

M A N I T O B A) Order No. 95/01
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THE PUBLIC UTILITIES BOARD ACT) June 8, 2001

BEFORE: G. D. Forrest, Chairman
S. Proven, Member

**THE CITY OF BRANDON
WATER AND SEWER RATES
BY-LAW NO. 6645**

On March 8, 2001, the City of Brandon (the City) applied to The Public Utilities Board (the Board) for approval of revised water and sewer rates (the Application). The Application was supported by By-law No. 6645 certified as to having been read the second time on February 19, 2001 and a water and wastewater rate study prepared by BDO Dunwoody LLP, all filed with the Board.

A public hearing to consider the Application was held on May 23, 2001 in the Council Chamber of the City. Public Notice of the said hearing was published in the Brandon Sun on two occasions and posted in ten prominent locations in the City.

The following persons representing the City were in attendance:

Mr. Grant McMillan	City Treasurer
Ms. D. Hitchins, C.G.A.	Deputy City Treasurer
Mr. T. E. Snure, P. Eng.	City Engineer
Mr. T. Birkhan, C.A.	BDO Dunwoody LLP

The following evidence was provided at the hearing and or included in the documents filed by the City in support of its Application:

1. The last rate change approved by the Board occurred in 1995. Based on a thorough review of the budget, the City determined that existing rates could not sustain the improvements required in the water and wastewater collection, treatment and distribution systems. Accordingly, a rate study was commissioned.
2. In preparation for the rate analysis, the City made an assessment of the operation of the water and wastewater utility and based upon the objective to have a well managed utility to meet the current and future needs of the City, set out the following goals:
 - a) The new rates must provide sufficient revenue to maintain a safe water supply for

the residents and businesses in the City of Brandon. Coupled with a safe water supply, it is also important to provide adequate funding to adequately treat the wastewater created by Brandon's users. The water leaving Brandon must be, at a minimum, in as good a condition as the water coming into the city, and preferably in better condition.

- b) To work towards a self-sufficient utility, decreasing the utility's reliance upon property tax revenue subsidization.
 - c) To provide funds required to perform capital projects on a planned basis by building reserve funds.
 - d) The new rates need to be comparable with the rates charged in other cities across the prairie provinces. As the city of Brandon competes for both residents and businesses with other cities, it is important to keep Brandon's rates comparable with those of other cities.
3. A brief background on the operation of the system was provided as noted below:

Water Production

Consistent with the City's first goal, maintaining a sufficient supply of safe water is paramount. The City's primary water supply is derived from the Assiniboine River. The City also relies on wells for emergencies and for scheduled maintenance of the system. The water supply from the wells has sufficient capacity for 90 days. The Assiniboine River is an unprotected water supply requiring constant surveillance.

The City is currently using sixty percent of its capacity. Diminishing water demand is not likely and accordingly, the City needs to plan for increasing the water production capacity to ensure that the threshold for reliability is maintained whereby demand does not exceed eighty percent of capacity.

The City is updating the production equipment on a regular and planned basis.

Water Distribution System

The water distribution system is operating effectively and is reliable. Some parts of the system are nearly a century old but continue to

serve the needs of the City well. There are some "hot soil" areas that are corroding some of the system and the matter is being attended to as required. The City currently uses plastic water lines for new construction.

There is a need to increase some of the larger diameter feeder mains to meet the growing needs of the City. As well the City needs to upgrade the river crossing lines serving the North Hill area.

Wastewater Treatment System

As the City returns treated wastewater into the Assiniboine River, it has to be vigilant to ensure that the quality of the water it discharges is no worse than the water it receives. Environmental requirements, which the City recognizes are necessary, are increasing for all utilities and while the City has been a leader in some forms of treatment it again may take a lead role for the treatment of phosphorus.

The City's capital plans include \$1,000,000 for upgrades in the wastewater treatment system. It remains difficult to fully meet the environmental license.

The collection system is an old system of clay pipe that continues to serve the City well. Two new pumping stations are needed as the City prepares for the expansion in the North Hill area.

General

The City is examining a water meter replacement program and more technology as it moves toward a more automated form of operation.

Staff member experience and continuing education is a high priority. City staff are in daily discussions with the public health inspectors. The current technology in Brandon would filter out the bacterial issues found in other locations. Continued vigilance is required and a sound communication plan on water quality is required.

