

M A N I T O B A) Order No. 164/08
)
THE PUBLIC UTILITIES BOARD ACT) December 15, 2008

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

THE RURAL MUNICIPALITY OF MONTCALM -
ST. JOSEPH UTILITY - REVISED WATER RATES AND RECOVERY OF
2007 UTILITY OPERATING DEFICIT

Executive Summary

By this Order, the Public Utilities Board (Board) approves revised water rates as proposed by the Rural Municipality of Montcalm (RM) for the community of St. Joseph.

The Board also approves a draw down on the RM's utility reserves to offset the 2007 utility operating deficit.

Previous rates were established in 2002, and are now revised as follows:

	Existing	Revised	%
First 15,000	\$14.71	\$21.40	45
Next 85,000 ⁽¹⁾	\$ 9.40	\$13.10	39
Over 100,000 ^{(1) (3)}	\$ 4.60	\$13.10	185
Bulk Water	\$ 9.40	\$26.50	182
Minimum Quarterly Bill ⁽²⁾	\$48.28	\$71.00	47
Service Charge	\$ 4.15	\$ 6.80	64

⁽¹⁾ Amended to all over 15,000 gallons

⁽²⁾ 5/8" meter size - 3000 gallons

⁽³⁾ No customer purchasing water at this rate step

Notice of the RM's application was mailed to each customer inviting responses or concerns be addressed to the Board; no responses were received.

Background

The RM owns and operates a water utility serving 37 customers in the community of St. Joseph.

In 2007, the Utility incurred an operating deficit of \$2,791.00, and the RM applied to recover the deficit by way of a draw down

from the Utility Reserve Fund, which, prior to the draw down, had a balance of \$4,481 as of December 31, 2007. (Also as of December 31, 2007, the Utility had an accumulated surplus of \$279.62.)

The RM purchases water from the Pembina Valley Water Co-op (PVWC) at a cost of \$5.40 per 1000 Imperial gallons, and applied to reflect the cost of water in a revised two-step rate schedule, rather than the three-step schedule that has been in place.

The RM advised that the system, which was constructed in the 1982/83 era, is in good condition.

Utility operators are certified at Level 1, which the RM advises as being adequate for the type and size of the Utility. As the operators were recently certified and as there are no pending retirements, the RM has made no provision for expenditures related to continuing education in developing its rate proposal.

An engineering assessment, as required by Water Stewardship, is scheduled for completion in March, 2009.

There are currently six customers served outside the boundaries of St. Joseph, and they pay the same rates as residents in the community. No surcharge is assessed, this on the basis that there is no debenture debt to be serviced.

The water is only tested for residual chlorine, as primary treatment as required for safety reasons is provided by the PVWC.

The Utility's water losses have been approximately 10%, a level considered to be at the high end of industry experience.

The Utility services five fire hydrants, for which the RM is to be billed \$150.00 per hydrant, an increase from \$50.00 per hydrant.

Application

The RM applied to the Board for approval of revised water rates as set out in its By-law No. 669/08, which was read for the first time on October 8, 2008. The RM also sought approval of recovering the Utility's 2007 operating deficit from its reserve.

As previously indicated, existing and proposed rates were:

	Existing	Proposed	%
First 15,000	\$ 14.71	\$21.40	45
Next 85,000 ⁽¹⁾	\$ 9.40	\$13.10	39
Over 100,000 ^{(1) (3)}	\$ 4.60	\$13.10	185
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The total projected operating cost of the Utility as reflected in the RM's rate proposal was:

Administration	\$ 1,000.00
Water	<u>\$28,950.00</u>
Total	<u>\$29,950.00</u>

The projection includes a provision for contingencies and reserves totalling \$3,050.00. Shared services between the RM and the Utility are allocated based on time spent.

The clause in the RM's By-law related to service disconnections is not consistent with recent requirements set by the Board, and will be amended by the Board in its determinations as reflected in this Order.

Notice of the RM's Application was mailed to each customer with an invitation to write the Board with any comments or concerns by no later than November 28, 2008. No responses were received.

Board Findings

The Board finds the proposed rates just and reasonable and, accordingly, will approve the revised rates as proposed. The Board will also approve offsetting the 2007 Utility deficit from Utility Reserve funds.

