

MANITOBA ) Order No. 127/10  
 )  
THE PUBLIC UTILITIES BOARD ACT ) December 17, 2010

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

CITY OF THOMPSON, MANITOBA  
APPLICATION FOR  
CREATION OF A WATER AND SEWER UTILITY AND  
WATER AND SEWER RATES

**Summary**

The Public Utilities Board (PUB or Board) hereby approves the City of Thompson's (City or Thompson) proposal to create a water and sewer utility.

The Board will not accept the City's proposal for rates for the years 2011, 2012 and 2013, but directs the City to re-file a revised proposed rate schedule to take effect January 1, 2011, based on herein accepted projected Utility revenues and expenses.

To allow for 2011 rates to be submitted to the Board for approval, the Board provides below its acceptance of the following projected Utility revenue requirements for 2011.

	2011	
<b>Water Expenses</b>		
Operation and Maintenance	1454000	
Amortization	369000	
Interest on Long Term Debt	116000	
Capital Works	265000	
Provision For Bad Debt	<u>26000</u>	
Total Expenses	2230000	
Revenues		
Debenture Debt Revenues	297000	
Other Revenues	<u>235000</u>	
Total Offsetting Revenues	532000	
<b>Net Water Rate Revenue Requirements</b>	<b>1698000</b>	
<b>Wastewater Expenses</b>		
Operation and Maintenance	986000	
Amortization	182000	
Interest on Long Term Debt	35000	
Capital Works	125000	
Provision For Bad Debt	<u>20000</u>	
Total Expenses	1348000	
Revenues		
Other Revenues	<u>56000</u>	
Total Offsetting Revenues	56000	
<b>Net Wastewater Rate Revenue Requirements</b>	<b>1292000</b>	

Given that 2011 will be the first year for the new Utility, it is important that the City conduct necessary engineering studies to allow for a better understanding of the condition of the existing sewer and water infrastructure. This information is required to facilitate future capital planning.

The Board recognizes significant uncertainty as to customer water consumption patterns, since, historically, customers were unmetered.

Assuming the City provides the Board with proposed 2011 rates that the Board finds reasonable, and the Board approves said rates (on an interim *ex parte* basis) for implementation as of January 1, 2011, the first few quarters of actual experience will provide for a better and more assured understanding of customer consumption patterns and allow for an assessment of future capital expenditure requirements, prior to the City making application to the Board for 2012 and 2013 rates.

The Board tentatively plans to hold a public hearing in Thompson in the fall of 2011, at which the Board will review the City's proposal for 2012 and 2013 rates. Ahead of that hearing, for which a notice will be published in the local newspaper and notices posted in the community, the Board will review information to be provided the Board by the City.

#### **BACKGROUND**

The community of Thompson was established in the 1950's after the discovery of nickel in the area and the subsequent establishment of a mining industry. Inco not only developed the mine and processing plant, it also developed the community's water distribution and sewage collection services.

In 1958, Inco constructed a water treatment plant to service both the mine site and the community with potable water, free of charge. Today, Vale Inco owns the water treatment plant and provides potable water to the City at no cost (pursuant to an agreement entered into in 1956).

This Agreement is expected to remain in effect for the foreseeable future. The water treatment plant is operated by Vale Inco under a Licence issued under Manitoba's Drinking Water Safety Act.

Most of the City's water distribution system was installed between the late 1950's and mid 1960's. The water distribution network involves approximately 73,000 metres of pipeline. Most of the water distribution infrastructure (90%) consists of cast iron or ductile iron pipe, while newer distribution lines are typically plastic (PVC or HDPE).

#### *New Utility*

The City of Thompson proposes to create a new water and sewer utility; in accordance with provincial law, rates for the new utility will require the Board's approval.

While the Utility represents a new venture for the City, Vale Inco will continue to provide treated water to the City, free of charge. The City, in turn, will continue to provide water and sewer services, though no longer through the City's public works and supporting departments but through a separate Utility.

While, to-date, the City's costs to operate its water distribution and wastewater collection and treatment system have been paid by revenue received through property tax assessments, from 2011 the costs are to be met by utility rates and revenues.

The City has now recognized its water and wastewater services as a public utility, with water and sewer rates required, and to be approved by PUB. City Council gave first reading to the City Water and Wastewater Utility Rates By-Law No. 1843-2010, and proposes that the rates become effective January 1, 2011.

