

M A N I T O B A) Order No. 132/08
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THE PUBLIC UTILITIES BOARD ACT) September 11, 2008

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

THE RURAL MUNICIPALITY OF WHITEWATER
LOCAL IMPROVEMENT DISTRICT No. 1 (MINTO)
REVISED WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) varies an application of the Rural Municipality of Whitewater (RM) for revised water and sewer rates for the community of Minto; rates to take effect October 1, 2008.

Existing and revised rates follow:

\$/cubic meter	Existing	Approved	Increase %
Water	\$ 1.35	\$ 2.53	87%
Sewer	\$ 0.60	\$ 0.75	25%
Combined	\$ 1.95	\$ 3.28	68%
Minimum Quarterly Bill (5/8" meter) ¹	\$35.35	\$55.64	57%
Sewer Only	\$24.40	\$27.25	12%
Bulk Water	\$ 2.30	\$ 3.80	65%

¹includes 13 cubic meters.

Rates were previously revised in 1993.

The Board determined that the rates proposed by the RM were insufficient to meet the long term needs of the Utility and, accordingly, the Board increases the rates sufficiently to allow the Utility to build a Reserve for future small capital projects and membrane replacement for the water treatment plant.

Notice of the RM's application was mailed to each customer and posted in five prominent locations in the area.

Application

The RM applied to the Board for revised water and sewer rates for the community of Minto, as set out in RM By-law No. 2008-5 read the first time on June 24, 2008.

The Utility currently serves 52 customers.

Existing and proposed rates were:

\$/cubic meter	Existing	Proposed	Increase %
Water	\$ 1.35	\$ 2.40	78%
Sewer	<u>\$ 0.60</u>	<u>\$ 0.60</u>	0%
Combined	\$ 1.95	\$ 3.00	54%
Minimum Quarterly Bill (5/8" meter) ¹	\$35.35	\$52.00	47%
Sewer Only	\$24.40	\$24.40	0%
Bulk Water	\$ 2.30	\$ 3.80	65%

¹includes 13 cubic meters.

Notice of Application was mailed to each customer with a request to write the Board with any concerns or comments by no later than August 22, 2008. On August 19, 2008, the RM faxed a letter from the Committee of the Local Improvement District of Minto seeking the Board's approval of a bulk water rate of \$6.00 per cubic meter, the rate to reflect a portion of the infrastructure costs currently being paid by taxes by the residents of Minto. No other responses were received.

The RM provides treated and untreated bulk water and the RM's proposal to increase the bulk water rate to \$3.80 per cubic meter is for untreated water only. The Committee's proposed \$6.00 charge is for treated water.

The recovery of part of annual debenture debt cost of the Utility of \$15,634.61 was reflected in the RM's rate proposal with respect to the \$3.80 bulk water rate. Approximately 30% of total water sales is bulk water sales; approximately 21% being sold as untreated water for cattle consumption.

The RM prepared and filed the required rate study.

Since the last rate change in 1993, the Utility has incurred operating deficits in 2002, 2003, 2005 and 2007, with the 2007 deficit being \$899.07. The 2005 operating deficit was approved by the Board on the condition the RM file a rate review by July 1, 2007. On September 25, 2007, the RM sought a deferral of a rate review as the Utility's 52 customers had recently experienced a yearly tax increase of \$347.44 (to pay for a water plant upgrade). Further, certain operating costs in recent years were non-recurring and hence, the RM was of the view rates may have been then-adequate. However, the RM did seek an increase in the bulk water rate for treated water for reasons noted above.

On October 10, 2007, the Board advised the RM that it accepted the request to defer a rate review and indicated that the proposed change to the bulk water rate will be considered when a formal application is made to the Board.

The Utility has an accumulated operating surplus of \$2,074, after accounting for recovery of the 2007 revenue deficit. There are no reserve funds to pay for future planned or

unexpected small capital projects.

The RM's application was based on the following projected operating costs:

Administration	\$ 2,749
Water	\$22,755
Sewer	<u>\$ 3,981</u>
Total	\$29,485

The projected operating costs were based on 2007 actual costs with no provision for inflation and no provision to build the reserve fund although, these costs include a contingency allowance of \$1,800.00 in the water rate and of \$500.00 in the sewer rate.

The contingency allowance is 0.5% of the historical capital cost of the system of \$460,000.

The RM reported unaccounted for water of 53% and advised that a considerable amount of water was used in the reverse osmosis water treatment system for flushing of the membranes, was used for flushing a well and was lost due to water main breaks. They expect unaccounted for water in 2008 will be much lower.

There are no hydrants on the system and no services are piped beyond the boundaries of Minto.

Drinking water standards are being met and lagoon disposal occurs on surrounding farm properties.

The RM is currently replacing the certified plant operator who recently passed away and has included training allowances in the Utility budget.

