

MANITOBA) Order No. 148/07
)
THE PUBLIC UTILITIES BOARD ACT) November 23, 2007

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

THE RURAL MUNICIPALITY OF GILBERT PLAINS
REVISED WATER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves an application of the Rural Municipality of Gilbert Plains (RM) for revised and increased water rates, effective January 1, 2008.

<u>Rates</u>		<u>Existing (Initial Rates)</u>		<u>Revised</u>	<u>Inc./Dec.</u>
Service Charge		\$12.50		\$18.50	48%
Commodity (\$/1,000 gallons)	1 st 15,000	\$7.20	1 st 10,000	\$11.00	53%
	> 15,000	\$6.20	>10,000	\$ 9.50	53%
Minimum quarterly bill (5/8" meter)		\$34.10		\$51.50	51%

Notice of the RM's application was mailed to each customer - no ratepayer responded to the invitation to comment on the application.

Application

On June 1, 2007, the RM applied to the Board for approval of revised water rates as set out in its By-law No. 2007-06.

The RM began operation of its rural water utility in 2004, at the time the initial rates were based upon best estimates. The RM advised the Board that in hindsight the initial rates were insufficient to recover the Utility's operating costs. As a result, deficits were incurred in 2004, 2005 and 2006, of \$32,307, \$33,989 and \$12,076, respectively.

The RM noted that expected water sales were over estimated as water sales to all expected cattle feedlots did not materialize.

Efforts were made to contain operating costs in light of lower water sales, and this brought down operating costs and deficits to levels below those that would otherwise have occurred.

The RM made changes to water monitoring and testing frequency, which had been exceeding provincial requirements; as well, the RM reorganized its staff allocation to reduce costs.

Then-existing initial rates, as approved in 2004, and applied for rates were as follows:

<u>Rates</u>		<u>Existing (Initial Rates)</u>		<u>Proposed</u>	<u>Increase</u>
Service Charge		\$12.50		\$18.50	48%
Commodity (\$/1,000 gallons)	1 st 15,000	\$7.20	1 st 10,000	\$11.00	53%
	> 15,000	\$6.20	> 10,000	\$ 9.50	53%
Minimum quarterly bill (5/8" meter)		\$34.10		\$51.50	51%

On April 20, 2007, the RM made application to the Board for recovery of an anticipated 2007 operating deficit of \$78,372, and accepted it being recovered from the RM's general surplus account. The Board accepted the position of the RM that its rural utility provides benefits to all ratepayers, and the use of general funds was, thus, acceptable.

The RM currently has 152 customers and the treatment plant is able to service an additional 100 customers. The RM is reviewing the potential expansion of service beyond its boundaries to serve the Rural Municipality of Dauphin; no decision has been made to-date. Such an expansion would be

expected to increase sales and lower the unit cost of water.

The RM plans no capital projects for the next three years, as the system is relatively new and its long-term goal is to have rates generate an accumulated surplus representative of 10% of annual expenses - breakeven is all that can be managed at this time.

The RM proposed reducing the volume of water in its declining step rate, from 15,000 gallons to 10,000 gallons. This will provide a rate discount sooner to large volume users and encourage greater utilization of spare plant capacity. The aquifer from which water is drawn was reported to have more than sufficient water.

The RM is not anticipating receiving any provincial or federal grants over the next five years (2006 to 2010), and yearly debenture payments of \$93,133 are to continue to be recovered by taxes and not be included in the development of utility rates.

The RM has no bulk water customers; of the 152 customers of the Utility, 146 are residential or residential-like customers.

Forecast operating revenue and expenditures used to develop the rate proposal were:

	2007	2008	2009
Revenue			
Water sales	\$ 86,708	\$ 88,442	\$ 90,211
Penalties	100	105	110
Connections			
Transfers	93,113	93,115	93,113
Other	500	525	551
Total Revenue	<u>\$180,421</u>	<u>\$182,187</u>	<u>\$183,985</u>
Expenses			
Administration	8,000	8,000	8,000
Bill collections	5,000	5,000	5,000
Plant - Operating	2,000	2,050	2,101
Plant - Labor	35,000	35,875	36,772
Plant - Courses	3,000	3,075	3,152
Plant - Chemicals	8,000	8,200	8,405
Plant - Utilities	10,000	10,250	10,506
Repairs			
Testing & Freight	2,000	2,050	2,101
Distribution	4,000	4,100	4,203
Connections (Loss)			
Debenture Charges	93,113	93,113	93,113
Other long term debt	2,000	2,050	2,101
Reserve Transfer	8,000	8,000	8,000
Total Expense	<u>180,113</u>	<u>181,763</u>	<u>183,454</u>
Net Income (Loss)	308	424	531

The RM proposed to collect \$8,000 per year for reserves. No contingency allowance was included in the development of rates, as the system is relatively new and experience to-date has been favourable.

Provincial drinking water standards were reported to have been met.

Board Findings

The Board will approve the proposed rates, and notes that the schedule of minimum quarterly charges are to be amended to reflect the following:

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Commodity Charges Water	Total Quarterly Minimum
5/8"	1	3,000	\$18.50	\$ 33.00	\$ 51.50
3/4"	2	6,000	\$18.50	\$ 66.00	\$ 84.50
1"	4	12,000	\$18.50	\$132.00	\$147.50

The amendment is required as the quarterly service charge was understated in the by-law at \$14.00, it should have been \$18.50.

The Board accepts the statement of the RM that initially water sales were understated and resulted in substantial revenue shortfalls since start-up. The resulting increases are large, but far from the largest the Board has seen.

The increases are necessary to allow the Utility an opportunity to breakeven and allow for a building of reserves for future plant replacement. In the Board's view, and as noted by the RM, these are the minimum rate increases required at this time. The RM will need to carefully examine its future operating expenses to ensure rates remain adequate.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 2007-06 BE AND IS HEREBY APPROVED subject to Clause 2 of the said By-law being amended to agree with the following:

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Commodity Charges Water	Total Quarterly Minimum
5/8"	1	3,000	\$18.50	\$ 33.00	\$ 51.50
3/4"	2	6,000	\$18.50	\$ 66.00	\$ 84.50
1"	4	12,000	\$18.50	\$132.00	\$147.50

Fees payable upon this Order - \$300.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, C.A."
Chairman

"G. O. Barron"
Acting Secretary