

MANITOBA) Order No. 85/05
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THE PUBLIC UTILITIES BOARD ACT) May 30, 2005

BEFORE: Graham F. J. Lane, C.A., Chairman
S. Proven, P.H.Ec., Member

THE VILLAGE OF WASKADA
WATER AND SEWER RATES
ORDER TO VARY BOARD ORDER 155/04

Introduction

On December 14, 2004, The Public Utilities Board ("the Board") issued Order No. 155/04 revising water and sewer rates for the Village of Waskada ("the Village"), and directing that the Village's By-law No. 3-2004 be amended to coincide with the Order.

The Village disagreed with the Board's direction and filed a complaint with the Ombudsman complaining that the rates set by the Board were excessive and contrary to those proposed by the Village. In response to a query by the Office of the Ombudsman, the Board accepted the Village's complaint as a request to the Board to vary its Order, pursuant to provisions of *The Public Utilities Board Act*.

On the Board's behalf, Board Member Proven met with the village representatives on May 15, 2005. Subsequently, Ms. Proven provided a report to the Board, and the Board determined to vary Order 155/04.

This Board Order varies the direction provided to the Village by Order 155/04, and, while upholding the customer service charge, and other rates established by that Order, provides a three-year transition period ending in 2007 to bring the customer service charge to the level established by Order 155/04.

Background

The Village operates a small water and sewer utility with approximately one hundred customers, the large majority of those being residential customers.

By Order 155/04, the Board approved the commodity water rate while amending the Village's proposed quarterly minimum charges to levels more reflective of general utility practices.

In doing so, the Board also approved a higher customer service charge of \$27.00, rather than the \$15.00 charge proposed by the Village. The existing charge, which was set in 1970, was \$11.40.

As indicated, prior to Order 155/04 the Village's water and sewer rates were last amended in 1970. The existing, proposed and approved rates by Order 155/04 are as follows:

| Commodity Charge per 1,000 gallons | Water | Sewer | Total |
|------------------------------------|--------|--------|--------|
| Existing, as set in 1970 | \$1.20 | \$2.00 | \$3.20 |
| Proposed, by the Village | \$3.80 | \$1.00 | \$4.80 |
| Approved, by Order 155/04 | \$3.80 | \$1.00 | \$4.80 |

| Service Charge/quarter | |
|---------------------------|---------|
| Existing, as set in 1970 | \$11.40 |
| Proposed, by the Village | \$15.00 |
| Approved, by Order 155/05 | \$27.00 |

The aggregate residential minimum bill as set by Order 155/04 was to be increased from the \$21.00 per quarter established in 1970 to \$41.40. Contrarily, the Village had proposed an aggregate rate of \$27.00, \$14.40 less than that approved by the Board in Order 155/04.

The Board issued its rate direction in Order 155/04 based on the financial situation of the Village's utility, and the statutory requirement that water and sewer utilities break-even on operations. Water and sewer utilities are not to be subsidized by municipal General Funds derived from the tax base.

The statute governing the Board's actions provides the Board with the authority to accept, decline or vary a rate application made by a municipal water and sewer utility. In Order 155/04, the Board varied the Village's application, and, in this Order, the Board amends its Order, this latter action in response to the Village's concerns.

Consideration of the Village's Concerns

The Village expressed concern with the magnitude of the aggregate increase in minimum quarterly bills established by Board Order 155/04 (an increase of 100% over the rates set in 1970, and approximately 50% over the Village's proposed aggregate minimum quarterly bill for residential customers).

Concurrently, the Village expressed particular concern with the Board's direction with respect to the customer service charge.

The Village acknowledged that the \$27.00 customer service charge approved by the Board was based upon the Village's own initial calculation of the revenue required to allow for break-even results on utility operations. However, they

opined that the charge was excessive and, notwithstanding the Village's calculations of revenue requirement, was not required to bring about a break-even budget.

Excepting for this difference, the Village confirmed acceptance of all other aspects of the Board's direction as set out in Order 155/04. And, with respect to the difference in view as to the customer service charge, the Village proposed a compromise.

The Village acknowledged that the utility required a sharp increase in revenue to assure break-even operations; and proposed the customer service charge be increased to \$27.00 over a three-year period rather than the immediate full increase directed by the Board in Order 155/04.

Ms. Proven listened to and reviewed the Village's concerns as raised by the Village's representatives, and provided a report and recommendations to the Board's Chairman. Pursuant to statute, at least two Board members are required to establish a quorum to issue an Order.

Board Findings and Comments

Statute requires municipal owned water and sewer utilities to break-even on annual operations.

In approving revised rates, the Board accepted the Village's forecast of utility operating and maintenance costs, as set out in its rate study. Such costs reasonably reflect the annual cost of operating the utility in 2003, the last year for which full financial statements were

available to assist the preparation of the rate study.

Subsequently, the 2004 financial statements have been provided and disclose a utility deficit of \$1,816.62. And, if it were not for transfers from other revenue sources, the deficit would have been higher.

Of some concern to the Board is the fact that rates have not changed since 1970 notwithstanding on-going inflation pressure which suggests that 1970 rates in 2005 are far too low to allow for break-even utility operations. However, having considered the concerns of the Village, the Board is prepared to vary its Order and allow the phase-in of the customer service charge to \$27.00 per quarter over a three year period.

