

MANITOBA) Order No. 111/07
)
THE PUBLIC UTILITIES BOARD ACT) August 24, 2007

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

THE TOWN OF LAC DU BONNET
WATER AND SEWER CHARGES
EFFECTIVE SEPTEMBER 1, 2007, 2008 and 2009

Executive Summary

By this Order, the Public Utilities Board (Board) varies an application by the Town of Lac du Bonnet (Town) and approves revised water and sewer rates and charges for the Town's Utility. The Order follows a public hearing held in Lac du Bonnet on August 14, 2007.

Rates and minimum quarterly bills as of September 1, 2007, September 1, 2008 and September 1, 2009 will be as follows:

Commodity Rates \$/cubic metre	Existing	Approved As of September 1		
		2007	2008	2009
Customer Service Charge	\$12.00	\$12.43	\$12.80	\$13.18
Water*	\$0.90	\$1.08	\$1.27	\$1.46
Sewer	\$0.28	\$0.29	\$0.30	\$0.31
Bulk Water	\$1.60	\$2.10	\$2.15	\$2.20
Pail Fill-20 litres	\$0.30	\$2.50	\$2.50**	\$2.50**
Residential Minimum Quarterly Bill	\$28.52	\$31.61	\$34.78	\$37.96

*The existing reduced rate for quarterly consumption over 455 m³ is eliminated; as a transition measure customers with consumption in excess of 455 cubic meters, excluding the Rural Municipality of Lac du Bonnet (R.M.), are to receive a transition bill credit of 14 cents per cubic meter on consumption in excess of 455 cubic meters billed in September 2007.

The 2007 rate and rate schedule changes for billings to the R.M. are to be implemented with the December 2007 billing, to provide the R.M. an opportunity to amend its rates to pass through additional water supply costs to its customers.

**The pail fill rate may be amended by the Town Council, at its discretion, effective from September 1, 2008.

As well, the Town is to increase the fire hydrant charge from the current \$85 (the level set in 1994) to \$100 per hydrant, and the Board provides the Town an increase to the pail rate to \$2.50 as of September 1, 2007, and discretionary authority to increase the charge for bulk water purchases of 20 litres or less to no more than \$5.00 any time from January 1, 2008.

The additional funds to arise from the Board's variance of the Town's application are expected to improve the prospects for calendar year 2007 and assist in the development of increased utility reserves, which may be required to meet at least a portion of future required capital projects, likely to include replacement of aged water mains. (That said, calendar year 2007 operations may develop an operating deficit, as the initial rate changes with September's billing will increase revenues for only approximately half of the year's anticipated billed consumption.)

Introduction

The Board held a public hearing of the Town's application in Lac du Bonnet on August 14, 2007. The hearing followed Notice of Hearing, which was published in the local newspaper on June 22 and June 29, 2007 and posted in six prominent locations throughout the Town.

The proceeding had an intervener, Mr. Ted Mathers, a Town ratepayer and utility customer. Mr. Mathers, applied for and was granted intervener status (Order No. 94/07).

Ahead of the hearing, the Board conducted a preliminary review of the Town's application, including financial analyses based in part on a rate study performed by J.R. Cousin, a consultancy, posing and receiving responses to questions and considering past Orders related to the Town.

Prior to the revisions established by this Order, rates were last revised in 2005, and increased by approximately 20%. Prior

to 2005's revision, there had not been a rate increase since 1994.

Board Order 92/05, which provided the previous rate changes, contains information relevant to a better understanding of the Town's Utility and its situation and prospects; it may be viewed on the Board's website, www.pub.gov.mb.ca.

Application

On May 25, 2007, the Town applied to the Board for revised water and sewer rates, supported by By-law No. 68/07 and Cousin's rate study.

The Town has approximately 500 customers connected to the water and sewer utility system of which 95% are residential and small commercial. As well, there is considerable use of the Town's bulk water station by permanent and seasonal customers located outside the Town's limits.

The rate study indicated that there are currently four water-only customers, and seven water customers located outside of the town limits. The Town further advised providing water service to the Rural Municipality of Lac du Bonnet (R.M.), both directly through an agreement with the R.M. that now serves the Glen Howard Inn and indirectly by direct service to certain R.M. ratepayers connected to the Town's system.

As well, the Town provides sewer service for the Tanco development within the R.M., with 19 customers.

The Town reported no current discussion concerning further expansion of its utility services outside of the Town, though the upgraded water treatment plant has considerable excess capacity. The Town confirmed a willingness to expand the service area through agreements with neighbouring municipalities.

The historical capital cost of the utility system, after deducting government grants and direct customer contributions, was reported at approximately \$3.0 million, though the Town's consultant estimated replacement costs to be more in the order of ten times that amount.

Existing and proposed rates were:

Commodity Rates \$/ metre³	Existing	2007	% inc	2008	% inc	2009	% inc
Service Charge	\$12.00	\$12.43	3.6	\$12.80	3.0	\$13.18	3.0
Water-under 455 m ³	\$0.90	\$1.08	20.0	\$1.27	17.6	\$1.46	15.0
Water-over 455 m ³	\$0.76	\$0.92	21.0	\$1.09	18.5	\$1.26	15.6
Sewer	\$0.28	\$0.29	3.6	\$0.30	3.4	\$0.31	3.3
Bulk Water	\$1.92	\$2.10	9.4	\$2.15	2.4	\$2.20	2.3
Residential Minimum Quarterly Bill	\$28.52	\$31.61	10.8	\$34.78	10.0	\$37.96	9.1

Bulk rates were established to be higher than commodity rates charged to serviced customers, to take into account that bulk customers are neither assessed the quarterly service charge nor levied tax-based assessments related to the capital costs of the Utility.