4. As at December 31, 2000 the nominal surplus account balance was \$2,722,446 and the reserve fund balance was \$1,161,896.

The total cost of operating the utility less debentures was \$9,494,643. While an overexpenditure was forecasted for 2000, the budget has managed to breakeven for the year.

The City contributes \$150,000 per year to the utility reserve fund.

5. With the goals established, the City examined its operating and capital needs and all revenue sources in bringing forth this Application.

The City based the rate calculations on a three year budget for operation, and a longer outlook for capital requirements.

In addressing administrative costs, the City proposed a \$1.00 per quarter increase in each of the years 2001, 2002 and 2003.

By means of a \$0.20 per 100 cubic feet increase to each step rate for water consumption in each of the three years, the City plans to recover its operating costs which increase 7.7% over the three year period. The increase will address the City's capital requirements in this area to a level of \$1,058,000 in 2003 and a \$470,078 contribution to reserves.

By means of a \$0.15 per 100 cubic foot increase to each step rate for sewer charges in each of the three years, the City plans to recover its operating costs which increase 76.0% over the three year period. In 2003, the City's capital requirements will decline significantly to

\$50,000 and the contribution to reserve will increase to \$329,922.

In summary, on a budgeted basis, deficits are forecasted in each of the three years in the amount of \$318,802 for 2001, \$93,444 in 2002 and \$177,257 in 2003. The City hopes that through prudent management such deficits will be avoided.

6. The City provided supporting schedules for its capital expenditure forecasts. It was noted that while capital projects have their own contingency provision, the operating budget has an amount of \$10,000 per year in each of the three years.
7. The City reported that the unaccounted for water in the system approximates 3%.
8. The City confirmed that in preparing the water and sewer rate study BDO followed the Guidelines as printed by the Board.
9. The amount of water provided by the bulk water station is being reduced but the charge is unchanged. The City indicated that this reflects the increased water production costs and administratively it is more expeditious to

decrease volume that to increase the rate. No phase-in of the rate is being proposed.

10. The City confirmed that it will continue to finance those capital projects related to system expansion by means of debentures over a specific area if necessary, and that its desire to reduce its reliance on tax revenue only applies to operating costs, or system improvements.
11. Excerpts from the City's agreement with Maple Leaf Meats Inc. and Ayerst Organics were provided. In the City's opinion such agreements are meeting the necessary requirements of the City to ensure it is fully compensated for the service it provides. To a large extent these facilities are stand-alone facilities.
12. The City indicated that pursuant to the governing legislation the City has the option to collect unpaid utility bills on the tax roll. Landlords have suggested the practice should be reviewed and an increased effort should be made to collect the debt from the customer directly.

The City administration considered the referral of such accounts to a collection agency with a collection referral fee of 30% being added to the unpaid bill. The referral fee would be paid to the collection agency if collection is made

only. If collection is not made the 30% fee would be cancelled, and the bill would then be added to the tax roll. The following clause was proposed:

"Where a utility bill has been in the name of a tenant and that tenant has failed to pay the account in full within 30 days of the due date, a collection referral fee in the amount of 30% of said outstanding amount may be added to the outstanding amount. Should the outstanding bill remain uncollected for a period of 60 days, the fee will be cancelled and the original outstanding amount added to taxes pursuant to Section 252(2) of The Municipal Act."

If approved by the Board, proposed By-law No. 6645 would be amended accordingly. Of note the above clause was displayed in the Notice of Public Hearing.

Board Finding

The Board is pleased that the utility is receiving the attention it needs to ensure a safe quality of water is being provided to the citizenry of Brandon, and that the City is managing its wastewater treatment facility more effectively.

It is clear that City is enjoying expansion both domestically, and commercially, and recognizes careful planning is required to meet the higher demands on the facilities.

The Board reviewed the City's goals and find them acceptable, and agrees that the rate increase proposed will provide a better opportunity for the City to meet these goals.

While the Board accepts that the City must manage its affairs prudently, of some concern to the Board is that on a budgeted basis deficits are forecasted in each of the next three years, and furthermore, that only a small provision has been provided for in the rates, as an operating contingency. While the Board understands the competitive rate concerns, this goal must be carefully balanced with the concern for an adequate budget to meet the needs of existing customers. Accordingly, the Board will require a report to be filed at the end of 2002 on the adequacy of the rates.