*Condition of Infrastructure*

The water distribution system is 40-50 years old and showing signs of distress. Water main breaks number in excess of 100 per year, and rising. In addition, preliminary examination of the distribution system indicates that upwards of 73% of the pipes are in "poor" condition and that the entire system is burdened with significant leakage.

The copper water service lines that connect the City's water main to the customers are also failing, which is relatively unusual given copper is less prone to failures than metal pipe. The cause of these service line failures has yet to be determined.

The water distribution system is also experiencing lower than desirable levels of free chlorine residual at selected locations. Minimum free chlorine residual is required to ensure proper disinfection of the water supply.

These problems are compounded by a lack of adequate water pressures during specific times, which impact the capability of the distribution system to deliver proper "fire suppression" flows. This lack of distribution system pressure also increases the risk of backflow, which could result in contamination.

Water production records indicate per capita demand in the order of 676 litres per day; this being extraordinarily high. The precise reason for the high water demand is unknown, but high unmetered consumer use combined with significant water losses from the aging and leaking distribution system are likely the reason.

The wastewater management system consists of a wastewater collection system that takes wastewater to either a mechanical sewage treatment plant or a wastewater lagoon. The volume of water being treated by the wastewater plants is approximately 551 litres per capita per day.

This is a large volume of wastewater and indicates significant inflow and infiltration into the wastewater sewer and subsequently flows to the wastewater treatment plants. Like the water distribution system, the wastewater collection and treatment system is showing signs of "distress". There is also a suspicion that the wastewater collection system may be cross-connected or feeding the land drainage system.

A recent study of the mechanical sewage treatment plant indicated a \$25 million upgrade may be necessary to meet future demands and provincial wastewater treatment requirements.

The City's water and wastewater collection and treatment system requires rehabilitation. To date, the City has not had a thorough infrastructure replacement program, although preliminary studies prepared for the City have indicated a number of priority actions that need to be undertaken over the

next three years.

These actions begin with engineering studies and infrastructure condition assessments. These studies will be used to assign capital works priorities for the future years.

It is intended that capital works programs be designed to initially address the issue of free chlorine residual and lack of pressure in the water distribution system, and ultimately, deal with the needed repair and rehabilitation of the distribution and collection system towards ensuring long-term sustainability.

#### **APPLICATION**

On October 27, 2010 the City filed an Application with the PUB for the creation of a new Utility. The Application included proposed water and sewer rates for three years, beginning January 1, 2011.

The submissions in support of the Application included:

- Rate Application
- Utility Study
- Water Distribution System Engineering Assessment
- Wastewater Treatment Plant Upgrade Plan
- Utility By-Law No. 1842-2010, Rules and Regulations
- Special Services By-Law No. 1826-2010, for the repairs  
to water, sewer and storm sewer service lines
- Water and Wastewater Rate Model Statements

- Water and Wastewater Rate By-Law No. 1843-2010 (with rate schedule)
- Public Meeting Presentations
- Management Statement Letter

Also included in the Application was the City's 2008 Financial Statements and its 2010 Financial Plan.

The new water and sewer utility is expected to facilitate the rehabilitation and expansion of the City's water and sewer infrastructure. The new Utility will be responsible for all aspects of operation and maintenance of the water and wastewater infrastructure, including capital planning for water and sewer rehabilitation and new capital works.

Revenue for the Utility's activities is proposed to come from consumption and usage charges to customers.

The proposal represents a significant departure from historical practices in Thompson, where the costs of the City's water and sewer services were met through property taxes. Residents and businesses could use all the water they wanted, no meters were present to monitor consumption or develop specific billings.

Under the new Utility model, consumers will have their water metered and be charged based on their water consumption. All rates will be approved by PUB.

Most of the water and sewer services were installed in the late 1950's when the community was being developed to support the mine operation. At that time, it was thought the City's "life"

expectancy would be about 50 years, also the expected life of the mine. Since that time, the City has become a regional hub for government and service industries, and is now the third largest city in Manitoba. The City anticipates a long "life", although a recent Vale Inco report with respect to smelter operations have caused concern.

The Application proposed a basic monthly customer service charge and water and sewer commodity rates based on water consumed. The proposed rates were designed towards generating sufficient revenue to cover all projected operating and maintenance costs, and, as well, fund near term capital expenditures over a three-year period.

The proposal projected revenues exceeding expenses in the first two years, towards creating sufficient cash balances to cover the capital expenditures planned for 2011 and 2012, but leaving a deficiency in 2013.