Accordingly, the Board will approve quarterly customer service charges of:

- a) \$15.00 for 2005 (to be implemented with the next billing);
- b) \$21.00 for 2006; and
- c) \$27.00 for 2007.

Revised rate schedules are attached to this Order.

Furthermore, and due to a continuing Board concern that the amended rate direction may not prove sufficient to address the requirement that the Village's utility be self-sustaining, the Board will direct the Village to file with the Board 2006 utility year-end financial statements.

These statements are to be filed together with commentary on the adequacy of water and sewer rates going-forward. Assuming a continuance of general price inflation in the economy, the Board anticipates that the Village will be required to file further rate applications on a more frequent basis in the future. Thirty-five years is a long time without a rate adjustment.

IT IS THEREFORE ORDERED THAT:

1. Order No. 155/04 dated December 14, 2004 BE AND IS HEREBY VARIED by this Order;
2. By-law No. 3-2004 of the Village of Waskada BE AND IS HEREBY APPROVED SUBJECT TO AMENDMENT to conform the by-law with Schedule "A" attached hereto;
3. The water and sewer rates set forth in Schedule "A" hereto shall apply to all customers of the utility effective with the next billing to follow in the normal course after the date of this Order; and
4. The Village file the year-end financial statements of the utility for the year ended December 31, 2006 by June 30, 2007, together with commentary on the adequacy of water and sewer rates going-forward.

THE PUBLIC UTILITIES BOARD

"GRAHAM F. J. LANE, C.A."

Chairman

"G. O. BARRON"

Secretary

Certified a true copy of
Order No. 85/05 issued by The
Public Utilities Board

Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 85/05

THE VILLAGE OF WASKADA

WATER AND SEWER RATES

BY-LAW NO. 3-2004

1. 2005

Schedule of Quarterly Rates:

i. Commodity Rates per M.G.

| | <u>Water</u> | <u>Sewer</u> | <u>Water & Sewer</u> |
|-----------------------|--------------|--------------|--------------------------|
| All water consumption | \$3.80 | \$1.00 | \$4.80 |

ii. Minimum Charges, Quarterly

Notwithstanding the Commodity rates set forth in paragraph 1(i) above, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

(a) Water and Sewer Customers

| | | | | Commodity Charges | | |
|------|---|-------|---------|-------------------|--------|---------|
| | | | | Water | Sewer | |
| 5/8" | 1 | 3,000 | \$15.00 | \$11.40 | \$3.00 | \$29.40 |
| 3/4" | 2 | 6,000 | \$15.00 | \$22.80 | \$6.00 | \$43.80 |

(b) Water Only Customers

Minimum Charge will be the same for each meter size as shown above, but the sewer Commodity Charge will be excluded.

2. Effective July 1, 2006

Schedule of Quarterly Rates:

i. Commodity Rates per M.G.

| | <u>Water</u> | <u>Sewer</u> | <u>Water & Sewer</u> |
|-----------------------|--------------|--------------|--------------------------|
| All water consumption | \$3.80 | \$1.00 | \$4.80 |

ii. Minimum Charges, Quarterly

Notwithstanding the Commodity rates set forth in paragraph 2(i) above, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

(a) Water and Sewer Customers

| | | | Commodity Charges | | | |
|------|---|-------|-------------------|---------|--------|---------|
| | | | | Water | Sewer | |
| 5/8" | 1 | 3,000 | \$21.00 | \$11.40 | \$3.00 | \$35.40 |
| 3/4" | 2 | 6,000 | \$21.00 | \$22.80 | \$6.00 | \$49.80 |

(b) Water Only Customers

Minimum Charge will be the same for each meter size as shown above, but the sewer Commodity Charge will be excluded.

3. Effective July 1, 2007

Schedule of Quarterly Rates:

i. Commodity Rates per M.G.

| | <u>Water</u> | <u>Sewer</u> | <u>Water & Sewer</u> |
|-----------------------|--------------|--------------|--------------------------|
| All water consumption | \$3.80 | \$1.00 | \$4.80 |

ii. Minimum Charges, Quarterly

Notwithstanding the Commodity rates set forth in paragraph 3(i) above, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

(a) Water and Sewer Customers

| | | | | Commodity Charges | | |
|------|---|-------|---------|-------------------|--------|---------|
| | | | | Water | Sewer | |
| 5/8" | 1 | 3,000 | \$27.00 | \$11.40 | \$3.00 | \$41.40 |
| 3/4" | 2 | 6,000 | \$27.00 | \$22.80 | \$6.00 | \$55.80 |

(b) Water Only Customers

Minimum Charge will be the same for each meter size as shown above, but the sewer Commodity Charge will be excluded.

4. Service to Customers outside Municipality, Town, or L.I.D. limits

The Council of the Village of Waskada may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Village of Waskada. 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.

5. 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.

6. Disconnection

Service may be disconnected and discontinued immediately and without further notice in the event of non-payment of the account within 30 days after due date.

7. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$20.00 have been paid.

8. Outstanding Bills

Pursuant to Section 252(2) of the Municipal Act, the amount of all outstanding charges for water and sewer 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.

9. Water Allowance Due to Line Freezing

That in any case where, at the request of the Council, a customer allows water to run continuously for any period of time to prevent the water lines in the water system from freezing, the charge to that customer for the current quarter shall be the average of the billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.