

MANITOBA) Order No. 166/08
)
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 WHITEMOUTH -
APPLICATION TO MERGE (SEVEN SISTERS FALLS
WATER CO-OP LTD., WHITEMOUTH WATER CO-OP
INC., MANITOBA HYDRO TOWNSITE WATER SYSTEM
AND THE RURAL MUNICIPALITY OF WHITEMOUTH
RURAL WATER LINE), AND WATER RATES

Summary

By this Order, the Public Utilities Board (Board) approves in principle the merger of the Seven Sisters Falls Water Co-op Ltd., Whitemouth Water Co-op Inc., and Manitoba Hydro Townsite water system with the Rural Municipality of Whitemouth Rural Water Line (Whitemouth).

Further, the Board authorizes Whitemouth to charge all connected customers (including those served as a result of the merger) the existing rates of Whitemouth's Rural Water Line.

Once complete, the newly merged Utility will provide service to 453 customers.

Minimum quarterly bills will be, as approved by Board Order 92/93:

Restrictor Size Gallons per Minute (GPM)	Water Included Gallons	Charge
3 GPM	3,000	\$37.65
3 GPM	3,000 to 15,000	\$37.65 plus \$4.55 per thousand over 3,000 gallons
3 GPM	Over 15,000	As above plus \$1.75 per thousand gallons for every thousand over 15,000
5 GPM	15,000	\$108.25
5 GPM	Over 15,000	\$108.25 plus \$1.75 per thousand for every thousand over 15,000

Also, Order No. 43/99 approved an amendment to Whitemouth's water rate by-law, adding the Whitemouth Water Co-op Inc. - this rate schedule also remains in effect:

Restrictor Size	Water Included in Gallons	Charge
25 GPM	15,000	\$108.25 plus \$1.75 per thousand for every thousand over 15,000

The Board has not yet had the opportunity to review the cost implications associated with the merger and the potential implications of the construction of and bringing into service of a new Water Treatment Plant.

Accordingly, the Board has filed a number of questions with Whitemouth and, upon receipt of all information and following due Board consideration, a further order can be expected with respect to both the merger and rates.

At this time the Board is unable to take a position regarding the financial implications of the planned new water treatment plant, other than to note that a remedy is clearly required to address the current boil water advisories that affect so many of the customers of the merged utility.

Application

On November 26, 2008, Whitemouth applied to the Board for approval to:

- Merge the Seven Sisters Falls Water Co-op Ltd. (Seven Sisters Co-op), Whitemouth Water Co-op Inc. (Whitemouth Co-op) and the Manitoba Hydro Townsite water system (Hydro

Townsite) with the RM of Whitemouth Rural Water Line (Rural Line); and

- Charge connected customers of the merged Utility the existing rates of Whitemouth's Rural Line, in accordance with Whitemouth's By-law Nos. 179/93 and 288/99, and Board Orders 92/93 and 43/99.

Financial Aspects

Whitemouth reported that its Rural Line, the Hydro Townsite and the Seven Sisters Co-op's water systems are under boil water advisories and, while the Whitemouth Co-op is not under boil water advisory, by 2012 its water is not expected to meet water quality guidelines. Accordingly, Whitemouth plans to construct a new water treatment plant (WTP), at an estimated cost of \$4.2 million, one able to serve the customers of the merged Utility. Whitemouth advised that it had explored a number of options to resolve the current boil water advisories and indicated that the new WTP is the most feasible and cost effective choice.

Whitemouth supported its application with the following financial details:

- Manitoba Hydro's Townsite water system has no financial assets to bring into the new merged Utility, and had been providing water to its customers at no charge.
- Seven Sisters Co-op's cash assets will be used to offset the share of the overall cost of the planned new WTP for their members on a per connection basis, and will place 25%

of one years' revenue of water sales to these customers in a reserve fund for the newly created system.

- Whitemouth Co-op will apply the same scenario for its members, and transfer its assets to the merged Utility upon the completion of the new WTP.
- Whitemouth will use the existing Rural Water Line reserve to assist its current customers in offsetting connection costs to the new WTP.

