

M A N I T O B A) Order No. 153/06
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THE MUNICIPAL ACT)
)
THE PUBLIC UTILITIES BOARD ACT) November 15, 2006

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

THE VILLAGE OF CARTWRIGHT
WATER AND SEWER UTILITY
REVENUE DEFICIT (2004 AND 2005), and
REVISED WATER & SEWER RATES (2007 and 2008)

INTRODUCTION

By this Order, the Public Utilities Board (Board) directs the Village of Cartwright (Village) to implement a rate increase and a surcharge as of January 1, 2007. Effective January 1, 2008, the surcharge is to be removed.

On October 18, 2006, the Village applied to the Board for approval of operating deficits incurred by the Village's water and sewer utility (Utility), \$15,953.04 (2004) and \$701.65 (2005). The options were to recover the deficits by means of taxes or by rate increases.

The deficit arose in part because 2005 Board-directed rate increases were not fully implemented by the Village.

BOARD FINDINGS

The Board prefers utility rates, not taxes, to cover operating costs. While recovery by taxation is an option for the recovery of operating deficits, it is the least desirable option; it does not reflect consumption. Recovering deficits through taxes may result in inequity between ratepayers, and only user-based fees fully avoid inequity.

An alternative to recovery of deficits through taxes is through transfers from accumulated surplus and/or utility reserves; surplus and reserves are created through rates. As of December

31, 2005, the accumulated cash surplus was \$4,914.04, the reserve fund, \$22,042.69. The Village did not propose recovery from surplus or reserves, and the Board agrees.

Prior to 2004, the last rate increase occurred in 1997. Following an approximately \$6,100 deficit in 2003 and the Village's apprehension of the utility's deteriorating financial position, a rate increase was applied for and approved by the Board.

The Board then-approved increases to the two step rates: from \$8.00 to \$13.36 for the first step (67%), and from \$7.55 to \$12.05 for the second step (60%). Minimum quarterly residential bills rose from \$50.07 to \$66.79 (33%).

Without advising the Board, the Village phased-in the increases, implementing one-half of the increases in 2006, with the balance planned to take effect January 1, 2007.

If the Village had complied with the Board's rate directive of 2005, the utility's situation would now be less troubling. It appears the Village was unaware it did not have the authority to phase in the Board's approved increases without pre-approval of a different approach by the Board. The Board has the sole authority to establish rates.

The Board reminds the Village of Section 84 (1) of The Public Utility Board's Act:

"No change in any existing individual rates, joint rates, tolls, charges, or schedules thereof or any commutation, mileage, or other special rates shall be made by any owner of a public utility, nor shall any new schedule of any such rates, tolls, or charges be established until the changed rates or new rates are approved by the board, when they shall come into force on a date to be fixed by the board: and the board may, either upon written complaint or upon its own initiative, hear and determine whether the proposed increased, changes or alterations are just and reasonable."

While the Board appreciates the Village's intention was to reduce the rate impact that would have occurred if the Board's approved rate increases had then been implemented, the delay slowed the planned progress to a financially sound utility. To now respond to address the situation, the Board will direct:

1. implementation of the remaining elements of the 2005 directed rate increases, as of January 1, 2007; and
2. a surcharge to apply for the calendar year 2007, to address recovery of lost revenue due to the phasing in of the 2005 Board-ordered increases.

Accordingly, on January 1, 2007 rates will rise by approximately 34%. Minimum quarterly residential bills will rise from \$58.03 to \$77.54. The new rates are indicated in the attachment to this Order.

The Board recognizes that the surcharge when combined with the rate increases will place a material financial burden on ratepayers for 2007.

Effective January 1, 2008, the surcharge will be deleted and the rates will revert to the rates previously approved by the Board in Order No. 9/05, dated January 17, 2005 of \$66.79 for a residential minimum quarterly bill.

The Board will require the Village to prepare a bill insert, to be pre-approved by the Board, indicating cause of the rate changes.

Should the Village's utility financial position not be expected to improve by 2008, the Village should apply for Board approval of further rate increases, or to extend all or a portion of the 2007 surcharge.

IT IS THEREFORE ORDERED THAT:

1. Rates effective January 1, 2007, with surcharge, as set out in Schedule "A" attached, are hereby approved.
2. Effective January 1, 2008, the surcharge is to be removed and rates reduced accordingly to the levels set out in Schedule "B" attached.

3. The Village of Cartwright will prepare an insert for inclusion with the next billing, to explain the Board's decision; the insert is to be pre-approved by the Board.