The engineering studies accompanying the Application serve to demonstrate the apparent "distressed" nature of both the water distribution and wastewater collection system. The City's decision to proceed with the new water utility model was largely motivated by the need to address these challenges arising from an aging infrastructure and more stringent wastewater regulations.

The proposed new Utility will realign the existing City organization to include a new water department. This new Utility will be responsible for all aspects of the water distribution

and wastewater collection and treatment infrastructure. The new Utility is expected to include an administration function, operations and maintenance department, and a new asset management and capital planning function.

The administration function will consist of senior managers and staff and will provide management oversight of all utility services. This will include accounting, human resources, purchasing, information technology and customer service personnel required to administer the new utility. Since most of these administrative services are already provided through the City, no significant new staffing requirements are anticipated. Resources currently within the City will be reassigned to the new Utility.

Operation and maintenance functions of the new Utility are expected to require additional effort and resources. The new water meter and billing system will require additional staff to support meter reading and billing. Additional maintenance staff are expected to meet the increasing demands for repairing the existing infrastructure and maintaining the wastewater plant.

The Application proposes approximately 14 staff for the administrative and professional service functions; 11 staff for operations and maintenance, and three staff for capital programming.

Proposed administration, operations and maintenance expenses for water and sewer services are summarized below.

**Table 1: Proposed Administration, Operation and Maintenance Cost for Water Services (Shaded areas are new costs)**

<b>Operating expenses</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Staffing			
Allocated administration	188,118	199,632	199,632
Public works	497,164	527,595	527,595
Hydrants	46,787	49,650	49,650
Service connections	79,285	84,138	84,138
Purification and treatment	-	-	-
Water purchases	-	-	-
Service of supply	-	-	-
Transmission and distribution	101,338	107,540	107,540
Other water supply costs	-	-	-
Allocated administration	31,001	32,899	32,899
Public works	79,953	84,847	84,847
Hydrant costs	35,656	37,839	37,839
Service connections	87,897	93,277	93,277
Reserves	-	-	-
Minor capital upgrades	16,398	17,402	17,402
Water metering	90,000	93,636	93,636
Capital pgm admin	100,000	104,040	104,040
Asset mngt	-	52,020	52,020
Water Dist. OM	100,000	104,040	104,040
<b>Total Operating Expenses</b>	<b>1,453,596</b>	<b>1,588,553</b>	<b>1,588,553</b>

**Table 2: Proposed Administration, Operation and Maintenance Cost for Wastewater Services (Shaded areas are new costs)**

<b>Operating expenses</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Staffing			
Allocated administration	115,556	117,867	122,629
Public works	404,532	412,622	429,292
Service connections	24,918	25,416	26,443
Treatment	-	-	-
Lagoon	20,830	21,247	22,105
Wastewater Treatment plant	104,993	107,093	111,420
Lift stations	37,812	38,569	40,127
Other water supply costs	-	-	-
Allocated administration	31,001	31,621	32,899
Public works	68,157	69,520	72,328
Service connections	27,625	28,177	29,315
Minor capital upgrades Capital	546	557	579
<b>Program Administration Water</b>	<b>50,000</b>	<b>51,000</b>	<b>52,020</b>
<b>Metering Asset Management</b>	<b>70,000</b>	<b>71,400</b>	<b>72,828</b>
<b>Wastewater Collection O&amp;M</b>	<b>30,000</b>	<b>50,000</b>	<b>52,020</b>
<b>Wastewater Treatment O&amp;M</b>	<b>0</b>	<b>30,600</b>	<b>31,212</b>
<b>Total Operating Expenses</b>	<b>985,971</b>	<b>1,055,690</b>	<b>1,095,219</b>

Total administration, operating and maintenance costs are therefore as follows:

**Table 3: Total Proposed Administration, Operation and Maintenance Cost**

	<b>2011</b>	<b>2012</b>	<b>2013</b>
Total Water	\$1,453,596	\$1,588,553	\$1,588,553
Total Sewer	\$985,971	\$1,055,690	\$1,095,219
Total	\$2,439,567	\$2,644,243	\$2,683,772

One of the largest challenges will be capital planning. The City's water and wastewater systems are in distress and will require significant efforts in infrastructure assessment and

capital planning. The City proposes obtaining additional resources through rates for both capital programming and asset management.

