

MANITOBA ) Order No.107/13  
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THE PUBLIC UTILITIES BOARD ACT ) September 10, 2013

BEFORE: Susan Proven, P.H.Ec, Acting Chair  
Marilyn Kapitany, B.Sc. (Hons.), M.Sc., Member

CITY OF STEINBACH  
REVISED WATER AND SEWER RATES  
2013, 2014, 2015 AND 2016

**Summary**

By this Order, the Public Utilities Board (Board) approves revised water and sewer rates for the City of Steinbach (City).

The new rates are to be reflected on the next quarterly billing, effective October 1, 2013 and January 1, in 2014, 2015 and 2016.

The rates are shown below.

	2013	2014	2015	2016
Quarterly Service Charge	\$16.50	\$16.50	\$17.00	\$17.00
Water \$/m <sup>3</sup>	\$0.95	\$0.98	\$1.03	\$1.08
Sewer \$/m <sup>3</sup>	\$0.56	\$0.55	\$0.62	\$0.63
Minimum Quarterly*	\$39.15	\$39.45	\$41.75	\$42.65
Sewer Only	\$50.00	\$50.00	\$52.00	\$54.00
Bulk Water \$/m <sup>3</sup> **	\$1.50	\$1.50	\$1.50	\$1.50
Hauled Sewage \$/m <sup>3</sup> ***	\$2.24	\$2.20	\$2.48	\$2.52
Hydrant Rental (Annual)	\$130.00	\$130.00	\$135.00	\$135.00
*based on 15m <sup>3</sup>				
**minimum charge is \$50 per sale of bulk water				
***calculated as four times the sewer commodity charge				

**Introduction**

The City of Steinbach applied September 13, 2012 for approval of revised water rates as set out in the City's By-law No. 1983 read for the first time on September 4, 2012. Rates were last amended in 2009 in Board Order No. 96/09.

A Notice of Application was issued on October 5, 2012, affording stakeholders the opportunity to comment to both the Board and the Utility with respect to the proposed increases. No responses to the Notice were received.

The Board sent interrogatories to the City. The City submitted their response which included recalculated sewer rates, which are lower than those originally posted in the Notice of Application.

The Board has at its disposal two alternative processes to deal with rate applications. It may determine that an oral hearing is warranted or that a paper review process is sufficient. Based on customer response to the Public Notice, (no comments were received) the Board concluded that a paper review process, one that helps restrain regulatory costs, was in the best interest of all concerned.

### **Background**

The City owns and operates water treatment and distribution and wastewater treatment and collection systems serving approximately 4,228 customers, up from 3,869 in 2009 when the City last filed a rate study with the Board.

The City employs 10 trained staff in order to comply with potable water treatment and distribution functions and to comply with wastewater collection and treatment functions. The City's 2012 budget provides funding of nearly fourteen thousand (\$14,000.00) dollars for the continued training and education of its Utility operators.

### **Water System**

The drinking water supply for the City is provided by a bank of 3 wells that draw from a limestone aquifer. The supply capacity of these wells is approximately 125% of average system demand. With current growth trends in the community, new well capacity will be required before 2020. The City is in the process of developing this capacity which includes a series of new wells to be brought online in 2017.

The current drinking water treatment plant was upgraded in 2006 to increase the City's capacity to supply drinking water to connected customers. Current capacity of the system is similar to the supply wells statistics stated previously. As noted above, the additional water supply capacity will be brought online in 2017 and additional water treatment capacity that is needed by the system will also be provided for at that time.

Treated water storage facilities include an elevated water tower (1972 - capacity 400,000 gallons) and an underground reservoir (1999 - capacity 1,750,000 gallons). The combined capacity of these structures provides sufficient water storage to meet the community's needs. This includes the capacity to meet the needs of the Steinbach Fire Department in the event that a fire requiring significant water flows and/or water quantities occurs.

Approximately 90% of the properties within the City are connected to the drinking water distribution network. The underground pipe network varies in age and type of material with the oldest being approximately 50 years old. Pipe condition and underground environment conditions are excellent, as demonstrated by the minimal number of water main breaks experienced annually.

### **Wastewater System**

Approximately 95% of the properties within the City are connected to the wastewater collection network. The majority of properties in the City are connected to gravity flow pipe with approximately 425 properties served by low pressure systems. The underground pipe network varies in age and type of material with the oldest being approximately 50 years old. Pipe and underground environment conditions are excellent. An annual pipe condition inspection program is in place which ensures that all pipes are inspected at least once every 10 years.

