

Local Government District of Pinawa

Utility Rate Study and
Proposed Utility Rates

July 27, 2015

History (to 2012)

- Utility operated by LGD of Pinawa and funded from taxation revenue and the Grant in Lieu of Taxes from AECL
- Allowed flexibility to manage operating and capital needs of utility so no need to carry large reserve
- Consumption double national average

History

- Decision by Council to install water meters (fall of 2012)
 - Further development denied
 - Unfair distribution of costs
 - High property taxes a deterrent

History

- 50% funding of water meter project resulted in use of utility reserve
- Rate Study completed by Genivar (now WSP) in January, 2012

From 2012 Rate Study

“The new rates should be fair to its customers while providing adequate revenue to the utility for operations, maintenance, and reserves for capital upgrades.”

History

- Public Utilities Board (PUB) sets the rates after public consultation
- October 30, 2012 – PUB issued Order 145/12 approving water and sewer initial rates as applied for

History

- January 1, 2013 – Pinawa's Water and Sewer Utility commences operation
- Property taxes reduced by 8.43 mils
- Water rate \$2.40 per m³
- Sewer rate \$0.55 per m³
- Very little in reserve

Results - 2013

- 2013 modest positive cash outcome of \$21K
- PSAB deficit of \$29K

	Volumes (m ³)	
	Forecast	Actual
Produced	227,695	225,070
Consumed	209,409	128,347

Results - 2013

- We learned that residents conserved water more than expected and
- Residents were paying unfair share of utility costs compared to Commercial users

Results - 2014

- 2014 cash deficit of \$69K
- PSAB deficit \$236K

	Volumes (m ³)	
	Forecast	Actual
Produced	224,793	192,370
Consumed	206,550	112,394

Actions

- Notified the PUB of 2014 deficit
- Moved up timing of new Rate Study by 1 year (Current rates clearly insufficient)

Deficit Recovery Options

- Taxation
- Surplus
- Reserves
- Future Rates
- Rate Rider (temporary)
- Surcharges (per customer assessment)
- Grant-in-Lieu of Taxes

Deficit Recovery Options

- Rate Rider is method chosen
 - transparent, separate item on water bill
 - 3 year recovery of deficit
 - \$0.73 per m³

Rate Study 2015

- Contract tendered out
- Contract awarded to Gerry Barron, FCGA (lowest bid)
- Draft document proposes rates for 2016, 2017, and 2018

Analysis – 2014

Revenue Shortfall

- Rate Study Forecast - \$609K
- Budget - \$418K
- Actual - \$319K (\$412K in 2013)
- Clearly rates were too low

Analysis – 2014

Operations/Maintenance

Minor Capital

- 2012 Rate Study Forecast - \$382K
- Actual - \$367K
- Extraordinary costs
 - Waterline freezing
 - Water main breaks
 - Storm Water Drainage Study

Analysis – 2014

Major Capital

- 2012 Rate Study Forecast (Debenture payment)- \$67K
- Actual Sewage Lagoon Expansion - \$56K

Analysis – 2014

Overhead Allocation

- 2012 Rate Study Forecast - \$15K
- Actual - \$71K

Notes: Allocation of overhead costs to utility means reduction in property taxes. Not allocated prior to establishment of utility.

Analysis – 2014 Amortization

- 2012 Rate Study Forecast - \$165K
- Actual - \$227K

Notes: Only impacts PSAB deficit.
2012 Rate Study did not consider
Capital Additions.

Rate Study - 2015

- Includes corrections to above noted errors
- Draws on first 2 years of experience of operating a separate water and sewer utility
- Will result in self-sufficient utility

Rate Study - 2015

- Assumes consumption of 120,204 m³
- Thorough review of expenses resulting in forecast reduction of costs of \$48K

Rate Study - 2015

- Thorough analysis of amortization including provisions for capital additions
- Increased contingency amounts

Rate Study - 2015

- New rates will generate funds for infrastructure renewal
- New rates will generate reserves for future capital requirements

Proposed New Rates

Proposed Rates (per m ³)				
	Current	2016	2017	2018
Water	\$ 2.40	\$ 3.00	\$ 3.05	\$ 3.10
Sewer	\$ 0.55	\$ 0.90	\$ 0.90	\$ 0.95
Deficit Recovery	\$ -	\$ 0.73	\$ 0.73	\$ 0.73
Total	\$ 2.95	\$ 4.63	\$ 4.68	\$ 4.78

Cash Surplus Funds Generated

- \$220K per year
- Funds will be used to
 - eliminate 2014 deficit (\$69K)
 - build the reserve fund
 - fund infrastructure renewal

Proposed Infrastructure Renewal Plan

- Willingdon Crescent (\$92K)
- Aberdeen to Brock (\$98K)
- McDiarmid and Devonshire (\$177K)
- McGregor at Burrows (\$98K)
- McGregor at Alexander (\$144K)

Note: List Already Submitted to
Manitoba Water Services Board for
Funding

Cost Comparison

8 Minto Place

	Property	Sewer and
	Taxes	Water
2013	\$ 600	\$ 344
2014	\$ 612	\$ 408
2015	\$ 624	\$ 406
2016	\$ 637	\$ 639
2017	\$ 649	\$ 646
2018	\$ 662	\$ 659
Total	\$ 3,784	\$ 3,102

Current Status

- Decision is not final
- ByLaw given first reading
- Rate request has been submitted to PUB
- Opportunity for input from residents and commercial users to be submitted directly to PUB
- PUB may hold a public hearing
- PUB has final decision on rates