

City of Brandon  
Utility Rate Study  
Executive Summary  
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**City of Brandon**  
**Water and Wastewater Utility Rate Study**

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## City of Brandon Water and Wastewater Utility Rate Study

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### Overview

The City of Brandon owns and operates a municipal water and wastewater utility that provides services to 14,738 Brandon customers.

The last utility rate application by the City to the Public Utilities Board “PUB” was in September, 2015 and resulted in approved utility rate increases in July, 2016, 2017 and 2018 under authority of PUB Order #60/16. The City’s 3 step water, 2 step wastewater declining rate structure was collapsed over that 3 year period into the existing single step structure.

PUB Order #100/19 approved in principle a debt surcharge to fund the annual payments for up to \$16 million in debt for the construction of a chemical building at the water treatment facility. PUB Order #108/21 authorized a debt surcharge of \$0.083 per cubic meter to fund the annual payment for Series A debt in the amount of \$8 million. Debenture bylaw #7325 for Series B debt for an additional \$8 million received 1<sup>st</sup> reading on February 22, 2022 and has been submitted to the PUB for approval.

Way To Go Consulting Inc. was retained in October, 2019 by the City of Brandon to prepare a Utility Rate Study in accordance with Request for Proposal #L-18/19.

The City’s RFP included the following objectives:

- to analyze the City’s utility rate structure;
- create a financially sustainable rate structure considering fairness and equity to customers and natural resource management; and
- to produce a document that can be submitted to the Public Utilities Board (PUB).

This Utility Rate Study proposes to set utility rates effective July 1, 2023 and January 1, 2024, 2025 and 2026.

### Utility Rate Goals

The City of Brandon incorporated the following goals into its rate setting methodology:

#### 1. Health & Safety

Rates should be adequate to operate the water utility, providing an uninterrupted supply of safe, potable water in promotion of public health.

#### 2. Environment

Rates should be adequate to operate the wastewater utility, providing a treated water effluent back to the environment of a higher quality than was withdrawn. Conservation of all water resources should be a priority.

#### 3. Capacity

Rates should allow for increasing input costs and aging infrastructure maintenance to operate existing infrastructure to its full potential.

#### 4. Self-sufficiency

Rates should be sufficient to limit debt requirements and to operate the Utility Fund without reliance on the General Fund (property tax revenue).

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5. Reliability

Rates should ensure sufficient funds are appropriated to utility reserves to deliver the ongoing capital improvement plan.

6. Competitiveness

Rates should remain competitive with other jurisdictions.

7. Growth

Rates should promote new user connections, with growth-related capital investments funded by Development Charges.

**Reasons for Utility Rate Increase**

The proposed utility rate increase is required as a result of:

- Forecast 2022 deficit based on Public Sector Accounting Standards “PSAS” and PUB requirement for a 10% contingency built into utility rates to create a budgeted operating surplus for unforeseen costs and with a Working Capital Deficit there is a PUB requirement for 1% of operating expenses to be added to the Working Capital balance;
- Transfer to Reserve to fund future capital projects;
- Interest and net amortization expense for the new Water Treatment Facility “WTF”; and
- Increases in water and wastewater operating expenses.

**Increase in Water and Wastewater Billing Revenues**

2026 Forecast Billing Revenues	\$34,930,734
2022 Budgeted Billing Revenues	<u>20,256,895</u>
	<u>\$14,673,839</u>

**Budgetary Requirements**

2022 Forecast Operating Deficit (PSAS, PUB Adjusted)	\$909,512		
Add back Development Charges included in Revenues	<u>2,077,049</u>		
	2,986,561		
Contingency; 10% of Operating Expenses required by PUB	1,670,048		
Working Capital Contribution; 1% of expenses; required by PUB	<u>323,346</u>	\$4,979,955	34%

**Transfer to Reserves**

Transfer to Water Reserve; built into rates	2,000,000		
Transfer to Wastewater Reserve; built into rates	<u>2,000,000</u>	4,000,000	27%

**Water Treatment Facility**

Water Debt Interest expense for WTF	1,693,937		
Amortization expense for WTF	3,163,750		
Less Capital Grant Amortization offset	<u>(2,222,921)</u>	2,634,766	18%

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2026 water operating expense	11,681,195		
2022 water operating expense	<u>10,543,836</u>	1,137,359	8%

Increase in Wastewater Operating Expenses

2026 wastewater operating expense	9,772,375		
2022 wastewater operating expense	<u>8,887,254</u>	<u>885,121</u>	<u>6%</u>
		<u>13,637,201</u>	<u>93%</u>

**Financial Modelling Used for Utility Rate Setting**

The PUB rate setting guidelines utilize audited financial statements for rate setting purposes. The audited financial statements are prepared using Public Sector Accounting Standards “PSAS” and include amortization expense for the Utility’s Tangible Capital Assets.

2017 to 2020 audited, 2021 actual and 2022 and 2023 budgeted revenues and expenses and budgeted capital asset purchases were used to forecast 2024 to 2026 revenue requirements calculated on a PSAS basis with an adjustment for capital grant amortization in accordance with PUB guidelines. Forecast costs include a Contingency Allowance of 10% of net rate costs less amortization and interest expenses and a 1% Working Capital provision as mandated by the PUB, plus an annual transfer to Utility Reserves of \$4.0 million. The financial forecast from this process, which includes a 3% inflation factor for 2024 to 2026, formed the basis for the proposed utility rates.

**Population Growth**

The 2016 and 2021 federal population census results indicate population increases in the City of Brandon of 6% and 5% respectively for the 5 year period reflected in each census. With average annual population growth of just over 1% for the last 10 years, it appears reasonable to reflect this growth in the forecast of future revenues with offsetting increases in variable expenses.