There are 3 neighborhood lift stations that collect wastewater from across the City and a main lift/pump station that pumps all collected wastewater to the City's wastewater lagoon.

Neighborhood lift station construction dates range from 1965 to 2002. All pumping stations are regularly maintained and/or upgraded as necessary to provide adequate system capacity.

The main lift/pump station was built in 1992 and also sees regular upgrades as required.

Pumping capacity at this lift station exceeds the maximum inflow volume from the gravity sewer system.

The City operates a wastewater lagoon to provide for the effective treatment of sewage. This facility was opened in 1992 with an expansion completed in 2011. Current capacity is able to serve the needs of a population of up to 22,000 people.

This rate application marks the first time that the City has proposed charging a tipping fee for haulers using the lagoon. The City reports that prior to the expansion of the lagoon, local haulers were hauling to other municipalities. As of January 1, 2012, the City gave the haulers the option of using their transfer station. There are currently two (2) haulers authorized to use the transfer station, and the City has been charging them the tipping fees as applied for in the current rate application. The tipping fees were calculated as four (4) times the sewage commodity charge, as testing has shown that the sewage hauled into the lagoon averages four times the strength of wastewater received through the Utility's collection system.

In the past four years, the economic activity in the community has exceeded expectations. Building permit values during this period amount to over \$230 million. The expansion of the City's infrastructure network has resulted in increasing costs to maintain the infrastructure.

Water losses for 2011 were 2.35% in comparison to the five year moving average of 6.4%, indicating a trend in the right direction. The Utility was able to determine the previously unidentified losses were due to fire department activities and losses due to water main maintenance and water main breaks.

An increase in operating costs to provide and maintain the Utility is anticipated. The proposal calculates an increase of approximately 2% in each of 2013 and 2014 with an increase of 5% in 2015 and 2016. The first increase is reflective of the rate of inflation and the final two have considered the anticipated increase in system demands due to community growth and future operating costs.

**Application**

The rates were determined based on the following expenditure projections.

	2013	2014	2015	2016
<b>General expense</b>				
Administration	294,900	306,696	318,964	331,723
<b>Net revenue general</b>	<b>294,900</b>	<b>306,696</b>	<b>318,964</b>	<b>331,723</b>
<b>Expenses - water</b>				
Water supply - operating	992,850	1,032,564	1,073,867	1,116,822
Amortization, net of cap grants & donated assets	656,518	690,660	726,509	764,151
Reserves				
Contingency	326,588	336,823	347,385	372,090
<b>Subtotal expenses - water</b>	<b>1,975,956</b>	<b>2,060,047</b>	<b>2,147,761</b>	<b>2,253,063</b>
<b>Non-rate revenue - water</b>				
Hydrant Rentals	66,820	66,820	69,390	69,390
Taxation revenues - principal portion only	380,476	397,623	378,350	356,030
<b>Subtotal non-rate revenue - water</b>	<b>447,296</b>	<b>464,443</b>	<b>447,740</b>	<b>425,420</b>
<b>Net rate revenue - water</b>	<b>1,528,660</b>	<b>1,595,604</b>	<b>1,700,021</b>	<b>1,827,643</b>
<b>Expenses - sewer</b>				
Sewage collection - operating	597,500	621,400	646,256	672,106
Amortization, net of cap grants & donated assets	691,205	734,527	780,016	827,779
Reserves				
Contingency	460,163	483,198	504,560	514,265
<b>Subtotal expenses - sewer</b>	<b>1,748,868</b>	<b>1,839,125</b>	<b>1,930,832</b>	<b>2,014,150</b>
<b>Non-rate revenue - sewer</b>				
Taxation revenues - principal portion only	801,196	887,938	842,984	871,836
<b>Subtotal non-rate revenue - sewer</b>	<b>801,196</b>	<b>887,938</b>	<b>842,984</b>	<b>871,836</b>
<b>Net rate revenue - sewer</b>	<b>947,672</b>	<b>951,187</b>	<b>1,087,848</b>	<b>1,142,314</b>

The Utility's working capital position at December 31, 2012 was:

<u>Working capital surplus</u>	2012	2011	2010
Fund Surplus	48,273,091	46,312,161	43,030,147
Deduct TCA	51,248,517	48,894,127	45,989,232
Add Long Term Debt	3,177,526	2,900,145	3,784,463
Add Utility Reserves	1,369,128	1,278,972	1,346,262
<b>Equals Working Capital Surplus</b>	<b>1,571,228</b>	<b>1,597,151</b>	<b>2,171,640</b>
Operating Costs (2012 projections)	2,608,783		
20%	521,757		

The reduction in working capital surplus indicates that the City is using the revenues collected to increase its capital assets as indicated in the current and 2009 rate studies.