Issues with respect to the Town's bulk water rate proposal included whether the proposed rates reflected a sufficient premium to account for reflection of Utility capital costs and the absence of fixed quarterly service and minimum charges, and whether bulk water sales of 20 litres or less (pail sales) should reflect the general bulk rate or be surcharged to reflect the absence of quantity.

The Town advised providing a bulk "pail" fill providing customers with approximately 20 litres per fill at the general bulk water commodity rate, i.e. for \$0.30 per fill/pail.

Attendees at the meeting included contractors supplying customers outside the Town's boundaries with trucked-in bulk water, and they claimed that the current approach for billing for "pails" was damaging their business, with, excessive reliance on "pails", and customers as far away as Winnipeg purchasing "pails". Current "pail" charges are approximately one-tenth of the cost of an approximately 20-litre container of water purchased through food stores and other sellers of water.

With respect to the proposed lesser rates of increase for sewer service, the Town reported that only "modest" increases to sewer rates were required as a result of relatively minimal expected maintenance and operating costs associated with the operation of the sewer system, particularly since the repair to a lift station in 2006.

The Town proposed that the increase to minimum quarterly bills for commercial customers be higher than the increases proposed for residential customers.

As to the Town's rate schedule, it currently has two steps - the second step providing a discount for the Town's few large users with higher water consumption.

A discount of approximately 17% was proposed for water consumed in the second step rate, down slightly from the 18% discount that was provided to customers using more than 455 m³ per quarter.

The Town advised that only nine non-residential customers were being billed consumption involving the second rate block, and, in response to a question posed by the Board at the hearing, did not oppose the concept of the elimination of the second rate block and conversion to a single commodity rate.

The Town reported that approximately 84.5% of all consumers use more than the allowance provided within the minimum quarterly provision, and confirmed that, if its application was approved, the vast majority of its customers would incur rate increases well above the rate increases to minimum quarterly bills.

Since the last rate revision in 2005, the utility incurred an operating deficit in 2005 of \$4,659.93, approved by Board Order No. 135/06 to be recovered from the Utility Reserve Fund.

In 2006, the utility realized a small operating surplus of \$60.31, brought about by a transfer from the General Operating Fund, accumulated utility surplus and grants; the majority of those funds were drawn to meet capital (sewer lift station project) rather than non-capital repair operating expenses.

The Town included in its 2007 capital plans a \$40,000 water main upgrade on provincial highway 317, a \$15,000 valve replacement, and a \$9,000 completion of 2006 renovations to sewage lift station #1. The rate study based projections through to calendar year 2010 assumed rate-based utility revenue of \$40,000 annually would be dedicated to capital improvements/repairs. The Town identified a particular need for water main line replacements, with numerous breaks suggesting a need for a longer-term replacement project. The Board understands that the "capital" work planned for 2007, to be funded by non-rate based revenue (i.e. approximately \$24,000), will be met either by an allocation of gas tax revenues from the Province or a draw on the General Operating Fund.

Included in the Town's utility operating budget, and reflected in its rate proposal, was an annual \$9,800 contingency allowance, comprising:

Water Production System	\$5,000
Water Distribution System	\$2,000
Sewage Collection & Disposal System	\$2,800
	<u>\$9,800</u> ⁽¹⁾

⁽¹⁾This represents .32% of the original capital cost of the system (the historical capital cost of the system may represent as little as one-tenth of the current replacement cost).

A comparison of forecast 2007 operating and maintenance expenses for the utility, as provided by Cousin's rate study and 2006 actual results, as per the Town's audited financial statements, follows:

	2007 Rate Study	2006 Actual
Administration	\$ 25,000	\$ 27,161
Water	\$189,500	\$157,828
Sewer	\$ 33,600	\$228,794
Sub-Total	\$248,100	\$413,783
Contingency	\$ 9,800	_____
	\$257,900	\$413,783

Actual expenses for 2006 included the costs of repairs and upgrading of sewer system lift-station number 1, at a cost exceeding \$150,000. The cost of the upgrade was met not by rates, but by a transfer from the General Operating Fund, a drawn down of approximately half of the 2005 ending balance of the Utility Reserve Fund and an allocation of grant funds from government.

The proposed rates also reflect an intention to rebuild the Reserve Fund, with a remaining balance of \$87,092 as at December 31, 2006 (the balance exceeded \$100,000 at the time of Order 92/05). The Town reported no provision in its 2007 utility operating budget to draw from the Utility Reserve.

While the proposed rate increase would be implemented in 2007 too late to allow for a prospect of a balanced utility operating fund balance for 2007 (the projections of Utility operating results supporting the application were for twelve-month periods

following each proposed rate increase, not for the calendar years 2007, 2008 and 2009).

The Town and Cousin projected that the proposed rate increases of 2008 and 2009 would, combined with the proposed 2007 rate increase, provide for an operating surplus to develop over the three-year period ending August 31, 2010.