Water volumes used to calculate forecast revenues were increased as follows for purposes of the utility rate study:

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**Calculation of Water Volume to use  
for Rate Study - Impact of Population Growth**

<u>Brandon Population from Census</u>	<u>Population</u>	<u>Total</u>	<u>Total %</u>	<u>Average % Compound Growth per year</u>
	2006	41,511		
	2011	46,061	4,550	11%
	2016	48,883	2,822	6%
	2021	51,313	2,430	5%
2020 metered water volume billed				6,498,105
2020 metered water volume increased by 1% per year, compounded, to take into account population growth. 2026 estimated water volume sold with 1%/year compound growth = 6 yrs @ 1% growth				399,764
<b>Water volume used for rate study</b>				<b>6,897,870</b>

Variable water operating costs were increased to reflect the increase in volume as follows:

Variable costs for water treatment & distribution increased for population growth

2021 budget - water plant chemicals	\$2,194,000
2021 budget - water plant power	365,000
2021 budget - water reservoir power	110,000
2021 budget - water treatment variable costs	\$2,669,000
Increase by 1% a year, compounded from 2022 to 2026	\$164,197

**Calculation of Wastewater Volume to use for Rate Study**

2020 Wastewater volume sold from billing records, cubic meters	4,965,457
2020 metered wastewater volume increased by 1% per year, compounded, to taked into account population growth. 2026 estimated wastewater volume sold with 1%/year compound growth =	305,476
<b>Wastewater volume used for rate study</b>	<b>5,270,933</b>

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Variable wastewater operating costs were increased to reflect the increase in volume as follows:

Variable costs for wastewater collection and distribution increased for population growth	
2021 budget - pre-treatment facility power	\$200,000
2021 budget - sewage lagoon biosolids contract	580,000
2021 budget - water reclamation facility power	580,000
2021 budget - water treatment variable costs	<u>\$1,360,000</u>
Increase by 1% a year, compounded from 2022 to 2026	<u><u>\$83,667</u></u>

**Proposed Utility Rates**

Following are proposed water and wastewater rates for the Brandon Water and Wastewater Utility:

<b><u>Water and Wastewater</u></b>	<b>Water &amp; Wastewater</b>				<b>Service Charge</b>	
<b><u>Rate - C.M.</u></b>	<b>Water</b>	<b>Wastewater</b>	<b>per C.M.</b>	<b>%</b>	<b>Quarterly</b>	<b>%</b>
Current Rates	\$1.66	\$1.63	\$3.29		\$17.48	
<b>July 1, 2023 Proposed Rates</b>	<b>\$1.80</b>	8%	<b>\$1.79</b>	10%	<b>\$18.00</b>	3%
<b>January 1, 2024 Proposed Rates</b>	<b>\$2.10</b>	17%	<b>\$2.14</b>	20%	<b>\$19.17</b>	7%
<b>January 1, 2025 Proposed Rates</b>	<b>\$2.40</b>	14%	<b>\$2.49</b>	16%	<b>\$20.34</b>	6%
<b>January 1, 2026 Proposed Rates</b>	<b>\$2.71</b>	13%	<b>\$2.84</b>	14%	<b>\$21.51</b>	6%

**Debt Surcharge - Water Plant Chemical Building**

Water rate per CM **\$0.172**

**Deficit Rate Rider per CM**

**Deficit Rate Rider - Water \$0.18**

**Deficit Rate Rider - Wastewater \$0.21**

Deficit Rate Riders to recover 2015, 2016, 2017, 2020 & 2021 deficits; see calculations on Schedule of Rate Requirements

**Water and Wastewater Rate - C.M.**

<b><u>With Deficit Rider &amp; Debt Surcharge</u></b>	<b>Water &amp; Wastewater</b>				<b>Service Charge</b>	
	<b>Water</b>	<b>Wastewater</b>	<b>per C.M.</b>	<b>%</b>	<b>Quarterly</b>	<b>%</b>
Current Rates	\$1.660	\$1.63	\$3.290		\$17.48	
<b>July 1, 2023 Proposed Rates</b>	<b>\$2.152</b>	30%	<b>\$2.00</b>	23%	<b>\$18.00</b>	3%
<b>January 1, 2024 Proposed Rates</b>	<b>\$2.452</b>	14%	<b>\$2.35</b>	18%	<b>\$19.17</b>	7%
<b>January 1, 2025 Proposed Rates</b>	<b>\$2.752</b>	12%	<b>\$2.70</b>	15%	<b>\$20.34</b>	6%
<b>January 1, 2026 Proposed Rates</b>	<b>\$3.062</b>	11%	<b>\$3.05</b>	13%	<b>\$21.51</b>	6%

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**Customer Service Charges**

Customer Service charges increase by \$0.52 in 2023, by \$1.17 in 2024, 2025 and 2026. With the working capital surplus not meeting PUB minimum requirements in 2020, a working capital contribution of 1% of expenses is included in the customer service charge.

**Calculation of Customer Service Charge - 2026 Forecast**

Administration costs \$ 944,913

Working Capital Contribution = 1% of 2026 expense:

Net Administration Costs \$ 944,913

Net Water Costs 18,832,115

Net Wastewater Costs 12,557,574

32,334,602

Total x 1% 323,346

1,268,259

Number of customers 14,738

Annual customer service charge \$86.05

**Proposed Quarterly customer service charge \$21.51**

**Proposed Monthly customer service charge \$5.74**

Current Quarterly customer service charge \$17.48

Current Monthly customer service charge  
(based on quarterly charge discounted by 20%  
due to monthly payments being automatic  
withdrawals done by bank requiring less staff time) \$4.66

	% of Increase	Quarterly	Increase		Monthly
			\$	%	
<b>July 1, 2023 Customer Service Charge</b>	13%	<u><b>\$18.00</b></u>	\$0.52	3%	<u><b>\$4.80</b></u>
<b>January 1, 2024 Customer Service Charge</b>	29%	<u><b>\$19.17</b></u>	\$1.17	7%	<u><b>\$5.11</b></u>
<b>January 1, 2025 Customer Service Charge</b>	29%	<u><b>\$20.34</b></u>	\$1.17	6%	<u><b>\$5.42</b></u>
<b>January 1, 2026 Customer Service Charge</b>	29%	<u><b>\$21.51</b></u>	\$1.17	6%	<u><b>\$5.74</b></u>

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**Water Commodity Rates**

Water rates increase by \$0.14 per cubic meter in 2023, by \$0.30 in 2024 and 2025 and \$0.31 in 2026.

**Calculation of Water Rates - 2026 Forecast**

Water Net Rate Costs	\$ 18,832,115	100%	\$ 18,832,115
Less amortization of capital grants - water	(2,302,854)	100%	(2,302,854)
Less amortization of contributed capital	(411,861)	50%	(205,930)
Less Debt surcharge; separate rate charged	(1,117,674)	100%	(1,117,674)
Transfer to Water Distribution Reserve	2,000,000	100%	2,000,000
Transfer to Water DC Reserve	402,256	100%	402,256
Contingency allowance	1,078,865	100%	1,078,865
			<u>\$ 18,686,778</u>
			<u>6,897,870</u>
			<u><b>\$2.71</b></u>

Water volume used for rate study; see above

Current water charge per C.M.

