

MANITOBA) **Order No. 171/06**
)
THE PUBLIC UTILITIES BOARD ACT) **December 20, 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 STRATHCONA
LOCAL IMPROVEMENT DISTRICT NO. 1 (BELMONT)
REVISED WATER AND SEWER RATES
EFFECTIVE JANUARY 1, 2007 & 2008**

Executive Summary

By this Order, the Public Utilities Board (Board) approves the Rural Municipality of Strathcona’s (R.M.) application for revised water and sewer rates for the community of Belmont. Rates will increase as of January 1, 2007 and 2008.

Existing and revised rates are:

Commodity Rates/ 1000 gallons	Existing			Proposed January 1, 2007			Proposed January 1, 2008		
	Water	Sewer	Combined	Water	Sewer	Combined	Water	Sewer	Combined
First 20,000 gallons	8.50	1.01	9.51	13.00	2.65	15.65	16.60	2.65	19.25
Over 20,000 gallons	7.75	1.01	8.76	12.50	2.65	15.15	15.62	2.65	18.27

The rate increases are substantial, and represent the minimum increases acceptable if the utility is to operate on a breakeven basis and avoid a continuation of the recent history of annual operating deficits.

The R.M. is to review the adequacy of these revised rates following the 2008 fiscal year, and make a further application to the Board for further amendments if required to ensure a recurrence of operating deficits.

Application

The utility incurred operating deficits in 2004 and 2005 of \$2,570.00 and \$10,893.00, respectively, both offset through transfers from the general operating fund. Following receipt of the R.M.’s request for approval of its 2005 operating deficit, the Board recommended that the R.M. review its rates for adequacy.

Recovery of utility operating costs through reliance on municipal taxes should be a method of last resort; utility rates should generate sufficient revenue to provide for annual breakeven operations (this being a statutory requirement).

Consequently, the R.M. engaged a consultant to review its rates and, based on the rate study prepared, applied for revised water and sewer rates, to be implemented as noted below:

1.0 SCHEDULE OF COMMODITY RATES

A) As of January 1, 2007:

Commodity Rates		<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic	- First 20,000 gal per quarter	\$13.00	\$2.65	\$15.65
Intermediate	- Next 80,000 gal per quarter	\$12.50	\$2.65	\$15.15

B) As of January 1, 2008:

Commodity Rates		<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic	- First 20,000 gal per quarter	\$16.60	\$2.65	\$19.25
Intermediate	- Next 80,000 gal per quarter	\$15.62	\$2.65	\$18.27

2.0 MINIMUM QUARTERLY CHARGES

With approval by the Board, the R.M.'s water and sewer utility customers would pay minimum quarterly bills of:

a) Water & Sewer Customers, January 1, 2007:

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included, Imp gal</u>	<u>Customer Service Charge</u>	<u>Commodity Charges</u>		<u>Total Quarterly Minimum</u>
				<u>Water</u>	<u>Sewer</u>	
<u>Water and Sewer Customers</u>						
5/8"	1	3,000	\$11.25	\$ 39.00	\$ 7.95	\$ 58.20
3/4"	2	6,000	11.25	\$ 78.00	15.90	\$105.15
1"	4	12,000	11.25	\$156.00	31.80	\$199.05

a) Water & Sewer Customers, January 1, 2008:

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included, Imp gal</u>	<u>Customer Service Charge</u>	<u>Commodity Charges</u>		<u>Total Quarterly Minimum</u>
				<u>Water</u>	<u>Sewer</u>	
<u>Water and Sewer Customers</u>						
5/8"	1	3,000	\$11.25	\$ 49.80	\$ 7.95	\$ 69.00
3/4"	2	6,000	11.25	\$ 99.60	15.90	\$126.75
1"	4	12,000	11.25	\$199.20	31.80	\$242.25

Rates were last amended in 1997.

The proposed rates were set out in By-law No. 15,2006, filed with the Board after first reading. The proposed rates were published in the local newspaper and posted in several prominent places within the municipality. The public notice invited representations to the Board, but no representations were made.