The Board reviewed the City's capital plan and would encourage increased emphasis on the wastewater treatment facility and stricter adherence to the environmental licence governing discharge levels.

The Board is satisfied with the bulk water rate charges, and with the proposed amendment to address delinquent accounts.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 6645 and Schedule "A" attached to the By-law and this Order BE AND IS HEREBY APPROVED

subject to it being amended to include the following clause:

"Where a utility bill has been in the name of a tenant and that tenant has failed to pay the account in full within 30 days of the due date, a collection referral fee in the amount of 30% of said outstanding amount may be added to the outstanding amount. Should the outstanding bill remain uncollected for a period of 60 days, the fee will be cancelled and the original outstanding amount added to taxes pursuant to Section 252(2) of The Municipal Act."

2. The City of Brandon file a report to the Board by April 1, 2003 commenting on the adequacy of rates.
3. The costs of this Order in the amount of \$199.60 be and is hereby payable by the City of Brandon.

THE PUBLIC UTILITIES BOARD

"G. D. FORREST"

Chairman

"G. O. BARRON"

Secretary

Certified a true copy of
Order No. 95/01 issued by
The Public Utilities Board

Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 95/01

THE CITY OF BRANDON

WATER AND SEWER RATES

BY-LAW NO. 6645

1. SCHEDULE OF QUARTERLY RATES - 2001

(a) Commodity Rates

	Rates per Hundred Cubic Feet		
	<u>Water</u>	<u>Wastewater</u>	<u>Water & Wastewater</u>
First 5,000 cu. ft. per quarter (Domestic Rate)	\$2.92	\$1.28	\$4.20
Next 95,000 cu. ft. per quarter (Intermediate Rate)	\$2.12	\$1.28	\$3.40
All over 100,000 cu. ft. per quarter (Wholesale Rate)	\$1.61	\$.87	\$2.48

(b) Minimum Quarterly Charges

A. Water and Wastewater Customers

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Minimum Water Allowance Quarterly in cu. ft.</u>	<u>Quarterly Services Charges</u>	<u>Quarterly Commodity Charges</u>		<u>Minimum Quarterly Bill</u>
				<u>Water</u>	<u>Wastewater</u>	
5/8"	1	460	8.95	13.43	5.89	28.27
3/4"	2	920	8.95	26.86	11.78	47.59
1"	4	1840	8.95	53.73	23.55	86.23
1½"	10	4600	8.95	134.32	58.88	202.15
2"	25	11250	8.95	278.50	144.00	431.45
3"	45	20200	8.95	468.24	258.56	735.75
4"	90	40400	8.95	896.48	517.12	1422.55
6"	170	76250	8.95	1656.50	976.00	2641.45
8"	300	128850	8.95	2624.49	1531.00	4164.44

B. Water Only Customers

Customers using water service only will pay the relevant minimum charge shown in "A" above except that the wastewater commodity charge will be omitted.

C. Wastewater Only Customers

Customers using wastewater service only will pay the relevant minimum charge shown in "A" above except that the water commodity charge will be omitted.

2. SCHEDULE OF QUARTERLY RATES - 2002

(a) Commodity Rates

	Rates per Hundred Cubic Feet		
	<u>Water</u>	<u>Wastewater</u>	<u>Water & Wastewater</u>
First 5,000 cu. ft. per quarter (Domestic Rate)	\$3.12	\$1.43	\$4.55
Next 95,000 cu. ft. per quarter (Intermediate Rate)	\$2.32	\$1.43	\$3.75
All over 100,000 cu. ft. per quarter (Wholesale Rate)	\$1.81	\$1.02	\$2.83

(b) Minimum Quarterly Charges

A. Water and Wastewater Customers

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Minimum Water Allowance Quarterly in cu. ft.</u>	<u>Quarterly Services Charges</u>	<u>Quarterly Commodity Charges</u>		<u>Minimum Quarterly Bill</u>
				<u>Water</u>	<u>Wastewater</u>	
5/8"	1	425	9.95	13.26	6.08	29.29
3/4"	2	850	9.95	26.52	12.16	48.63
1"	4	1700	9.95	53.04	24.31	87.30
1½"	10	4250	9.95	132.60	60.78	203.33
2"	25	10200	9.95	276.64	145.86	432.45
3"	45	18300	9.95	464.56	261.69	736.20
4"	90	36650	9.95	890.28	524.10	1424.33
6"	170	69150	9.95	1644.28	988.85	2643.08
8"	300	112900	9.95	2593.49	1561.58	4165.02

B. Water Only Customers

Customers using water service only will pay the relevant minimum charge shown in "A" above except that the wastewater commodity charge will be omitted.

