

M A N I T O B A                    )  
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THE PUBLIC UTILITIES BOARD ACT    )    Order No. 41/08  
  )    April 8, 2008

BEFORE:   Susan Proven, P.H.Ec., Acting Chair  
              Alain Molgat, B.Comm, CMA, Member

TOWN OF NIVERVILLE  
CROW WING SUBDIVISION  
INITIAL WATER RATES

### **Executive Summary**

By this Order, and following a public hearing held in Niverville on March 25, 2008, the Public Utilities Board (Board) approves the Town of Niverville's (Town) application for initial water rates for its Crow Wing Subdivision's Utility (Utility and/or Subdivision), a new stand-alone operation.

The Board accepts the Developer's proposal for the Board to approve the proposed rates and revisit the potential for a per lot charge after one year's operating experience. The following rates are to take effect the date the Utility is transferred to the Town:

<b>Crow Wing Subdivision</b>	<b>Initial Rates</b>
Water Charge (per 1,000 gallons)	\$7.50
Service Charge (Quarterly)	\$9.00
Minimum Quarterly Bill (5/8" meter)	\$31.50*

\* Minimum quarterly bill to include 3,000 gallons.

The Town is to file with the Board a new rate study following the close of 2009 operations, and by no later than March 1, 2010. The Board will receive the Town's views, towards whether a lot charge and/or revised rates are required.

### **Application**

The Town's application was set out in By-law No. 654-07, read for the first time on December 4, 2007.

The proposed initial rates were:

	<b>Proposed</b>
Water Charge (\$1,000 gallons)	\$7.50
Service Charge (Quarterly)	\$9.00
Minimum Quarterly Bill (5/8" meter)	\$31.50*

\* Minimum quarterly bill to include 3,000 gallons.

The Town operates other water and sewer utilities within the Town's boundary, and this Order does not affect rates for those operations. The Town is currently reviewing the possibility of establishing a combined water and sewer utility.

The Crow Wing Utility will, at least initially, serve as a stand-alone operation, with its own water source, treatment facility, distribution system and accounting records. Revenue is to recover all operating costs plus capital repair costs. Administrative services are to be provided by the Town, with costs allocated to the Crow Wing Utility.

The Subdivision includes 173 lots which are to be developed in two phases, and, for the purpose of developing initial rates, the Town had assumed 30 connected customers in 2008. However, at the hearing, the Developer advised that Phase 1 of the Subdivision, which includes 76 lots, already has 49 lots sold, with 13 homes currently connected to the Utility, 8 under construction and 7 plans submitted for approval in the 2 weeks leading to the hearing.

The Subdivision obtains its water from a well and treatment includes filtration using sand filters and chlorination. There are no fire hydrants in the Subdivision and bulk water is not sold. The

Developer advised that the water retention ponds are connected to the land drainage system (LDS) in the development, and water for fire fighting is available through grates in the street that connect to the LDS.

Following are the projected annual operating costs of the Utility. The Town's operating experience with the Fifth Avenue Estates utility was used as a basis for projecting the costs, though recognizing the two (2) systems are different.

Administration	\$ 1,060.00	
Operating Costs	<u>\$12,650.00</u>	
Total	\$13,710.00	
Reserves	\$ 3,000.00	
Contingency	<u>\$ 1,500.00</u>	(0.3% of capital cost)
	<u>\$18,210.00</u>	

The original capital cost of the system was reported in the rate study to be \$482,000, though the Developer advised the total cost was actually \$606,000.

The Town advised there are no arrangements with the Developer to recover any revenue shortfall related to the operating costs of the Utility due to low customer connections in the early years of operation. The Developer has operated the Utility since August 2007, although the transfer of ownership to the Town is imminent. The Town agreed to advise the Board once the transfer is made.

Initial rates will take effect on date of the transfer at which time meters will be read.

As the number of customer connections at the time the application

was filed was only 7, the Town was then-asked to comment as to the plans for recovery of any 2008 revenue shortfall. At the time, the Town indicated that if a revenue shortfall occurred, a new application would be filed accompanied by a new rate study.

Based on the information provided by the Town prior to the hearing, including the staging of the 30 connections throughout the year, a revenue shortfall was projected for 2008 in the amount of \$9,900.00. The Notice of Application and Public Hearing advised the reader of some options to recover the projected shortfall, and those included a potential transfer of funds from the General Revenue Fund of the Town, a 6-fold increase in the rate proposed, or a per lot charge of \$70.00 (the latter to be collected over the entire 173 lot subdivision, excluding connected customers).

However, with the update of customer connections provided by the Developer and noting that the Developer had absorbed the first quarter operating costs, the Town is hopeful a 2008 deficit will be avoided or small. The Town noted that in 2009, it projects 50 connections and a year-end operating surplus of \$12,000.00. Any revenue shortfall in 2008 would be recovered from this surplus.

