

M A N I T O B A) Order No. 165/05
)
THE PUBLIC UTILITIES BOARD ACT) December 14, 2005

BEFORE: Graham F. J. Lane, C.A., Chairman
M. Girouard, C.G.A., Member
S. Proven, P.H.Ec., Member

THE TOWN OF WINNIPEG BEACH
WATER AND SEWER RATES
BY-LAW # 10/2005

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1.0 Executive Summary

By this Order, the Public Utilities Board (the Board):

- a) sets water and sewer rates for the Town of Winnipeg Beach (Town), effective January 1, 2006; and
- b) provides further direction and recommendations to the Town with respect to its Utility.

The amended rates as compared to current rates are herein established as follows:

Local Improvement Districts #1 and 2 (LID 1 and 2)				
<u>Non-Seasonal</u> (Quarterly Charges)	Service Charge	Water Only	Sewer Only	Water & Sewer
Current	\$10.40	\$19.30	\$ 4.80	\$ 34.50
Revised	\$14.60	\$36.50	\$ 5.70	\$ 56.80
Increase	+40.38%	+89.12%	+18.75%	+64.38%
<u>Seasonal</u> (2 Quarters Charges)				Water & Sewer
Current	\$20.80	\$38.60	\$ 9.60	\$ 69.00
Revised	\$29.20	\$73.00	\$11.40	\$113.60
Increase	+40.38%	+89.12%	+18.75%	+64.38%

Local Improvement District #3 (LID 3)				
(Annual Charge)				Sewer Only
Current	n/a/		N/a	\$12.80
Revised	\$2.30		\$22.70	\$25.00
Increase				+95.31%

Billings to customers are pursuant to the Residential Equivalent Units (REU) methodology. In lieu of meters to establish exact water use, the methodology estimates comparative usage for customer categories and individual non-residential customers.

One REU is assigned to each residential customer, for other service customers allocations may be either "one" or higher.

The number of REUs assigned to a customer reflects the Board's current determination of approximate volumetric usage in comparison to a residential customer. To determine a quarterly billing for a non-residential customer, the scheduled water and sewer charges are added together and multiplied by the number of REUs assigned to the customer; the service charge is added to the sum.

The increases resulting from this Order are relatively substantial, particularly in percentage terms. The percentage increases represent "rate shock" as normally defined by the Board (that being an increase in excess of 20%). The Board's approval of the increases despite rate shock is due to the Board's concern as to the Utility's financial condition.

That said, the resulting annual bills of customers will remain modest compared to some other municipal systems in Manitoba. This is particularly the case for the customers of LID 3 served by the low gravity sewer system. Each customer in LID 3 will be assessed only \$25 a year for the removal of "grey water" effluent through the Town's sewer system, an annual increase of \$12.20.

The annual dollar increases for water and sewer customers of LID 1 and 2 will be \$22.30 and \$44.60 for year-round (permanent) and

seasonal customers, respectively. The increases represent in large part recognition of the Town's improved accounting and new proactive attention to Utility repair needs.

The revenue increase that will result for the Town's Utility is required to avoid a continuation of annual Utility operating deficits, and to properly provide for the Town's now-appropriate proactive approach to system maintenance. The Board's approval of the Town's proposal will also allow for a reasonable contingency provision and a contribution to the Utility reserve.

Also in this Order, the Board:

- a) supports the Town's plan to install meters for its water customers, and suggests that consideration be given to the meters being "remote" meters rather than the meters currently under consideration that require manual reading;
- b) recommends that the meter project be implemented as soon as practical, taking into account an opportunity for the Town to obtain a grant from the Manitoba Water Services Board (MWSB) to meet half the cost of the project;
- c) directs the allocation of a full and fair share of the Town's general and administrative costs to the Utility;
- d) directs the Town to put in place a formal process governing future amendments of the allocation of REUs, to share that process with the Board prior to implementation, and to reflect the formalized process by Town by-law;
- e) directs the Town to submit future rate applications during the summer months, so as to ensure that all Utility

- ratepayers, both permanent residents and seasonal customers, are informed;
- f) recommends the Town discuss with the Province:
 - i) the adequacy of its treatment of effluent from the perspective of the increasing Provincial focus on the health of Lake Winnipeg; and
 - ii) actions to best ensure the safety of private wells, now relied upon by the vast majority of the Town's seasonal residents.
 - g) recommends the Town bring forward future rate applications in a more timely fashion, so as to avoid rate shock in subsequent rate amendments;
 - h) recommends that Utility reserves be consolidated;
 - i) recommends approaches to improve the application of the REU methodology in advance of meters being installed; and
 - j) requires the Town to file reports with the Board by early summer 2006, to update the Board on the Town's progress on various matters.