When asked about the building of reserve funds, the RM advised that any unused contingency provision would be added to reserves. The membranes in the water treatment plant require replacement every five years, though no specific provision has been made for this.

Board Findings

The rate increase may not be sufficient to provide for the prudent operation of the Utility.

The projected operating costs used in the rate study included neither a provision to meet inflationary costs nor a provision in reserves to meet future small capital projects, particularly in years when the contingency allowance may be required for other purposes and no planned funding for future membrane replacement.

Of late, the Utility has had a history of repeated deficits and rates had not been reviewed for 15 years prior to this review.

The Board is reluctant to approve rate increases above those applied for given customers on fixed incomes, yet the Utility must have rates that allow it to ensure water and sewer services are delivered safely and in sufficient supply to meet the needs of the customers.

Of concern to the Board is the manner in which the requested higher bulk water rate application for treated water was made, that being, after By-law 2008-05 was approved and after Notice of the application was provided. Also, of concern to the Board is that the proposed rate of \$3.80 already includes a provision for capital costs, in accordance with the Board's rate Guidelines, and there has been no justification put forward for the proposed \$6.00 charge.

Certainly, the costs of providing the two types of water are different and rate differentiation can be justified based on such costs. However, in absence of such details the Board will approve only a single bulk water rate at this time.

Accordingly, the \$6.00 charge will not be approved.

Because of the Board's concern for rate adequacy, the Board has amended the proposed rates to include a \$1,000 provision in each of the water and sewer rates totaling \$2,000 to be added annually to a Utility reserve fund to be used for capital renewal and/or membrane replacement as required.

Consequently, the water rate will rise to \$2.53 from \$1.35 per cubic meter or 87% and the sewer rate will rise to \$0.75 from \$0.60 per cubic meter or 25% and the minimum quarterly bill, which includes 13 m³, will rise to \$55.64 from \$35.35 or 57%.

The Board has amended the Disconnection Clause set out in the RM's By-law, to reflect the current practice followed by the Board providing for reasonable notice and appeals to the Board.

IT IS THEREFORE ORDERED THAT:

1. By-law 2008-5 BE AND IS HEREBY APPROVED subject to amendments to agree with Schedule "A" attached hereto with the rates to take effect October 1, 2008.

Fees payable upon this Order - \$250.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"
Chairman

"G.O. BARRON, FCGA"
Acting Secretary

Certified a true copy of Order No.
132/08 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 132/08

THE RURAL MUNICIPALITY OF WHITEWATER

LOCAL IMPROVEMENT DISTRICT NO. 1 (MINTO)

WATER AND SEWER RATES

BY-LAW NO. 2008-5

SCHEDULE OF QUARTERLY RATES:

1. Commodity rates per Cubic Meters

	Water	Sewer	Water & Sewer
All water consumption	\$2.53	\$0.75	\$3.28

2. Minimum Charges, Quarterly

Notwithstanding the commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

(a) Water and Sewer customers

Meter Size	Water Included Cubic Meter	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
			Water	Sewer	
5/8"	13	\$13.00	\$32.89	\$9.75	\$55.64
3/4"	13	\$13.00	\$32.89	\$9.75	\$55.64

(b) Water Only Customers

Minimum charge will be the same for each meter size as shown, above but the Sewer Commodity Charge will be excluded.

(c) Sewer Only for Residential Customers

Owners or occupants of land serviced with sewer but no water shall pay the sum of \$27.25 per quarter.

3. Bulk Sales Rate

All water sold in bulk by the Minto Utility shall be charged at the rate of \$3.80 per cubic meter with a minimum charge of \$7.60.

4. Service to Customers outside Municipality, Town or L.I.D. limits

The Council of the Rural Municipality of Whitewater may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Local Improvement District No. 1 (Minto). Such agreements shall provide for payment of the appropriate rates set out in the schedule, as well as a surcharge, set by resolution of Council, which shall be equivalent to the frontage levy, general taxes and special taxes for utility purposes in effect at the time, or may be in effect from time to time, and which would be levied on the property concerned if it were within these boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining connections will be paid by the customer.

5. Billings and Penalties

Accounts shall be billed quarterly and shall be due and payable 30 days from date of billing. A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date. This applies to water, sewer and bulk water accounts.

6. Disconnection

The Public Utilities Board has approved the Conditions Precedent to be followed by the municipality with respect to the disconnection of service for non-payment including, such matters, as notice and the right to appeal such action to the Public Utilities Board. A copy of the Conditions Precedent is available for inspection at the Municipality's office.

7. Reconnection

Any service disconnected for any reason including non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$25.00 have been paid.

8. Outstanding Bills

Pursuant to Section 252(2) of The Municipal Act, the amount of all outstanding charges for water and sewer service are a lien and charge upon the land serviced and shall be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies.