

M A N I T O B A                    )     Order No. 169/08  
  )  
THE PUBLIC UTILITIES BOARD ACT     )     December 16, 2008

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

THE RURAL MUNICIPALITY OF MONTCALM  
LOCAL IMPROVEMENT DISTRICT NO. 1 (ST. JEAN BAPTISTE)  
- REVISED WATER AND SEWER RATES AND  
  RECOVERY OF 2007 REVENUE DEFICIT

## Executive Summary

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

\$/1000 gallons	Existing		Total	Revised		Total	%
	W	S		W	S		
1 step (15,000) <sup>(1)</sup>	\$8.75	\$1.60	\$10.35	\$12.50	\$3.45	\$15.95	54
2 step (85,000) <sup>(1)</sup>	\$6.85	\$1.60	\$ 8.45	\$ 9.70	\$3.45	\$13.15	56
3 step (1,000,000) <sup>(1)</sup>	\$5.20	\$1.60	\$ 6.80	\$ 9.70	\$3.45	\$13.15	93
Bulk Water	\$10.70			\$13.20			23
Service Charge	\$ 2.50			\$ 7.20			188
Minimum Quarterly Charge <sup>(2)</sup>	\$33.55			\$55.05			64

(1) reducing a 3 step rate schedule to 2 steps with first step remaining at 15,000 gallons and the second step being all over 15,000 gallons.

(2) minimum quarterly bill includes 3,000 gallons

The previous rates were established in 1999. The Board also approves offsetting the 2007 utility revenue deficit from the Utility Reserve Fund.

## Background

The RM operates a water and sewer utility serving 230 customers in the community of St. Jean Baptiste. The system was constructed in 1975/76.

In 2007 the Utility recorded a utility operating deficit of \$48,765, which was attributed to significant water losses resulting from a major water main break and by a malfunctioning water control valve in the reservoir. The water main break was repaired and the control valve has been recently replaced. The

RM applied to offset the 2007 deficit from its Utility Reserve Fund which, as at December 31, 2007, had a balance of \$120,279. (As at December 31, 2007 the Utility had an accumulated surplus balance of \$962.58.)

The Utility, which has been employing a 3-step rate structure, also proposed to move to a 2-step rate schedule as there are no high volume consumers.

The Utility's water is purchased from the Pembina Valley Water Co-operative (PVWC), at a rate of \$5.40 per 1000 Imperial gallons. The annual cost of water purchased was \$58,860.

The RM provides service outside the boundaries of St. Jean Baptiste, and at the same rates as those charged residents in the community. No surcharge is assessed on the basis that there are no outstanding debentures related to the Utility and hence no annual debenture servicing costs.

The RM advises that if debentures related to the Utility are issued in the future, a surcharge will be applied on customers outside St. Jean Baptiste and that a provision in its proposed rate By-law provides for surcharges.

The Utility maintains a water reservoir and provides chlorination treatment, the latter only as required. The sewage system relies on gravity flow with a main lift station pumping into the sewage lagoon via a forcemain. The current lagoon was reported as nearing capacity and that discussions are ongoing regarding a proposed expansion.

With no accurate records available on the historical cost of the Utility infrastructure the RM has reflected contingency allowances of \$3,350 for water and \$5,650 for sewer (representing approximately 1% of the estimated original capital cost of the system). The rate proposal also reflects a provision to rebuild the Utility reserve fund (\$2,500 for both water and sewer).

The Utility currently has 32 water hydrants; the RM proposed charging the General Fund \$150.00 per hydrant - an increase from the current \$50.00.

The RM employs two Utility Operators who are certified at Level 1, which the RM advises is adequate for a Utility of its size and type. No provision was reflected in the rate proposal for continuing education costs related to the Operators; the RM advises there are no pending retirements requiring such a provision.

Shared service expenses between the RM and the Utility are allocated based on time spent.

Pursuant to the requirements of Water Stewardship an engineering assessment of the Utility's water system will be completed by March 31, 2009.

## **Application**

On October 13, 2008 the RM made application to the Board for revised water and sewer rates as set out in By-law No. 668/08 read the first time on October 8, 2008. The last rate change occurred in 1999.

