

M A N I T O B A) Order No. 68/10
)
THE PUBLIC UTILITIES BOARD ACT) July 2, 2010

BEFORE: Graham Lane, CA, Chairman
 Monica Girouard, CGA, Member
 Susan Proven, P.H.Ec., Member

MUNICIPALITY OF KILLARNEY - TURTLE MOUNTAIN
REVISED INTERIM WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves interim *ex parte* utility rate increases for the Municipality of Killarney - Turtle Mountain (Municipality). These rates are applicable for the residents of the Town of Killarney.

The rates take effect for all consumption on or after July 1, 2010. Existing and interim rates, which approximate 3% increases for sewer commodity charges and 30% for water charges, and other related charges, are set out below:

\$/1,000 gal (Increase)	Current Water	Current Sewer	Current Combined	Interim Water	Interim Sewer	Interim Combined
1 st 20K	\$ 6.80	\$ 2.75	\$ 9.55	\$ 8.84	\$ 2.83	\$ 11.67
Next 80K	\$ 4.90	\$ 2.75	\$ 7.65	\$ 6.37	\$ 2.83	\$ 9.20
Over 100K	\$ 3.40	\$ 2.75	\$ 6.15	\$ 4.42	\$ 2.83	\$ 7.25
	Other Current Charges			Other Interim Charges		
Service Charge	\$ 8.20			\$ 10.66		
Minimum Quarterly ¹	\$ 36.85			\$ 45.67		
Average (7500 gallons/qtr)	\$ 79.83			\$ 98.19		
Sewer Only ²	\$ 34.52			\$ 38.96		
Seasonal Water ³	\$134.30			\$174.59		
Bulk Water	\$ 8.33			\$ 10.83		
Hydrant Rentals	\$100.00			\$150.00		

- Notes:
- (1) Includes 3,000 gallons
 - (2) Based on an estimate of 10,000 gallons per quarter
 - (3) Rates are per annum and are based on an estimated consumption of 15,000 gallons

The Board acts now to increase rates due to an imminent need to generate additional utility revenue for the Town's utility. An oral public hearing will be held in Killarney on July 26, 2010, at which time the rationale for the rate increases will be

provided and residents may express concerns and views.

Prior to the new rates established herein, rates were last amended in 2006.

Application

The Municipality applied to the Board for revised water and sewer rates (April 13, 2010). In support of the application, the Town filed a rate study and By-law No. 3-2010, read a first time on April 7, 2010.

The application sought approval from the Board for the following rates:

\$/1,000 gal (Increase)	Current Water	Current Sewer	Current Combined	Proposed Water	Proposed Sewer	Proposed Combined
1 st 20K	\$ 6.80	\$ 2.75	\$ 9.55	\$ 10.10	\$ 2.84	\$ 12.94
Next 80K	\$ 4.90	\$ 2.75	\$ 7.65	\$ 9.15	\$ 2.84	\$ 11.99
Over 100K	\$ 3.40	\$ 2.75	\$ 6.15	\$ 9.15	\$ 2.84	\$ 11.99
	Other Current Charges			Other Proposed Charges		
Service Charge	\$ 8.20			\$ 11.92		
Minimum Quarterly ¹	\$ 36.85			\$ 50.74		
Average (7500 gallons/qtr)	\$ 79.83			\$ 108.97		
Sewer Only ²	\$ 34.52			\$ 46.00		
Seasonal Water ³	\$134.30			\$ 203.00		
Bulk Water	\$ 8.33			\$ 16.00		

- Notes:
- (1) Includes 3,000 gallons
 - (2) Based on an estimate of 10,000 gallons per quarter
 - (3) Rates are per annum and are based on an estimated consumption of 15,000 gallons

In addition, the Municipality also sought another increase, that is to take effect in 2011, so as to bring the rates to a level expected to allow the utility to breakeven.

The Municipality's proposal includes reducing the current three-step water rate schedule to a two-step rate schedule.

