

M A N I T O B A                    )     Order No. 150/06  
  )  
THE PUBLIC UTILITIES BOARD ACT    )     November 6, 2006

BEFORE: Graham F. J. Lane, C.A., Chairman  
          Monica Girouard, C.G.A., Member  
          Susan Proven, P.H.Ec., Member

**THE RURAL MUNICIPALITY OF BROKENHEAD  
LOCAL IMPROVEMENT DISTRICT NO. 1  
(GARSON, TYNDALL AND HENRYVILLE)  
WATER AND SEWER RATES**

**EXECUTIVE SUMMARY**

By this Order, the Public Utilities Board (Board) approves initial water and sewer rates for the Rural Municipality of Brokenhead (R.M.). The rates will apply to:

- a) water and sewer: to the Local Improvement District (L.I.D.) that includes Garson, Tyndall and Henryville; and
- b) sewage lagoon usage: to the balance of R.M. residents.

Typical consumer bills are forecast as follows:

- a) for a metered water and sewer residential customer, the minimum quarterly bill will be \$41.44;
- b) for haulers of sewage to the lagoon for residents outside the L.I.D. but inside the R.M., \$385.50 per quarter;
- c) for sewer only customers connected to the system, \$47.55 per quarter;
- d) for unmetered water and sewer customers, \$220.45 per quarter (based on estimated usage of 95 cubic meters per quarter); and
- e) for bulk water customers, \$3.00 per cubic meter, an increase from \$2.56, the latter approved by Order No. 3/06 on an interim basis.

The combined water and sewer commodity rate will be \$2.21 per cubic meter.

The rates are initial rates, based on forecast revenues and expenditures. Accordingly, the Board directs the R.M. to provide a report assessing rate adequacy by March 31, 2008; the report is to be based on 2007 operating results.

**APPLICATION**

The R.M. owns and operates a new water and sewer utility serving the communities of Garson, Tyndall and Henryville, all forming part of a Local Improvement District. The system involves reverse osmosis with chlorination. The new water treatment and distribution system was necessary to address a boil water order.

There are approximately 412 possible connections in the L.I.D., with 200 in Tyndall. The installation of service lines from the mains to property lines was expected to start in the summer of 2006 and to continue for two years.

Garson, Tyndall and Henryville have new water and sewer mains. A portion of the community of Tyndall had a pressure sewer system for the past 20 years, now replaced.

The R.M. has mandated residents to connect to the new water and sewer system prior to December 31, 2008. The R.M. forecasts:

- a) 75 - 100 customer hook-ups in 2006;
- b) a further 100 in 2007; and
- c) the remainder in 2008.

The number of attachments achieved will be monitored and the original forecasts re-assessed in 2007 or 2008.

A rate study supported the R.M.'s application, and considered among other things estimated metered volumes. As of the August 2006 date of the rate study, there were 20 buildings connected

to the water distribution system, though no water meters had been installed. For the purposes of developing its rate proposal, the R.M. assumed total water sales of 80,825 cubic meters and sewage generation of 106,162 cubic meters, per year.

Accordingly, billings will initially be based in part on a flat rate basis, to transition to a metered basis after meters are installed. The utility will also provide bulk water using a card read system; usage is expected to be limited.

All sewage collected is diverted to a new lagoon to be also used by rural residents of the R.M. not residing in the L.I.D. but hauling sewage to the lagoon. Haulers will be charged a lump sum for use of the lagoon.

The R.M. applied to the Board for approval of initial water and sewer rates; the proposal was set out in By-law No. 2034-06, which was submitted after the August 15, 2006 first reading.

The R.M. also sought confirmation of interim bulk water rates approved by the Board by interim ex parte Order 3/06, dated January 11, 2006. The R.M. would amend the interim bulk water rates, proposed rates follow:

	Water	Sewer	Combined
Commodity Rates per cubic meter	\$1.82	\$0.39	\$2.21
Residential quarterly minimum bill			\$41.44
Customer Service Charge			\$10.50

For unmetered water and sewer customers a flat rate quarterly charge of \$220.45 was proposed. This charge includes usage of

95 cubic metres/quarter. Sewer only customers would be charged \$47.55 per quarter which is based on the same estimated usage. Haulers of sewage for residents of the R.M. located outside the L.I.D. would be charged \$385.50 per quarter for sewage trucked to the lagoon.

Bulk water would be charged at a rate of \$3.00 per cubic meter, an increase from the interim rate approved by the Board of \$2.56 per cubic meter. The utility proposes to charge \$100 per hydrant per year for fire protection, to be provided by the R.M.'s operating account.

As these would be initial rates based on estimates, the R.M. indicated an intention to review the rates for adequacy by 2008.

Notice of the R.M.'s application was published in the local newspapers and posted in several prominent locations in the area. The Notice invited public comments to the Board, none were received. The R.M. sought approval of rates to be retroactive to January 1, 2006; except for bulk water users to-date no charges had been levied.

Estimated annual debenture servicing costs are \$375,000, to be collected over 20 years through the property tax system; the system has an estimated capital cost of \$6,500,000.