The Board expects metering to be put in place as quickly as possible, to better ensure fairness to all ratepayers, both in actuality and in perception, and to advance conservation objectives. The current REU-based approach cannot ensure equitable treatment of the Utility's customers, and does not advance conservation objectives.

Once metering is in place, the Town is to bring forward a new rate application to adjust rates and billings to a metered

approach. The application should represent the new approach taking effect the first day of the year subsequent to meter installation.

The Board's recommendation to consult with the Province with respect to the adequacy of its wastewater treatment is based on increasing standards and expectations with respect to environmentally safe and nutrient-free effluent discharge into Lake Winnipeg. The Board's recommendation with respect to private wells recognizes the ongoing reliance on wells by those residents using sewer-only service, and the increasing level of Provincial concern with respect to the quality of well water.

2.0 Application

On August 11, 2005, the Town applied to the Board for revisions to its water and sewer rates, and filed By-law # 10/2005 which had first reading on July 26, 2005. The Town published a Public Notice of its application in the local newspaper; the notice advised ratepayers of the Town's rate proposals and a public Board hearing, which was subsequently held on November 14, 2005.

At the public hearing, the Town presented its application and was questioned by the Board. A number of residents attended, and some made presentations; summary information on the presentations is provided below.

The Town supported its application with a recent rate study prepared on its behalf by the Town's consultant, who was also in attendance. The study and the testimony provided at the hearing by the Town's representatives and the consultant spoke to an increased focus by the Town on the situation and requirements of the Town's water and sewer Utility. The Town submitted that the Utility required increased annual revenues if it was to ensure safe and adequate water supply and effluent removal for its customers.

Existing and proposed rates were as outlined above in the *Executive Summary*; the rates established by this Order are those proposed by the Town. No change was sought by the Town with respect to the \$50 fee charged seasonal customers for turning the water on each spring and off each fall.

Water and sewer rates were last amended in 2002. In the immediate years prior to the 2002 amendments and in each of the fiscal years since, the Town incurred deficits on Utility operations ranging from \$2,000 to \$72,000. The Town also indicated that their prior deficits may have been understated, as it had determined past coding errors had resulted in some repair costs being charged to the General Operating Fund rather than the Utility. The past deficits and the improperly coded repair bills were indicated to primarily relate to the water supply and distribution system.

The Town observed that with a small customer and annual revenue base, large repair bills have a significant effect on revenue and rate requirements. The Town provided examples of recent experience:

- a) a \$5,000 repair bill due to a water main break, the equivalent of \$50.00 for each of the 100 water system customers;
- b) a backhoe repair cost of \$5,000; and
- c) work on the Town's well at a cost of \$17,000.

The Town indicated that Utility repair costs related to the water system had increased from \$10,000 in 2003 to \$36,000 in 2004. The Town advised that major repairs had neither been budgeted nor provided for in rates, resulting in annual operating deficits. The Town advised that in prior years the approach to repairs was not of a preventative nature, and that the approach had been recently amended to a proactive one.

The Town's rate study established the objectives of the Utility to be as follows:

- Rate payer equity;
- Financial stability;
- Affordability
- Customer understanding and acceptance;
- Administrative simplicity; and
- Overall reasonableness.

The consultant noted that the past practice of meeting annual Utility operating deficits by transfers of General Operating

Fund tax revenue failed to achieve ratepayer equity (nor did it comply with statute requirements). The consultant advised that higher rates were required to ensure the avoidance of future operating deficits.

The Town advised that with the implementation of its proposal, balanced Utility operating budgets and results could be expected in the new future. Based on the new rates taking effect January 1, 2006, and assuming that expenditures and revenues, including provisions for contingencies and reserves, unfold as budgeted, the Town projected a modest \$235.00 Utility operating surplus for 2006.

The rate study indicated a continuing under-charging of a fair share of general Town administrative costs to the Utility, as well as the previously noted subsidization of the Utility by the General Operating Fund.

Through the hearing process, the Town sought the Board's advice on its application of the REU methodology. As seasonal customers receive fewer bills and pay less for Utility service than permanent year-round residents, there is the risk that some seasonal customers may continue to use Utility services beyond the six-month period considered "seasonal" use. A system dependent upon estimates and general assumptions is always at risk of perceptions of undue advantage and disadvantage.

The Town advised of its intention to install water meters in LID 1 and 2 to serve its water customers, and stated that meter installation would eliminate any further reliance on the REU system for water users only. With meters installed, the Town noted reliance on the REU methodology would be maintained solely for sewer-only customers.

