

Order No. 9/18

**CITY OF THOMPSON
WATER AND WASTEWATER UTILITY
INTERIM *ex parte* WATER AND WASTEWATER RATES**

January 11, 2018

BEFORE: Irene A. Hamilton, Panel Chair
Robert Vandewater, Member
Michael Watson, Member

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves, on an interim *ex parte* basis, water and wastewater rates as applied for by the City of Thompson (City) Water and Wastewater Utility (Utility).

The revised rates are to be effective January 1, 2018. The approved interim rates are as follows:

	Current Rate	Proposed Rate Year 2 2018	Proposed Rate Year 3 2019
Quarterly Service Charge	\$79.35	\$84.23	\$91.62
Water \$/cubic metre	\$1.46	\$2.39	\$2.92
Wastewater \$/cubic metre	\$1.66	\$1.28	\$1.17
Minimum quarterly – Water and Wastewater*	\$123.03	\$135.61	\$148.88
Bulk water \$/cubic metre	\$6.00	\$4.90	\$5.60
Reconnection fee	\$320.00	\$320.00	\$320.00
Hydrant rental (annual)	\$125.00	\$125.00	\$125.00

*Based on 14 cubic meters

The City currently has a rate application under review by the Board and a public hearing date scheduled for January 23, 2018. Final rates will be set once the hearing is complete and the Board has made a decision based on any evidence presented.

Details of other rates may be found in the attached Schedule “A”.

Rationale for the Board’s decisions may be found under “Board Findings”.

2.0 Background

On October 6, 2016, Vale Canada Limited (Vale) applied to the Public Utilities Board (Board), for approval to transfer ownership and operation of the Thompson Water Treatment Plant (WTP) from Vale to the City of Thompson (City). Vale has also applied for approval of the applicable rates to be charged by Vale to the City under the Water Supply and Services Agreement.

Provided as part of the transfer application was a letter of intent for the transfer of the WTP to the City. In this letter of intent (dated April 27, 2015) Vale, the City and the Local Government District (LGD) of Mystery Lake expressed mutual intent to enter into an agreement to transfer the ownership and operation of the WTP to the City.

On December 15, 2016, the Transaction Agreement was signed by Vale and the City, and the LGD of Mystery Lake acknowledged and provided agreement.

The agreement is for Vale to donate and transfer to the City all assets directly related to the WTP, including the relevant land, buildings, plant and equipment. Vale shall retain certain process water supply lines, the Pump House, raw water rights and water services lines.

As per the agreement, arrangements for transferring ownership and operations are:

- 2017 – Vale will continue to own and operate the WTP, but will charge the City for water estimated to be 25% of the total cost of production in 2017.
- 2018 – The City will assume ownership and operation of the WTP. The WTP will be operated under a 50:50 cost share arrangement with Vale.
- 2019 – Vale will be charged for water based on its metered usage.

The City is prepared to take over this private WTP and operate it as part of the City's Water System, and has filed an application for revised water and wastewater rates to reflect this change.

3.0 Application

The City of Thompson (City) owns and operates the Thompson Water and Wastewater Utility (Utility), which currently consists of a water distribution system, two wastewater treatment facilities and a wastewater collection system, serving 4,014 customers. The last water and wastewater rates were set, on an interim *ex parte* basis, in December 2014 (for years 2015, 2016 and 2017) in Board Order No. 146/14.

On December 4, 2017, the Board received an application for approval of interim water and wastewater rates from the City. The application was accompanied by Council Resolution #2017 251 requesting interim *ex parte* rates, as a result of the Transaction Agreement which include the cost sharing arrangement and the processes to transition the take over of the WTP with Vale, coming into effect January 2018.

As per the interim rate application, the City is seeking interim rates as it will see a net increase in utility operating costs of approximately \$1.026 million as of January 1, 2018, that consist of the following:

1. As of January 1, 2018, Vale operations and costs of the WTP will be transferred to the City. The estimated cost is \$1.4 million and the City will recover 50% of costs from Vale for 2018.
2. As of January 1, 2018, Vale will be charging the City an estimated \$51,000 for raw water to the WTP as Vale will continue to own and operate the Pump House.
3. The City is in the process of building a new wastewater treatment plant anticipated to be completed in 2019. Once it is completed, the City will secure a debenture to cover its portion of the costs, however in the interim there will be costs to the City of approximately \$275,000 associated with the build.

The City states because of these costs it does not want to incur a deficit for 2018 and are requesting interim rates, starting in Year 2 of its current rate application before the Board.

The City currently has a rate application before the Board. The application was received on November 4, 2016, for the approval of revised 2017-2019 water and wastewater rates for the Utility. The application was accompanied by a rate study prepared by the City's consultant and By-law No. 1945-2016 having received first reading on October 3, 2016.

A Notice of Application was issued July 11, 2017 affording customers the opportunity to comment to both the City and the Board with respect to the proposed increases. The Board received 30 stakeholder responses and a petition with 154 signatures. The Board has decided to process this application through a public hearing review, to be held January 23, 2018. A Notice of Hearing was issued December 6, 2017.