Estimated operating costs are:

	Operating & Maintenance	Contingency	Reserves	Total
Water	\$144,800	\$ 5,000	\$20,000	\$169,800
Sewer	\$ 34,800	\$ 6,000	\$ 5,000	\$ 45,800
Administration	<u>\$ 8,114</u>	<u>-</u>	<u>-</u>	<u>\$ 8,114</u>
Total	<u>\$187,714</u>	<u>\$11,000</u>	<u>\$25,000</u>	<u>\$223,714</u>

Included in the projected operating and maintenance expenses is an estimate for the cost for membrane replacement every 5 - 7 years.

The provision for reserves will be deposited in a utility reserve fund. In addition, the R.M. will collect \$15,000/year from rural residents, to be deposited in a separate reserve fund to be used for future upgrades, repairs and/or expansion of the lagoon.

The R.M. followed the Board's Guidelines with respect to the rate calculations.

#### **BOARD FINDINGS**

The Board will approve the rates proposed by the R.M., effective retroactively to January 1, 2006. The Board provides for retroactive application of the initial rates on the understanding that except for some bulk water users services have been provided to some customers for which no charge has been levied to-date

There was no response to the Public Notice, which the Board

perceives as general public acceptance of the R.M.'s proposal. Nonetheless, the Board reviewed the application for reasonableness, noting the R.M. had followed the Board's Guidelines with respect to the development of the proposed rates.

The Board's guidelines allow for a contingency allowance to be set depending on the needs of the utility. In the R.M.'s application the contingency allowance is \$11,000, which is considerably less than the 1% or \$65,000 called for in Board's guidelines; this takes into account the newness of the system and the Board accepts the initial approach.

The Board notes that the R.M. is building a reserve fund for future capital replacements, and has also proposed a special annual assessment totaling \$15,000 on rural residents neither connected to the system nor part of the L.I.D. The Board finds this assessment reasonable.

The Board advises the R.M. that if funds are to be withdrawn from reserves built up through rates for purposes other than intended, an application must be made to the Board in advance of withdrawal.

The Board applauds the R.M. for adopting a single step commodity rate, while noting that most of the customers are residential and small commercial accounts. Single step rates, as contrasted to the declining step rates found in many other jurisdictions are consistent with water conservation objectives.

The R.M. will need to monitor usage and determine whether further efforts are required to curb unnecessary use of water and sewer services. The R.M. should consider promotional events and bill stuffers to encourage prudent use of water and sewer services.

As these are initial rates, the Board will require the R.M. to file with the Board year end financial statements for the period ending December 31, 2007, with a statement as to the adequacy of the existing rates by no later than March 31, 2008.

Interim ex parte Order No. 3/06 is confirmed.



**IT IS THEREFORE ORDERED THAT:**

1. By-law No. 2034-06 of The Rural Municipality of Brokenhead serving the Local Improvement District No. 1 (Garson, Tyndall and Henryville) BE AND IS HEREBY APPROVED effective January 1, 2006 subject to amendment on second reading to agree with Schedule "A" attached hereto.
2. Interim Ex Parte Order No. 3/06 dated January 11, 2006 IS HEREBY CONFIRMED.
3. The Rural Municipality of Brokenhead file with the Board the December 31, 2007 year end financial statements for the utility with a statement as to the adequacy of the rates by no later than March 31, 2008.
4. This Order is subject to the trust condition that funds expended from the utility reserve funds be only to support existing infrastructure in the absence of specific written Board approval.

Fees payable upon this Order - \$250.00

THE PUBLIC UTILITIES BOARD

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

"G. O. BARRON"  
Acting Secretary

Certified a true copy of  
Order No. 150/06 issued by  
The Public Utilities Board

\_\_\_\_\_  
Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 150/06

THE RURAL MUNICIPALITY OF BROKENHEAD

LOCAL IMPROVEMENT DISTRICT NO. 1

(GARSON, TYNDALL AND HENRYVILLE)

WATER AND SEWER RATES

BY-LAW NO. 2034-06

1.0 SCHEDULE OF QUARTERLY RATES

A schedule of quarterly rates per cubic metre per quarter

	<u>Water</u>	<u>Sewer</u>	<u>Water &amp; Sewer</u>
Commodity Rates	\$1.82	\$0.39	\$2.21

2.0 MINIMUM QUARTERLY CHARGES

Notwithstanding the Commodity Rates set forth in paragraph 1.0 hereof, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

a) Water and Sewer Customers (Metered)

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included, M<sup>3</sup></u>	<u>Customer Service Charge</u>	<u>Commodity Charges</u>		<u>Total Quarterly Minimum</u>
				<u>Water</u>	<u>Sewer</u>	
5/8"	1	14	\$10.50	\$ 25.48	\$ 5.46	\$ 41.44
3/4"	2	28	\$10.50	\$ 50.96	\$ 10.92	\$ 72.38
1"	4	56	\$10.50	\$101.92	\$ 21.84	\$134.26
1½"	10	140	\$10.50	\$254.80	\$ 54.60	\$319.90
2"	25	350	\$10.50	\$637.50	\$136.50	\$784.00

b) Water and Sewer Customers (Unmetered)

