

M A N I T O B A) Order No. 168/08
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THE PUBLIC UTILITIES BOARD ACT) December 16, 2008

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

GREY REGIONAL WATER AND SEWER UTILITY
REVISED WATER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves revised water rates for the Grey Regional Water and Sewer Utility effective January 1, 2009:

Commodity Rate (\$/1,000 gallons)	Existing	Proposed	%
All Water Consumption	\$8.30	\$9.50	14.5
Haywood Sewer Service	\$0.80	\$0.80	0
Elm Creek Sewer Service	\$1.15	\$1.15	0
Quarterly Customer Service Charge	\$5.00	\$5.00	0
Minimum Quarterly Bill (5/8" meter)			
Haywood	\$33.35	\$36.95	10.8
Elm Creek	\$32.30	\$35.90	11.1
All Others	\$29.90	\$33.50	12.0

Existing sewer rates and the quarterly customer service charge will not change.

This Order is issued on an interim ex parte basis due to an urgent need for revised rates to meet an increase in the wholesale price of water (an increase beyond the control of the Rural Municipality of Grey (R.M.)).

By this Order, the Board also approves the R.M.'s proposal to meet its 2007 utility operating deficit out of accumulated utility surplus. The Board defers consideration of the 2008 anticipated utility operating deficit pending a review to follow finalization of 2008 results.

The R.M. is required to provide Notice to its ratepayers of the rate changes, and invite its customers to write the Board with any comments or concerns.

Background

The R.M. owns and operates the Grey Regional Water and Sewer Utility (Utility). The Utility provides water service to both urban and rural residents within the municipality, and sewer service to residents in the communities of Elm Creek and Haywood.

The Utility currently serves 542 customers through the operation of the following facilities:

- A reverse osmosis water treatment plant in the Village of Elm Creek that provides 185 customers with water service.
- Two water supply lines from the Cartier Regional Water Cooperative (Cartier); one line supplies water to a reservoir/pump house in Fannystelle, the second line supplies water to two booster pumping stations, providing a further 210 customers with water service.
- Two water supply lines from the Pembina Valley Water Cooperative (PVWC); one line supplies water to a reservoir/pump house in Haywood, the second supplies water to a reservoir/pump house in the Village of St. Claude, providing a further 146 customers with water service.
- A water supply line from the R.M. of Dufferin rural water system that provides an additional customer with water service.
- A gravity sewer system in the Village of Elm Creek, that provides sewer service to 156 customers.

- A low-pressure sewer system in the Village of Haywood, providing a further 22 customers with sewer service.

The Elm Creek water and sewer system was installed in 1980 and later upgraded with reverse osmosis treatment equipment in 1985, a reservoir expansion in 1993, a Wastewater Stabilization Pond expansion in 1999, and water treatment plant upgrades in 2004. Approximately 50% of the original water meters have been replaced; the remaining original meters are to be replaced over the next two to three years. All of the capital costs of the system have been met, and no debentures are outstanding.

The Elm Creek Utility was amalgamated with the Grey Regional Water and Sewer Utility in 2005, as approved in Board Order 113/05.

The Grey Regional Water and Sewer Utility was developed in 2002 to provide safe and reliable water supply to all residents within the municipality. Water and sewer services are currently being provided to the Local Urban District of Haywood, with water service to the hamlet of Fannystelle and rural water service throughout the municipality.

In 2008, the R.M. expects to connect an additional 30 customers, which would leave approximately 40 additional customers to connect at a later date pending availability of Federal/Provincial funding.

The R.M. has also secured infrastructure funding to install a low-pressure sewer system in the Hamlet of Fannystelle, which will likely be completed in 2010.

Capital costs associated with water supply are met by a local improvement levy on property outside of the Local Improvement District of Elm Creek. Capital costs for water distribution are funded by a combination of Federal and Provincial grants, service connection fees and transfers from the gas tax reserve fund.

The cost of administration, operation and maintenance for supply and distribution of water is to be recovered through commodity rates. Currently, there is no advance billing of the minimum quarterly charge - bills follow the service periods.

Commodity rates include a service charge and a minimum quarterly charge for water and sewer services. The commodity rates are expected to be adequate to ensure the utility breaks even annual on its operations.

Annual revenue for the utility is dependent upon the number and volume of consumption of customers, and the cost of water purchased from outside suppliers. The R.M. advises of difficulty in estimating future rates for water purchases from outside suppliers, as little or no notice of changes has been provided in the past.

As noted earlier, water is purchased from four outside suppliers:

- 1) PVWC supplies water to the Haywood Reservoir/Pumping station, for distribution to rural/urban customers. Some rural customers are directly connected to the supply line.

- 2) The Village of St. Claude receives water from PVWC at their Reservoir/Pumping station, and resells water to the R.M. for distribution to rural customers.
- 3) Cartier (operated by Manitoba Water Services Board) supplies water to the Fannystelle Reservoir/Pumping station and two booster stations for distribution to rural/urban customers.
- 4) The R.M. of Dufferin supplies one rural customer directly from their distribution lines.

The cost of purchased water from these suppliers represents approximately 55% of the Utility's 2007 operating budget (debenture debt charges excluded). Since the last water rate study in January 2005, water purchase costs have increased as noted:

Supplier:	Date:	Old Rate/M.G.	New Rate/M.G.	Increase
St. Claude	Sept 1/03	\$6.50	\$6.50	Nil
PVWC	Apr 1/06	\$4.90	\$5.40	\$0.50
Cartier	Apr 1/06	\$6.50	\$6.69	\$0.19
	Apr 1/07	\$6.69	\$6.84	\$0.15
	Oct 1/07	\$6.84	\$7.75	\$0.91
	Apr 1/08	\$7.75	\$7.91	<u>\$0.16</u>
Total Cartier increase				\$1.41
Dufferin	Apr 1/03	\$6.50	\$6.50	Nil

Consumers are located in both urban and rural areas, with rural use primarily for livestock. Domestic users are not large consumers and the average annual volume of consumption to these customers is fairly constant.

Water consumption for rural livestock users can vary greatly depending on nature and size of the operations and whether the municipal water supply is the only source used for livestock. A large poultry operation could use 1,500 gallons a day, while a large dairy operation could use as much as 5,000 gallons per day.

The R.M. uses a single-step rate schedule as approximately 60% to 80% of the proposed water commodity rate, depending on supplier, is directly related to supplier charges. There are cost reductions based on volume for water purchased from suppliers, and the municipality has no control over supplier cost increases.

The Utility recovers Utility annual debenture debt servicing costs of \$212,250 through taxes. Shared services between the General and the Utility operations are allocated based on time spent.

The Utility services 34 hydrants, and the R.M. is assessed \$100.00 per hydrant to the Utility.

Annual unaccounted for water has approximated 1.5%, well below the industry average.

At December 31, 2007, the Utility held a minimal \$3,281 in reserves.

Application

The R.M. made application to the Board for an increase in water rates as set out in By-law No. 11/08, which was read the first time on September 3, 2008. While sewer service is provided to

Elm Creek and Haywood customers, these rates were not proposed to change.

Existing and proposed rates are as follows:

Commodity Rate (\$/1,000 gallons)	Existing	Proposed	%
All Water Consumption	\$8.30	\$9.50	14.5
Haywood Sewer Service	\$0.80	\$0.80	0
Elm Creek Sewer Service	\$1.15	\$1.15	0
Quarterly Service Charge	\$5.00	\$5.00	0
Minimum Quarterly Bill (5/8" meter)			
Haywood	\$33.35	\$36.95	10.8
Elm Creek	\$32.30	\$35.90	11.1
All Others	\$29.90	\$33.50	12.0

The R.M. also applied for approval of a 2007 operating deficit of \$1,879.56, proposing that the deficit be recovered by transferring funds from the accumulated utility surplus of \$38,859.18, that amount before the deduction.

The 2007 operating deficit resulted from two (2) main factors:

- 1) Three separate rate increases by the Cartier system during the period April 1 to October, 2007.
- 2) The recording of accrued vacation time for staff of \$2,822.15, in accordance with new accounting rules.

The R.M. projected a further operating deficit in 2008 of \$3,026, an amount that could increase to \$8,600 in 2009, depending on the timing of the implementation of revised rates.

The rate study provided by the R.M. confirmed that the \$5.00 administration charge is adequate. The revised water rates were determined using the following forecast expenditures:

Water Purchases	\$246,906
Utility costs	\$ 27,650
Labour costs	\$ 66,125
Other	\$ 64,765
Total	<u>\$405,446⁽¹⁾</u>

⁽¹⁾ This total includes \$16,200 for contingency which if unused will be transferred to reserves.

The 2007 sewer costs are approximately \$4,100 and as noted earlier, sewer rates are not changing.

Board Findings

The Board finds the proposed rates are just and reasonable, and notes that the revisions meet the increased cost of purchasing water from suppliers - costs beyond the control of the R.M.