The Municipality expected the revised rates would be sufficient to recover annual operating costs of the utility, as projected below:

	2010	2011	2012	2013
General	\$ 47,500	\$ 47,975	\$ 48,455	\$ 48,940
Water				
Expenses	450,200	454,682	459,209	463,781
Amortization	4,998	165,165	165,165	165,165
Debt Interest	-	262,500	256,095	249,242
Membrane Filtration	-	20,000	20,000	20,000
Reserve	25,000	25,000	25,000	25,000
Contingency	10,000	10,000	10,000	10,000
Less Revenues*	- 23,050	-456,633	-456,633	-456,633
SUBTOTAL	\$467,148	\$479,713	\$477,835	\$475,544
Sewer				
Expenses	\$ 69,000	\$ 69,690	\$ 70,387	\$ 71,091
Amortization	65,379	65,379	65,379	65,379
Reserve	-	25,000	25,000	25,000
Contingency	-	-	-	-
Less Revenues	-	-	-	-
SUBTOTAL	\$ 134,379	\$ 160,069	\$ 160,766	\$ 160,470
Total Expenses	\$ 649,027	\$ 687,757	\$ 687,056	\$ 685,963
PROJECTED REVENUES	\$ 649,413	\$ 688,520	\$ 688,520	\$ 688,520
Surplus/ (Deficit)	\$ 386	\$ 763	\$ 1,464	\$ 2,557

In its cost estimates, the Municipality included provisions for amortization of its utility capital assets, a contribution to the reserve fund and a contingency provision for water services.

The approach taken complies with the prescribed treatment of accounting for debt payments, as now required by the Public Sector Accounting Board (PSAB). Further, and as required by the Board (but not by PSAB - following PSAB with respect to the treatment of grants would put additional pressure on rates), the Municipality also provided for the amortization of grants (received towards the partial funding of capital assets).

The Municipality incurred prior utility operating deficits in 2006 (\$54,039) and 2008 (\$46,504). Following the 2009 year-end, the Municipality advised the Board of a further deficit. However, pending the application of all PSAB required accounting standards and the further review by the municipal auditor, the Municipality's application to address the 2009 deficit is not expected until July 2010.

Board Findings

The Board will approve on an interim and *ex parte* basis the rate increases noted herein.

Without the increases, further large utility deficits are expected. By law, municipal utilities are required to operate on a breakeven basis.

In the case of incurring a deficit, and in the absence of increased utility rates, property taxes may have been called on to meet the utility deficit.

The Board will approve increases of 3% for sewer services and 30% for water service. The Board will also approve other

increases sought by the Municipality, including the quarterly service charge, hydrant rental charge, and other incidental fees.

The Municipality is to provide Notice to its ratepayers of the approved revised and interim rates as soon as possible, as the rates will take effect on consumption on and after July 1, 2010.

The Notice is to also include advice of a Public Hearing, to be presided over by the Public Utilities Board, which will take place on July 26, 2010.

At the oral hearing, customers will be given the opportunity to ask questions and submit comments related to the Municipality's application and the interim rates now set.

The Board also notes that the Municipality's disconnect clause, as contained in By-law # 3-2010, is not consistent with Board requirements. The Board will require the clause to be amended, as noted on Schedule "A" attached to this Order.

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.

IT IS THEREFORE ORDERED THAT:

1. The Municipality of Killarney - Turtle Mountain prepare a water and sewer rates by-law to agree with this Order and Schedule "A", attached hereto, for interim *ex parte* rates (revised rates and fees to take effect on consumption on or after July 1, 2010).
2. The Municipality of Killarney - Turtle Mountain provide notice to its customers of both the decision of the Public Utilities Board, the rationale expressed herein, and advice that a public hearing will be held on July 26, 2010, for customers to provide feedback on the interim rates and the Municipality's application; such notice to be pre-approved by the Public Utilities Board.