Water Included, M <sup>3</sup>	Customer Service Charge	<u>Commodity</u> <u>Charges</u>		Total Quarterly <u>Minimum</u>
		<u>Water</u>	<u>Sewer</u>	
95	\$10.50	\$172.90	\$ 37.05	\$220.45

3.0 SEWER ONLY CUSTOMERS

Connected to Piped System

All customers connected to the piped sewage collection system but not to the water system, shall pay the quarterly bill based on the service charge plus a flat rate usage of 95 cu.m/quarter for sewer. Quarterly billing is \$10.50 plus  $95 \times \$0.39 = 47.55$

Trucked Sewage to Lagoon

All customers trucking sewage to the lagoon system, where such sewage has been generated outside the LID but within the RM of Brokenhead, shall pay the quarterly bill based on the service charge plus a flat rate usage of \$375./quarter. Sewage generated outside of the RM of Brokenhead shall not be delivered to the lagoon.

4.0 WATER AND SEWER CONNECTIONS

- i) Each customer applying for water turn on or turn off service during any quarter, shall pay the proportionate part of the current minimum quarterly charge provided that in computing same a broken half month shall be considered a full month. In all cases any excess water used will be charged at the rates set forth under Commodity Rates.
- ii) All costs for new connections and maintenance thereafter, shall be paid by the customer or developer, as the case may be, and such connections are to be approved by the Council of the Rural Municipality of Brokenhead.
- iii) A service charge of Twenty-five (\$25.00) Dollars shall be paid before any water is turned on and shall be the responsibility of the owner.

5.0 HYDRANT RENTALS

The Rural Municipality of Brokenhead will pay to the utility an annual rental of \$100.00 per year for each hydrant connected to the system.

6.0 RATES TO CUSTOMERS LOCATED OUTSIDE THE LIMITS OF THE RURAL  
MUNICIPALITY OF BROKENHEAD LID #1

---

- a) Customers located outside the Rural Municipality of Brokenhead LID#1 shall be required to sign agreements with the Municipality which sets out the rights and obligations of each party. Such agreements shall provide that the customer shall pay:
  - i) The appropriate rate as set out in paragraph 1.0 and 2.0 hereof, based on the units allotted to the services;
  - ii) All costs of constructing and maintaining all connection pipes and other items required to allow services to be used;
  - iii) And in addition, a surcharge to cover all taxes for utility purposes which they would be required to pay if located in the LID.
- b) That the above levies are due and payable July 1<sup>st</sup> of the year in which they are levied.

7.0 BILLINGS AND PAYMENTS

- i) All accounts shall be billed after the end of each quarter. Bills will be due and payable as per due date stated on the bills presented. A penalty of one and one quarter percent (1¼%) per month of the total amount due shall be charged if not paid by the due date.
- ii) Pursuant to Section 252(2) of The Municipal Act L.R.M. 1996, c.58, the amount of all outstanding charges, including penalties, for water and sewer service are a lien and charge upon that land and shall be collected in the same matter in which ordinary taxes on the land are collectable and with like remedies.
- iii) If any account is not paid within three (3) months after the due date, the service may be disconnected and discontinued without further notice. Any service so disconnected and discontinued shall not be reconnected until all arrears, penalties and a reconnection fee of Fifty (\$50.00) dollars has been paid.

8.0 WATER METERS

- i) All water connections shall be metered. Ownership, inspection and maintenance of meters will remain the responsibility of the utility system. Commercial meter maintenance will be the responsibility of the utility

system but will be billed to the commercial user.

**Meter Repairs**

- ii) Where a water meter is damaged as a result of negligence of a user, such user shall pay the cost of repairing the damaged meter and the said amount will immediately become a due and owing to the Rural Municipality of Brokenhead within ten (10) days of the demand for payment. The water service of the said user may be disconnected for the repair purposes and a fee of Fifty (\$50.00) dollars shall be charged for a re-connection of the service disconnected under this paragraph.

**Meter Testing**

- iii) Any consumer who desires and requests that his/her water meter be tested for accuracy, shall deposit with the Rural Municipality of Brokenhead the sum of Fifty (\$50.00) Dollars which will be retained if the meter, when tested, shall be found to be accurate within allowable limits. The deposit shall be refunded and the consumer's account adjusted for the preceding six (6) months if the meter is found to register in excess of the allowable limits.

9.0 BULK SALES

That a said rate of Three Dollars (\$3.00) per cubic metre be charged for treated water.

10.0 SEWER SURCHARGE

- a) There may be levied annually, in addition to the rates set forth above, a special surcharge on sewage having a Biochemical Oxygen Demand in excess of 300mg/L, such levy to be set by resolution of Council.
- b) A special surcharge for substances requiring special treatment shall be charged based on the actual costs of the treatment required for the particular sewage or industrial waste.

11.0 BILLINGS

All accounts for minimum quarterly charges for metered services set forth in this Schedule of Quarterly rates shall be billed at the end of each quarter together with any excess charges for metered water and sewer services supplied to the customers at the rates and terms set out in this Schedule.