

M A N I T O B A                    )     Order No. 44/07  
  )  
THE PUBLIC UTILITIES BOARD ACT    )     April 20, 2007

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

THE RURAL MUNICIPALITY OF TACHE  
REVISED WATER AND SEWER RATES  
LORETTE AND LANDMARK

### **Executive Summary**

In this Order, the Public Utilities Board (Board) acknowledges and confirms the Rural Municipality of Taché's (R.M.) discretionary authority to implement a 20% conditional rate increase for the communities of Lorette and Landmark, effective June 1, 2007, as provided by the Board (Order 142/06).

The Board is pleased to note that the required capital projects are able to proceed, assisted by senior government grants and the foresight of the R.M.

The rate increases to be implemented as of June 1, 2007 should allow the R.M. to rebuild Utility reserves, which would assist in funding further necessary Utility capital expenditures in the future.

### **Application**

By Order 142/06, the Board approved revised water and sewer rates for the communities of Lorette and Landmark, effective January 1, 2007. Concurrently, the Board provided the R.M. with discretionary authority to implement additional rate increases.

The following table reports the change approved as of January 1, 2007 by Order 142/06, as well as the additional increase now to be implemented by the R.M. pursuant to the discretionary authority provided by the Board:

<b>Quarterly Rates</b>	<b>2006</b>	<b><u>Amended</u> Jan. 1/07</b>	<b>Conditionally Approved June 1, 2007</b>
Lorette	\$31.50	\$68.65	\$82.34
Landmark	\$17.85	\$33.98	\$40.80

Order 142/06 followed a public hearing held in Lorette in 2006. Order 142/06 observed that the January 1, 2007 increases would represent rate shock, that being a rate increase of such magnitude to be both unusual and significant, though required to allow the R.M. to address significant capital requirements. The Board then noted that higher rates alone would not be sufficient to fund the necessary projects, and that the R.M. required grants from senior government.

The R.M. was required to file with the Board an update of its capital projects and grant plans and status by April 30, 2007. The R.M. filed the update on April 10 and 13, 2007. The update provided the following information:

**LORETTE - Water & Sewer**

- Lorette Water Upgrades** - the R.M. was successful in obtaining senior government support for its water upgrade project; the latest engineering estimate places the cost of the project at \$4.08 million. With provincial and federal funding of \$2.4 million, the R.M. will be required to contribute \$1.68 million, to be drawn from:

Utility Reserve -	\$ 75,000.00
Capital Improvement Reserve -	\$ 205,000.00
Borrowing -	\$1,400,000.00

- Lagimodiere Avenue Sewer Upgrade** - the second significant

utility upgrade project slated for 2007, for Lorette. The project involves adding an interceptor sewer to double the line capacity to the main lift-station; this is required due to capacity concerns at peak flow periods. This project has a preliminary budget of \$100,000.00, of which \$13,000.00 is to be met from utility rate revenue in 2007 and \$ 87,000.00 from reserves.

After committing funds for these two capital projects the following balances are projected:

Lorette Utility Reserve -	\$ 4,258.80
Capital Improvement Reserve -	\$56,679.75
Accumulated Operating Surplus -	\$ 0.00

Annual servicing cost of the projected debenture issue is estimated at \$149,000.00.

**Landmark - Water and Sewer**

- 1. Landmark Lagoon Expansion** - the R.M. was successful in obtaining senior government grants for the lagoon expansion. The project budget is \$810,000, including senior government grants of \$250,000 and R.M. contribution's of \$560,000.00.

The R.M. plans to meet its required contribution as follows:

Accumulated Surplus Utility Fund -	\$106,000.00
Utility Reserve -	\$ 42,000.00
Capital Improvement Reserve -	\$102,000.00
Borrowing -	\$310,000.00

- 2. Landmark test well** - the R.M. plans to drill a test well to determine water quality and capacity potential from the sandstone aquifer, as a potential future source for an upgraded water system. For this initiative \$15,000.00 has been allocated from the R.M.'s Landmark Capital Improvement Reserve.

After the commitment of funds for these two capital projects the following balances will remain:

Landmark Utility Reserve -	\$ 18,668.73
Capital Improvement Reserve -	\$104,481.21
Accumulated Operating Surplus -	\$ 24,585.73

Annual servicing costs of debenture borrowing is estimated at \$33,000.00

In its summary, the R.M. noted that the capital commitments for both communities are expected to deplete the combined Utility fund reserves by \$117,000, leaving approximately \$23,000 in general utility reserves on a combined basis and resulting in significant annual debenture servicing costs for the next 15 years.

The R.M. held that the conditional 20% rate increase provided by the Board is required for implementation to stabilize both Utility Funds and allow for continued capital requirements into the future.

Therefore, the R.M. sought acceptance of its plans to increase rates 20%, effective June 1, 2007.

#### **Board Findings**

The Board is pleased that the R.M. was able to secure senior government support, and will be able to proceed with required capital Utility improvements. Proceeding with the current plans will allow the R.M. to meet its responsibilities to provide quality water and proper sewer service, but will reduce Utility

reserves to below-prudent levels. With additional capital projects likely to be encountered in the future, a further rate increase is required.

While the level of funding from senior government is significant, the R.M. has to rely on its own resources to provide large contributions to allow the necessary projects to proceed.

The Board is satisfied that the level of funding for these projects from Utility accounts is necessary and reasonable. The Board notes that the projected balances in the Utility reserves following the completion of the projects are low, with the accumulated cash surplus account of the Lorette utility already at zero.

Accordingly, the Board finds it prudent to allow the R.M. to proceed to implement the 20% conditional rate increases provided on a discretionary basis in Order 142/06.

**IT IS THEREFORE ORDERED THAT:**

1. The 20% rate increases provided for by Order 142/06 ARE HEREBY APPROVED effective June 1, 2007.
2. The Rural Municipality of Taché provide a bill insert to customers summarizing its request for the conditional rate increase and the decision of The Public Utilities Board; the insert is to be reviewed and approved by the Board

prior to issuance.

Fees payable upon this Order - \$150.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, C.A."  
Chairman

"G. O. BARRON"  
Acting Secretary

Certified a true copy of  
Order No. 44/07 issued by The  
Public Utilities Board

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Acting Secretary