The estimated capital cost of installing meters was indicated to be \$50,000, an amount in excess of current Utility reserve balances (the project's cost would be higher if "remote" meters were installed).

The Town's Utility reserves are inadequate to meet the full cost of the project, necessitating a grant from the MWSB. Reserve balances for the Utility as of December 31, 2004 were:

By-law #	Reserve Account Name	Balance Dec. 31, 2003
91-98	Utility Replacement	\$ 3,581
979	Low Pressure	\$34,243
06-2003	Sewer System	\$ 6,102
07-2003	Water System	\$ 1,694
Aggregate reserves		\$45,620

The consultant suggested that following the installation of meters an adjustment period would be required, during which the REU system would remain in place while experience was gained with the meter use. By means of the meters, the objective of ensuring billing equity be met and conservation advanced.

Subsequent to the adjustment and testing period, the Town would bring forward a new rate application to the Board that would reflect the cessation of the REU methodology for metered water supply customers.

The Town's 2006 Utility budget incorporates its rate proposal, and includes both a contingency provision and an appropriation to Utility reserves, as noted below:

Contribution, 2006:	Water	Sewer	Total
To contingencies	\$1694	\$6102	\$7796
To Utility Reserves	\$1694	\$6103	\$7796

The provisions meet the Board's guidelines with respect to municipal water and sewer systems. The contingency provision represents 1% of the capital cost of the Town's water and sewer system, the contribution to Utility reserves would bring the aggregate reserve to a still quite inadequate level.

Utility capital costs are neither subject to annual depreciation charges nor represent replacement values (likely much higher).

Comments of ratepayers:

No one at the hearing objected to the installation of meters to advance customer equity in billing, though concerns were expressed with respect to the proposed funding approach and other matters.

Some residents expressed concern about the fairness of the Town's assignment of REUs, though noting that, with the installation of meters, such assignments will no longer be necessary for customers on the water service. (The allocation of REUs relies on judgement and cannot assure billing equity, only meters can meet that test).

The Town assured the Board and its ratepayers that it had followed the Board's Guidelines with respect to REU application, though it noted that some amendments to the Board approved allocation in 2002, when some revised assessments were approved, had been made through an informal process.

Two presenters suggested options not considered by the Town. Citing the age of the system, recent experience with high repair and maintenance costs and the cost of the meter installation plan, a resident suggested it would be more economical to abandon the water supply system require customers to install wells. Another suggested that the Town fund the meter project by reducing general expenditures, so as to avoid the need for a levy on Utility customers.

The Town advised it would attempt to reduce the cost of metering through obtaining a contribution from the MWSB. The Town advised that if it were unsuccessful in obtaining a grant, it would draw on Utility reserve funds to fund the cost.

Another resident questioned the accuracy of the Town's accounting, noting the consultant's comments reporting on past wrong expense coding. The Town assured ratepayers of accounting improvements that have been put in place, noting that its accounts are audited.

Concern over the level of the proposed rate increases was evident, though some residents observed that the absolute dollar level of the projected increases were not unreasonable given the services provided. Others present suggested that future hearings should occur during the summer, when seasonal residents would be aware of the application and able to attend.

One resident suggested that LID 3 customers were subsidizing LID 1 and 2 water-service customers, and expressed concern about the intermingling of operating and reserve funds between LID 1, 2 and 3. The ratepayer opined that a deficit recovery policy differentiating service zones was required to ensure that the cost of providing service in each area is recovered from the ratepayers of the area.

The ratepayer noted that the Utility had incurred \$117,000 in deficits during the 1996-2003 period, towards which LID 1 and 2 customers had paid \$12,000 leaving LID 3 customers to meet the remaining \$95,000. (The Board notes the Town's reference to past accounting allocation problems, including its confirmation that the Utility has not been charged its full fair share of general administration costs. Cost accounting for systems involving

multiple service areas, different systems and integrated operations are quite complex.)

The Board comments on matters raised by presenters in the section entitled Board Findings.

3.0 Background

The Utility's service area is comprised of LIDs 1, 2 and 3. Full water and sewer services are available to LID 1 and 2 customers, with sewer-only service provided to LID 3 customers through the low-pressure system.

The Utility's customer breakdown was reported to be:

<u>LID 1 & 2 customers:</u>	
Seasonal	70
Non-seasonal	<u>26</u>
Total	<u>96</u>
LID 3* customers	<u>1,756</u>

*The number of seasonal customers within LID 3 is unknown

The Town's water system was constructed in the 1960's, and is relatively simplistic in design with only chlorine being added to treat the water supply. The system is aging, and evidence was

provided indicating that it requires constant and increasing maintenance.