The rate proposal provides for sufficient revenue to meet annual operating costs, provide a contribution to reserves of \$3,000.00, and allows for contingency provisions of \$500 each for the water and sewer system. The operating costs used in the rate study are as follows:

Administration	\$ 5,950
Water Production	\$47,000
Water Distribution	\$ 5,800
Sewage	<u>\$ 8,500</u>
	\$52,280

The unaccounted for water for the utility is between 5.2% and 6.1% well below some of the average seen for other utilities regulated by the Board. As at December 31, 2005 the utility had \$45,800 in its reserve account which may be used in the future to partially fund necessary lagoon upgrades.

The utility has 14 hydrants and proposes to charge the R.M. \$75 per hydrant.

As the resulting rate proposal represented rate shock for consumers, the R.M. proposed the higher rates be implemented over two years.

Background

The distribution systems that serve 135 customers were constructed in 1965; the water treatment plant was built in 1966 and upgraded in 2003/04. The upgrade included the addition of a nano-membrane treatment unit. While the distribution mains are relatively sound, the lagoon will require upgrading in the near future; upgrade costs are anticipated to be met through a debenture issue. Currently, the utility is currently debt free except for the water plant upgrade costs. The R.M. employs a two-step declining block rate; 5% of water sold is sold at the second lower step rate.

Board Findings

It is regrettable that the utility's rate deficiencies were not addressed sooner. While the recent acquisition of the water plant from the Manitoba Water Services Board and the water treatment plant upgrade added some uncertainty regarding future operating costs, and may have delayed a rate review, the rates proposed represent rate shock which could have been avoided if rates had been gradually increased in previous years.

The Board is pleased to note that in comparison to industry averages the unaccounted for water is quite reasonable; the consultant's evidence suggest that the water distribution system is sound. However, the system is almost forty years old and while the R.M. has been fortunate, the Board is doubtful that the contingency and reserve provisions are adequate given the system is nearing the end of its normally expected service life. Replacement and/or major upgrades will come at current and future construction and purchase prices, which are much higher than when the system was put in place.

However, to increase rates further at this time would only exacerbate already high rate increases. In this regard the Board directs the R.M. to file a further rate review following the 2008 year end early in 2009.

The Board is satisfied that the rate study was prepared following the Board's Guidelines and that the rates to arise will generate sufficient revenue so as to allow the utility to breakeven in 2008. The R.M. may need to draw on its reserves to recover any revenue shortfall in 2007, to avoid having to rely again on the tax rolls to meet utility operating deficits.

The Board anticipates the R.M. will reconsider the continuation of its two-step rate schedule. Greater attentiveness industry wide is required to meet the objections of The Sustainability Act in Manitoba as to water conservation; if the R.M. seeks to continue with the two-step model past 2008, justification will be required.

In considering this application, recognizing that regulatory costs can be substantial, the Board reviewed this application using a paper hearing process involving an invitation to ask the Board for a public hearing in Belmont. Though no response was received, the Board does not accept this means that ratepayers are pleased with the rate proposals. In future, rate increases should be implemented more frequently, to avoid sudden large increases over one or two years as is the case this time.

As noted earlier, the R.M. has a duty to operate its utility prudently and on a breakeven basis.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 15,2006 of The Rural Municipality of Strathcona serving Local Improvement District No. 1 (Belmont) BE AND THE SAME IS HEREBY APPROVED subject to amendment on second reading to agree with Schedule "A" attached hereto;
2. The water and sewer rates set forth in Schedule "A" hereto shall apply to all customers of the utility effective on all water consumed and on all minimum bills effective on the next

billing in the normal course after the date of this Order;

3. This Order is subject to moneys being expended from the utility reserve fund only to support existing infrastructure, unless the Board has authorized the expenditure pursuant to Section 168 of The Municipal and Various Acts Amendment Act, c. 58.

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. 171/06
issued by The Public Utilities Board

Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 171/06

THE RURAL MUNICIPALITY OF STRATHCONA

LOCAL IMPROVEMENT DISTRICT NO. 1 (BELMONT)

WATER AND SEWER RATES

BY-LAW NO. 15,2006

1.0 SCHEDULE OF QUARTERLY RATES

A schedule of rates per 1,000 imperial gallons (4.54 cubic metre) phased in over two years.