		<u><u>\$1.66</u></u>		
			<u>Increase</u>	
	<u>% of Increase</u>		<u>\$</u>	<u>%</u>
<b>July 1, 2023 Water Rate per C.M.</b>	13%	<u><b>\$1.80</b></u>	\$0.14	8%
<b>January 1, 2024 Water Rate per C.M.</b>	29%	<u><b>\$2.10</b></u>	\$0.30	17%
<b>January 1, 2025 Water Rate per C.M.</b>	29%	<u><b>\$2.40</b></u>	\$0.30	14%
<b>January 1, 2026 Water Rate per C.M.</b>	29%	<u><b>\$2.71</b></u>	\$0.31	13%

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Bulk water rates are calculated in accordance with PUB rate setting guidelines and are proposed to remain at \$2.20 per cubic meter in 2023 and then increase \$0.05 in 2024 and \$0.25 in 2025 and 2026.

Current Bulk Water Rate; per cubic meter

			<u>\$2.20</u>						
									(\$0.25 for 25 gallons)
July 1, 2023 water rate in CM			<u>\$1.80</u>						<b>Increase/(Decrease)</b>
Add Debt Surcharge (Chemical Building)			\$0.17					<u>\$</u>	<u>%</u>
Add Deficit Rate Rider - Water			\$0.18						
Administration costs	\$858,365	6,541,828	\$0.13						
<b>July 1, 2023 Bulk Water Rate per CM; rounded</b>			<u><u>\$2.25</u></u>				\$0.05		2%
<b>Based on set charge of \$1.00 per volume =</b>			<u><u>445</u></u>						litres for \$1

January 1, 2024 water rate

			\$2.10						
Add Debt Surcharge (Chemical Building)			\$0.17						
Add Deficit Rate Rider - Water			\$0.18						
Administration costs	\$886,366	6,541,828	\$0.14						
<b>January 1, 2024 Bulk Water Rate; per CM; rounded</b>			<u><u>\$2.50</u></u>				\$0.25		11%
<b>Based on set charge of \$1.00 per volume =</b>			<u><u>400</u></u>						litres for \$1

January 1, 2025 water rate

			\$2.40						
Add Debt Surcharge (Chemical Building)			\$0.17						
Add Deficit Rate Rider - Water			\$0.18						
Administration costs	\$915,207	6,541,828	\$0.14						
<b>January 1, 2025 Bulk Water Rate; per CM; rounded</b>			<u><u>\$3.00</u></u>				\$0.50		20%
Based on set charge of \$1.00 per volume =			<u><u>335</u></u>						litres for \$1
<b>Rate used for January 1, 2025</b>									
<b>(bulk water meter is limited to 45 litre or 10 gallon increments)</b>			<u><u>355</u></u>						litres for \$1

January 1, 2026 water rate

			\$2.71						
Add Debt Surcharge (Chemical Building)			\$0.17						
Add Deficit Rate Rider - Water			\$0.18						
Administration costs	\$944,913	6,541,828	\$0.14						
<b>January 1, 2026 Bulk Water Rate; per CM; rounded</b>			<u><u>\$3.25</u></u>				\$0.25		8%
<b>Based on set charge of \$1.00 per volume =</b>			<u><u>310</u></u>						litres for \$1

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**Wastewater Commodity Rates**

Wastewater rates increase by \$0.16 in 2023, by \$0.35 in 2024, 2025 and 2026.

**Calculation of Wastewater Rate - 2026 Forecast**

Total net Wastewater expenses	\$ 12,557,574	100%	\$ 12,557,574
Less amortization of capital grants - Wastewater	(1,689,326)	100%	(1,689,326)
Less amortization of contributed capital	(411,861)	50%	(205,930)
Transfer to Wastewater Reserve	2,000,000	100%	2,000,000
Transfer to Wastewater DC Reserve	1,715,539	100%	1,715,539
Contingency allowance	591,184	100%	591,184
			<u>\$ 14,969,040</u>
Wastewater volume used for rate study; see above			<u>5,270,933</u>
<b>Proposed Wastewater rate per C.M.</b>			<b><u><u>\$2.84</u></u></b>

Current Wastewater Rate

\$1.63

**July 1, 2023 Wastewater Rate per C.M.**

% of Increase

13%

**\$1.79**

Increase

\$

%

\$0.16

10%

**January 1, 2024 Wastewater Rate per C.M.**

29%

**\$2.14**

\$0.35

20%

**January 1, 2025 Wastewater Rate per C.M.**

29%

**\$2.49**

\$0.35

16%

**January 1, 2026 Wastewater Rate per C.M.**

29%

**\$2.84**

\$0.35

14%

**Wastewater Septic Truck Tipping Fees**

Septic truck dumping fees are set annually in the City of Brandon Annual Fee Schedule By-law and are \$7.75 per cubic meter for 2022.

Septic truck tipping fee rates charged by municipal utilities in Manitoba were reviewed. With Brandon septic truck dumping fees rates at the higher end of rates in comparison to other municipal utilities, and with the metered wastewater rate increasing significantly over the next few years, it is reasonable to continue increasing tipping fee rates, but at a lower percentage increase than metered rates. Following are proposed septic truck tipping fee rates to be included in the Utility Rate bylaw:

	<u>per CM</u>	<u>% Increase</u>
Current rate	\$7.75	
July 1, 2023	\$8.00	3%
January 1, 2024	\$8.25	3%

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January 1, 2025	\$8.50	3%
January 1, 2026	\$9.00	6%

A review of septic truck tipping fees at other utilities in Manitoba provided the following information:

		Resident		Non-Resident	
		Per truck Single Axle 1,500-2,000	Double Axle (if specified) 2,500-3,000	Per truck Single Axle 1,500-2,000	Double Axle (if specified) 2,500-3,000
		<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>
Brandon	Bylaw 7284 - 2022 fees	\$53	\$88	same	
Brokenhead	PUB Order 90/21	\$25	\$50	same	
De Salaberry (St. Malo)	PUB Order 96/16	\$40	\$60	same	
Dauphin, City	Fees&Charges bylaw 16/20	\$50	\$50	same	
Elkhorn, RM of Wallace Woodsworth	PUB Order 120/21	\$30	\$30	same	
Gimli	PUB Order 111/19	\$42	\$63	\$54	\$81
Grey; Elm Creek	PUB Order 28/20	\$20	\$20	same	
Harrison Park, RM of	PUB Order 19/17	\$30	\$60	same	
Hanover, RM of (5 utilities)		\$30	\$60	same	
La Broquerie	PUB Order 152/18	\$7	\$7	\$42	\$42
Macdonald*	*PUB Order #38/16	\$35	\$52	same	
Portage la Prairie	By-law - 2022 fees	\$30	\$30		
Rhineland	PUB Order 43/20	\$120	\$180	same	
Riding Mountain West (Inglis, Angusvill	PUB Order 55/20	\$20	\$30	same	
Rosburn	PUB Order 64/21	\$30	\$45	same	
Rosser; Grosse Isles	PUB Order 83/20	\$52	\$78	same	
Russell	PUB Order 107/20	\$120	\$180	same	
St. Clements	PUB Order 4/15	\$46	\$69	same	
Tache (Landmark)	PUB Order 61/20	\$0	\$0	same	
Wallace Woodsworth	PUB Order 119/21	\$30	\$30	same	
Winnipeg Beach	PUB Order #71/19	\$25	\$25	same	
Whitemouth	PUB Order 55/19	\$60	\$60	same	

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**Utility Operating Surplus/(Deficit)**

The Utility had Public Sector Accounting Standards, PUB adjusted deficits in 2015, 2016, 2017, 2020 and 2021 and surpluses in 2018 and 2019 as follows:

2015	(\$2,590,217)	2016	(\$8,474,307)	2017	(\$2,272,738)
2018	\$818,295	2019	\$432,476	2020	(\$686,336)
2021	(\$1,562,813)				

With the Utility in a Working Capital deficit position, a deficit rate rider will be required to recover these deficits. Typically deficit rate riders are 3 to 5 years in length. Due to the proposed large increase in utility rates, it is proposed to request that the deficits be recovered over a 7 year period by a rate rider of \$0.21 on wastewater and \$0.18 on water as follows:

PUB Order #60/16 approved 2013 & 2014 operating deficits of \$1,233,719

& \$2,382,515. Subsequent deficits are:

2015	\$2,590,217
2016	8,474,307
2017	2,272,738
2020	686,336
2021	1,562,813
	<u>15,586,411</u>

Administration costs include \$5,934,609 in 2016 & \$1,513,319 in 2017 in payments to a wastewater partner for wastewater capital works.

2016	5,934,609
2017	1,513,319
	<u>7,447,928</u>

As this was a payment for wastewater capital, the surcharge to recover this portion of the deficit should be on wastewater volume

2020 wastewater volume	<u>4,965,457</u>
<b>7 year deficit rate rider; rate per CM of wastewater</b>	<b><u>\$0.21</u></b>

Total Deficit to be recovered	15,586,411
Payments to a wastewater partner to be recovered on wastewater rate	<u>(7,447,928)</u>
Balance to be recovered as a surcharge on water volume sold	8,138,483
2020 water consumption; CM	<u>6,498,105</u>
<b>7 year deficit rate rider; rate per CM of water consumption</b>	<b><u>\$0.18</u></b>

## City of Brandon Water and Wastewater Utility Rate Study

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### **Utility Rate Approval Process**

Typically, the utility rate setting process commences with City Council giving 1<sup>st</sup> reading to a bylaw to revise utility rates. The bylaw along with the utility rate study is then forwarded to the Public Utilities Board and under the normal approval process, the following steps occur:

- a public notice of application will be issued by the PUB and the City is responsible for posting and/or publishing the notice using Board Guidelines;
- the application is then reviewed by Board staff and any necessary information requests are sent to the City;
- once the Board is satisfied that the necessary evidence has been received, a final review is completed. The Board Panel will determine whether a public hearing is in the best interest of the community or whether a paper review process will suffice;
- the Board will complete its review and render a decision by way of a Board Order; and
- the utility rate bylaw can then receive 2<sup>nd</sup> and 3<sup>rd</sup> reading, as amended, to comply with the Board Order.

This process normally takes 10 to 12 months.

The other process available for approval of utility rates by the Public Utilities Board is to request approval on an interim *ex parte* basis. The steps are the same, but in a different order. Rates are approved after an initial review by the PUB, giving Council the ability to pass the bylaw and institute the rates in 2 to 4 months. The full review by Board staff, and the Board rendering a final decision, with or without a public hearing, is then done after the rates have come into effect. The PUB will then declare the existing rates as the final rates, or adjust them. In effect this process approves the utility rates for implementation prior to full review by the PUB and prior to public input.

Requesting interim rates is only available when a Utility is running operating deficits and is in a negative Working Capital position. The City could request PUB approval of the proposed utility rates as Brandon Utility is in a Working Capital deficit position and incurred operating deficits in 2020 and 2021 and is budgeted for a deficit in 2022.

It is anticipated that utility rates under the normal PUB process will be approved by July, 2023. Brandon Utility is forecast to return to an operating surplus in 2023 with the first phase of new utility rates starting in July, 2023 and it is recommended to request utility rate approval from the Public Utilities Board under the normal approval process.

### **Working Capital Surplus and Reserve Transfer**

The Public Utilities Board requires that utilities have a minimum working capital position equal to 20% of Utility expenditures. Working capital is calculated by deducting the tangible capital asset balance from the Utility's accumulated surplus and adding the Utility reserve balance and the outstanding debt balance. The Utility's financial results for rate setting purposes are calculated on a Public Sector Accounting Standards basis. With PSAS including amortization as a non-cash expense, the Working Capital Surplus is utilized to determine the Utility's financial position and ability to fund capital projects. It is important to note that Utility Reserves are part of the Working Capital calculation and the actual Working Capital varies, at times significantly, from the balance of the Reserves.

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As noted in the following chart, the Utility has been in a Working Capital Deficit position since 2013 and according to the 2020 audited financial statements the Deficit ended the year at \$34,144,376.

Based on the Utility's capital program, reserve transfers, debt funding and proposed utility rates, the Working Capital Deficit is forecast to be \$77,486 in 2026. The forecast 2026 PUB minimum Working Capital Surplus of 20% of expenses is \$7,432,537. An annual transfer of \$4.0 million to Utility Reserves is built into the utility rates and included in computing this forecast.