The Town's sewer system is much newer, and comprises both a gravity flow and low-pressure system. The gravity flow system handles all effluent for LID 1 and 2 customers; these customers are not expected to have holding tanks. Grey-water-only effluent for LID 3 customers flows through the low-pressure pipeline system to a central lift station, where it is pumped to the Town's lagoon site.

All of the Town's effluent is filtered through marshland and discharged into Lake Winnipeg. While the effluent is reported to be safe from a biological perspective, no nutrients are removed.

Due to occasional very high water levels, early discharges into the Lake have been required, though only with the required requisite approvals obtained from the Province.

LID 3 customers retain effluent solids in their own holding tanks, and are solely responsible for safe clean outs of their tanks and maintenance of their equipment and the connection to the Town's sewer pipeline. The Town's annual charge, now to be \$25.00, does not represent a LID 3 ratepayer's only costs with respect to effluent.

Lacking meters, the Town employs the REU methodology, whereby one REU represents the estimated volume of water and/or sewer used or discharged by a residential customer. With respect to non-residential LID 1 and 2 customers (institutional or commercial), the Town estimates the multiple of residential volume used and discharged by the customers, and one or more REUs are assigned to each depending on the estimate.

The REU approach conforms to the Board's Guidelines for non-metered municipal systems. The initial allocation of REUs to non-residential LID 1 and 2 customers was based on a review of non-residential customer properties and operations. A limited number of amendments to the initial allocations have been made, though neither a formal process, nor permanent records supporting the amendments, were maintained by the Town.

LID 3 "sewer only" customers are billed annually through levies applied through the property tax roll. Permanent (year-round) residents in LID 1 and 2 on water and/or sewer system are billed quarterly. Seasonal LID 1 and 2 customers are billed annually in advance (the billing reflects the assumption that they occupy their premises for six months, or two quarters, each year).

The total capital cost of the Town's water and sewer system was indicated to be \$779,619.00 as of December 31, 2004, with water system asset costs of \$169,443, and sewer system asset costs of \$610,176. Capital costs are not depreciated in the accounts of the Town, nor is depreciation taken directly into account in the

annual budgets of the Utility, hence the necessity for Utility reserves.

Because of the relative newness and simplicity of the sewer system, sewage collection and disposal costs are low relative to the water system.

In the absence of adequate Utility reserves, major enhancements, additions or eventual replacement of equipment and plant will have to be met by large rate increases (excluding contributions by grants). Such increases could be higher than the increases proposed and approved in the Town's application and this Order.

Debentures that may be issued to meet large capital expenditures also form a part of the normal three-part capital project funding approach of most municipalities (grants, debentures, and subsequent rate increases to service the debentures).

A summary of the Utility's revenue shortfall in 2004 follows:

2004 Results	Water	Sewer
Revenue	\$30,945	\$21,043
Expenses	61,399	16,799
Surplus (deficit)	(\$30,454)	\$ 4,244

Since 2002, the Utility's water and sewer operations have operated as one integrated Utility regardless of customer location. Accordingly, there is only a single annual operating statement produced for the Utility.

Operating deficits have been funded by taxes, though provincial statutes require utilities to be self-supporting. The avoidance of Utility operating deficits requires adequate Utility rates.

The Town reported its greatest problem regarding the assurance of ratepayer equity is the lack of a clear definition of seasonal use. Problems arise when residential properties are joined with commercial establishments or when some commercial customers remain open during limited hours all season long. The Town sought the Board's assistance in addressing these identified problems.

5.0 Board Findings

The Board finds the Town's rate change proposals acceptable and will approve the proposed rate increases effective January 1, 2006.

As well, the Board supports:

- a) the Town's plan to convert to a meter-based water service;
- b) the change in approach to water and sewer maintenance, whereby a proactive approach attempts to avoid excessive deferral of required maintenance;
- c) the effort to improve Utility accounting, by which costs are properly allocated between the General Fund and the Utility; and

- d) the intention to avoid Utility operating deficits going forward, and curtail further tax subsidization of the Utility.

Notwithstanding the positive implications for Utility revenues arising out of the Board's approval of the Town's proposed rate increases for 2006, the Board finds the Town's Utility reserves to be inadequate and suggests future rate applications should take reserve building into account.