As previously indicated existing and proposed rates were:

\$/1000 gallons	Existing		Total	Proposed		Total	%
	W	S		W	S		
1 step (15,000) <sup>(1)</sup>	\$8.75	\$1.60	\$10.35	\$12.50	\$3.45	\$15.95	54
2 step (>15,000) <sup>(1)</sup>	\$6.85	\$1.60	\$ 8.45	\$ 9.70	\$3.45	\$13.15	56
3 step (>1,000,000) <sup>(1)</sup>	\$5.20	\$1.60	\$ 6.80	\$ 9.70	\$3.45	\$13.15	93
Bulk Water	\$10.70			\$13.20			23
Service Charge	\$ 2.50			\$ 7.20			188
Minimum Quarterly Charge <sup>(2)</sup>	\$33.55			\$55.05			64

(1) reducing a 3 step rate schedule to 2 steps with first step remaining at 15,000 gallons and the second step being all over 15,000 gallons

(2) minimum quarterly bill includes 3,000 gallons

Projected annual utility operating costs reflected in the RM's rate proposal were:

Administrative	\$ 6,500
Water	\$ 98,478
Sewer	\$ 19,960
Total	<u>\$124,938</u>

As noted earlier the projected total operating cost includes provisions for contingency and for building the Utility Reserve Fund. In developing its rate proposal the RM followed the Guidelines adopted by the Board.

The RM advised that its proposed By-law will be amended to

include the Board's requirements regarding disconnection of service (as set out in Board Order 127/08).

Notice of the RM's Application was mailed to each customer with an invitation to write the Board by November 28, 2008 if there were any concerns; no responses were received.

### **Board Findings**

The Board finds the proposed rates just and reasonable and will approve the revised rates as proposed. The Board will also approve the proposed recovery of the 2007 revenue deficit by way of a draw down of the Utility reserve.

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

Schedule "A" attached to this Order is to be incorporated in the RM's By-law as it includes the required clause related to service disconnection.

Finally as the new rates reflect in part PVWC water costs, the Board notes that the RM's rates will be subject to review if a future Board review of PVWC's rates results in revised rates for the cooperative. The Board intends to review PVWC's rates though no process has yet been established.

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](http://www.pub.gov.mb.ca).

**IT IS THEREFORE ORDERED THAT:**

1. By-law 668/08 BE AND IS HEREBY APPROVED subject to it being amended to agree with Schedule "A" attached hereto.
2. Recovery of the 2007 revenue deficit in the amount of \$48,765 from the Utility Reserve Fund is hereby approved.

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.  
169/08 issued by The Public  
Utilities Board

Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 169/08

RURAL MUNICIPALITY OF MONTCALM

LOCAL IMPROVEMENT DISTRICT NO. 1 (ST. JEAN BAPTISTE)

WATER AND SEWER RATES

BY-LAW NO. 668/08

**Schedule of Quarterly Rates:**

1. Commodity Rates per M.G.

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Domestic Rate: First 15,000 I.G.	\$12.50	\$3.45	\$15.95
Intermediate: All over 15,000 I.G.	\$ 9.70	\$3.45	\$13.15
Bulk Water Sales Rate	\$13.20	n/a	\$13.20

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:

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Gallons</u>	<u>Water</u>	<u>Sewer</u>	<u>Service Charge</u>	<u>Total</u>
5/8"	1	3,000	\$ 37.50	\$ 10.35	\$7.20	\$ 55.05
3/4"	2	6,000	\$ 75.00	\$ 20.70	\$7.20	\$ 102.90
1"	4	12,000	\$150.00	\$ 41.40	\$7.20	\$ 198.60
1 1/2"	10	30,000	\$333.00	\$103.50	\$7.20	\$ 443.70
2"	25	75,000	\$769.50	\$258.75	\$7.20	\$1,035.45

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 LUD of St. Jean Baptiste 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 LUD of St. Jean Baptiste:

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 LUD of St. Jean Baptiste. 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.

9. Sewer Surcharges:

- a) There may be levied annually, in addition to the rates set forth herein, a special surcharge on sewage having a Biochemical Oxygen Demand in excess of 300 parts per million, to be set by resolution of Council.
- b) A special surcharge for substances requiring special treatment shall be charged to a customer based on the actual costs of treatment required for the particular sewage or industrial waste.