

MANITOBA) Order No. 113/07
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THE PUBLIC UTILITIES BOARD ACT) August 30, 2007

BEFORE: Susan Proven, P.H.Ec., Acting Chair
Alain Molgat, B.Comm, CMA, Member

THE RURAL MUNICIPALITY OF DESALABERRY
LOCAL IMPROVEMENT DISTRICT NO. 2 (ST. MALO)
REVISED WATER AND SEWER RATES

Executive Summary

The Public Utilities Board (Board) approves a three-year rate increase (2007, 2008 and 2009), effective for billings on or after October 1st in each year, for Local Improvement District No. 2 - St. Malo (Town).

This Order follows a public hearing held in St. Malo on August 21, 2007, pursuant to an application filed by the Rural Municipality of DeSalaberry (RM).

Water commodity rates will rise from the present \$2.30 per thousand gallons to \$5.35 as of October 1, \$5.45 as of October 1, 2008, and \$5.50 as of October 1, 2009. Sewer charges will rise from \$1.90 per thousand gallons to \$2.15, \$2.25 and \$2.35 concurrent with the water rate changes. Residential minimum quarterly bills will increase from \$27.75 to \$28.00, \$29.60 and \$30.55 again concurrent with the water rate changes.

The quarterly service charge will decrease as of October 1, 2007, then increase on October 1 of both 2008 and 2009; and the minimum quarterly consumption provided for by the minimum quarterly bill will decrease, from the current 5,000 gallons to 3,000 gallons. Hydrant charges will increase as of October 1, 2009.

The rate proposal was published and posted in the community in advance of the hearing; no one responded.

Background

As of the date of the application, there were 342 customers connected to the system, with nine being water only and ten sewer only customers.

The rate study filed in support of the application projected modest customer growth, to 350 in 2009 and 360 in 2010.

Application

Rates

The RM applied to the Board for revised water and sewer rates for the Town, as noted hereunder:

	<u>Current</u>	<u>2007/08</u>		<u>2009</u>		<u>2010</u>	
Service Charge	\$6.75	\$5.50	(18.5%)	\$6.50	18.2%	\$7.00	7.7%
Water Charge per 1,000 gallons	2.30	5.35	132.6%	5.45	1.9%	5.50	0.9%
Sewer Charge per 1,000 gallons	1.90	2.15	13.2%	2.25	4.7%	2.35	4.4%
Min. Billing (3,000)*	27.75	28.00	0.9%	29.60	5.7%	30.55	3.2%
Sewer only	26.00	27.00	3.8%	29.00	7.4%	30.50	5.2%

* The minimum quarterly rate will include consumption of 3,000 gallons, reduced from 5,000 gallons effective with the introduction of the new rates.

The RM noted that 41 customers use an average of 3,000 imperial gallons or less per quarter, 42 customers between 3,000 and 5,000 imperial gallons. For customers consuming 3,000 imperial gallons or less, and billed the minimum quarterly bill, their annual water and sewer cost will increase by approximately 1% in the first year of the three-year rate change.

For customers consuming in excess of 5,000 imperial gallons per quarter, bill increases in the range of 55% may be anticipated from October 1, 2007, with further more modest increases in 2008 and 2009.

The rate application also includes the provision to increase hydrant charges from \$75 to \$100 for the last year of the application.

Past Board Concerns

The RM's application addressed five issues raised in Board Order No. 43/02, when the last rate changes were implemented;

1. Long Term Planning:

The proposal includes a three-year plan for utility rates, including operating revenue and expenditure forecasts, through to 2009/10.

2. Assignment of Operating Costs:

The RM refined its methodology for assigning operating costs to the utility for shared administrative and other services provided by the RM to the utility.

3. Recovery of operating costs:

The RM advised that the Province is now contributing \$12,000 per year with respect to utility services provided the provincial park, an increase from the previous annual contribution of \$6,000. Furthermore, charges are made to septic haulers and all customers connected to this system are now metered.

4. Minimum Quarterly Consumption:

In accordance with Board's 2002 recommendation, and common practice, the application proposed a decreased water consumption allowance of 3,000 imperial gallons per quarter be provided by the minimum quarterly bill.

5. Reserve Funds:

The application included a proposal to increase the current provision for annual reserve contributions through rates from \$6,000 in 2007 and 2008 to \$10,000 in each of 2009 and 2010, projected to produce a balance of approximately \$60,000 by the end of 2010.