The Application includes a proposed capital improvement plan designed to more thoroughly define the condition of the existing services and identify capital projects, capital project costs and timing. The City's capital program is the most significant in defining future expenses and ultimately customer rates.

The proposed capital expenditure program for the water distribution system for the next three years includes the following projects:

- Annual program for water main renewals
- Condition assessment of the water system
- Development of a water model (to optimize necessary distribution system upgrades)
- A water meter installation program (funded through debentures (servicing costs to be reflected in rates))

The proposed capital expenditure program for the wastewater collection and treatment system for the next three years includes the following projects:

- An inflow/infiltration study
- Assessment of the wastewater collection system
- An annual program for wastewater pipe replacement (including rehabilitation of lift stations)
- Rehabilitation of the mechanical sewage treatment

plant and lagoon

Projected costs for the water and wastewater capital plan are provided below:

**Table 4: Water Distribution Capital Improvement Plan Costs**

	2011	2012	2013
Projected Construction Expenditures			
Water Treatment	10,000	-	-
Condition Assessment 1	150,000	306,000	-
Water Network Model	80,000	-	-
Pressure Upgrading	-	510,000	-
Watermain Renewals - Metallic	-	510,000	1,352,520
Water System Asset Management	25,000	255,000	-
Total	265,000	1,581,000	1,352,520

**Table 5: Wastewater Collection and Treatment Capital Improvement Plan**

	2011	2012	2013
Inflow/Infiltration Study	100,000	408,000	-
Sewer Condition Assessment 1	-	204,000	-
Sewer Renewals	-	229,500	234,090
Lift Station/Forcemain Upgrading	-	102,000	104,040
WWTP Upgrade	-	1,020,000	1,040,400
Lagoon	-	1,020,000	-
Wastewater Asset Management	25,000	255,000	-
Total	125,000	3,238,500	1,378,530

Total proposed capital expenditures are therefore as follows:

**Table 6: Total Proposed Capital Expenditure**

	2011	2012	2013
Total Water	\$265,000	\$1,581,000	\$1,352,520
Total Sewer	\$125,000	\$3,238,500	\$1,378,530
Total	\$390,000	\$4,819,500	\$2,731,050

Total proposed revenue requirements for operations and maintenance and capital expenditures for 2011-2013 are as follows:

**Table 7: Total Proposed Operations and Maintenance and Capital Costs**

	2011	2012	2013
Total Operations and Maintenance	\$2,439,567.00	\$2,644,243.00	\$2,683,772.00
Total Capital	\$390,000.00	\$4,819,500.00	\$2,731,050.00
Total	\$2,829,567.00	\$7,463,743.00	\$5,414,822.00

**RATE DESIGN**

Revenue for the new utility is proposed to arise from rates charged to customers, bills to be based on actual consumption. As the City has not metered customer's water usage, there is a high level of uncertainty in defining how much water is actually consumed by customers (as opposed to being lost through leaks), and how customers will react to a user pay billing system.

Water consumption based on production volumes from the Vale Inco water treatment plant suggest annual production volumes in the order of 3,700,000 cubic metres per year, or approximately 676 litres per capita per day. How to account for the volume of water after it leaves the water treatment plant is uncertain; preliminary analysis suggests there is significant leakage from the water distribution system.

For the purpose of rate design, it was assumed metered "revenue water" would be in the order of 370 litres per capita per day, this is considerably less than the current consumption of estimated 676 litres per capita per day.

The projected per capita consumption rate is thought to be more representative of expected water consumption, based on the experience in other communities of similar size. Actual consumption rates will only be determined once customer meter readings are recorded.

The projected population and water consumption assumptions are shown in the table below:

**Table 8: Projected Population and Water Consumption**

	2010	2011	2012	2013
Population	15,853	15,948	16,044	16,139
Use (l/c/d)	465	376	371	368
Water sold (m3/day)	7,372	5,996	5,952	5,939
Water Sold (m3/year)	2,690,650	2,188,704	2,172,598	2,167,790

Utility bills will segregate water and wastewater services. The rate design process will include a minimum bill portion, which will include a uniform service charge and a charge for a minimum volume of water based on the water commodity charge.

The minimum volume of water varies by meter size based on a group capacity ratio used in the calculation of the rate. This rate design process is typical for water and sewer utilities with the minimum quarterly charge designed to recover fixed costs such as administration and customer-related charges.