Fees payable upon this Order - \$150.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SHIELDS"

Acting Secretary

Certified a true copy of Order No.
68/10 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
 TO BOARD ORDER NO. 68/10
 MUNICIPALITY OF KILLARNEY - TURTLE MOUNTAIN
 WATER AND SEWER RATES

1. **Commodity Rates per 1000 gallons**

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
First 20,000 gal/qtr	\$8.84	\$2.83	\$11.67
Next 80,000 gal/qtr	\$6.37	\$2.83	\$ 9.20
Over 100,000 gal/qtr	\$4.42	\$2.83	\$ 7.25

2. **Minimum Charges, Quarterly**

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

3. **Water and Sewer Customers**

Metre Size	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Commodity rates		Minimum Quarterly Charges
				Water	Sewer	
5/8	1	3,000	\$10.66	\$ 26.52	\$ 8.49	\$ 45.67
¾	2	6,000	\$10.66	\$ 53.04	\$ 16.98	\$ 80.68
1	4	12,000	\$10.66	\$ 106.08	\$ 33.96	\$ 150.70
1 ¼	10	20,000	\$10.66	\$ 176.80	\$ 56.60	\$ 244.06
1 ½	10	30,000	\$10.66	\$ 240.50	\$ 84.90	\$ 336.06
2	25	75,000	\$10.66	\$ 527.15	\$212.25	\$ 750.06
4	90	270,000	\$10.66	\$1,437.80	\$764.10	\$2,212.56

4. **Water Only Customers**

Customers with water only services shall be charged the minimum quarterly rate applicable to the customer's meter size less the sewer charge. Unmetered seasonal customers will be charged a flat rate of \$174.59 per season including the service charge.

5. **Sewer Only for Residential Customers**

Customers with sewer only services shall be charged \$38.96 per quarter.

6. **Sewer Only for Commercial customers with a Private Water Supply**

Larger customers connected to sewer services only and with a private water supply will meter this water at their own expense, and shall pay quarterly the service charge plus the sewer commodity rate set forth in Paragraph 1 hereof on the number of gallons of water registered by the meter on their private water supply, which will be read by the Town.

7. **Bulk Sales**

All water sold in bulk by the Municipality of Killarney - Turtle Mountain shall be charged for at the rate of \$10.83 per 1000 gallons.

8. **Service to Customers outside the Urban Ward Limits**

The Council of the Municipality of Killarney - Turtle Mountain 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 of council, which shall be equivalent to the frontage levy, general taxes and special taxes for the utility purposes in effect at the time, and which would be levied on the property concerned if it were within these boundaries. In addition, the customer will pay all cost of connecting to the utility's mains and installing and maintaining service connections.

9. **Billings and Penalties**

Accounts shall be billed quarterly, and shall be due and payable 20 days after the date of billing. A penalty of one and one quarter (1 ¼) percent of the amount of the bill shall be added if not paid by the due date.

10. **Disconnection and Reconnection**

The Public Utilities Board has approved the Conditions Precedent to be followed by the municipality with respect to the disconnection of service for non-payment including, such matters, as notice and the right to appeal such action to the Public Utilities Board. A copy of the Conditions Precedent is available for inspection at the Municipality's office.

Any service, disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$20.00 have been paid. Service may be installed, disconnected, removed or reconnected upon receipt of a written request and payment of the applicable rate as set in the following:

Meter	Installation	Disconnection	Removal	Reconnection
5/8	\$20.00	\$7.00	\$12.50	\$20.00
¾	\$20.00	\$7.00	\$12.50	\$20.00
1	\$30.00	\$7.00	\$12.50	\$20.00
1 ¼	\$35.00	\$7.00	\$12.50	\$20.00
1 ½	\$65.00	\$7.00	\$12.50	\$20.00
2	\$150.00	\$7.00	\$12.50	\$20.00
4	\$500.00	\$7.00	\$12.50	\$20.00

Note: Fee of \$7.50 shall be charged to all customers for each turn-on and each turn off. The reconnection fee does not include a re-installation fee. A check valve shall be installed, at cost to the customer, with all new installations and with all renewals.

11. Outstanding Bills

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

12. Hydrant Rentals

The Municipality of Killarney - Turtle Mountain will pay to the Utility an annual rental of \$150.00 for each hydrant connected to the system which includes the cost of water for fire fighting.

13. Sewer Surcharges

- a) There may be levied annually, in addition to the rates set forth above, a special surcharge on sewage having a Biochemical Oxygen Demand in excess of 300 parts per million, to be set by Resolution of council.
- b) A special surcharge for substances requiring special treatment shall be charged based on the actual costs of treatment required for the particular sewage or industrial waste.