The City plans to invest \$3.5 million to renew existing infrastructure and to spend \$9.5 million for new or expanded facilities over the next five years. The City continues to experience significant growth.

The contingency allowance included in the rate proposal will allow the City to supplement ongoing infrastructure maintenance costs necessary to maintain the Utility's infrastructure.

Planned infrastructure replacements and upgrades to be funded in part by the Utility replacement reserve over the next five years include: a new bank of water supply wells, underground water and waste water pipe replacements in existing neighborhoods, an upgrade to the water supply network, and the replacement of equipment owned by the Utility.

In 2012, the City had capital investments worth in excess of \$2.3 million, with approximately \$900,000 being funded through Reserves and Utility operating funds.

In section 3.2 of Order 93/09, *Debenture Debt Repayment*, the Board outlines the disparity and challenges that many municipalities face when they have debenture borrowings. The term of the debenture rarely aligns with the amortization period of the asset(s) purchased through the borrowing. Public Sector Accounting Board (PSAB) standards require any annual debt payments for the utility collected by taxes be recorded as revenue in the utility. However, only the interest portion of debt will be recorded as an expense.

The City has reported that all debentures are borrowed for a term of five (5) years. This exceptionally short term means that the City records tax revenues that are significantly higher than the amortization expense for the same assets. This can, and in the case of the City of Steinbach, has resulted in significant surpluses. The City will need these surpluses in the future to help offset the cost of amortization for the same assets.

Currently, the City continues to invest in large capital projects and pays for these projects with a combination of reserves, accumulated surplus and five (5) year term debentures.

## **Board Findings**

The Board will approve the revised water and sewer rates as proposed by the City effective October 1, 2013 and January 1, in 2014, 2015 and 2016.

In Order No. 96/09, the Board recommended to the City that making more frequent rate applications would provide customers with more moderate and stable rate increases. This rate application seems to be aligned with those recommendations, and the Board commends the City for this.

As stated in Board Order No. 96/09, the Board remains of the opinion that the City should not set revenue requirements which recover the cost of annual amortization and future costs of replacement from existing customers. The amounts included in revenue requirements for contingency, reserves and surplus have been substantiated by the City. The Board is satisfied that they are reasonable, considering the growth being experienced by the City. The Board also notes once again that no response to the Notice of Application was received, which suggests that customers are satisfied with the proposed rates and management of the Utility.

The Board will require the City to submit a copy of a revised By-law reflecting the decisions in this Order, once it has received third and final reading.

The Board is supportive of the City's decision to charge tipping fees for the lagoon; however the Board would like to remind the City that the Utility requires Board approval prior to charging fees, regardless of the existence of competition in the market.

The cost allocation methodology as approved by Board Order No.96/09 remains appropriate and the Board reminds the City that it must be used consistently and cannot be changed without Board approval.

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.



**Schedule "A"  
 By-Law No. 1983**

**1. SCHEDULE OF RATES – October 1, 2013**

a) Quarterly Commodity Rates per cubic meter	<u>Water</u> \$ 0.95	<u>Wastewater</u> \$0.56	<u>Water &amp; Wastewater</u> \$1.51
b) Quarterly Service Charge (per meter)			\$16.50

c) Minimum Quarterly Charge

Meter Size (Inches)	Group Capacity Ratio	Cubic Meters	Customer Service Charge (\$)	Commodity Charge – Water (\$)	Commodity Charge – Wastewater (\$)	Total Quarterly Minimum (\$)
5/8"	1	15	\$16.50	\$14.25	\$8.40	\$39.15
3/4"	2	30	\$16.50	\$28.50	\$16.80	\$61.80
1"	4	60	\$16.50	\$57.00	\$33.60	\$107.10
1 1/2"	10	150	\$16.50	\$142.50	\$84.00	\$243.00
2"	25	375	\$16.50	\$356.25	\$210.00	\$582.75
3"	45	675	\$16.50	\$641.25	\$378.00	\$1,035.75
4"	90	1,350	\$16.50	\$1,282.50	\$756.00	\$2,055.00
6"	170	2,550	\$16.50	\$2,422.50	\$1,428.00	\$3,867.00
8"	300	4,500	\$16.50	\$4,275.00	\$2,520.00	\$6,811.50