According to Cousin's rate study, a contribution to the accumulated surplus of approximately \$77,000 would be expected to develop over the three year forecast period, and would be added to the utility reserve.

Combining the projected \$77,000 of surplus development through to 2010 with the December 31, 2006 accumulated surplus of approximately \$173,000 and the existing Utility Reserve Fund of \$87,000, with approval of the proposed rates by the Board, the Town and its consultant anticipated having overall utility reserves in the range of \$300,000 available to assist the utility with capital projects.

The Town's audited financial statements disclosed that the Utility's accumulated operating surplus and Reserve were not held in cash or investments, but were represented by amounts due from the General Operating Fund earning no interest on the Utility Fund balances.

The Town advised of its intention to commission a study to determine the extent of capital expenditure projects required and whether water main replacement, which was assumed to be

required, should be undertaken over three to five years. The Town advised it is seeking Manitoba Water Services Board grant funding to meet the cost of the study, and plans to meet its share of the cost of replacing water mains, yet to be determined (at the time of the 2005 hearing, the Town projected the cost of replacing the mains would be in the order of \$2 million, and construction costs have increased considerably since then), through new debentures.

The Town advised that funding future major capital replacement projects through utility rate revenue was not under current consideration, though the forecasts included within the rate study projected that overall utility and accumulated surplus reserves, developed through rates, of approximately \$300,000 by 2010 may be available.

A major concern that was not adequately addressed at the 2005 proceeding involved the reconciliation of water input and output to and from the treatment plant. Since the operation of the upgraded water treatment plant began in 2005, significant discrepancies in water meter readings produced at the plant were reported, and those discrepancies suggested major plant-related unaccounted for water losses.

The Town and its consultant advised the hearing that the reconciliation problems had been resolved; the Town indicated it had determined that previous data generated by the treatment plant's computer system, indicating that water volumes entering the plant did not match water volumes leaving the plant, was incorrect. The consultant advised that a software malfunction

affecting the water plant database was the problem, and was corrected in January 2007 with an upgrade that has led to an end to the reconciliation difficulty.

The Town advised that the malfunction had not resulted in any loss of actual revenue to the utility.

Unaccounted for water, the difference between the amount of water produced by the treatment plant and that consumed and billed, was initially estimated at approximately 23% of water produced for sale. The Town advised that approximately 15% of the losses (3% of the 23%) was due to meter accuracy problems since resolved (the local high school's meter was inaccurate), with the remainder due to flushing, fire hydrant use, improperly functioning meters, and, most importantly, old cast iron pipes that were likely severely corroded resulting in undetected leaks.

The Town advised of Council Resolution No. 211/07 (enacted July 2007) directing its Public Works staff to do a complete review of all meters within the Town to ensure accuracy, and once the review has been completed, to redo the assessment annually thereafter.

The Town advised that fire hydrant rental charge had been set in 1994 at \$85.00 per hydrant, and sought no increase.

Major capital expenditures not funded by senior government grants, contributions from the Reserve and Operating Funds or, more recently, gas tax revenue transfers from the Province, have

been funded in the past by debenture issues; two debentures remain outstanding:

- a) the Water Treatment Plant was upgraded in 2004 (for details, Order 92/05), and the Town's financial contribution of \$1.2 million was met by debentures requiring servicing at an annual cost of \$97,242.85, levied on Town taxpayers through the tax roll; and
- b) the Town projects to make its final annual debenture debt payment of \$16,200 on debt incurred in the development of the lagoon in 2007, and this will reduce annual debt servicing costs from 2008 forward.

Intervener Position

Mr. Mathers, who provided a presentation at the 2005 hearing, as well, requested and was granted intervener status.

Mr. Mathers expressed concerns about the support for the budgetary projections of revenue and costs, what he considered cross-subsidization, the practice of highly subsidizing water and sewer rates, the effects of meter inaccuracies and, again from his perspective, ongoing difficulties with reconciling water throughput with water billings.

In particular, he projected a loss would be incurred on utility operations in 2007.

Mr. Mathers was of the view that new customers should be assessed a buy-in fee representative of an offset to capital costs existing customers have funded through tax assessments. He was concerned that non-Town customers were not being charged adequately to cover the true costs of service, specifically both with respect to bulk water rates and the situation with Tanco residents, not currently being assessed sewer charges on a proper basis, from his perspective.

Similarly, he opined that connected customers discharging weeping tile water into the sewer system were not being assessed appropriately, and that increased charges were required to reflect the additional load on the sewer system.

Mr. Mathers acknowledged the Town's efforts towards rectifying identified problems with the accuracy of meter readings; the Town reported discovering certain inaccuracies and a plan to avoid future inaccuracies. He suggested that the Town retroactively bill customers when the Town discovers significant meter inaccuracies that have led to under-billing.

In addition, Mr. Mathers indicated ongoing concern over continuing and substantial water losses, which were primarily attributed by the Town to infrastructure inadequacies, and encouraged the Town to continue to pursue the rectification of the problem.

In his opinion, there are substantial costs attendant to water losses - chemicals, repairs and maintenance, and an untoward

large scale of capital infrastructure, resulting in unnecessarily higher rates.

Mr. Mathers' opined the Town proposed three-year phase in of significant rate increases would not result in a balanced budget for 2007, as only a portion of the revenue to arise on an annualised basis would be earned in 2007.