	2008	2009	2010	2011
	Audited	Audited	Audited	Audited
<b><u>Working Capital Surplus/(Deficit)</u></b>				
Fund Surplus	\$ 112,051,261	\$ 129,582,276	\$ 128,806,066	\$ 133,434,540
Less Tangible Capital Assets	(121,956,743)	(140,893,042)	(142,929,687)	(144,162,621)
Add Long term debt	8,634,330	11,162,744	6,023,536	4,583,288
Add Water Distribution Reserve	4,836,096	3,604,850	2,853,854	4,318,058
Add Wastewater Reserve	1,190,524	2,534,404	599,268	3,679,251
Add DC Water & DC Wastewater Cost Charge Reserves				
Add Industrial WW Treatment Facility Reserve	210,519	235,356	259,935	283,977
<b><u>Working Capital Surplus/(Deficit)</u></b>	<b><u>\$ 4,965,987</u></b>	<b><u>\$ 6,226,588</u></b>	<b><u>\$ (4,387,028)</u></b>	<b><u>\$ 2,136,493</u></b>
Annual change in Working Capital				
Minimum working capital surplus = 20% of expenses	<b><u>\$ 2,375,939</u></b>	<b><u>\$ 2,380,323</u></b>	<b><u>\$ 2,566,617</u></b>	<b><u>\$ 3,464,836</u></b>

**City of Brandon**  
**Water and Wastewater Utility Rate Study**

	2012	2013	2014	2015
	Audited	Audited	Audited	Audited
<b><u>Working Capital Surplus/(Deficit)</u></b>				
Fund Surplus	\$ 130,546,419	\$ 129,216,669	\$ 126,624,942	\$ 124,322,144
Less Tangible Capital Assets	(158,684,894)	(180,207,423)	(184,068,228)	(181,369,046)
Add Long term debt	3,490,891	3,227,587	2,957,109	2,678,192
Add Water Distribution Reserve	6,377,649	21,683,231	19,859,134	19,868,030
Add Wastewater Reserve	19,382,622	19,483,693	25,719,929	25,613,696
Add DC Water & DC Wastewater Cost Charge Reserves				
Add Industrial WW Treatment Facility Reserve	305,581	314,585	318,935	318,935
<b><u>Working Capital Surplus/(Deficit)</u></b>	<b><u>\$ 1,418,268</u></b>	<b><u>\$ (6,281,658)</u></b>	<b><u>\$ (8,588,179)</u></b>	<b><u>\$ (8,568,049)</u></b>
Annual change in Working Capital				
Minimum working capital surplus = 20% of expenses	<b><u>\$ 3,543,990</u></b>	<b><u>\$ 3,743,628</u></b>	<b><u>\$ 3,963,808</u></b>	<b><u>\$ 4,159,792</u></b>
	2016	2017	2018	2019
	Audited	Audited	Audited	Audited
<b><u>Working Capital Surplus/(Deficit)</u></b>				
Fund Surplus	\$ 123,105,286	\$ 118,255,721	\$ 119,691,275	\$ 136,834,217
Less Tangible Capital Assets	(178,952,270)	(177,680,743)	(178,327,780)	(194,683,618)
Add Long term debt	11,673,499	10,887,025	10,072,522	9,227,764
Add Water Distribution Reserve	18,310,470	18,948,738	18,492,116	14,405,597
Add Wastewater Reserve	18,353,817	16,656,127	15,996,172	14,581,145
Add DC Water & DC Wastewater Cost Charge Reserves		-	-	23,577
Add Industrial WW Treatment Facility Reserve	318,935	-	-	-
<b><u>Working Capital Surplus/(Deficit)</u></b>	<b><u>\$ (7,190,263)</u></b>	<b><u>\$ (12,933,132)</u></b>	<b><u>\$ (14,075,695)</u></b>	<b><u>\$ (19,611,318)</u></b>
Annual change in Working Capital				
Minimum working capital surplus = 20% of expenses	<b><u>\$ 5,556,824</u></b>	<b><u>\$ 4,932,727</u></b>	<b><u>\$ 4,696,247</u></b>	<b><u>\$ 4,798,461</u></b>

**City of Brandon**  
**Water and Wastewater Utility Rate Study**

	2020	2021	2022	2023
	Audited	Actual	Budget	Budget
<b><u>Working Capital Surplus/(Deficit)</u></b>				
Fund Surplus	\$ 155,886,906	\$ 149,484,072	\$ 167,698,899	\$ 205,895,555
Less Tangible Capital Assets	(213,622,033)	(221,668,163)	(268,920,167)	(324,091,466)
Add Long term debt	8,351,349	15,146,933	43,028,479	67,097,071
Add Water Distribution Reserve	5,399,755	10,829,409	9,216,911	10,416,911
Add Wastewater Reserve	9,496,071	9,496,071	8,565,564	9,775,564
Add DC Water & DC Wastewater Cost Charge Res.	343,576	343,576	2,093,625	4,177,069
Add Industrial WW Treatment Facility Reserve	-	-	-	-
	<b><u>\$ (34,144,376)</u></b>	<b><u>\$ (36,368,102)</u></b>	<b><u>\$ (38,316,688)</u></b>	<b><u>\$ (26,729,296)</u></b>
Annual change in Working Capital	<u>\$ (14,533,058)</u>	<u>\$ (2,223,726)</u>	<u>\$ (1,948,586)</u>	<u>\$ 11,587,392</u>
Minimum working capital surplus = 20% of expenses	<u>\$ 5,068,281</u>	<u>\$ 5,445,474</u>	<u>\$ 5,733,274</u>	<u>\$ 6,088,026</u>
	2024	2025	2026	
	Forecast	Forecast	Forecast	
<b><u>Working Capital Surplus/(Deficit)</u></b>				
Fund Surplus	\$ 222,829,629	\$ 236,393,596	\$ 241,363,012	
Less Tangible Capital Assets	(344,544,367)	(356,140,113)	(367,866,834)	
Add Long term debt	72,992,780	76,097,208	90,609,922	
Add Water Distribution Reserve	11,686,911	12,615,911	13,745,911	
Add Wastewater Reserve	11,013,564	12,423,564	11,595,564	
Add DC Water & DC Wastewater Cost Charge Res.	6,263,909	8,354,144	10,474,939	
Add Industrial WW Treatment Facility Reserve	-	-	-	
	<b><u>\$ (19,757,574)</u></b>	<b><u>\$ (10,255,690)</u></b>	<b><u>\$ (77,486)</u></b>	
Annual change in Working Capital	<u>\$ 6,971,722</u>	<u>\$ 9,501,884</u>	<u>\$ 10,178,204</u>	
Minimum working capital surplus = 20% of expenses	<u>\$ 6,359,946</u>	<u>\$ 6,546,599</u>	<u>\$ 7,432,537</u>	

**City of Brandon**  
**Water and Wastewater Utility Rate Study**

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**Unaccounted for Water**

Unaccounted for water was 13% in 2020.