The rate increases, while significant, are necessary to ensure the Utility can operate on a breakeven basis while allowing for the rebuilding of the reserve fund, the latter to meet future plant upgrade requirements.

Schedule "A" attached to this Order is to be incorporated in the RM's By-law, this to include the Board's required disconnect clause.

Finally, PVWC's rates may be reviewed and potentially varied in the future. Accordingly, the rates approved in this Order may or may not require amendment following a future review of PVWC rates by the Board.

Board decisions may be appealed in accordance with the provisions of Section 58 of *the Public Utilities Board Act*, or reviewed in accordance with section 36 of the Board's Rules of Practice and Procedure.

IT IS THEREFORE ORDERED THAT:

2. By-law 669/08 BE AND IS HEREBY APPROVED conditional on it being amended to agree with Schedule "A" attached hereto.

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.
164/08 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 164/08
RURAL MUNICIPALITY OF MONTCALM
ST. JOSEPH UTILITY
WATER RATES
BY-LAW NO. 669/08

Schedule of Quarterly Rates:

1. Commodity Rates per M.G.

	<u>Water</u>	<u>Total</u>
Domestic Rate: First 15,000 I.G.	\$21.40	\$15.95
Intermediate: All over 15,000 I.G.	\$13.10	\$13.10
Bulk Water Sales Rate	\$26.50	\$26.50

Notwithstanding the Commodity Rates set out above, all customers will pay the applicable minimum charges set out below, which will include water allowances as indicated.

Water Customers:

Meter Size	Group Capacity Ratio	Water Included Gallons	Water	Service Charge	Total
5/8"	1	3,000	\$ 64.20	\$6.80	\$ 71.00
3/4"	2	6,000	\$ 128.40	\$6.80	\$ 135.20
1"	4	12,000	\$ 256.80	\$6.80	\$ 263.60
1 1/2"	10	30,000	\$ 517.50	\$6.80	\$ 524.30
2"	25	75,000	\$1,107.00	\$6.80	\$1,113.80

2. Billings and Penalties:

All connected customers shall be billed quarterly and payment shall be due and payable at least 14 days after the mailing of the bills. A late payment charge of 1.25% (1¼%) per month shall be charged on the dollar amount owing after the billing due date and a notice to this effect shall be clearly printed on all bills sent to customers.

3. Hydrant Rentals:

The community St. Joseph shall pay the utility an annual rental fee of \$150.00 per hydrant for each hydrant connected to the system which includes the cost of water for fire fighting.

4. Liability for Charges:

Where charges and penalties pursuant to this by-law are not paid

within ninety (90) days from the date when they were incurred; said charges and penalties shall be added to the taxes on the property and collected in the same manner as other taxes as per authority of Section 252(2) of The Municipal Act of Manitoba.

5. Testing of Water Meters for Accuracy:
Any customer desiring and requesting their meter to be tested for accuracy shall deposit with the municipality the sum of \$ 40.00, which will be retained if the meter (when tested) shall be found to be within the allowable limits of variation from accuracy. If the meter is found to register in excess of the allowable limits the deposit shall be refunded and the customer's account adjusted to reflect an accurate consumption. The allowable limit of variation shall be 4% of average flow.
6. Disconnection and Reconnection:
 - i) 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.
 - ii) Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$50.00 have been paid. Service may be disconnected or reconnected upon receipt of a written request and payment of \$25.00. Service may be removed upon written request and a payment of \$50.00.
7. Responsibility for Service Connections:
The Utility is responsible for all costs involved to bring services to the property line of the owner (including any water losses that may occur to that point.) The owner is responsible for all costs of services (including water losses) from the property line into the building being serviced.

8. Service to Customers outside the limits of the community of St. Joseph:

The Council of the Rural Municipality of Montcalm may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the community of St. Joseph. Such agreements shall provide for payment of the appropriate rates set out in Section 1 of this schedule (for each applicable year), 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 which would be levied on the property concerned if it were within these boundaries. In addition, all costs for connecting to the utility's mains and installing and maintaining service connections shall be paid for by the customer.