He stated a need for a financially healthy utility going forward, though financial "health" to come from productivity increases, and improved metering and billing practices, not from large rate increases.

Mr. Mathers raised the matter of water conservation and compliance with the principles of the *Sustainable Development Act*. In his view, the Town should be more proactive in conservation, and consider measures to evidence compliance, such as eliminating the declining rate block for higher-volume users.

Board Findings

The Board will approve the following rate changes and implementation dates:

- a) for all water consumed each quarter, 20% as of September 1, 2007, a further 18% as of September 1, 2008 and a further 15% as of September 1, 2009 - by the last increase approved herein, the rate for water consumption will be 62% higher than is now the case;
- b) the declining rate block for consumption over 455 m³ is eliminated, though for the September 2007 billing a rebate

of 14 cents per cubic meter for water consumption greater than 455 cubic meters shall be provided to large customers other than the R.M. as a transitional measure, and, with respect to the R.M., 2007 changes should occur with the December billing;

- c) sewer service has only one rate line, and it is to increase from the present 28 cents per cubic meter of water consumption to 29 cents this year, 30 cents in 2008 and 31 cents in 2009, again, to be implemented on the dates indicated above, to result in an overall increase of 10.7% from the current rate upon the 2009 increase being implemented;
- d) the charge for bulk water, quantities provided in bulk greater than a "pail" (20 litres) will increase from the present \$1.60 per cubic meter to \$2.10 this year, then to \$2.15 for 2008 and \$2.20 for 2009, again, to be implemented on the dates indicated above - overall, 2009's rate will be 37.5% higher than the present rate;
- e) the charge for a pail fill (20 litres) will increase from the current 30 cents per fill to \$2.50 on September 1, 2007, further increase(s) up to \$5.00 per fill shall be at the discretion of the Council, with changes to take place on or after January 2008;
- f) the customer service charge levied on all customers each quarter will increase from the present \$12 to \$12.43 this year, \$12.80 for 2008 and \$13.18 for 2009, again, to be implemented on the dates indicated above; the quarterly

charge will be 9.8% higher than the present rate upon the 2010 increase being levied; and

- g) a levy on the Town's Operating Fund of \$100 per hydrant shall be made, up from the current levy, set in 1994, of \$85.00.

Residential (and small commercial) minimum quarterly bills will increase from \$28.52 to \$31.61 in 2007, then to \$34.78 in 2008 and \$37.96 in 2009 - in short, increases of approximately 10% per annum.

Quarterly minimum bills for larger meter sizes, which include maximum allowances for water consumption, generally associated with commercial customers, are also to be implemented, and the minimum bill increases for the largest commercial customers are higher than those proposed for residential customers.

The minimum quarterly bills and the allowance for water consumption for meter sizes greater than 5/8" will be, for 2007, 2008 and 2009 as set out in Schedule "A" to By-Law 68/07 of the Town - attached hereto.

With respect to the Board's direction for charges for "pail" water sales from the bulk water station, the Board concludes that charging for small quantities on the basis of the bulk water commodity rate neither appropriately compensates the Town for the full cost of providing the service nor attaches a reasonable allocation of fixed and infrastructure costs to such sales.

As well, the Board is concerned that with the continuation of the present much lower charge, bulk water sales by existing water haulers would be compromised and that necessary service risked.

The elimination of the second rate block, for water consumed above 455 cubic meters in a quarter, will further conservation efforts and simplify billing administration. The Board notes the Town's projection that the change will only affect nine customers. While the financial effects of the change will be detrimental to large consuming customers, it will better recognize the value of water.

Water and sewer services are highly subsidized, and rates charged do not reflect the full costs of the services. To begin with, for larger projects the case has been senior government grants are often received, reducing the cost of the projects to the ratepayers. Then, it has been the common practice that the remaining capital cost is not reflected in rates, but borne by municipal ratepayers through tax roll assessments, the annual servicing cost of debentures issued met by taxes not utility rates.

When operating losses arise for utility operations, oftentimes municipalities apply to the Board for the deficits that arise to be met by transfers from General Operating Fund balances, rather than be recouped through utility rates.

And, with respect to preparing for the future replacement of existing infrastructure, currently and in the past accounting practices have not provided for annual depreciation, resulting

in Reserves for asset replacement being far lower than required to meet the escalating cost of capital projects.

All this said, water and safe effluent services are critical to the communities that form and operate utilities; without adequate safe water and proper effluent disposal communities cannot grow or be sustained. Thus, it is of critical importance to the Board that, at minimum, the operating cost of utilities are fully financed through rates, and that Reserve Fund balances are developed adequately to assist municipal governments to meet their share of costs when capital project requirements are evidenced for existing infrastructure.

Returning to the Board's varying of the Town's application to delete the second step, the deletion will take place concurrent with a significant increase in the commodity rate, so the effects on larger consuming customers will be magnified. Accordingly, and as a transition measure, the Board will direct the Town to a) provide a one-time rebate of 14 cents per cubic meter on water billed for consumption above 455 cubic meters for the September 2007 billing (excluding the R.M), and b) that the 2007 rate schedule changes affect the R.M. with the December billing, not September.

The R.M. needs the deferral to allow it to seek rate changes, so that additional costs arising out of this Order may be passed on to its customer.

While the Town neither proposed nor supported the concept of an increase to the per hydrant levy on the Town's Operating Fund, since the last change was in 1994 and as all of the Town's

ratepayers will incur significantly higher water and sewer costs with the implementation of this Order, the Board concludes it is appropriate to increase the levy at this time. A revised charge of \$100 per hydrant will not be excessive in the general Manitoba context.

As a general comment, the Board notes that Order 92/05, which provided direction for the first rate increases since 1994, reflects the then-concern of the Board that rates, even with the increases then provided, were too low for the circumstances facing the Town. The Board then restrained the magnitude of the increases then provided for because of affordability concerns.

The rate changes provided for by this Order should be considered a follow-through to Order 92/05, though, despite the significance of the rate increases now to be provided, the Board remains concerned with the relatively low levels of accumulated surplus and Utility Reserve held and projected, given the magnitude of the capital projects that likely lie ahead.

With respect to other matters discussed at the hearing and reviewed through the proceeding in its entirety, the Board:

- a) was pleased to learn that a volume measurement problem dating back to the commencement of operations with the expanded water treatment plant had been solved; a software glitch originating with the supplier was at fault; of note is that no water or revenue loss to the utility resulted; the Board expresses its dismay over the report that the software company was aware of this 'glitch', yet took no steps to advise the users of their product that an upgrade

was available and further charged the Town to fix the problem;

- b) notes the likelihood of a utility operating deficit arising in 2007, with a deficit on operations reported on an unaudited basis as of July 31, 2007 and with the new higher rates not to take effect until September 1, 2007 (a deficit that may approach or exceed \$40,000 would reduce the 2006 ending balance of utility operating surplus, that being \$173,000);
- c) supports the Town's plans to check and inspect the operations of installed water meters, and the provisions within By-Law 68/07 to better ensure required entry into customer premises to facilitate the checking of meter accuracy;
- d) accepts the decision of the Town not to issue retroactive amended billings to customers discovered to have had defective meters; the Board is pleased that meter malfunctions are being discovered and meters replaced or repaired to allow for appropriate billing on a going-forward basis;
- e) eliminates the two-step commodity rate schedule, which provided a discount to higher volume customers; the Board advocates that conservation principles suggest that single step rate schedules better recognize the value of water to communities and produce an effective measure promoting conservation;

- f) agrees with the Town that the higher rates established in 2005 likely acted as a price deterrent to excess consumption, as evidenced by lower water sales consumption following the 2005 rate changes, and suspects that the sizeable rate increases to take place over the next two years will also promote water conservation; while the Town has more than adequate water supplies, excess consumption leads to higher chemical use and more load on the water distribution system and the sewer effluent collection system and lagoon;
- g) directs the Town to engage a qualified engineering consultant to assess the state of the Town's water and sewer infrastructure, towards identifying needed repairs and replacements and assisting the Town in the prioritization of infrastructure projects; the Town advised that it has submitted an application to the Manitoba Water Services Board seeking funding for the assessment; the result of the assessment would also assist the Town in filing of additional grant applications with respect to then-identified capital projects;
- h) accepts that the Town, which employs a lagoon to receive effluent through its sewage collection system, has no present capacity to remove nutrients from the effluent, and that to-date the Province has not made a request of the Town to prepare plans for future nutrient removal. Nonetheless, the Board notes that nutrient removal is a major objective of government and a necessary step if Manitoba's rivers and lakes are to be restored. In

considering the long-term prospects for the Utility,
nutrient reduction and removal should remain an interest;

- i) recommends that the Town provide interest on Utility accumulated surplus and Reserve Fund balances, to better ensure that reserve growth and resultant increased reserve balances do not lose purchasing power due to inflation;
- j) recommends the Town regularly review its approach to allocating shared costs between the Operating Fund and the Utility Fund, to best ensure that the Utility bears a reasonable and fair share of shared services and costs;
- k) recommends the Town review its approach to billing Tanco customers, to best ensure those customers are bearing a reasonable charge for the sewer services they receive from the Town; and
- l) offers to the Town the assistance of Board staff towards improving its forward utility operating account forecasts and budgets and in developing five-year capital budgets reflective of the needs of the Town and its Utility (the Board shares Mr. Mathers difficulty in reconciling forward utility operating forecasts with capital requirements and projections of water consumption).

The Board agrees with the Town that the impact of increased rates may well have a depressant effect on volumes consumed, though the Board also agrees with Mr. Mathers that it is possible the Town's volume projections may turn out to be pessimistic and increased revenues may develop. Experience is required to reach a conclusion on this issue.

The Town applied for September 1, 2007, 2008 and 2009 implementation dates, for water consumed on or after those dates. The Board accepts those dates on the understanding that the revised rates will be applied to consumption for the previous quarter, i.e. June, July and August.

The Board remains of the view it held in 2005, formed through a public hearing at that time, that the unaccounted for water level, then of approximately 23%, more recently 20%, and reported problems associated with low water pressure, and the age and suspected condition of its cast iron water mains, suggest that a major water main replacement program is required (at a cost likely in excess of \$2 million).

The project will require substantial funding, yet the Utility Reserve Fund balance as of the end of 2006 was only approximately \$87,000, and the accumulated Utility operating surplus, while substantial, may decrease with 2007 results. In any case, the combined reserves of the Utility are inadequate for the scale, complexity and age of the Utility.