**Water Produced/Sold - Cubic Meters**

	<u>2020</u>	<u>2018</u>
Water produced	7,483,357	8,675,720
<u>Sold:</u>		
Metered Water volume Billed	6,498,105	6,906,873
Bulk Water volume sold	6,125	6,772
Water volume billed - hydrants	37,598	39,363
Total Sales and Use	6,541,828	6,953,008
Unaccounted for water	941,529	1,722,712
Percentage of total	13%	20%

A broken waterline under the Assiniboine River was discovered in 2019 that resulted in lower unaccounted for water volume in 2020

**Capital**

There are \$189 million in capital projects identified in the Utility's 10 year capital from 2022 to 2026 including completion of a Water Treatment Facility expansion at a cost of \$129 million. The Utility's 10 year capital plan identifies another \$99 million in capital projects from 2027 to 2031.

**Summary of Capital Expenditure Funding**

	<u>Totals</u>
Debenture Debt	80,650,000
Capital Grants	89,460,000
Gas Tax Reserve	4,435,000
Wastewater Network Infrastructure DC Reserve	330,000
Wastewater Reserve	8,531,000
Water Distribution Reserve	6,156,000
	<u>189,562,000</u>

**City of Brandon****Water and Wastewater Utility Rate Study**

<b><u>Summary of Capital Expenditures</u></b>	<b><u>Totals</u></b>
Wastewater lines (New)	39,010,000
Water Treatment Facility Expansion	129,550,000
Water Chemical Building	-
Water Treatment Facility Upgrade	4,900,000
Watermain replacements	3,486,000
Wastewater Main Rehabilitation	740,000
Street reconstruction	252,000
Street reconstruction	-
Water Modelling	85,000
Wastewater Modelling	115,000
Flood Protection - wastewater	-
Wastewater Infrastructure Condition Assessments	-
Water Infrastructure Condition Assessments	-
Construction Support Equipment	-
Construction Support Equipment	16,000
Wastewater Treatment Facilities	8,335,000
Utility Equipment Replacement	-
Utility Equipment Replacement	238,000
New Watermains	2,835,000
	<u>189,562,000</u>

**Inflationary Increase**

The Utility's 2023 budget includes projected increases and the financial forecast for 2024 to 2026 inclusive assume annual increases of 3% in expenses.

**Cost Allocation**

Allocation of staff salaries is reviewed for each position and the percentage of time spent on Utility is determined and salaries are allocated, based on that percentage.

**Contingency Allowance and Reserves**

There is a Contingency Allowance of 10% of net rate costs less amortization expenses and interest costs in accordance with PUB guidelines, included in the rate study. This equates to \$1,078,865 for water and \$591,184 for wastewater, \$1,670,049 in total.

## City of Brandon

## Water and Wastewater Utility Rate Study

The 2022 Capital Plan identifies \$189 million in Utility capital projects from 2022 to 2026 with \$15,017,000 of this funding proposed to be provided from the Utility's reserves. There is an annual transfer of \$4,000,000 to Utility Reserves included in this rate study as a result of the funding required for the Capital Plan.

**Rate Comparison – Prairie Provinces**

Following is a comparison of **City of Brandon Utility's** quarterly proposed rates, to other utility rates in urban centres in the Prairie Provinces along with the year in which rates were last set:

<u>Cubic Meters</u>	<u>yr</u>	<u>Water</u>	<u>Wastewater</u>	<u>Service Charge</u>	<u>Quarterly Water &amp; Wastewater Average Bill 46 Cubic Meters</u>	<u>Quarterly Large Industry Water Only Bill 400000 CM</u>
<b>Brandon, current 2018 rates</b>		<b>\$1.66</b>	<b>\$1.63</b>	<b>\$17.48</b>	<b>\$168.82</b>	<b>\$664,017</b>
<b>Brandon, proposed 2023 rates</b>		<b>\$1.80</b>	<b>\$1.79</b>	<b>\$18.00</b>	<b>\$183.14</b>	<b>\$720,018</b>
<b>Brandon, proposed 2023 rates with rate riders</b>		<b>\$2.15</b>	<b>\$2.00</b>	<b>\$18.00</b>	<b>\$208.99</b>	<b>\$860,818</b>
<b>Brandon, proposed 2026 rates</b>		<b>\$2.71</b>	<b>\$2.84</b>	<b>\$21.51</b>	<b>\$276.81</b>	<b>\$1,084,022</b>
<b>Brandon, proposed 2026 rates with rate riders</b>		<b>\$3.06</b>	<b>\$3.05</b>	<b>\$21.51</b>	<b>\$302.66</b>	<b>\$1,224,822</b>
Portage la Prairie; 2023 rates	1	\$1.93	\$1.90	\$22.33	\$198.51	\$772,022
Portage la Prairie; 2025 rates	1	\$2.47	\$1.75	\$22.69	\$216.81	\$988,023
Steinbach; 2020 rates		\$1.08	\$0.83	\$17.52	\$105.38	\$432,018
Neepawa; 2019 rates	4	\$2.36	\$1.40	\$19.75	\$166.95	\$944,020
Selkirk, 2021 rates		\$2.44	\$3.07	\$27.50	\$280.96	\$976,028
Winnipeg; 2022 rates for 5/8" meter; no minimum		\$1.95	\$2.91	\$21.29	\$244.85	\$780,021
Moose Jaw; 2019 rates for 5/8" meter; no minimum		\$1.47	\$1.53	\$162.06	\$300.06	\$588,162
Saskatoon; 2022 rates; residential	2	\$2.35	\$1.52	\$76.86	\$254.88	\$940,077
Saskatoon; 2022 rates; commercial	2	\$1.97	\$1.65	\$197.28	\$363.80	\$788,197
Regina; 2020 rates for 5/8" meter	3	\$2.21	\$1.95	\$49.58	\$240.94	\$884,050
Prince Albert; for 5/8" meter; no minimum		\$1.37	\$1.21	\$79.50	\$198.18	\$548,080
Yorkton; 2020 rates		\$1.67	\$1.67	\$54.75	\$208.39	\$668,055