Fees Payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

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

"G. O. BARRON"
Acting Secretary

Certified a true copy of
Order No. 153/06 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 153/06

THE VILLAGE OF CARTWRIGHT

WATER AND SEWER RATES

EFFECTIVE JANUARY 1, 2007

SCHEDULE OF QUARTERLY RATES:

1. Commodity rates per 1,000 Gallons

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
0 - 20,000 gallons per quarter	\$10.15	\$3.21	\$13.36
Surcharge	\$1.85	\$0.54	\$2.39
Total	\$12.00	\$3.75	\$15.75
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Over 20,000 gallons per quarter	8.84	\$3.21	\$12.05
Surcharge	\$1.61	\$0.54	\$2.15
Total	\$10.45	\$3.75	\$14.20

2. Minimum Charges, Quarterly

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

(a) Water and Sewer Customers

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Commodity Charges				Total Quarterly Minimum
				Water Base rate	Water Sur-charge	Sewer Base rate	Sewer Sur-charge	
5/8"	1	4,500	\$6.66	\$45.68	\$8.32	\$14.45	\$2.43	\$77.54
3/4"	2	9,000	6.66	91.35	16.65	28.89	4.86	148.41
1"	4	18,000	6.66	182.70	33.30	57.78	9.72	290.16
1 1/2"	10	45,000	6.66	424.00	78.50	144.45	24.30	677.91

(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. Bulk Sales Rate

All water sold in bulk by the Village of Cartwright shall be charged for at the rate of \$12.33 per 1,000 gallons on a pro-rated basis for all quantities greater than 250 gallons. For any quantity of 250 gallons or less the minimum charge will be \$3.10.

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

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

Accounts shall be billed quarterly, and shall be due and payable the last business day of the billing month. A late payment charge of 1% shall be charged on the dollar amount owing after the billing due date. The billing due date will be at least fourteen days after the mailing of the bills.

6. Disconnection

A customer who has not paid his/her water and sewer account within 30 days after the due date as set out in section 5 of this schedule, may have service disconnected by the Village of Cartwright. If a customer is disconnected, he/she shall not be re-connected to the service unless he/she has complied with all regulations and has paid all arrears, including penalties, and a reconnection fee of \$15.00 or made arrangements with Council in respect to payment of the account.

7. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$15.00 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. Installation and Removal of Meters:

The Village of Cartwright shall provide and install, connect, disconnect and/or remove a water meter from a premise within the boundaries of the Village. The fee shall be as follows:

- Disconnection &/or removal	\$15.00
- Re-connection	\$15.00
- Installation	\$15.00

10. 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.

11. Meter Calibration

Any customer who desire and requests that his water meter be tested for accuracy shall deposit with the Chief

Administrative Officer of the Village of Cartwright, the sum of \$40.00 which shall be retained if the meter, when tested, shall be found to register within allowable limits of variation from accuracy of $\pm 2\%$. If the meter shall be found to register in excess of allowable limits, the deposit shall be refunded and the customer's account adjusted for the preceding quarter's use.

SCHEDULE "B"

TO BOARD ORDER NO. 153/06

THE VILLAGE OF CARTWRIGHT

WATER AND SEWER RATES

EFFECTIVE JANUARY 1, 2008

SCHEDULE OF QUARTERLY RATES:

1. Commodity rates per 1,000 Gallons

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
0 - 20,000 gallons per quarter	\$10.15	\$3.21	\$13.36
Over 20,000 gallons per quarter	8.84	\$3.21	\$12.05

2. Minimum Charges, Quarterly

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

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<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Gallons</u>	<u>Customer Service Charge</u>	<u>Commodity Charges</u>		<u>Total Quarterly Minimum</u>
				<u>Water</u>	<u>Sewer</u>	
5/8"	1	4,500	\$6.66	\$45.68	\$14.45	\$66.79
3/4"	2	9,000	6.66	91.35	28.89	126.90
1"	4	18,000	6.66	182.70	57.78	247.14
1 1/2"	10	45,000	6.66	424.00	144.45	575.11

(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. Bulk Sales Rate

All water sold in bulk by the Village of Cartwright shall be charged for at the rate of \$10.45 per 1,000 gallons on a pro-rated basis for all quantities greater than 250 gallons. For any quantity of 250 gallons or less the minimum charge will be \$2.61.

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

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

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Accounts shall be billed quarterly, and shall be due and payable the last business day of the billing month. A late payment charge of 1% shall be charged on the dollar amount owing after the billing due date. The billing due date will be at least fourteen days after the mailing of the bills.

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11. Meter Calibration

Any customer who desire and requests that his water meter be tested for accuracy shall deposit with the Chief Administrative Officer of the Village of Cartwright, the sum of \$40.00 which shall be retained if the meter, when tested, shall be found to register within allowable limits of variation from accuracy of +-2%. If the meter shall be found to register in excess of allowable limits, the deposit shall be refunded and the customer's account adjusted for the preceding quarter's use.