If the MWSB funds half of the costs of the meter installation project, this will still leave as much as \$30,000 of the costs to be met by the Utility Reserve (reducing the balance to less than \$20,000). The growing complexity and age of the system suggests a much higher reserve balance is desirable. In the absence of reserves, major system enhancements or renovations will affect customer rates in future.

The Board understands that the MWSB, while supporting Winnipeg Beach's plan to install water meters (though suggesting that remote meters be acquired), has not included an allocation for the Town in its established grant budget for 2006, but that it would welcome an application to provide funding in future. This creates a dilemma: waiting may result in up to 50% of the cost of acquiring and installing water meters being met by the MWSB, but would come at the cost of a one-year deferral of the Town's installation plans.

The Board recommends that the Town make application to the MWSB for 2006 on the basis of urgency. Continued reliance on the REU method in the face of resident distrust with the equity provided by the system and knowledge of the inadequacies of the approach from a conservation perspective is not recommended.

If the MWSB is unable to meet the Town's request in 2006, the Town should consider deferring the project until funding is available, presumably in 2007.

The issues at the Board's Winnipeg Beach public hearing could be placed into three main categories:

- a) identifying and meeting the financial needs of the utility;
- b) differing perceptions amongst the Utility's customers as to the fairness of the billing approach;
- c) the Town's plan to introduce meters; and
- d) the segregation and use of Utility reserves by LID.

With the rate increases approved by this Order, a step will be taken towards addressing the financial needs of the utility. To effectively address the "fairness" issue, meters are needed.

The Board fully supports the adoption of meters (consistent with its position in the 2002 Order). Meters provide the fairest way to recover costs from water customers and represent a positive step towards meeting conservation and environmental objectives.

The Board supports the Town pursuing funding by the MWSB for meter installation in 2006 or 2007. If the Town is unsuccessful in its efforts, the Board will leave the decision with the Town as to whether:

- a) proceed with the meter project in 2006, drawing on its sparse utility reserves; or
- b) delay the project to 2007, and accept "living with" the REU approach to 2008.

If the meter project is delayed until 2007, the Board would entertain an application from the Town for an across-the-board rate increase of 3% effective January 1, 2007, which the Board would consider by way of an ex parte process and an interim award. (An ex parte process does not involve a public hearing, and relies on information provided to the Board by the applicant.)

A 3% increase would approximate the expected rate of general cost inflation for 2006, and allow the Town to continue to meet repair needs as required in advance of a full review and hearing once the meter project has been completed.

An ex parte process is conducted by correspondence and would involve an application from the Town, the provision of information as such may be required by the Board, and no public hearing. Public hearings involve regulatory costs, and one will be required to amend rates to take into account metered service, once the meters are installed.

Repeated operating deficits with little or no provision for future capital and maintenance requirements are unacceptable. Not only is such a practice a distortion of the statute-mandated user-pay principle for utilities, but it also could place the provision of safe and reliable water and sewer services in jeopardy in the future.

The Board accepts the evidence of the Town that steps have been taken to better ensure the accounts of the Utility are being properly allocated between the Utility and the General Fund, with the exception of the allocation of administration costs.

With respect to administrative costs, the Town should, when it files its next rate application, provide for the recovery of a fair allocation of such costs from the Utility and its customers through rates. No longer should the Utility rely on cross-subsidy by the General Fund.

The Board accepts the position of the Town that Utility rates are reasonable in comparison with those of other jurisdictions. The board is cognizant however, that there are good reasons why rates are higher in other jurisdictions: more difficulty in accessing and treating an adequate water supply, enhanced effluent treatment, etc.

In light of the age of the Town's system, increasing standards for water quality and effluent safety, cost pressures now being

faced by the utility for maintenance are likely not to relent and higher annual contributions to Utility reserves are desirable. The Board will look for the Town's attention to this need in future rate applications.

With respect to the segregation of reserves by LID, the Board notes that the Utility is operated and legally constituted as a single utility. Though the Board noted in Order 131/02 that two separate but linked sewer systems are in place, the Utility is operated as one integrated operation, so as to gain economies of scale and to increase Utility effectiveness and efficiency given the relatively low level of customers and annual revenues.

Recognizing the realities of small population and revenue base and the linkages between the systems and operating approach, the Board no longer supports the separate reserve funds.

On the matter of REUs, and given the methodology will remain in place with respect to water service customers for at least 2006 and perhaps until 2008, the Board seeks to best ensure that the system is both fair and seen to be fair while it remains in place.

The Board agrees with the Town that the assignment of a particular REU level to various customers is fraught with the risk of perceptions of unfairness, notwithstanding the obvious intent of the Town to be fair. The assignment of a particular number of REUs to a customer is based on estimated volumetric

use and the demand placed on the system (whether the system is used or not). For example, a hotel or restaurant places a certain demand on the system, whether the properties are busier in some seasons or years than others.