The costs allocated to the proposed quarterly service charge are shown in the table below:

**Table 9: Proposed Minimum Quarterly Customer Service Charge**

	2011	2012	2013
Water- Costs allocated to service charge	\$431,235	\$448,655	\$457,630
Wastewater – Costs allocated to service charge	\$315,920	\$328,680	\$335,255
No. Customers	3676	3697	3717
Water Service Charge/mo	\$9.78	\$10.11	\$10.26
Wastewater Service Charge/mo	\$7.16	\$7.40	\$7.52
Proposed Water Quarterly Service Charge	\$30.00	\$30.60	\$31.22
Proposed Wastewater Quarterly Service Charge	\$22.80	\$23.26	\$23.72
<b>Total Service Charge</b>	<b>\$52.80</b>	<b>\$53.86</b>	<b>\$54.94</b>

The remainder of the utility's net revenue requirements is recovered from customers through a water and wastewater commodity charge based on actual water consumption. This charge is derived to meet remaining projected revenue requirements for administration, operation and maintenance, planned capital expenditures, debt servicing and amortization expenses.

This results in the proposed accrual based costs per cubic metre of water as shown below:

**Table 10: Proposed Water Commodity Charge**

Proposed Water Commodity Rate	\$0.97/m <sup>3</sup>
Proposed Sewer Commodity Rate	\$0.77/m <sup>3</sup>
Total Water and Sewer Commodity Rate	\$1.74/m <sup>3</sup>

These rates, if approved, were expected to result in a "cash" surplus in 2011 and 2012, but a deficit in 2013. With the projected increase in capital expenditures scheduled for 2012 and 2013, the initial cash surpluses would be consumed by assumed capital expenditures, resulting in a potential cash shortfall by the end of 2013.

The proposed rates do not include an allowance for the ongoing repair and replacement of customer service extensions. These costs are recovered through a Special Services tax in accordance with By-Law 1826-2010. This special service charge has been approved by the Municipal Board (Municipal Board Decision and Order No. E-10-087, dated May 4, 2010).

#### **BOARD FINDINGS**

The Board has conducted a preliminary review of the City's Application. The Board commends the City for its initiative and recognizes the effort that has gone into the planning and design of the new utility.

Because of Public Service Accounting Board (PSAB) accounting standards changes, and the Board's allowable variances to the changes, the numbers of municipal utility applications for sewer and water rate changes submitted to the Board within the last six months have been far higher than normal.

The Board has limited staff to undertake comprehensive reviews of applications that have been made more complex by the accounting changes.

In an effort to minimize delays, the Board has implemented a 'quick review process' that relies upon the Applicant's provided information. This process applies to utility rate applications received by the Board between June 1 and November 1 of 2010.

The Board performs a preliminary review of municipal utility rate applications, and, based on the information provided and

the Board's general understanding of the specific utility and utilities in general, the Board may implement interim *ex parte* rates (*ex parte* means without public notice).

The City's Application is complex with the creation of a new utility and the issues faced by this new utility are significant, particularly given the age of the utility's water and sewer assets and the apparent "distressed" nature of these assets.

Therefore, the Board's intention in this review is to set interim *ex parte* rates that while being "just and reasonable" will require subsequent review.

The Board seeks to approve rates sufficient to allow the new Utility to recover its costs as it seeks to provide adequate sewer and water services while conducting the necessary studies to better define operational and capital improvement requirements for future years.

The Board will, before the fall of 2011, analyze the Application in more detail, follow up with information requests of the City, provide notice to ratepayers, and hold a public hearing to hear public concerns.

The Board anticipates a public hearing on the City's Application sometime in the fall of 2011.

Based on the Board's preliminary review of the Application, the City's water and sewer utility is faced with a large number of uncertainties. These include:

- Assurance of a long-term supply of potable water,
- The condition of the water and sewer system,
- Undefined water losses from the distribution system,
- Undefined inflow and infiltration into the wastewater collection system,
- Sewage treatment plant hydraulic and organic loadings,
- Sewage treatment requirements, and
- Actual customer water consumption.

These uncertainties are compounded by the Board's current lack of a full understanding as to the expected capital improvement requirements for both the water and wastewater distribution systems.

Preliminary engineering studies have identified more immediate concerns with the water distribution system. These concerns include the lack of free chlorine residual at certain locations within the distribution system and lack of suitable operating pressures which may compromise the ability to deliver required fire flows.