6. Debt Retirement:

The application also contained a proposal to accelerate the annual debt retirement payment on outstanding debentures related to RM capital projects, from the current \$3,000 minimum (required under Order 43/02), to an annual amount of \$10,000. The balance of the loan was \$58,874.61 as of December 31, 2006.

Contingencies

The rate study included an annual provision for contingencies of 1% of the total capital cost of \$770,000, in accordance with Board guidelines.

Water Losses

The RM noted a projected decrease in the water losses experienced to date (now at approximately 18% annually), to

approximately 12% annually - as a result of repairs being made to the system. Remaining water losses were attributed to water main breaks, firefighting, sewer flushing and backwashing at the water treatment plant.

Operations

The following is a breakdown of anticipated expenditures for 2008:

Administration costs	\$ 7,500
Water treatment and distribution	\$ 83,750
Sewer collection and disposal	\$ 25,935
Debt repayment	\$ 10,000
Reserve contribution	<u>\$ 6,000</u>
Total Projected Expenditure	<u>\$133,185</u>

The RM noted in its presentation that the expense projections include provision for inflation of 3% for 2008 and 2½% annually thereafter.

The RM noted annual fees of \$3,000 (RM) and \$1,000 (Otterburne) for the use of the lagoon. A lock and key system has been installed to prevent unauthorized dumping in the lagoons; haulers are paying a \$100 quarterly fee.

Reserves and Surpluses

The Utility had an accumulated operating deficit of \$19,806 as at December 31, 2006. The operating projections for the utility, assuming new rates, forecast annual surpluses for 2008,

2009 and 2010 of approximately \$21,000 each year. Assuming a break-even result for 2007, the projected accumulated surplus as of December 31, 2010 would be approximately \$43,000

Combined with a Utility reserve fund projected to be approximately \$60,000 by that date, the RM projected that its Utility would have in excess of \$103,000 set aside to address capital needs going forward.

Board Findings

The Board acknowledges the efforts of the RM in addressing the Board's concerns as contained in its 2002 Order, and commends the RM for the positive steps taken.

The Board also notes the RM's plan for an expanded water treatment plant (current plant has reached its capacity), at an estimated cost of \$3.8 million. The project would be funded through government grants and RM debentures. The Board also notes that the RM indicated having received no advice to-date from the Province with respect to possible future nutrient removal requirements and suggests that enquiries be made.

The Board also notes the RM's research into the potential for providing water services to outlying areas, in particular the area adjacent to the provincial park.

The Board notes that the annual servicing of Utility debenture debt, \$72,387, is met by tax levies, which are imposed on the

residents of St. Malo only. The Board shares the RM's concern that the current reliance on the tax roll to meet these ongoing costs imposes a burden on many of whom receive no services from the Utility. The Board acknowledges the RM's intention to address this matter in future applications and expansions.

The Board was concerned that the RM's Utility had experienced operating deficits in the last two years, of \$6,762 (2005) and \$17,085 (2006). Given that the rate increases approved herein will only benefit the Utility for 3 months in 2007, there is the possibility that 2007 results may also be a deficit. This adds to the Board's support for increased rates.

The Board was pleased to hear that previous water colour and taste concerns had been resolved.

The Board takes as positive the fact that community residents evidenced no concerns or complaints over the RM's application, following the public notice. Further, the fact that no residents attended the hearing has been taken by the Board as an indication of community support for the application.

The Board is pleased to see that the RM is taking steps to build the Utility reserve and surplus account, to prepare to address future capital requirements.

The Board will approve the rate increases and other changes requested by the RM.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 2245-07 of the Rural Municipality of DeSalaberry serving Local Improvement District No. 2 (St. Malo) BE AND IS HEREBY APPROVED.
2. Rate increases proposed in By-law No. 2245-07 be effective on October 1st in each of 2007, 2008 and 2009.
3. The Rural Municipality of DeSalaberry advise its Utility customers of the impending increases through a bill insert, the insert to be pre-approved by the Board.
4. The Rural Municipality of DeSalaberry file with the Board its St. Malo Utility Operating Fund Balance Sheet and Financial Report for 2007, 2008, 2009 and 2010 within 90 days of each respective year end.
5. This Order is subject to monies being expended from the Utility Reserve only to support existing infrastructure, unless the Board has authorized the expenditure pursuant to Section 168 of *The Municipal Act*.

Fees payable upon this Order - \$500.00.

THE PUBLIC UTILITIES BOARD

"S. PROVEN, P.H.Ec."

Acting Chair

"G. GAUDREAU"

Secretary

Certified a true copy of Order No.
113/07 issued by The Public
Utilities Board

Secretary