**2. SCHEDULE OF RATES - 2014**

a) Quarterly Commodity Rates per cubic meter	<u>Water</u> \$ 0.98	<u>Wastewater</u> \$0.55	<u>Water &amp; Wastewater</u> \$1.53
b) Quarterly Service Charge (per meter)			\$16.50

c) Minimum Quarterly Charge

Meter Size (Inches)	Group Capacity Ratio	Cubic Meters	Customer Service Charge (\$)	Commodity Charge – Water (\$)	Commodity Charge – Wastewater (\$)	Total Quarterly Minimum (\$)
5/8"	1	15	\$16.50	\$14.70	\$8.25	\$39.45
3/4"	2	30	\$16.50	\$29.40	\$16.50	\$62.40
1"	4	60	\$16.50	\$58.80	\$33.00	\$108.30
1 1/2"	10	150	\$16.50	\$147.00	\$82.50	\$246.00
2"	25	375	\$16.50	\$367.50	\$206.25	\$590.25
3"	45	675	\$16.50	\$661.50	\$371.25	\$1,049.25
4"	90	1,350	\$16.50	\$1,323.00	\$742.50	\$2,082.00
6"	170	2,550	\$16.50	\$2,499.00	\$1,402.50	\$3,918.00
8"	300	4,500	\$16.50	\$4,410.00	\$2,475.00	\$6,901.50

**3. SCHEDULE OF RATES - 2015**

a) Quarterly Commodity Rates per cubic meter	<u>Water</u> \$1.03	<u>Wastewater</u> \$ 0.62	<u>Water &amp; Wastewater</u> \$1.65
b) Quarterly Service Charge (per meter)			\$17.00
c) Minimum Quarterly Charge			

Meter Size (Inches)	Group Capacity Ratio	Cubic Meters	Customer Service Charge (\$)	Commodity Charge – Water (\$)	Commodity Charge – Wastewater (\$)	Total Quarterly Minimum (\$)
5/8"	1	15	\$17.00	\$15.45	\$9.30	\$41.75
3/4"	2	30	\$17.00	\$30.90	\$18.60	\$66.50
1"	4	60	\$17.00	\$61.80	\$37.20	\$116.00
1 1/2"	10	150	\$17.00	\$154.50	\$93.00	\$264.50
2"	25	375	\$17.00	\$386.25	\$232.50	\$635.75
3"	45	675	\$17.00	\$695.25	\$418.50	\$1,130.75
4"	90	1,350	\$17.00	\$1,390.50	\$837.00	\$2,244.50
6"	170	2,550	\$17.00	\$2,626.50	\$1,581.00	\$4,224.50
8"	300	4,500	\$17.00	\$4,635.00	\$2,790.00	\$7,442.00

**4. SCHEDULE OF RATES - 2016**

a) Quarterly Commodity Rates per cubic meter	<u>Water</u> \$1.08	<u>Wastewater</u> \$0.63	<u>Water &amp; Wastewater</u> \$1.71
b) Quarterly Service Charge (per meter)			\$17.00
c) Minimum Quarterly Charge			

Meter Size (Inches)	Group Capacity Ratio	Cubic Meters	Customer Service Charge (\$)	Commodity Charge – Water (\$)	Commodity Charge – Wastewater (\$)	Total Quarterly Minimum (\$)
5/8"	1	15	\$17.00	\$16.20	\$9.45	\$42.65
3/4"	2	30	\$17.00	\$32.40	\$18.90	\$68.30
1"	4	60	\$17.00	\$64.80	\$37.80	\$119.60
1 1/2"	10	150	\$17.00	\$162.00	\$94.50	\$273.50
2"	25	375	\$17.00	\$405.00	\$236.25	\$658.25
3"	45	675	\$17.00	\$729.00	\$425.25	\$1,171.25
4"	90	1,350	\$17.00	\$1,458.00	\$850.50	\$2,325.50
6"	170	2,550	\$17.00	\$2,754.00	\$1,606.50	\$4,377.50
8"	300	4,500	\$17.00	\$4,860.00	\$2,835.00	\$7,712.00

**5. Minimum Quarterly Charges**

Notwithstanding the commodity rates set forth in paragraphs 1, 2, 3 and 4 hereof, all customers will pay the applicable quarterly minimum charges as set out above, which include water allowances indicated.

a) Water Only Customers

Minimum charge will be the same for each meter size as shown above, but the wastewater commodity charge will be excluded.

b) Wastewater Only Customers

With meters – Minimum charge will be the same for each meter size as shown above, but the water commodity charge will be excluded. The water from the customer’s private service shall be metered at the customer’s cost and the wastewater charges will be based on the quantity of water used by the customer.