Likewise, the wastewater collection system is subject to significant inflows and infiltration. The sources of these extraneous flows are undefined but are certainly impacting the characteristics of sewage entering the sewage treatment plant and the volumes of sewage the treatment facilities must accommodate. Despite these uncertainties, the City is proposing a potential \$25 million upgrade to their mechanical plant with construction proposed in 2013.

All these uncertainties make the determination of water and sewer rates challenging.

In its Application, the City proposed a rate model that spans a 10 year period but calculated rates are based on a three-year revenue requirement spanning 2011 through 2013. These revenue requirements include operating and maintenance costs, capital improvement cost, debt financing, amortization of tangible assets and an allowance for capital grants.

As the Board is expecting to conduct a comprehensive review of the Application in 2011, followed by a public hearing, the Board's intention is to set interim rates effective January 1, 2011, to apply for 2011 only.

Upon completion of the Boards full review of the Application, additional filings from the City and the results of to-be-held public hearing, the Board will re-examine these interim rates and set final rates for water and sewer services.

It is hoped that during the 2011 calendar year that the City will be able to address some of the uncertainties through further engineering studies and have an improved understanding of actual consumer water consumption patterns through meter readings.

Therefore, the Board's focus on setting interim rates will be based on satisfying reasonable revenue requirements for the 2011 calendar year. Projected 2011 revenue and estimated expenses as garnered from the City's application and determined by the Board are provided below.

	2011	
<b>Water Expenses</b>		
Operation and Maintenance	1454000	
Amortization	369000	
Interest on Long Term Debt	116000	
Capital Works	265000	
Provision For Bad Debt	<u>26000</u>	
Total Expenses	2230000	
Revenues		
Debenture Debt Revenues	297000	
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Total Expenses	1348000	
Revenues		
Other Revenues	<u>56000</u>	
Total Offsetting Revenues	56000	
<b>Net Wastewater Rate Revenue Requirements</b>	<b>1292000</b>	

The Board will approve the projected \$2.99 million in revenue requirements for the 2011 calendar year. These revenue requirements are based on the Applicant's projected costs for operation and maintenance, amortization of tangible capital assets, interest charges, and capital works allowances for the necessary studies net of offsetting revenues.

The Board notes the Application made no allowance for contingencies or reserves. As this is a new utility where costs remain somewhat uncertain and the infrastructure is in some

distress, the Board will also approve a reserve allowance of 1 per cent of the total fixed asset value of \$13,034,000 or \$130,340 for 2011.

This results in a revenue requirement of  $\$2,990,000 + \$130,340 = \$3,120,340$ . This is less than requested in the application.

The Board will therefore direct the City to re-file its proposed rate schedule to reflect total revenues of \$3,120,340 for 2011. The Board will then review the revised rate schedule and, if deemed appropriate, issue an interim *ex-parte* Order establishing rates for 2011.

The Board believes this approach will minimize the financial impact on consumers during the first year of utility's operation, while allowing the new utility to begin to undertake a number of engineering assessments that can be used to guide future capital planning activities.

This approach will also allow the utility to develop an understanding of potential water consumption patterns, which then can be employed to set rates for 2012 and on.

It is the Board's opinion that the utility's initial efforts should focus on infrastructure condition assessment studies, water models and asset management functions. It is expected that these studies and investigations will result in an improved understanding as to the priorities for infrastructure rehabilitation and resulting future capital requirements.

The Board is concerned that major planned capital improvements, such as the proposed sewage treatment plant and infrastructure capital improvements, are largely based on preliminary engineering assessments and fraught with acknowledged uncertainties. There also remains considerable speculation as to what actual water consumption patterns might be once customer metering takes place.

The Board is also concerned about the apparent "distressed" nature of the water and sewer infrastructure and the uncertainty that remains around how best to manage the immediate problems of low water pressures, lack of free chlorine residual and significant water losses. These issues need to be resolved as soon as possible. The Board encourages the City and Vale Inco to collaborate on investigations and solutions to resolve these immediate issues.

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.

**IT IS THEREFORE ORDERED THAT:**

1. The Public Utilities Board approve the creation of a new water and wastewater utility in the City of Thompson.
2. The City of Thompson file a revised schedule of proposed water and wastewater rates that reflect a 2011 revenue requirement of \$3,120,340, this by Tuesday, December 21, 2010.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SHIELDS"

Acting Secretary

Certified a true copy of Order No.  
127/10 issued by The Public  
Utilities Board

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Acting Secretary