In addition, a Deficit Application was received from the City for the Utility on December 19, 2016 for a 2015 Actual Operating Deficit in the amount of \$295,187. The application states the main contributing factor for the deficit was the variance between expected versus actual consumption revenue. The 2015 expected consumption was 1,624,625 cubic meters and the 2015 actual consumption was 1,314,926 cubic meters. The requested method of recovery is through the Utility operating surplus.

4.0 Board Findings

Where there is an urgent need for a rate increase and the Board determines it to be in the best interest of all parties, the Board may establish interim *ex parte* rates. Interim rates are typically approved as applied for and are then subject to a Public Notice of Application and review, before final rates are established.

Interim rates are reserved for instances where the applicant can show that there is a compelling argument to allow it. This is typically done by showing the Board that the Utility is experiencing operating deficits and will continue to do so if revised rates are not approved in an expedited manner.

The Board will, on an interim *ex parte* basis, approve the water and wastewater rates as applied for effective January 1, 2018 (Year 2 of Schedule A of By-law 1945-2016) until new rates are approved by the Board.

The Board has made this decision due to the urgent need to increase revenues to avoid future deficits. This interim approval is subject to a variation upon completion of a more detailed review after the January 23, 2018 public hearing.

A Notice of Application to inform the ratepayers of the interim water and wastewater rate increases will be issued.

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.pubmanitoba.ca.

5.0 IT IS THEREFORE ORDERED THAT:

- 1) The interim rates set for 2015 by Board Order No. 146/14 BE AND ARE HEREBY CONFIRMED AS FINAL.
- 2) Revised water and wastewater rates for the City of Thompson, Water and Wastewater Utility BE AND ARE HEREBY APPROVED on an interim *ex parte* basis, in accordance with the attached Schedule "A", effective January 1, 2018.
- 3) The City of Thompson amend its water and wastewater By-law to reflect changes in this Board Order and submit a copy to the Public Utilities Board once it has received third and final reading.

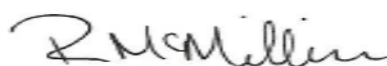
Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"Irene A. Hamilton B.A., LLB, Panel Chair"
Panel Chair

"Rachel McMillin, B.Sc."
Acting Secretary

certified a true copy of Order No. 9/18 issued
by The Public Utilities Board



Acting Secretary

SCHEDULE "A"
THE CITY OF THOMPSON
WATER AND WASTEWATER RATES
BY-LAW NO. 1945-2016

1. Water and Wastewater Rates

1.1 SCHEDULE OF QUARTERLY RATES – 2017

<u>Service</u>	<u>Water</u>	<u>Wastewater</u>	<u>Water & Wastewater</u>
a. Commodity Rate Per Cubic Meter	\$2.14	\$0.95	\$3.09
b. Quarterly Service Charge Per Meter			\$82.58
c. Minimum Quarterly Charges			

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

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption (cubic meters)	Quarterly Service Charge (\$)	Commodity Charge Water (\$)	Commodity Charge Wastewater (\$)	Minimum Quarterly Water & Wastewater Charge
15mm	1	14	\$82.58	\$29.96	\$13.30	\$125.84
20mm	2	27	\$82.58	\$57.78	\$25.65	\$166.01
25mm	4	55	\$82.58	\$117.70	\$52.25	\$252.53
37mm	10	140	\$82.58	\$299.60	\$133.00	\$515.18
50mm	25	341	\$82.58	\$729.74	\$323.95	\$1,136.27
75mm	45	614	\$82.58	\$1,313.96	\$583.30	\$1,979.84
100mm	90	1,227	\$82.58	\$2,625.78	\$1,165.65	\$3,874.01
150mm	170	2,319	\$82.58	\$4,962.66	\$2,203.05	\$7,248.29
200mm	320	4,364	\$82.58	\$9,338.96	\$4,145.80	\$13,567.34
250mm	610	8,319	\$82.58	\$17,802.66	\$7,903.05	\$25,788.29

1.2 SCHEDULE OF QUARTERLY RATES - 2018

<u>Service</u>	<u>Water</u>	<u>Wastewater</u>	<u>Water & Wastewater</u>
a. Commodity Rate Per Cubic Meter	\$2.39	\$1.28	\$3.67
b. Quarterly Service Charge Per Meter			\$84.23
c. Minimum Quarterly Charges			

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

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption (cubic meters)	Quarterly Service Charge (\$)	Commodity Charge Water (\$)	Commodity Charge Wastewater (\$)	Minimum Quarterly Water & Wastewater Charge
15mm	1	14	\$84.23	\$33.46	\$17.92	\$135.61
20mm	2	27	\$84.23	\$64.53	\$34.56	\$183.32
25mm	4	55	\$84.23	\$131.45	\$70.40	\$286.08
37mm	10	140	\$84.23	\$334.60	\$179.20	\$598.03
50mm	25	341	\$84.23	\$814.99	\$436.48	\$1,335.70
75mm	45	614	\$84.23	\$1,467.46	\$785.92	\$2,337.61
100mm	90	1,227	\$84.23	\$2,932.53	\$1,570.56	\$4,587.32
150mm	170	2,319	\$84.23	\$5,542.41	\$2,968.32	\$8,594.96
200mm	320	4,364	\$84.23	\$10,429.96	\$5,585.92	\$16,100.11
250mm	610	8,319	\$84.23	\$19,882.41	\$10,648.32	\$30,614.96