## City of Brandon

## Water and Wastewater Utility Rate Study

**Rate Comparison - Manitoba**

Following is a comparison of **Brandon Utility's** quarterly proposed water and wastewater rates, to other utility rates that have been approved by the PUB:

**Quarterly Billing Based on 14 Cubic Meters**

Grunthal, RM of Hanover (2023 rate)	\$42.11
Winnipeg Beach, Town of (2021 rate)	\$43.27
Stonewall, Town of (2022 rate)	\$46.78
St. Malo, RM of De Salaberry (2022 rate)	\$49.48
Kleefeld, RM of Hanover (2023 rate)	\$50.05
Notre Dame de Lourdes, RM of Lorne (2022 rate)	\$57.52
Beausejour, Town of (2022 rate)	\$59.72
Virden, Town of (2022 rate)	\$63.36
Shoal Lake (2021 rate)	\$64.06
Miami, RM of Thompson (2021 rate)	\$64.49
Hamiota, Municipality of (2021 rate)	\$65.68
Pierson, Municipality of Two Borders (2021 rate)	\$66.68
MacGregor, Municipality of North Norfolk (2021 rate)	\$66.77
<b>Brandon, City of (2023 rate)</b>	<b>\$68.26</b>
Ashern, RM of West Interlake (2023 rate)	\$73.39
Plumas, Municipality of Westlake Gladstone (2021 rate)	\$75.01
Tyndall-Garson LUD, RM of Brokenhead (2024 rate)	\$75.85
Roblin, Municipality of (2025 rate)	\$75.92
<b>Brandon, City of (2023 rate) with deficit rate rider&amp;debt surcharge</b>	<b>\$76.13</b>
Gladstone, Municipality of Westlake Gladstone (2022 rate)	\$77.26
<b>Brandon, City of (2024 rate)</b>	<b>\$78.53</b>
Laurier, RM of Ste. Rose (2021 rate)	\$79.01
Portage la Prairie, City of (2025 rate)	\$80.24
Killarney-Turtle Mountain, RM of (2023 rate)	\$80.31
Wallace Woodworth, RM of (2022 rate)	\$80.33
Dauphin, City of (2023 rate)	\$81.53
Pilot Mound, Municipality of Louise (2022 rate)	\$83.44
<b>Brandon, City of (2024 rate) with deficit rate rider&amp;debt surcharge</b>	<b>\$86.40</b>
Morris, RM of (LUD 2022 rate)	\$86.27
<b>Brandon, City of (2025 rate)</b>	<b>\$88.80</b>
Pinawa, LGD of (2022 rate)	\$89.03
Oakville, RM of Portage la Prairie (2023 rate)	\$90.33
Cartwright, Municipality of Cartwright-Roblin (2022 rate)	\$90.61
Birch River, RM of Mountain (2022 rate)	\$90.76
Melita, Town of (2022 rate)	\$90.76

## City of Brandon

## Water and Wastewater Utility Rate Study

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Russell Binscarth; Municipality of Russell Binscarth (2022 rate)	\$92.95
Pipestone, RM of (2022 rate)	\$93.36
Clanwilliam-Erickson, Municipality of (2025 rate)	\$94.34
<b>Brandon, City of (2025 rate) with deficit rate rider&amp;debt surcharge</b>	<b>\$96.67</b>
Souris, RM of Souris-Glenwood (2021 rate)	\$96.89
<b>Brandon, City of (2026 rate)</b>	<b>\$99.21</b>
Birtle, Prairieview Municipality of (2021 rate)	\$99.83
St. Claude, RM of Grey (2022 rate)	\$100.74
Grey, RM of (2022 rate)	\$101.06
St. Lazare, RM of Ellice Archie (2023 rate)	\$102.39
Selkirk, City of (2021 rate)	\$102.65
Hartney, Municipality of Grassland (2022 rate)	\$103.51
Emerson, Municipality of Emerson-Franklin (2021 rate)	\$104.02
Deloraine-Winchester, Municipality of (2023 rate)	\$104.53
Gilbert Plains, RM of; Urban Utility (2022 rate)	\$105.52
<b>Brandon, City of (2026 rate)with deficit rate rider&amp;debt surcharge</b>	<b>\$107.08</b>
Rhineland, RM of (2022 rate)	\$111.65
McCreary, Municipality of (2022 rate)	\$112.52
Inglis, RM of Riding Mountain West (2022 rate)	\$113.03
Manitou, Municipality of Pembina (2022 rate)	\$115.81
Strathclair, RM of Yellowhead (2021 rate)	\$115.87
Lac du Bonnet, RM of (2021 rate)	\$119.08
Rossburn, RM of (2021 rate)	\$124.26
Whitemouth, RM of Whitemouth (2022 rate;Water Utility;Sewer Utility)	\$126.97
Grosse Isle, RM of Rosser (2022 rate)	\$130.47
Baldur, RM of Argyle (2021 rate)	\$134.13
Angusville, RM of Riding Mountain West (2022 rate)	\$141.67
Rapid City, RM of Oakview (2021 rate)	\$144.45
Belmont, RM of Prairie Lakes (2021 rate)	\$147.51
Minto, Municipality of Grassland (2022 rate)	\$167.84
Elgin, Municipality of Grassland (2022 rate)	\$178.16

City of Brandon  
Water and Wastewater Utility Rate Study

**Water and Wastewater Billing Impact - without Deficit Rate Rider & Debt Surcharges**

**Impact of Rate Increases on Utility Billings - Without Deficit Rate Rider & Debt Surcharge**

Impact on a 5/8" meter bill quarterly consumption of:

14 CM

	Annual costs based on rates in effect Currently	Annual costs based on rates proposed July 1, 2023	Annual costs based on rates proposed January 1, 2024	Annual costs based on rates proposed January 1, 2025	Annual costs based on rates proposed January 1, 2026
Annual Cost	\$254.16	\$273.04	\$314.12	\$355.20	\$396.84
Annual Increase		\$18.88	\$41.08	\$41.08	\$41.64
Quarterly Billing	\$63.54	\$68.26	\$78.53	\$88.80	\$99.21
Quarterly Increase		\$4.72	\$10.27	\$10.27	\$10.41
% Increase Per Year		7%	15%	13%	12%

Impact on a family with quarterly consumption of:

46 CM

	Annual costs based on rates in effect Currently	Annual costs based on rates proposed July 1, 2023	Annual costs based on rates proposed January 1, 2024	Annual costs based on rates proposed January 1, 2025	Annual costs based on rates proposed January 1, 2026
Annual Cost	\$675.28	\$732.56	\$856.84	\$981.12	\$1,107.24
Annual Increase		\$57.28	\$124.28	\$124.28	\$126.12
Quarterly Billing	\$168.82	\$183.14	\$214.21	\$245.28	\$276.81
Quarterly Increase		\$14.32	\$31.07	\$31.07	\$31.53
% Increase Per Year		8%	17%	15%	13%

Impact on a customer with quarterly consumption of:

455 CM

	Annual costs based on rates in effect Currently	Annual costs based on rates proposed July 1, 2023	Annual costs based on rates proposed January 1, 2024	Annual costs based on rates proposed January 1, 2025	Annual costs based on rates proposed January 1, 2026
Annual Cost	\$6,057.72	\$6,605.80	\$7,793.48	\$8,981.16	\$10,187.04
Annual Increase		\$548.08	\$1,187.68	\$1,187.68	\$1,205.88
Quarterly Billing	\$1,514.43	\$1,651.45	\$1,948.37	\$2,245.29	\$2,546.76
Quarterly Increase		\$137.02	\$296.92	\$296.92	\$301.47
% Increase Per Year		9%	18%	15%	13%

**City of Brandon  
Water and Wastewater Utility Rate Study**

Impact on a customer with quarterly consumption of:

4,000 CM

	Annual costs based on rates in effect <u>Currently</u>	Annual costs based on rates proposed <u>July 1, 2023</u>	Annual costs based on rates proposed <u>January 1, 2024</u>	Annual costs based on rates proposed <u>January 1, 2025</u>	Annual costs based on rates proposed <u>January 1, 2026</u>
Annual Cost	\$52,709.92	\$57,512.00	\$67,916.68	\$78,321.36	\$88,886.04
Annual Increase		\$4,802.08	\$10,404.68	\$10,404.68	\$10,564.68
Quarterly Billing	\$13,177.48	\$14,378.00	\$16,979.17	\$19,580.34	\$22,221.51
Quarterly Increase		\$1,200.52	\$2,601.17	\$2,601.17	\$2,641.17
% Increase Per Year		9%	18%	15%	13%

Impact on a **Water Only** customer with quarterly consumption of:

400,000 CM

	Annual costs based on rates in effect <u>Currently</u>	Annual costs based on rates proposed <u>July 1, 2023</u>	Annual costs based on rates proposed <u>January 1, 2024</u>	Annual costs based on rates proposed <u>January 1, 2025</u>	Annual costs based on rates proposed <u>January 1, 2026</u>
Annual Cost	\$2,656,069.92	\$2,880,072.00	\$3,360,076.68	\$3,840,081.36	\$4,336,086.04
Annual Increase		\$224,002.08	\$480,004.68	\$480,004.68	\$496,004.68
Quarterly Billing	\$664,017.48	\$720,018.00	\$840,019.17	\$960,020.34	\$1,084,021.51
Quarterly Increase		\$56,000.52	\$120,001.17	\$120,001.17	\$124,001.17
% Increase Per Year		8%	17%	14%	13%

**City of Brandon  
Water and Wastewater Utility Rate Study**

**Impact of Rate Increases on Utility Billings - With Deficit Rate Rider & Debt Surcharge**

Impact on a 5/8" meter bill quarterly consumption of: 14 CM

	Annual costs based on rates in effect <u>Currently</u>	Annual costs based on rates proposed <u>July 1, 2023</u>	Annual costs based on rates proposed <u>January 1, 2024</u>	Annual costs based on rates proposed <u>January 1, 2025</u>	Annual costs based on rates proposed <u>January 1, 2026</u>
Annual Cost	\$254.16	\$304.51	\$345.59	\$386.67	\$428.31
Annual Increase		\$50.35	\$41.08	\$41.08	\$41.64
Quarterly Billing	\$63.54	\$76.13	\$86.40	\$96.67	\$107.08
Quarterly Increase		\$12.59	\$10.27	\$10.27	\$10.41
% Increase Per Year		20%	13%	12%	11%

Impact on a family with quarterly consumption of: 46 CM

	Annual costs based on rates in effect <u>Currently</u>	Annual costs based on rates proposed <u>July 1, 2023</u>	Annual costs based on rates proposed <u>January 1, 2024</u>	Annual costs based on rates proposed <u>January 1, 2025</u>	Annual costs based on rates proposed <u>January 1, 2026</u>
Annual Cost	\$675.28	\$835.97	\$960.25	\$1,084.53	\$1,210.65
Annual Increase		\$160.69	\$124.28	\$124.28	\$126.12
Quarterly Billing	\$168.82	\$208.99	\$240.06	\$271.13	\$302.66
Quarterly Increase		\$40.17	\$31.07	\$31.07	\$31.53
% Increase Per Year		24%	15%	13%	12%

Impact on a customer with quarterly consumption of: 455 CM

	Annual costs based on rates in effect <u>Currently</u>	Annual costs based on rates proposed <u>July 1, 2023</u>	Annual costs based on rates proposed <u>January 1, 2024</u>	Annual costs based on rates proposed <u>January 1, 2025</u>	Annual costs based on rates proposed <u>January 1, 2026</u>
Annual Cost	\$6,057.72	\$7,628.64	\$8,816.32	\$10,004.00	\$11,209.88
Annual Increase		\$1,570.92	\$1,187.68	\$1,187.68	\$1,205.88
Quarterly Billing	\$1,514.43	\$1,907.16	\$2,204.08	\$2,501.00	\$2,802.47
Quarterly Increase		\$392.73	\$296.92	\$296.92	\$301.47
% Increase Per Year		26%	16%	13%	12%

