
Quarterly Service		\$7.25	\$7.50
Residential Minimum Quarterly Bill (5/8" meter)		\$32.00	\$39.75
Sewer only customers (Flat Quarterly Charge)		\$37.25	\$51.50
Bulk Water (Minimum Charge \$8.00)		\$11.50	\$14.50

The bulk water rate and proposed increase includes a surcharge to ensure bulk water purchasers make a contribution to the capital costs of the Village's system.

The last increase in Village utility rates occurred in 2004. The Village reported that since then, utility operating costs have risen dramatically, particularly as a result of rising costs governing the disposal of sewage sludge. Also, the Village reported that its water distribution system required considerable upgrading, particularly with respect to providing adequate fire protection, following a review by engineering consultants.

The Village provided a rate study in support of its proposed rates, and forecast 2007 operating costs (which include a projected contribution to the utility reserve) compared to 2006 costs.

Operating Costs	2006	Rate Study
Administration	\$ 6,600	\$ 7,000
Water	\$32,438	\$ 51,000 ⁽¹⁾
Sewer	<u>\$47,985</u>	<u>\$ 52,000</u>
Total	<u>\$87,023</u>	<u>\$110,000</u>

⁽¹⁾includes \$10,000 for reserves and \$5,000 for contingencies.

The Village reported that another contributing cause to its cost projections and rate proposal was its high rate of unaccounted for water of 32% (water produced and treated, but not sold). Contributing factors to this rate of water loss were indicated to be unmetered water use arising from Village fire fighting use (testing and application) and metering inaccuracy. The Village reported 17 hydrants in the community, with the utility collecting \$100 per hydrant from the Village to cover the estimated cost of hydrant water use.

In 2003, the Village hired an engineering consultant to review the causes of the unaccounted for water, and the consultant noted line leaks, reportedly difficult to locate due to gravel type soil.

As at December 31, 2006, the utility had \$119,415 in surplus and no reserves. The Village collects \$9,549 by tax assessment annually, to service the debenture debt of its utility.

Capital Expenditure Plans

The Village plans an aggressive utility capital improvement and enhancement effort, the major components to be meter replacement, water line renewal and looping, and the replacement of a sewer lift station.

The Village's 5-year capital plan aggregates to \$209,880, broken down on an annual basis as follows:

2008	\$ 27,500
2009	\$ 44,380
2010	\$ 30,000
2011	\$ 28,000
2012	<u>\$ 80,000</u>
	<u>\$209,880</u>

The Village plans to fund the program as follows: \$7,000 from operations (utility rates), \$89,000 from reserves, and \$113,880 from the issuance of debentures. Applications for senior government and MWSB grant funding, if successful, may reduce the overall funding required from debentures and reserves. As at December 31, 2006, the accumulated utility was \$119,415.

The Village plans a three year meter replacement program, to begin in 2007. The Village forecasts \$7,500 will be required in each of the three years to fund the program, and expects to access its utility surplus.

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The meter serving the community arena was reported as being no longer functioning; the Village has been billing the arena only the minimum quarterly bill for the arena's meter size. To the extent the water used by the arena exceeded the volume of water provided in the minimum bill, the Village's utility has been providing a subsidy. As a result of discussion at the hearing, the Village will amend its practice and utilize its General Operating Fund (supported by the tax roll) to meet the estimated subsidy - the operation of the arena is a benefit to all residents. The meter will be replaced as part of the three-year project.

A 5 - 7 year water line renewal program, which includes plans to loop several water lines to increase water pressure for fire protection, involves approximately 7 kilometres of water lines, 4.5 kilometres being cast iron piping installed in the 1950's. With respect to the line looping, the Village plans to apply to the Manitoba Water Services Board (MWSB) for financial assistance.

The Village plans to replace the sewage lift station in 2007, at a cost of \$70,000 drawn from the accumulated utility surplus.