Whitemouth noted that the financial proposal for the new WTP includes borrowing and customer connection charges, and is before The Municipal Board for approval. Whitemouth has also requested grant funding from the Manitoba Water Services Board (MWSB), with the expectation that a grant will be considered as part of MWSB's 2009/2010 grant allocations.

Proposed Merger Physical Aspects

The Rural Line currently serves the Whitemouth Co-op and both utilities meter all services. The Whitemouth Co-op, as a wholesale customer, is metered and has a 25 GPM restrictor. The Seven Sisters Co-op is a metered system as well. Currently, while all connections in the Hydro Townsite are not metered, though they are required to be, and Whitemouth the RM is in the process of installing meters.

The Seven Sisters Co-op is in the process of developing and signing an agreement to sell the pump house and the main water line to Manitoba Hydro, which will then transfer the assets to

Whitemouth. The agreement further provides for the connection of the main line to a 200 mm water line, this expected to be installed in December 2008. This 200 mm line will connect the Seven Sisters Co-op and the Hydro Townsite to the Rural Line.

Whitemouth advises that the plan is to begin providing water to the customers of the Seven Sisters Co-op and the Hydro Townsite in December 2008.

Rate Proposal

Whitemouth applied to the Board to charge its existing rates for the Rural Line to connected retail customers, at this time.

Whitemouth Co-op is a wholesale customer of the Rural Line, and plans call for it to continue on a stand-alone system until the WTP is built.

Rural Line rates will continue to apply to the Whitemouth Co-op. However, Whitemouth Co-op will continue to charge their existing retail rates to their customers until the WTP is built (retail rates are \$8.00 per month plus \$1.75 per cubic meter (m³) or approximately \$7.96 per thousand gallons).

Whitemouth entered into an agreement with Manitoba Hydro, that dated July 7, 2008. The agreement requires Whitemouth to provide water to Hydro Townsite customers as of December 31, 2008, and at the existing rates charged by the Rural Line to its customers. As noted earlier, these customers are currently not charged.

Seven Sisters Co-op presently charges water rates of \$1.50 per m³ or approximately \$6.82 per thousand gallons, with a minimum bill of \$15.00 per quarter. These rates will change to Whitemouth's existing rates under the proposal.

The minimum quarterly bill for a Rural Line customer is \$37.65 and includes 3,000 gallons of water. The commodity charge for a Rural Line customer using more than 3000 gallons is \$4.55 per thousand gallons, and \$1.75 per thousand gallons for over 15,000 gallons. Whitemouth notes the minimum bill for Seven Sisters Co-op customers will increase, however those using higher volumes should expect a decrease.

Rates currently charged by Whitemouth are based on the size of the restrictor, with residential customers being 3 GPM and agriculture customers 5 GPM, all as noted above. These rates were approved in 1993; though, in 1999, the Board approved the addition of the Whitemouth Co-op as a customer with a restrictor size of 25 GPM.

Whitemouth has reported that all connections contemplated in the merger involve residential customers, and that it intends to review rates by March 2010 -- when it is expected the new WTP will be completed so the review can be based on the operating requirements of the new WTP.

Board Findings

An application to merge four utilities is a significant and complex matter and the Board is making further inquiry of Whitemouth. The merger of the utilities may provide economic

benefits to all customers through operational efficiencies, and, further, should provide increased assurance that the supply of water to all connected customers will be safe and sufficient, so as to meet the long term needs of the communities. While the Board is making further investigation, the Board believes that the merger is in the public interest and will approve it at this time, in principle only.

Accordingly, the Board also will approve the Whitemouth application to charge its existing rates, previously approved by the Board and as set out in Schedule "A" attached hereto, to all customers connecting to its service, including those of the merging utilities.

The Board notes that being charged for water will be a new experience for Hydro Townsite customers, that Seven Sisters Co-op customers will pay rates different from existing rates, and that the retail rates charged by the Whitemouth Co-op to its customers will remain unchanged.

The Board has requested further information related to the full financial implications of the merger, and of the new treatment plant and will assure itself that there is an opportunity for all ratepayers to comment on all the matters involved, including the prospect of further rate changes.

The Board notes that while certain agreements and undertakings have been reached, more work remains to complete the transaction -- *The Public Utilities Board Act* requires Board approval for a utility to sell, dispose of or merge with that of another utility.