C. Wastewater Only Customers

Customers using wastewater service only will pay the relevant minimum charge shown in "A" above except that the water commodity charge will be omitted.

3. SCHEDULE OF QUARTERLY RATES - 2003

(a) Commodity Rates

	Rates per Hundred Cubic Feet		
	<u>Water</u>	<u>Wastewater</u>	<u>Water & Wastewater</u>
First 5,000 cu. ft. per quarter (Domestic Rate)	\$3.32	\$1.58	\$4.90
Next 95,000 cu. ft. per quarter (Intermediate Rate)	\$2.52	\$1.58	\$4.10
All over 100,000 cu. ft. per quarter (Wholesale Rate)	\$2.01	\$1.17	\$3.18

(b) Minimum Quarterly Charges

A. Water and Wastewater Customers

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Minimum Water Allowance Quarterly in cu. ft.</u>	<u>Quarterly Services Charges</u>	<u>Quarterly Commodity Charges</u>		<u>Minimum Quarterly Bill</u>
				<u>Water</u>	<u>Wastewater</u>	
5/8"	1	400	10.95	13.28	6.32	30.55
3/4"	2	800	10.95	26.56	12.64	50.15
1"	4	1600	10.95	53.12	25.28	89.35
1½"	10	3925	10.95	130.31	62.02	203.28
2"	25	9300	10.95	274.36	146.94	432.25
3"	45	16750	10.95	462.10	264.65	737.70
4"	90	33500	10.95	884.20	529.30	1424.45
6"	170	63250	10.95	1633.90	999.35	2644.20
8"	300	100500	10.95	2570.05	1585.85	4166.85

B. Water Only Customers

Customers using water service only will pay the relevant minimum charge shown in "A" above except that the wastewater commodity charge will be omitted.

C. Wastewater Only Customers

Customers using wastewater service only will pay the relevant minimum charge shown in "A" above except that the water commodity charge will be omitted.

4. Disconnection Fee

A customer who is disconnected from the utility either at their request or due to the non payment of bills shall be charged a disconnection fee of \$50.00.

5. Reconnection Fee

A customer who requires reconnection of a service shall be charged a fee of \$50.00 per reconnection.

6. Bulk Water Sales

All water sold in bulk shall be charged at the rate of \$0.25 per 40 gallons.

7. Hydrant Rental

The City of Brandon or any other hydrant owner will pay to the utility an annual rental of \$125.00 for each hydrant connected to the system which shall include the cost of water used for firefighting.

8. Wastewater Surcharge

City Council may, by resolution, impose a surcharge for wastewater having a Biochemical Oxygen Demand (BOD) in excess of 300 parts per million (ppm) and containing substances requiring special treatment; such charge to be based on the actual costs of the additional treatment required for the particular wastewater or industrial

wastewater and each such resolution shall be considered as though an amendment to this by-law has been enacted.

9. Additional Meters

Where deemed expedient, the City may elect to install auxiliary meters to separately record the amount of wastewater or water for billing purposes or upon application to the City Engineer, by an owner or operator of a premises where a wastewater service is installed, the city shall install an auxiliary meter at the expense of the applicant, for such purpose.

10. Estimated Wastewater Quantity

Where there is a private water supply and no wastewater meter is installed, the cost for wastewater shall be based upon the average consumption of water for that type of user as established from time to time by the City.

11. Billings and Penalties

Accounts shall be billed quarterly and shall be due and payable twenty-one (21) days after date of billing. A penalty of ten (10%) percent of the amount of the bill shall be added if not paid by the due date.

12. 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.

13. Reconnection

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

14. 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.

15. Meter Testing

If any owner or consumer desires to have the water meter in their premises tested, the City Engineer shall have such meter tested. If the said meter, upon such test, is found to be accurate, a charge of \$125.00 shall be made for the said test and shall be added to the water rates and collected along with the next quarterly water rate and if payment of the same is not made, the water may be shut off until payment is made.

16. Meter Replacement

Where the meter requires replacement due to damage or freezing, a labour fee of \$50.00, plus the cost of the meter plus 20% shall be charged to the owner.