The need to build the Utility Reserve Fund and the avoidance of operating deficits through future periods, that may well be marked by larger capital repair projects than now envisioned, are the primary reasons that the Board provides the rate directions contained herein.

Nonetheless, the magnitude of the rate increases provided herein and the likely impact on the Town's customers, particularly those of low and/or fixed-income, argues against the implementation of even higher rate increases at this time.

The Board will also direct that the Town file copies of its utility budgets and results with the Board, for calendar years 2007, 2008 and 2009, and that the Town bring a new rate application, supported by a new rate study, before the Board in late 2009 for consideration of new rates as of February 1, 2010.

The participation and cooperation of the Town and Mr. Mathers extended through this proceeding is appreciated.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 68/07 (attached hereto) BE AND IS HEREBY APPROVED, subject to the following amendments being made prior to second reading and implementation:
 - a. remove the second step of the two-step rate;
 - b. increase the fire hydrant rate to \$100;
 - c. provide a one-time rebate of 14 cents per cubic meter on consumption above 455 cubic meters billed in September 2007;
 - d. provide a one-time delay, with the respect to revised September 2007 rates, in implementation of the new rate schedule for billings to the Rural Municipality of Lac du Bonnet to the December 2007 billing; and
 - e. add a provision for the 'pail' rate to be set at \$2.50 per fill.

2. Further discretion is provided Town Council to increase the "pail" rate up to \$5.00 per pail, by resolution, at any time from the first billing in 2008.

3. The Town file copies of year-end Utility financial statements for 2007, 2008 and 2009 prior to March 31, 2008, 2009 and 2010, respectively.

4. The Town file copies of Utility financial budgets and capital plans for 2008 and 2009 by June 30 in each of those years, respectively.
5. Regardless of whether the Town receives a grant from the Manitoba Water Services Board or another agency, the Town commission and complete an assessment of Utility capital expenditure requirements and develop a project timetable, and file that assessment and timetable with the Board on or before September 30, 2008.
6. The Town commission and file a new rate study that considers rate adequacy after taking into account identified capital expenditure requirements - filing is to occur by November 15, 2009, for consideration of new rates as of March 1, 2010.
7. The Town further advance the provision of information and assistance to ratepayers, particularly low-income households and seniors, with respect to water conservation.
8. The Town provide advice to ratepayers on ways and means to reduce nutrient load on the sewer system.
9. The Town include a bill insert, to be vetted by the Board, in its September 2007 billing outlining the changes established herein and rationale.

Fees payable upon this Order - \$2,000.00.

THE PUBLIC UTILITIES BOARD

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

"G. GAUDREAU"
Secretary

Certified a true copy of Order No.
111/07 issued by The Public
Utilities Board

Secretary

APPENDIX "A"

TO BOARD ORDER NO. 111/07

THE TOWN OF LAC DU BONNET

WATER AND SEWER RATES

BY-LAW NO. 68/07

SCHEDULE "A" TO BY-LAW NO. 68/07

1.0 - SCHEDULE OF QUARTERLY RATES

A schedule of rates per cubic metre per quarter

Commodity Rates	Water	Sewer	Water & Sewer
Domestic	\$1.08	\$0.29	\$1.37
Intermediate-over 445 cubic meters	\$0.92	\$0.29	\$1.21

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:

Water & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included, cu. M.	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
				Water	Sewer	
5/8"	1	14	\$12.43	\$ 15.12	\$ 4.06	\$ 31.61
3/4"	2	28	\$12.43	\$ 30.24	\$ 8.12	\$ 50.79
1"	4	56	\$12.43	\$ 60.48	\$ 16.24	\$ 89.15
1½"	10	140	\$12.43	\$151.20	\$ 40.60	\$204.23
2"	25	350	\$12.43	\$378.00	\$101.50	\$491.93

3.0 - WATER AND SEWER CONNECTIONS

- i) Each customer or developer, as the case may be, applying for new water connection to the mainline shall be assessed

a water connection inspection fee in the amount of Seven-Hundred & Fifty (\$750.00) Dollars. The assessed amount shall be paid as a lump sum fee;

- ii) Each customer or developer, as the case may be, applying for new sewer connection to the mainline shall be assessed a sewer connection inspection fee in the amount of Three-Hundred & Fifty (\$350.00) Dollars. The assessed amount shall be paid as a lump sum fee;
- iii) Each customer or developer, as the case may be, applying for new water service connection to the water mainline shall be responsible for installing and connecting the water service line to the water main and to pay all charges. Conditions on Town property to be returned to original state as before water line installations;
- iv) Each customer or developer, as the case may be, applying for new sewer service connection to the sewer mainline shall be responsible for installing and connecting the sewer service line to the sewer main and to pay all charges. Conditions on Town property to be returned to original state as before water line installations;
- v) 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;
- vi) 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 Town of Lac du Bonnet;
- vii) 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.

4.0 - HYDRANT RENTALS

The annual charge for hydrant rentals shall be Eighty-Five (\$85.00) Dollars to the Town of Lac du Bonnet.

5.0 - RATES TO CUSTOMERS LOCATED OUTSIDE THE LIMITS OF THE TOWN OF LAC DU BONNET

- a) Customers located outside the Town of Lac du Bonnet shall be required to sign agreements with the Town which sets out the rights and obligations of each party. Such agreements shall provide that the consumer 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 service 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 Town.
- b) The Rural Municipality of Lac du Bonnet shall pay, to cover services provided to residences on the properties in the Tanco subdivision.
 - i) The Utility rates set forth in paragraph 1.0 and 2.0 hereof;
 - ii) Any additional surcharges sufficient to cover all taxes for the sewage lagoon which it would be required to pay if such residences were located in the Town.
- c) That the above levies are due and payable July 1st of the year in which they are levied.

6.0 - BILLING AND PAYMENTS

- i) All accounts shall be billed at the end of each quarter. Bills will be due and payable as per due date stated on the bills presented. A late payment penalty will apply as per due date as stated on the bills presented. A penalty of one and one quarter (1¼) percent per month of the bills shall be charged if not paid by the due date. The late payment charge will be compounded quarterly, and will appear on the customer's next quarterly bill if unpaid.

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 services 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 Fifty (\$50.00) Dollars has been paid.
- iv) All accounts are the responsibility of the property owner.

7.0 - COMPLAINTS AND ADJUSTMENTS

If a consumer believes that his/her meter reading is in error he/she may present his/her claim in writing to the Corporation's Office before the bill becomes delinquent, 30 days from the billing date.

Such claim, if made after the bill has become delinquent, shall not be effective in preventing discontinuance of service. The consumer may pay such bill under protest and said payment shall not prejudice his/her claim.

8.0 - METERS

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

Meter Repairs

- ii) Where a Town of Lac du Bonnet 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 Town of Lac du Bonnet within ten (10) days of the demand of same, the water service of the said user may be disconnected. A fee of Fifty (\$50.00) Dollars shall be charged for a re-

connection of the services disconnected under this paragraph.

Meter Testing

- iii) Any consumer who desires and requests that his/her water meter be tested for accuracy, shall deposit a sum of Fifty (\$50.00) Dollars with the Town of Lac du Bonnet and 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.

Meter Fees

- iv) Fees for the disconnection, removal or reconnection of water meters shall be Twenty-Five (\$25.00) Dollars.

Meter Tampering

- v) Any consumer who tampers with the meter seal is to pay a meter reinstatement fee of Twenty-Five (\$25.00) Dollars to have the meter resealed. The quarterly billings for the year prior to resealing of the meter will have the volumes readjusted according to the two quarters after the resealing of the meter if the volumes are greater than 10% lower than the two quarters after resealing of the meter then the difference in volume for each of the previous four quarters will be adjusted to reflect the increase and will be invoiced to the consumer. Any consumer who tampers with the meter subsequent to the first tampering will pay a fine of One-Hundred & Fifty (\$150.00) Dollars for each occurrence.

Meter Circumventing

- vi) Any consumer who circumvents the water meter by installing a bypass line around the meter or by a dual line from the water main to as to illegally draw water that has not been metered shall pay a fine of One-Thousand (\$1,000.00) Dollars plus a charge for un-metered water consumed for each occurrence. The consumer will upon discovery by the Town immediately cease the use of the bypass line and remove the bypass line within 24 hours of discovery. The Town has the right to terminate all water services to the

consumer in the event of failure to eliminate the bypass and pay the fine and water charges.

9.0 - BULK SALES

That a said rate of Two Dollars and Ten Cents (\$2.10) per cubic metre be charged for treated water.

10.0 - BILLINGS

All accounts for minimum quarterly charges for metered services as 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 them at the rates and terms set out in this Schedule.

11.0 - METER READINGS

Quarterly Meter Readings

- i) Except for remote meter reading, the Town will read the consumer meter quarterly for quarterly billing purposes. In the event that the consumer is not home or does not grant access, a meter reading card will be provided to the customer for consumer self read meter reading and recording. The consumer is responsible for reading and recording current meter reading for each quarter on the provided meter reading card and returning the card to the Town administration office. Failure to provide the current meter reading for billing purposes will result in estimated quarterly charges based on consumer average consumption for metered service being billed.
- ii) On an annual basis or on a schedule determined by the Town, the consumer will provide access to the town meter reader to record the water meter reading and to inspect the meter. In the event that the consumer is not home or does not grant access, the consumer will be notified that they must arrange a time and date for an appointment with the water utility to have the meter reading recorded and inspected within 30 days of the water utility notice. Failure to arrange and provide access to the water utility within 30 days of the notice will result in a Fifty (\$50.00) Dollar fine. After a period of 60 days from the water utility notice and a failure to arrange and provide access to the

water utility, the water service may be shut off. Fees for disconnection and reconnection according to section 8.0 will apply.

**12.0 - ONSITE PRIVATE WASTEWATER HOLDING AND DISPOSAL FACILITIES
AND PRIVATE WELL WATER SYSTEMS**

- i) On site private wastewater holding and disposal facilities are not allowed in the Town of Lac du Bonnet.
- ii) On site private well water systems are not allowed in the Town of Lac du Bonnet.