Conservation and Nutrient Removal

The Village promotes water conservation through consumer brochures, and reported that following a mail-out, volume

decreases have been noted. The Village employs a single step commodity rate, which promotes conservation.

The Village has no current plans to address nutrient removal and has not been engaged in discussion with the Province concerning this matter, to-date.

Background

The Village has 236 utility customers, of which 216 are either residential or small commercial accounts. There are eight sewer-only customers.

The Village obtains its water from three wells. The Water Treatment Plant was built in 2003, and uses green sand filters and treatment with potassium permanganate and sodium hypochlorite. The Village produces 13,714,000 gallons of water and sells approximately 9,391,000 gallons.

The Village's sewage treatment process involves slow continuous flow through, with a capacity of 69,390 gallons per day. The treatment facility does not require an upgrade, though, as noted previously, the lift station is to be replaced in 2007.

The Village does not use a lagoon, as sludge from its settling tanks is hauled to the City of Brandon's facility for final treatment.

The Village population is growing and recently 11 fully serviced residential lots were made available to new residents. The Village's current utility infrastructure is able to support such growth.

The utility person is hired on a contract basis. The operator is fully certified and the Village pays for all training. To defray some utility operating costs, the Village has been reviewing with neighbouring communities the possibility of co-ordinating staff to cover vacation periods and other absences of staff.

A share of the Village's total administration cost is being allocated to the utility and is being distributed equally between water and sewer operations

The Village serves no customers beyond its boundaries and bulk water sales are negligible.

Board Findings

Through careful monitoring of operating results and frequent rate adequacy reviews, the Village has met the needs of the community for safe and reliable water and sewer services without incurring operating deficits. The Board is pleased with the Village's results in this regard.

The Board is also satisfied that the future operational and

capital expenditure needs of the utility have been identified, though it has concerns with respect to the ability of the Village to meet the funding requirements given the age of line infrastructure and rising construction costs. The Board accepts the Village's undertaking to set up a reserve fund, with an annual contribution from utility revenues of \$10,000, though it notes that the absence of a current reserve fund balance is problematic. While the balance in the accumulated surplus account is material, the unexpected can occur and test the limits of such a provision.

Given the needs and the lack of assurance of senior government grants being available, the Board is satisfied with the rate proposal and will approve the application for new rates, as of July 1, 2007.

However, the Board will also provide the Village with discretionary across-the-board authority to implement additional rate increases of up to 10% in each of 2008 and 2009, without having to return to the Board with an application. This additional flexibility should provide the Village more certainty that it will be able to proceed with its capital plans and begin to develop an adequate reserve fund to meet future needs.

The flexibility to be provided relies on the reasonableness historically displayed by the Village and will, along with providing the Village with increased capital plan assurance, avoid additional regulatory costs that would be associated with

another Board proceeding prior to 2010.

The Board was pleased to note the Village promotes conservation. With respect to nutrient removal, the Board notes that the sludge is transported to the Brandon facility, and that facility is intended to be upgraded to remove nutrients.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 500 IS HEREBY APPROVED subject to a correction to the minimum quarterly bills as indicated at the hearing - the increases are effective July 1, 2007;
2. A copy of By-law No. 500 be filed with the Public Utilities Board after passing.
3. The Village of Wawanesa establish a reserve fund, with provision for an annual transfer to the reserve of \$10,000 from utility revenue.
4. This Order is subject to expenditures from the utility reserve fund being only to support the improvement or enhancement of existing infrastructure, unless the Board has authorized the expenditure pursuant to Section 168 of *The Municipal Act*.

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5. The Village of Wawanesa have discretionary authority to implement additional across-the-board rate increases of up to 10% in each of 2008 and 2009, without making application to the Public Utilities Board. Upon exercising this discretion, the Village of Wawanesa is to file with the Board the applicable By-Law and a copy of the notice provided to utility customers explaining the increase with supporting reasons.

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. 75/07 issued by The
Public Utilities Board

Acting Secretary