Whitemouth submitted an application on behalf of all of the entities involved. The Board requires separate confirmation from each entity of their decision to merge indicating their agreement to transfer their assets and responsibilities to Whitemouth. Confirmation will include all measures taken, as well as, assurance that members/customers have been advised of the merger.

The Board also notes that work is or has to be carried out to physically connect the systems. And, in particular, the Board notes the proposal to construct a new WTP, with resulting costs to be collected from all customers.

The Board takes no position with respect to this latter proposal, other than noting the matter is currently before The Municipal Board for approval and that action is required to bring an end to the boil water advisories.

The Board, by way of prior correspondence and before the application now dealt with was filed, provided Whitemouth with approval to defer the filing of its next rate study with the Board until March 31, 2010. The Board expects the rate study will be filed in the context of the merger and the planned construction of a new treatment plant (WTP).

Whitemouth will be required to provide notice to all customers involved of the merger, the rate proposal and the Board's decision, and the notice must advise customers of the opportunity to write the Board to express any concerns that they may have with any aspect of the proposal.

Any comments received will be considered by the Board, and may lead to a public hearing. If no concerns are expressed, and Whitemouth responds adequately to the Board's questions and the board receives confirmation from the other utilities to merge with Whitemouth's utility, the Board may issue final approval of the merger ahead of any public hearing that may be deemed necessary as a result of the subsequent rate study.

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:

1. The application by the Rural Municipality of Whitemouth to merge Seven Sisters Falls Water Co-Op Ltd., Whitemouth Water Co-Op Inc., Manitoba Hydro Townsite Water System and the Rural Municipality of Whitemouth Rural Water Line is HEREBY APPROVED in principle - final approval may follow Public Utilities Board receipt and review of responses to inquiries and requirements.
2. The Public Utilities Board authorizes the Rural Municipality of Whitemouth to charge rates previously approved by Orders 92/93 and 43/99 to all customers, as they connect to the merged utility to be known as the Rural Municipality of Whitemouth Rural Water Line (as per Schedule "A" attached hereto).
3. Whitemouth Water Co-op existing rates be revised to be the same as the Whitemouth Rural Water Line, upon the Water Treatment Plant being constructed and in service.
4. The Rural Municipality of Whitemouth complete and file a rate study encompassing all customers to be served following the completion of the merger, and to provide concurrent commentary on the potential rate implications associated with a new water treatment plant, with the Public Utilities Board and by no later than April 30, 2010.
5. The Rural Municipality of Whitemouth prepare and file a draft notice for Public Utilities Board's approval, to be issued to all customers and prospective customers of the proposed merged utility, the notice to advise of the

merger, of the interim rate decision of the Public Utilities Board, and of the plans with respect to a new water treatment plant; the notice shall provide the opportunity to write the Board with comments or concerns.

6. The Rural Municipality of Whitemouth provides confirmation with the Public Utilities Board from each of the utilities of their decision and agreement to merge, and as to the transferring of their assets and responsibilities to the municipality - the confirmations are to be filed no later than February 28, 2009.

Fees payable upon this Order - to be assessed following receipt of required confirmations and the rate study.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"
Chairman

"KRISTINE SCHWANKE"
Acting Secretary

Certified a true copy of Order No.
166/08 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 166/08

The minimum quarterly bills are as follows:

Restrictor Size Gallons per Minute (GPM)	Water Included Gallons	Charge
3 GPM ⁽¹⁾	3,000	\$37.65
3 GPM	3,000 to 15,000	\$37.65 plus \$4.55 per thousand over 3,000 gallons
3 GPM	Over 15,000	As above plus \$1.75 per thousand gallons for every thousand over 15,000
5 GPM ⁽²⁾	15,000	\$108.25
5 GPM	Over 15,000	\$108.25 plus \$1.75 per thousand for every thousand over 15,000
25 GPM ⁽³⁾	15,000	\$108.25 plus \$1.75 per thousand for every thousand over 15,000

⁽¹⁾3 GPM - residential connections

⁽²⁾5 GPM - agricultural connections

⁽³⁾25 GPM - Whitemouth Water Co-op Inc.