Following the public hearing, the Board conducted its own review of REU assignments. Board staff and Town representatives visited accessible properties assessed two REUs or more, with the exception of some of the larger properties for which no concerns being raised as to their allocations. This Order reflects the results of the review.

While the review confirmed that no change in the REU assessment was required, the Board agrees with the Town and many customers interviewed during the review that the problem with the present use of the methodology rests primarily with by the seasonality of customer operations.

Accordingly, the Board has, at the request of the Town, developed a definition of seasonal use for billing purposes:

- a) for joint residential and commercial premises where the commercial use has ended, future billings will be based on the residential use;
- b) for commercial establishments open two or less days a week all year, billing will be for three quarters each year; and
- c) for commercial establishments not operating year-round, the customer shall declare such limited use by season and be billed accordingly.

The Board recognizes that the changes, given effect by this Order, do not address issues related to seasonal volumes or comparative volumes between commercial operations, and the REU methodology does not provide for such distinctions. Meters will solve the problems that the REU methodology cannot address.

Until meters are installed and functioning, the REU methodology remains the only means available to differentiate use by customer. The assignment of REUs is to occur by means of a Town by-law and the approval of the Board. Any change to an allocation represents a variation to the Board's Order, and must be approved by the Board. The changes in allocations made between the issuance of the Board's 2002 Order and this Order were made without Board approval and were invalid and subject to reversal.

Nonetheless, the Board recognizes that circumstances change and there is a need to reflect changes in a timely way. Accordingly, the Board retroactively approves the changes made, but directs the Town to put in place a formal process for future amendments, and that process is to be cleared with the Board and confirmed in a Town by-law prior to implementation.

With further respect to future rate changes, the Board will direct the Town to bring a future application to the Board in the summer so as to facilitate notification of seasonal customers.

While the application and subsequent hearing concentrated on utility rates, financial sustainability, enhancing rate equity amongst customers, and conservation through metering, there are other important aspects of the Utility, those being the quality of its water and safety of its effluent.

Other than the City of Winnipeg and some northern communities, where water has to be heated in winter to transport it through the distribution pipeline to consumers, it can arguably be advanced that Manitobans are fortunate to enjoy relatively low cost water and sewer systems.

And, for the vast majority of Manitobans, municipal water supply and effluent treatment and removal systems provide plentiful and high quality drinking water and safe and reasonably effective effluent removal systems.

Winnipeg Beach falls within this number, possessing both quality water and safe effluent removal systems. That said, perception, requirements and standards change. Furthermore, the negative effects arising from the effluent of one community for the waterways and lakes enjoyed by all are becoming increasingly known.

With respect to the Town's sewer treatment and discharge system, attention needs to be given to the impact that effluent discharges are having on Lake Winnipeg.

In the Manitoba Clean Environment Commission's August 2003 report entitled *Better Treatment: Taking Action to Improve Water Quality*, the Commission observed:

- "Environment Canada ... concludes that nitrogen and phosphorous loading from human activity have accelerated eutrophication of certain lakes and rivers resulting in loss of habitat, changes in biodiversity loss of recreational potential"
- "... municipal sewage is the largest point source of nitrogen and phosphorous in Canada ... discharges of nitrogen and phosphorous on Lake Winnipeg is of particular concern;" and
- "Fisheries and Oceans (Canada) ... speak about the linkage between Lake Winnipeg water quality (or lack thereof) and phosphorous loading and predicted that if the phosphorous input to Lake Winnipeg is not reduced, the condition of the lake would continue to deteriorate."

The Commission concluded, in part:

- "... treated municipal wastewaters ... are adversely impacting the aquatic environments of ... Lake Winnipeg ...; and
- "(the utility) should be directed to plan for the removal of nitrogen and phosphorous from its municipal wastewaters, and to take immediate steps in support of ... nutrient reduction ... for Lake Winnipeg."

More recently, a federal-provincial study called for urgent action with respect to Lake Winnipeg. The study cited giant algae blooms rife with toxins contaminating Lake Winnipeg in the summer, risking the health of communities and affecting the fishing and recreation industries.

And, further illustrating the attention now being paid to water and effluent quality, and linking health and economics to water, the Auditor General of Manitoba issued a report on environmental audits of well water quality in Manitoba.