1.3 SCHEDULE OF QUARTERLY RATES - 2019

<u>Service</u>	<u>Water</u>	<u>Wastewater</u>	<u>Water & Wastewater</u>
a. Commodity Rate Per Cubic Meter	\$2.92	\$1.17	\$4.09
b. Quarterly Service Charge Per Meter			\$91.62
c. Minimum Quarterly Charges			

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

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption (cubic meters)	Quarterly Service Charge (\$)	Commodity Charge Water (\$)	Commodity Charge Wastewater (\$)	Minimum Quarterly Water & Wastewater Charge
15mm	1	14	\$91.62	\$40.88	\$16.38	\$148.88
20mm	2	27	\$91.62	\$78.84	\$31.59	\$202.05
25mm	4	55	\$91.62	\$160.60	\$64.35	\$316.57
37mm	10	140	\$91.62	\$408.80	\$163.80	\$664.22
50mm	25	341	\$91.62	\$995.72	\$398.97	\$1,486.31
75mm	45	614	\$91.62	\$1,792.88	\$718.38	\$2,602.88
100mm	90	1,227	\$91.62	\$3,582.84	\$1,435.59	\$5,110.05
150mm	170	2,319	\$91.62	\$6,771.48	\$2,713.23	\$9,576.33
200mm	320	4,364	\$91.62	\$12,742.88	\$5,105.88	\$17,940.38
250mm	610	8,319	\$91.62	\$24,291.48	\$9,733.23	\$34,116.33

2. Bulk Water Sales

Water sold in bulk shall be charged for at the rate of:

- In 2017 - \$4.65 per cubic meter
- In 2018 - \$4.90 per cubic meter
- In 2019 - \$5.60 per cubic meter

3. Unmetered Fire Lines

Unmetered Fire Lines shall be charged at a flat rate of \$75.00 per quarter.

4. Application Fee

An application fee of \$50.00 will be charged for new water utility customers.

5. Water Meter Installation

Water meters will be provided free of charge for new construction within the City of Thompson, with an installation fee of \$500.00 for a standard installation of a meter not greater than one inch (25mm), or an inspection fee at the rates for Service Calls if the installation is not performed by the City.

6. Service Calls and Additional Services

A fee for service of \$250.00 for the first hour and \$125.00 thereafter shall apply for testing of water meters at the request of the Customer, repair of damage to water meters attributable to the Customer, inspection of installations, or any other minor service requested by the Customer.

7. Service to Outside Customers

The Council of the City of Thompson may sign agreements with customers for the provision of water and wastewater services to properties located outside the legal boundaries of the City of Thompson. 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 utility purposes in effect at the time, or may be in effect from time to time, and which would be levied on the property concerned if it were within these boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

8. Billings and Penalties

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.

9. Disconnection and Shut-Off

A scheduled shut-off charge of \$320.00 shall apply.

An unscheduled shut-off charge of \$480.00 shall apply.

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.

10. Reconnection

A reconnection fee of \$320.00 shall apply.

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

11. Calibration of Meter

All costs associated with the calibration of a meter, at a customer's request, will be the responsibility of the customer, this will include shipping, installing a replacement meter and calibration, unless it is identified during calibration that there is an issue with the meter in which all costs will be paid for by the City of Thompson.

12. Damaged Meter

The cost to replace a damaged meter shall be the actual cost of the meter and installation. Meters which malfunction will be replaced at the cost of the City of Thompson.

13. 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.

14. Hydrant Rentals

The City of Thompson will pay to the utility an annual rental of \$125.00 for each hydrant connected to the system. In addition, the City of Thompson will pay for water used for fire-fighting at the current rates applied to a volume identified by the Water Utility.

15. Allowance For Prevention of Freezing

Where advanced approval has been granted by the Utility, a customer allows water to run continuously for any period of time to prevent water service lines from freezing, the charge to that customer for the current quarter shall be the average of the billings for the two previous quarters to the same customer, or to the same premises if the occupant has changed.

16. Thawing of Frozen Lines

A fee for service of \$250.00 for the first hour and \$125.00 thereafter shall apply for thawing of Private Water Service lines by the Water Utility.

17. Sewage Surcharges

There may be levied annually, in addition to rates set forth above:

- (a) 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 based on the actual costs of treatment required for the particular sewage or industrial wastes.

18. Hauled Sewage Dumping Fee (Septage)

The fee for all hauled sewage shall be charged for at the rate of \$4.00 per cubic meter.