The Board notes that the 2007 deficit arose from water supply rate increases and that a further deficit for 2008 is anticipated given the new rates will only take effect in 2009.

The R.M. will be required to provide Notice to the ratepayers, with an invitation to comment on the revised rates to the Board. The Board will consider any concerns or comments and determine whether a public process or a variation of the directions contained in this Order are justified.

The Board also notes that the disconnect clause in the R.M.'s by-law does not agree with the Board's requirements and will direct the R.M. to amend the by-law as per Schedule "A" attached to this Order.

As the new rates reflect in part PVWC water costs, the Board notes that it intends to review PVWC rates and that if revised rates result amendments to the rates now set for the R.M. may

also be subject to further review.

The Board considers the R.M.'s proposal to recover the 2007 operating deficit from surplus reasonable. While the Board recently adopted new rules regarding the recovery of operating deficits, the Board will defer consideration of the 2008 anticipated deficit until final results are available. Once finalized, the R.M. will be required to obtain the Board's approval of the 2008 deficit if incurred.

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 (Rules). The Board's Rules may be viewed on the Board's website, www.pub.gov.mb.ca .

IT IS THEREFORE ORDERED THAT:

1. By-law No. 11/08 be amended to agree with Schedule "A" attached hereto, and the revised rates set out therein take effect January 1, 2009.
2. The 2007 operating deficit be recovered from the accumulated surplus of the utility.

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.
168/08 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 168/08

THE RURAL MUNICIPALITY OF GREY

GREY REGIONAL WATER AND SEWER UTILITY RATES

BY-LAW NO. 11/08

1. Commodity Rates per M.G.

	<u>Water</u>
All Water Consumption	\$9.50
Haywood Sewer Service	\$.80
Elm Creek Sewer Service	\$1.15

2. Minimum Quarterly Charges:

Notwithstanding the Commodity Rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum quarterly charges set out below, which will include allowances as indicated:

Meter Size	Gallons Minimum	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
			Water	Sewer	
a) Elm Creek Customers - water and sewer service					
5/8"	3,000	5.00	28.50	3.45	36.95
3/4"	6,000	5.00	57.00	6.90	68.90
1"	12,000	5.00	114.00	13.80	132.80
1 1/2"	30,000	5.00	285.00	34.50	324.50
2"	75,000	5.00	712.50	86.25	803.75
b) Haywood Customers - water and sewer service					
5/8"	3,000	5.00	28.50	2.40	35.90
3/4"	6,000	5.00	57.00	4.80	66.80
1"	12,000	5.00	114.00	9.60	128.60
1 1/2"	30,000	5.00	285.00	24.00	314.00
2"	75,000	5.00	712.50	60.00	777.50

c) All Customers - water only service

5/8"	3,000	5.00	28.50	-	33.50
3/4"	6,000	5.00	57.00	-	62.00
1"	12,000	5.00	114.00	-	119.00
1½"	30,000	5.00	285.00	-	290.00
2"	75,000	5.00	712.50	-	717.50

3. Bulk Sales Rate:

All water sold in bulk by the municipality shall be billed quarterly and charged at the commodity rate set forth in paragraph 1 hereof, subject to minimum charge based on 1,000 gallons. In addition to the commodity charge bulk customers will be charged a \$5.00 service charge per quarter.

4. Billings and Penalties for Non-payment of Account:

A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen (14) days after the mailing of the bills.

5. Non-Payment of Account:

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.

6. Outstanding Bills:

Where charges and penalties pursuant to this by-law remain unpaid for a period of 30 days or more after the due date, 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.

7. Hydrant Rentals:

The municipality shall pay the utility an annual rental fee of \$100.00 for each hydrant connected to the system which includes the cost of water for fire fighting.

8. Meter Accuracy:

Any customer requesting their water meter be tested for accuracy shall be required to make a deposit of \$100.00 with the municipality. If said meter is found to be accurate then the deposit will be retained by the municipality. If the meter is found to be inaccurate then the deposit will be returned to the customer.

9. Service to Customers outside the limits of Rural Municipality of Grey Regional Water And Sewer Utility:

The Council of the Rural Municipality of Grey may sign agreements with customers for the provision of water services to properties located outside the legal boundaries of the Municipality. Such agreements shall provide for payment of the appropriate rates set out in Sections 1 and 2 of this 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 for connecting to the utility's mains and installing and maintaining service connections shall be paid for by the customer.