As cited in the Government of Manitoba's response to the Auditor General's report, the level of government attention to water quality has been very high in recent years, as evidenced by:

- the establishment of the Department of Water Stewardship;
- the establishment of the Water Protection Act
- the establishment of the Office of Drinking Water
- new regulations, certification and training programs for all water and wastewater treatment operators;
- strengthening of on-site sewage and waste-disposal regulations;
- the establishment of the Lake Winnipeg Stewardship Board;
- implementation of the Lake Winnipeg Action Plan;
- the investment of \$80 million in water and sewer infrastructure; and
- initiation of water quality management zones.

The Board recommends that the Town consult with the Province with respect to requirements related to the protection of Lake Winnipeg and the continuation of safe well operations.

5.0 Board Recommendations

IT IS THEREFORE RECOMMENDED THAT:

1. The Town discuss with the Province:
 - a) the adequacy of the Town's treatment of effluent from the perspective of the increasing Provincial focus on the health of Lake Winnipeg; and
 - b) steps required to best ensure the safety of well water, which is relied upon by the vast majority of the Town's seasonal residents.

2. Given that the new rate schedule will be established on the assumption that the Town will proceed with its plan to install meters for water customers, the Town should consult with the Manitoba Water Services Board and seek a grant for 50% of the cost of the meters. The remainder of the required funding should be drawn from Utility reserves.

3. The Town bring forward future rate applications in a more timely fashion.

4. The Town consider bringing forward a request for an interim rate increase to be effective January 1, 2007 if unable to proceed with the installations of meters in 2006.

5. The Town consolidate Utility reserves into one account, in recognition of the Utility's integrated operations and common objectives. The complex cost accounting required to maintain separate Utility reserves for different system components is not in place and would be of questionable merit.
6. The Town apply the Board's suggestions as outlined above as to classifying commercial customers with respect to joint premises and seasonal use.

6.0 Board Directions:

IT IS THEREFORE ORDERED THAT:

1. By-law No. 10/2005 of the Town of Winnipeg Beach BE AND THE SAME IS HEREBY APPROVED subject to amendment on second reading to agree with Schedule "A" attached hereto.
2. The Town amend its accounting approach to ensure the Utility is allocated its full and fair share of common administrative and general costs.
3. The Town put in place a formal process governing future amendments of the allocation of REUs, share that process with the Board prior to implementation, and reflect the formalized process by Town by-law.

4. The Town submit future rate applications during the summer, so as to ensure that all Utility ratepayers, both permanent residents and seasonal customers are informed.

5. The Town file a report with the Board by early summer 2006, providing an update on the following matters:
 - a) meter project, and related discussions with the Manitoba Water Services Board;
 - b) consultations with the Province on wastewater quality and well water safety;
 - c) development of a formal process governing REU allocation amendments;
 - d) amendments to the Town's accounting approach to ensure full and fair allocation of a share of the Town's general and administrative costs to its Utility;
 - e) the consolidation of its Utility reserve balances;
 - f) the operating account result for the Utility for 2005/06 and an updated projection for 2006/07 and 2007/08 reflecting the Town's then-current plans for metering and other matters; and
 - g) the Town's plans with respect to a new rate application.

SCHEDULE "A"

TO BOARD ORDER NO. 165/05

THE TOWN OF WINNIPEG BEACH

WATER AND SEWER RATES

BY-LAW NO. # 10/2005

1. Schedule of Quarterly Rates

All accounts shall be billed quarterly and shall be based on equivalent units as set out below.

Equivalent Units	Consumer	Service Charge	Water Charge	Sewer Charge	Total Quarterly Bill
1.0	Single Family Residence; Canada Post; Church of England; Dept of Conservation-Parks Office; Workshop; Dymitros Barber Shop; Gimli Credit Union; Park Place Meats; United Church	\$14.60	\$36.50	\$5.70	\$56.80
2.0	Wendy's Hair Care; Boardwalk Arcade; Royal Canadian Legion	\$14.60	\$73.00	\$11.40	\$99.00
3.0	Bonnie Lynn's Café; Town of Winnipeg Beach; Ronnie Rae's; Brili Properties; Boardwalk Restaurant	\$14.60	\$109.50	\$17.10	\$141.20
4.0	Beach Plaza; Hamilton House	\$14.60	\$146.00	\$22.80	\$183.40
5.0	Recreation Centre; Curling Club	\$14.60	\$182.50	\$28.50	\$225.60
8.0	Lone Oak Motel + residence; Evergreen School Division	\$14.60	\$292.00	\$45.60	\$352.20
12.0	Beach Laundromat	\$14.60	\$438.00	\$68.40	\$521.00
15.0	MHRC Seniors Home	\$14.60	\$547.50	\$85.50	\$647.60
18.0	Beach Station Hotel	\$14.60	\$657.00	\$102.60	\$774.20
26.0	Condo Corporation	\$14.60	\$949.00	\$148.20	\$1111.80

2. **Schedule of Seasonal Rates**

All accounts shall be billed annually and shall be based on equivalent units as set out following.