A) Phase in Year 1 – November 1, 2006 to October 31, 2007

Commodity Rates		<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic	- First 20,000 gal per quarter	\$13.00	\$2.65	\$15.65
Intermediate	- Next 80,000 gal per quarter	\$12.50	\$2.65	\$15.15

B) Phase in Year 2 and subsequent years – November 1, 2007 and afterward

Commodity Rates		<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic	- First 20,000 gal per quarter	\$16.60	\$2.65	\$19.25
Intermediate	- Next 80,000 gal per quarter	\$15.62	\$2.65	\$18.27

2.0 MINIMUM QUARTERLY CHARGES

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 & Sewer Customers Phase in Year 1

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included, Imp gal</u>	<u>Customer Service Charge</u>	<u>Commodity Charges</u>		<u>Total Quarterly Minimum</u>
				<u>Water</u>	<u>Sewer</u>	

Water and Sewer Customers

5/8"	1	3,000	\$11.25	\$ 39.00	\$ 7.95	\$ 58.20
3/4"	2	6,000	11.25	\$ 78.00	15.90	\$105.15
1"	4	12,000	11.25	\$156.00	31.80	\$199.05

a) Water & Sewer Customers Phase in Year 2 and Afterward

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included, Imp gal</u>	<u>Customer Service Charge</u>	<u>Commodity Charges</u>		<u>Total Quarterly Minimum</u>
				<u>Water</u>	<u>Sewer</u>	
<u>Water and Sewer Customers</u>						
5/8"	1	3,000	\$11.25	\$ 49.80	\$ 7.95	\$ 69.00
3/4"	2	6,000	11.25	\$ 99.60	15.90	\$126.75
1"	4	12,000	11.25	\$199.20	31.80	\$242.25

3.0 WATER ONLY CUSTOMERS

All customers connected to the water distribution system but not to the sewer system, shall pay the quarterly bill which includes service and water charges for the appropriate meter size but shall not pay the sewer charge.

4.0 BULK SALES

All water sold in bulk by the Village of Belmont shall be charged for at the domestic rate above.

5.0 SERVICE FOR CONNECTING CUSTOMERS OUTSIDE THE L.I.D. LIMITS

The Council of the R.M. of Strathcona may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Village of Belmont. Such agreements shall provide for payment of the appropriate rates set out in this Schedule, as well as a surcharge, set by resolution of Council, which shall be the equivalent to the frontage levy, general taxes and special taxes for utility purposes in effect at the time, or which 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.

6.0 WATER AND SEWER CONNECTIONS

- i) Each consumer applying for water turn on or turn off of 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 as 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 R.M. of Strathcona.
- iii) A service charge of Twenty-Five (\$25.00) Dollars shall be paid before any water is

turned on, shall be the responsibility of the owner.

7.0 BILLING AND PAYMENTS

- i) Accounts shall be billed quarterly after the end of each quarter and shall be due and payable on the fifteenth day of the month following the month of the quarter being billed.

Unpaid Accounts May be Added to Taxes on Land

- ii) Pursuant to section 252 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 manner 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 without further notice. Any service so disconnected shall not be reconnected until all arrears, penalties and a reconnection fee of Thirty Five (\$35.00) Dollars has been paid.

8.0 LATE PAYMENT PENALTY

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.

9.0 HYDRANT RENTALS

The Village of Belmont will pay to the utility an annual rental of \$75.00 per year for each hydrant connected to the system.

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 300 mg/L, 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 treatment required for the particular sewage or industrial waste.

11.0 SEWAGE EFFLUENT TRUCK HAULED TO LAGOON

A rate of \$10.00 will be charged per truckload of sewage effluent obtained from properties that are located outside of the limits of the Local Improvement District that is dumped into the sewage lagoon. The volume of a truckload is not to exceed 6,800 L.

12.0 WATER METERS

All new residential customers for sewer and water shall be metered at customer cost. 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.

13.0 METERS

- i) That all water connections be metered. The meter to be supplied by and to remain the property of the Utility. The cost of the meter shall be paid by the customer.

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 debt due and owing to the Utility within ten (10) days of the demand of same, the water service of the said user may be disconnected. A fee of Ten (\$10.00) 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 Utility, the sum of Twenty Five (\$25.00) Dollars will be retained if the, meter when tested shall be found to register in excess of the allowable limits, the deposit shall be refunded and the consumer's account adjusted for the preceding four month's use.

The allowable limit of variation shall be 3% of average flow.