

M A N I T O B A) Order No. 149/07
)
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 HANOVER
LOCAL IMPROVEMENT DISTRICT NO. 1 (GRUNTHAL)
REVISED WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves an application of the Rural Municipality of Hanover (RM) for revised water and sewer rates. The new rates will take effect January 1, 2008 for the Local Improvement District No.1 (Grunthal).

Existing and revised rates are:

	<u>Existing</u>	<u>Revised</u>	<u>Inc (Dec)</u>
Service Charge	\$ 2.25	\$ 4.65	106%
Water \$/1,000 gallons	\$ 2.65	\$ 2.01	(24)%
Sewer \$/1,000 gallons	\$ 0.70	\$ 2.02	189%
Bulk/\$/1,000 gallons	\$ 7.00	\$ 4.55	(35)%
Minimum Quarterly Bill (5/8" meter)	\$12.30	\$16.75	36%
Quarterly Bill - sewer only	\$ 4.35	\$18.30	321%

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

The existing rates were approved in 1985. The decline in the water rate and increase in the sewer rate reflect the current operating conditions of the Utility. There are 367 customers, of which 352 are residential.

Application

The RM applied to the Board for approval of revised water and sewer rates, as set out in By-law No. 2120 on January 12, 2006. A number of questions were asked by the Board after receipt of the application, and were subsequently responded to by the RM. However, due to resource restraints the responses were received by the Board months following the application and, in light of

the passage of time, the Board asked the RM whether the application should be updated. The RM advised, on August 30th 2007, that they wished to proceed with the application as proposed in By-law No. 2120. The RM advised that there had been no significant change in the forecasted revenue and expenses used in the rate study such as to warrant a change in their rate proposal.

The following compares existing rates, approved in 1985, and the rates applied for:

	<u>Existing</u>	<u>Applied</u>	<u>Inc (Dec)</u>
		<u>For</u>	
Service Charge	\$ 2.25	\$ 4.65	106%
Water \$/1,000 gallons	\$ 2.65	\$ 2.01	(24)%
Sewer \$/1,000 gallons	\$ 0.70	\$ 2.02	189%
Bulk/\$/1,000 gallons	\$ 7.00	\$ 4.55	(35)%
Minimum Quarterly Bill (5/8" meter)	\$12.30	\$16.75	36%
Quarterly Bill - sewer only	\$ 4.35	\$10.71	146%

In a rate study supporting the RM's application, the RM provided the following anticipated annual Utility operating costs:

Administration	\$ 6,828
Water	\$ 45,023
Sewer	<u>\$102,685⁽¹⁾</u>
Total	\$154,536

(1) The gross operating expenses for the sewer are \$162,875, from which the RM reported an Industrial Service Recovery of \$60,190 which amount is deducted prior to the determination of the necessary sewer rates. The recovery is made pursuant to an agreement made with Parmalot in 1985 allowing for the recovery of all the operating costs (\$63,190) of the lagoon and the number one lift station less \$3,000.

Reflected in the rate proposal were provisions for contingencies and contributions to the utility reserve fund, as follows:

	Contingency	Reserve
Water	\$ 6,024	\$ 6,024
Sewer	\$11,189	\$11,189

As at December 31, 2006 the utility had an accumulated cash surplus balance of \$202,728 and a reserve balance of \$16,055. In 2006, the utility earned a \$29,390.89 operating surplus.

Over the years, the Utility incurred operating deficits for which funds were withdrawn from the accumulated surplus account without the Board's prior approval. The RM advised that in the future, no such withdrawals will be made without the Board's approval, to follow an application.

The RM proposed reduced water commodity rates, to reflect the current amount of water being sold and the low cost of production. However, sewage costs continue to increase due to the age of the aeration equipment, which may need replacement, justifying the proposed increase for sewer rates.

The RM advised that bulk water sales are rare and water is not sold by the pail (litre jugs).

The RM obtains its raw water from wells, the water then being treated with Calgon and Chlorine. The treatment plant was built in 1975 and was reported to be in good condition with provincial drinking water standards being met. The lagoon was built in

1995 and is treated by aeration; discharges meeting environmental requirements.

The labour cost of operating the utility is allocated back to the utility from the General Operating Fund, with the allocation reviewed on a regular basis for adequacy.

The RM currently charges sewer-only customers the minimum quarterly bill excluding the charge for water. It is generally accepted that un-metered customers use more water than do metered customers and therefore, un-metered sewer customer charges should be higher. The RM advised it intended to make it a requirement for continued sewer service that all sewer-only customers meter their water supply; future charges would then be based on a volumetric basis. The RM advised there are 8 sewer-only residential customers, none being commercial.

The RM pays the utility a per hydrant charge of \$75.00, there are 34 hydrants.

Notice of the RM's application was mailed to each customer with a request for persons to write the Board by October 26, 2007; no one responded.

Board findings

The Board will approve the rate application and the proposed rates except for the charges for sewer only service.

In the Board's opinion, the proposed rate was insufficient to recover a fair portion of the sewer costs for such customers. Accordingly, the Board will approve a quarterly flat charge of \$18.30. If the customer is metered, the volumetric charges will apply.

Notwithstanding the rates were based on forecasts dating back to early 2006, the Board is satisfied that the proposed rates will be sufficient to meet the financial requirements of the Utility.

The Board accepts the RM's request to reduce the water commodity rate, to reflect favourable operating conditions. However, the reduction in rates may lead to an increase in consumption. The Board expects the RM to continue to remind customers of the importance of water conservation.

With respect to the proposed large increase in the sewer rate, the Board accepts the new rate as it better reflects the operating experience of the utility. The Board notes that the sewage treatment system is under review due to rising costs, and that further rate amendments may prove required.

The Board also notes the RM's commitment to seek the Board's approval of anticipated operating deficits in the future prior to any transfer of funds, in accordance with statutory requirements.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 2120 BE AND IS HEREBY APPROVED subject to Clause 2(c) of Schedule "A" being amended to read as noted below and revised rates are to be effective January 1st, 2008:

"(c) Unmetered Sewer Only Customer

Sewer only customers shall pay a quarterly flat charge of \$18.30. If such customers are metered the volumetric rates set out above shall apply."

Fees payable upon this Order - \$300.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, C.A."
Chairman

"G. Barron"
Acting Secretary