Equivalent Units	Consumer	Service Charge	Water Charge	Sewer Charge	Connection/ Disconnection Charges	Total Seasonal Bill
1.0	Single Family Residence	\$29.20	\$73.00	\$11.40	\$50.00	\$163.60
2.0	Casa Bianca; Dairy Bee; Dept of Conservation-Bunkhouses; Johnes; Playland	\$29.20	\$146.00	\$22.80	\$50.00	\$248.00
4.0	Pizza Place; Valentino's	\$29.20	\$292.00	\$45.60	\$50.00	\$416.80
23.0	Dept of Conservation-Public Washrooms (Lakefront)	\$29.20	\$1679.00	\$262.20	\$50.00	\$2020.40
73.0	Dept of Conservation-Public Washrooms (Murray Avenue)	\$29.20	\$5329.00	\$832.20	\$50.00	\$6240.40

3. That all accounts for quarterly charges as set forth in the Schedule of Quarterly Rates shall be billed quarterly in advance. Consumers shall pay for water and sewer service supplied to them by the Town of Winnipeg Beach at the rates and terms set out in Clause 1 above.

4. That all accounts for seasonal charges, as set forth in the Schedule of Seasonal Rates shall be billed seasonally in advance. Consumers shall pay for water and sewer service supplied to them by the Town of Winnipeg Beach at the rates and terms set out in Clause 2 above also as per Clause 10.

5. **Billing and Outstanding Bills**

5.1 Accounts (except seasonal) shall be billed quarterly and be due and payable up to 30 days after the date of billing.

- 5.2 Seasonal accounts shall be billed annually and be due and payable up to 30 days after the date of billing.
- 5.3 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.
- 5.4 Accounts (except seasonal) that are outstanding and not paid by the next billing period may be added to taxes of the property in respect of which the account is unpaid, by the Chief Administrative Officer of the Town, to be collected as ordinary taxes, as authorized under Section 236(1) of the Municipal Act.
- 5.5 Seasonal accounts that are outstanding and not paid within 90 days of the billing date may be added to taxes of the property in respect of which the account is unpaid, by the Chief Administrative Officer of the Town, to be collected as ordinary taxes, as authorized under Section 236(1) of the Municipal Act.

6. **Connections**

- 6.1 The Town of Winnipeg Beach shall charge the amount of twenty-five dollars (\$25.00) to disconnect a service and twenty-five dollars (\$25.00) to reconnect that same service unless included in the seasonal billing.
- 6.2 Service may be disconnected in the event of non-payment of the account within 30 days after the due date.
- 6.3 Any service disconnected due to non-payment of the account or other reasons shall not be reconnected until all arrears, penalties and the reconnection fee have been paid.

7. **Hydrant Rental**

The Town of Winnipeg Beach shall pay to the utility an annual fee of \$100.00 per hydrant for fire fighting which will include a charge for the water used.

8. **L.I.D. #3**

That each property situated in L.I.D. #3 shall make an annual contribution to the maintenance and operation of the utility of

\$25.00. This levy will be charged on the annual tax bill of each property.

9. **Service to Customers Outside the Town Limits**

The Town of Winnipeg Beach may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town. Such agreements shall provide for payment of the appropriate rates set out in the schedule, as well as a surcharge, set by resolution, which shall be the equivalent to the frontage levy, general taxes and special taxes and which would be levied on the property concerned if it were within these boundaries. In addition, all costs connecting to the utility's mains and installing and maintaining service connections will be paid for by the customer.

10. **Seasonal Customers**

10.1 Customers may declare a property seasonal use whereby the whole or part of their establishment will not be in use during the periods October 1 to December 31 and January 1 to March 31 of each year and billing will be discontinued for those quarters. Billing will automatically restart April 1 of each year.

10.2 Once the customer makes the declaration in Clause 10.1 and if the establishment uses the utility services for any part of the quarters, the whole quarter will be charged regardless of the number of days use in the quarter.

10.3 Properties for billing purposes with joined residential and commercial uses may be split with residences being billed 1 R.E.U. but at no time shall the commercial establishment be used during the declared period.

10.4 Commercial establishments that remain open year round but operate 2 days or less per week in the October 1 to March 31 period will be billed for three quarters only.