Without meters – these customers are deemed single-family residences, and as such, will be charged a flat rate based on the estimated annual average consumption and use of water and wastewater by all residential customers. The flat rate charge for these customers will be based on this average estimated quarterly consumption amount in each year multiplied by the water and wastewater commodity rate in effect from time to time, plus the customer service charge according to the following schedule.

	2013	2014	2015	2016
Flat rate per quarter	\$ 50.00	\$ 50.00	\$ 52.00	\$ 54.00

**6. Meter Resealing Fee**

When damages, or meter tampering, or both are reported, all costs to restore or replace the meter, as determined by the City Engineer, shall be charged to the customer. The amount charged shall also include a commodity charge for the estimated quantity of un-metered water used, the related wastewater discharged, plus a fee of \$75.00 to reseal the meter unless prior written authorization for breaking the seal has been issued by the City Engineer.

**7. Additional Meters**

Where deemed expedient, the City of Steinbach (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.

**8. Bulk Water Sales Rate**

All water sold in bulk by the City shall be charged for at a rate per cubic meter on a pro-rated basis according to the following table. The minimum charge for each sale of bulk water shall be \$50.00.

	2013	2014	2015	2016
Bulk Water Rate per cubic meter	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50

**9. Service to Customers Outside of City Limits**

The Council of the City may sign agreements with customers for the provision of water and wastewater services to properties located outside the legal boundaries of the City. Such agreements shall provide for payment of the appropriate rate set out in the schedule, as well as a surcharge, set by resolution of Council. In addition, all costs of connection to the utility mains and the installation and maintenance of service connections shall be paid by the customer, as set by resolution of Council.

**10. Billings and Outstanding Bills**

Accounts shall be billed quarterly, and will be due and payable not less than 21 days after the date of billing. A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

In the event that an account remains outstanding, the account may be transferred to the realty tax account of the property in respect of which the water account is unpaid, by the Treasurer of the City, to be collected as ordinary realty taxes.

**11. Re-connection or Disconnection of a Service**

The City shall charge a fee in the amount of \$50.00 for a re-connection or a disconnection of a service, if requested by a customer.

The Public Utilities Board has approved the Conditions Precedent to be followed by the City 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 City office.

**12. Hydrant Rentals**

The City or any other hydrant owner shall pay to the utility an annual fee according to the following table for each hydrant connected to the system, which shall include the cost of water used for system maintenance and fire protection.

	2013	2014	2015	2016
Annual hydrant rental per hydrant	\$ 130	\$ 130	\$ 135	\$ 135

**13. Water Allowance Due to Line Freezing**

In any case where, at the request of the City, a customer allows water to run continuously for a period of time to prevent the water lines in the water system from freezing, the charge to the customer for that quarter shall be the average of the billings for the last two previous quarters to the same customer, or for the same service, as applicable.

**14. Wastewater Surcharge**

There may be levied, in addition to rates set forth above, a special surcharge on sewage having a biochemical oxygen demand (BOD) in excess of 300 parts per million (ppm), or on sewage containing other nutrients requiring special treatment or removal as identified by the City or by the Province of Manitoba from time to time, based on the actual costs of treatment required for the particular wastewater.

**15. Water Meters**

All new services and meters for water and wastewater shall be installed and metered at the customer's cost.

Residential meters shall be owned, inspected, and maintained by the utility system of the City with the costs of maintenance and meter replacement for normal use to be the responsibility of the City.

Non-residential meters shall be inspected and maintained by the utility system of the City. All costs of ownership, maintenance and meter replacement shall be the responsibility of the non-residential customer. Fees for time and materials incurred by the City for the maintenance of these meters shall be billed to the customer.

**16. Meter Testing Charges**

Any customer who desires and requests that their water meter be tested for accuracy shall deposit with the City the sum of one hundred and fifty (\$150.00) dollars. If the water meter, upon being tested, is found to measure within the allowable limits of accuracy, an amount equal to the cost of the meter test will be retained by the City, and the balance of the deposit shall be returned to the customer. If the water meter fails to measure within the allowable limits of accuracy, the deposit shall be refunded in full and the customer's account shall be adjusted. The allowable limit of meter variation shall be 4% of average flow.

**17. Hauled Sewage Dumping Fee**

All hauled sewage that is discharged into the City's wastewater system shall be charged for at a rate per cubic meter on a pro-rated basis according to the following table.

	2013	2014	2015	2016
Hauled sewage rate per cubic meter	\$ 2.24	\$ 2.20	\$ 2.48	\$ 2.52