

M A N I T O B A) Order No. 90/07
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THE PUBLIC UTILITIES BOARD ACT) July 12, 2007

BEFORE: Graham F. J. Lane, Chairman, CA
 Susan Proven, P.H.Ec., Member
 Monica Girouard, CGA, Member

**THE RURAL MUNICIPALITY OF NORTH NORFOLK
INITIAL WATER AND SEWER RATES
EFFECTIVE JANUARY 1, 2007**

Executive Summary

By this Order, the Public Utilities Board approves the R. M. of North Norfolk's (R.M.) application for initial water rates for the Regional Pipeline Water Utility effective January 1, 2007.

The rates are:

Commodity Rate	\$8.50 per 1,000 gallons
Quarterly Customer Service Charge	\$15.00
Minimum Quarterly Bill (5/8" meter size)	\$40.50 ⁽¹⁾

⁽¹⁾Applies to residential and small commercial customers

The R.M. purchases water from the City of Portage la Prairie through the Yellowhead Regional Water Cooperative, at a cost of \$7.50 per thousand gallons. The R.M. will add \$1.00 per thousand gallons to cover the estimated operating cost of distributing the water throughout the municipality.

Application

The R.M. applied to the Board on May 9, 2007 for approval of initial water rates for consumers connected to the rural water distribution system. The proposal was set out in By-law No. 744/2006, read the first time on April 11, 2007.

Commodity Rate	\$8.50 per 1,000 gallons
Quarterly Customer Service Charge	\$15.00
Minimum Quarterly Bill (5/8" meter size)	\$40.50 ⁽¹⁾

⁽¹⁾Applies to residential and small commercial customers

Minimum quarterly bills for other meter sizes were set out in the By-law, available at the offices of the R.M. for inspection. The

By-law also sets out disconnection and reconnection charges, billings and penalties and the ability to add outstanding bills to the tax roll.

In consultation with the R.M., the Board decided to hear the Application by way of a "paper hearing process". Public Notice of the Application was mailed to each customer; the notice invited the public to respond in writing to the Board by June 21, 2007 if they had any concerns or comments. No responses were received.

The Regional Pipeline Water Utility is a new utility, and purchases its water from the City of Portage la Prairie through a co-operative called the Yellowhead Regional Water Cooperative (YRWC), of which the R.M. is a member. YRWC membership also includes the R.M. of Westbourne, Town of Gladstone and the Village of MacGregor.

The YRWC currently charges its members \$7.50 per 1,000 gallons for water; each member municipality is responsible for the distribution of water in their respective jurisdiction.

For the purpose of developing initial rates, the R.M. developed estimates of operating costs and expected volumes of sales, following the Board's guidelines.

For the Utility's approximately 100 customers, the following operating costs were projected:

Administration	\$ 6,000
Water Purchases/Distribution	\$148,875
Contingencies	\$ 3,000
Total	\$157,875

The R.M. assumed 17,932,000 million gallons of water would be sold annually, and consequently requested the Board's approval of a commodity rate of \$8.50 per thousand gallons - to cover the cost of purchased water plus the operating costs.

As the system is new and still under warranty, the R.M. did not propose to reflect in rates a contribution to the Utility Reserve, but advised of its intention to transfer any unused contingency allowances to the Reserve.

The R.M. will not sell bulk water; bulk water is available in the nearby communities of Austin and MacGregor. Also, there are no fire hydrants on the system.

The Utility currently has part-time staff; the operator has obtained the Water Distribution Class 1 certificate. The Utility Operator also provides services to the YRWC. The R.M. advised that his time and expenses related thereto are recovered from the YRWC and not the Utility.

The capital cost of the system was \$1.25 Million. While an additional \$4.0 million was planned to be spent in 2007 to expand the distribution system with the assistance of Manitoba Water Services Board (MWSB), the R.M. advised due to a scarcity of resources only \$500,000 is available in 2007 to fund a start to expansion. The annual debenture debt servicing cost for the R.M.'s utility is \$89,299.

Capital costs are charged on a per connection basis:

Service Size	Meter Size	Charge
1½"	5/8"	\$10,000
2"	1"	\$15,000
3"	1½"	\$45,000

Customers have the choice to prepay the charges or finance it over a 10-year period.

The R.M. is responsible for ensuring that provincial drinking water standards are met. There are a number of dead end lines on the system and the R.M. advised the lines are equipped with flush out assemblies in order to provide for flushing on a semi-annual basis, or more often if required.

Board Findings

While the Board generally will not approve rates on a retroactive basis, in this case, given the rates are initial rates and no customer responded to the invitation to offer comments to the Board on the R.M.'s application, the Board will approve the rates proposed by the R.M. effective January 1, 2007.

Customers were apparently aware that once rates were approved by the Board they would apply to all water consumed. The Public Notice made this clear.

The Board is pleased the R.M. proposed a single step rate. Step rates offer discounts to higher volume users and are not as conducive as single rate schedules to the promotion of water conservation.

The Board is also pleased that all billings will be based on meter

readings; this will better ensure the cost of operating the utility is shared fairly among customers.

As this is a new utility, the Board expects cost variances will arise from the initial estimates, and understands that the R.M. will review the rates for adequacy as experience is gained.

IT IS THEREFORE ORDERED THAT:

1. The initial water rates set out in By-law No. 744/2006 ARE HEREBY APPROVED effective January 1, 2007.

Fees payable upon this Order - \$250.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE"
Chairman

"G. O. BARRON"
Acting Secretary

Certified a true copy of Order
No. 90/07 issued by The Public
Utilities Board

Acting Secretary