SCHEDULE "A" TO BY-LAW NO. 68/07 (effective September 1, 2008)

1.0 - SCHEDULE OF QUARTERLY RATES

A schedule of rates per cubic metre per quarter

Commodity Rates	Water	Sewer	Water & Sewer
Domestic	\$1.27	\$0.30	\$1.57
Intermediate-over 445 cubic meters	\$1.09	\$0.30	\$1.39

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:

Water & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included, cu. M.	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
				Water	Sewer	
5/8"	1	14	\$12.80	\$ 17.78	\$ 4.20	\$ 34.78
3/4"	2	28	\$12.80	\$ 35.56	\$ 8.40	\$ 56.76
1"	4	56	\$12.80	\$ 71.12	\$ 16.80	\$100.72
1½"	10	140	\$12.80	\$177.80	\$ 42.00	\$232.60
2"	25	350	\$12.80	\$444.50	\$105.00	\$562.30

3.0 - WATER AND SEWER CONNECTIONS

- i) Each customer or developer, as the case may be, applying for new water connection to the mainline shall be assessed a water connection inspection fee in the amount of Seven-Hundred & Fifty (\$750.00) Dollars. The assessed amount shall be paid as a lump sum fee;
- ii) Each customer or developer, as the case may be, applying for new sewer connection to the mainline shall be assessed a sewer connection inspection fee in the amount of Three-Hundred & Fifty (\$350.00) Dollars. The assessed amount shall be paid as a lump sum fee;

- iii) Each customer or developer, as the case may be, applying for new water service connection to the water mainline shall be responsible for installing and connecting the water service line to the water main and to pay all charges. Conditions on Town property to be returned to original state as before water line installations;
- iv) Each customer or developer, as the case may be, applying for new sewer service connection to the sewer mainline shall be responsible for installing and connecting the sewer service line to the sewer main and to pay all charges. Conditions on Town property to be returned to original state as before water line installations;
- v) 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;
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 - iii) And in addition, a surcharge to cover all taxes for utility purposes, which they would be required to pay if located in the Town.
- b) The Rural Municipality of Lac du Bonnet shall pay, to cover services provided to residences on the properties in the Tanco subdivision.
- i) The Utility rates set forth in paragraph 1.0 and 2.0 hereof;
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- c) That the above levies are due and payable July 1st of the year in which they are levied.

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- 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 services 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 Fifty (\$50.00) Dollars has been paid.
- iv) All accounts are the responsibility of the property owner.

7.0 - COMPLAINTS AND ADJUSTMENTS

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8.0 - METERS

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

Meter Repairs

- ii) Where a Town of Lac du Bonnet 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 Town of Lac du Bonnet within ten (10) days of the demand of same, the water service of the said user may be disconnected. A fee of Fifty (\$50.00) Dollars shall be charged for a reconnection of the services disconnected under this paragraph.

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- iii) Any consumer who desires and requests that his/her water meter be tested for accuracy, shall deposit a sum of Fifty (\$50.00) Dollars with the Town of Lac du Bonnet and 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.

Meter Fees

- iv) Fees for the disconnection, removal or reconnection of water meters shall be Twenty-Five (\$25.00) Dollars.

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- v) Any consumer who tampers with the meter seal is to pay a meter reinstatement fee of Twenty-Five (\$25.00) Dollars to have the meter resealed. The quarterly billings for the year prior to resealing of the meter will have the volumes readjusted according to the two quarters after the resealing of the meter if the volumes are greater than 10% lower than the two quarters after resealing of the meter then the difference in volume for each of the previous four quarters will be adjusted to reflect the increase and will be invoiced to the consumer. Any consumer who tampers with the meter subsequent to the first tampering will pay a fine of One-Hundred & Fifty (\$150.00) Dollars for each occurrence.

Meter Circumventing

- vi) Any consumer who circumvents the water meter by installing a bypass line around the meter or by a dual line from the water main to as to illegally draw water that has not been metered shall pay a fine of One-Thousand (\$1,000.00) Dollars plus a charge for un-metered water consumed for each occurrence. The consumer will upon discovery by the Town immediately cease the use of the bypass line and remove the bypass line within 24 hours of discovery. The Town has the right to terminate all water services to the consumer in the event of failure to eliminate the bypass and pay the fine and water charges.

9.0 - BULK SALES

That a said rate of Two Dollars and Ten Cents (\$2.15) per cubic metre be charged for treated water.

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- ii) On an annual basis or on a schedule determined by the Town, the consumer will provide access to the town meter reader to record the water meter reading and to inspect the meter. In the event that the consumer is not home or does not grant access, the consumer will be notified that they must arrange a time and date for an appointment with the water utility to have the meter reading recorded and inspected within 30 days of the water utility notice. Failure to arrange and provide access to the water utility within 30 days of the notice will result in a Fifty (\$50.00) Dollar fine. After a period of 60 days from the water utility notice and a failure to arrange and provide access to the water utility, the water service may be shut off. Fees for disconnection and reconnection according to section 8.0 will apply.

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SCHEDULE "A" TO BY-LAW NO. 68/07 (effective September 1, 2009)

1.0 - SCHEDULE OF QUARTERLY RATES

A schedule of rates per cubic metre per quarter

Commodity Rates	Water	Sewer	Water & Sewer
Domestic	\$1.46	\$0.31	\$1.77
Intermediate-over 445 cubic meters	\$1.26	\$0.31	\$1.57

2.0 - MINIMUM QUARTERLY CHARGES

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Water & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included, cu. M.	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
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1"	4	56	\$13.18	\$ 81.76	\$ 17.36	\$112.30
1½"	10	140	\$13.18	\$204.40	\$ 43.40	\$260.98
2"	25	350	\$13.18	\$511.00	\$108.50	\$632.68

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9.0 - BULK SALES

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