#### **Participants' views**

One customer appeared at the hearing expressing concern about the potential for a 6-fold increase of the proposed rates and stated he and the other connected customers ought not be responsible for carrying the entire cost of the Utility. The customer felt this was a cost that ought to be borne by the Developer.

Another customer sought information about the process used to ensure that a Utility is self-sustaining and properly accounted for. The

Town advised that the Utility is a stand alone operation with separate accounts, and provided assurance that any monies held in reserves will be used for Utility purposes only.

The Developer opposed the per lot charge and reminded the Board that the higher capital cost of the Utility (\$606,000 versus \$482,000) had been absorbed by it and that the Utility continues to be operated by it at no cost to the Town or the existing connected customers. As the Developer uses no water, it held that a per lot charge would place its development at a disadvantage as compared to other developments in the Town.

The Developer recommended that the Utility be allowed to operate with the proposed rates for one year, and if revenues remain insufficient, then a per lot charge be re-considered.

With respect to the proposed golf course and commercial area, the Developer advised that a new agreement will be required prior to these areas being connected to the Utility.

#### **Board Findings**

Of concern to the Board is the ability of the Utility to be financially self-sustaining in the early stage of operation, particularly with so few customers. While the Town initially estimated the Utility would be self-sustaining with 30 connections, its projection assumed all customers would be connected at the start of the year, which is not the case. The Town subsequently advised that connections will occur over the course of 2008, with the largest number of connections occurring late in the year.

However, the Developer's latest report of connections was more promising and should result in sufficient revenues in 2008 to allow for a near breakeven position; any shortfall to be recovered from

future surpluses in the Utility.

However, there remains a high probability of a revenue shortfall in 2008, and the Utility has neither reserves nor an accumulated cash surplus to recover a shortfall; thus, the Town now expects to recover any shortfall from future projected surpluses.

By legislation in Manitoba, utilities are to operate on a breakeven basis and any deficit must be recovered following the year incurred.

In light of the fact that not all projected connections needed for a breakeven position will occur, options were identified and discussed during the hearing to avoid shortfall in the first year of the Utility operation. These included:

1. Increase the proposed rates to the connected users to effect full recovery. The Board determined this is not considered fair and equitable to those users; or
2. Ask the Town to make a non-refundable contribution to the Utility from General Revenue. The Board determined this would be unfair to the general taxpayer who are not residents in the development; or
3. Charge the Developer and/or lot owners in the entire development a per lot charge. This is not exactly consistent with the user-pay concept. However, it does reflect that there are fixed costs related to the operation of the Utility irrespective of consumption.

Having considered the updated and more optimistic projections provided by the Developer, the Board will approve the rates proposed by the Town and accept the optimism of the Town that if a deficit is incurred it will be manageable and likely absorbed by future surpluses of the Utility.

However, the Town will be required to file a new rate study following

the close of 2009 by no later than March 1, 2010, and that study should indicate rate adequacy, even if higher rates or other actions are required. As suggested by the Developer, if the Utility is not sustainable with existing rates, a per lot charge will be considered as the other options are unacceptable.

In all other respects, the Board finds the rates just and reasonable and will approve same.



**IT IS THEREFORE ORDERED THAT:**

1. By-law No. 654-07 be and is hereby approved effective the date the Town of Niverville assumes responsibility for the operation of the Crow Wing Utility.
2. The Town of Niverville file a new rate study following the close of 2009 by no later than March 1, 2010.

Fees payable upon this Order - \$250.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA."

Chairman

"G. BARRON, FCGA"

Acting Secretary

Certified a true copy of Order No.  
41/08 issued by The Public Utilities  
Board

\_\_\_\_\_  
Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 41/08

TOWN OF NIVERVILLE  
CROW WING SUBDIVISION

INITIAL WATER RATES

BY-LAW NO. 654-07

1. **Single-Step System:**

Domestic Rate of \$7.50 per 1000 Imperial Gallons.

2. **Minimum Quarterly Charges:**

Notwithstanding the commodity rate set forth in Section 1 above, all customers with water service shall pay the applicable minimum charge set out below, which include water allowance as indicated:

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Gallons</u>	<u>Water</u>	<u>Service Charge</u>	<u>Minimum Quarterly Billing</u>
5/8"	1	3,000	\$ 22.50	\$9.00	\$ 31.50
3/4"	2	6,000	45.00	9.00	54.00
1"	4	12,000	90.00	9.00	99.90
1 1/2"	10	30,000	225.00	9.00	234.00
2"	25	75,000	562.50	9.00	571.50

3. **Bulk Water Rate:**

There are no Bulk Water Sales off this system.

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

All connected customers shall be billed quarterly and payment shall be due and payable within 21 days after the mailing of the bills. A late payment charge of 1.25% (1 1/4%) 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 the bills sent to the customers.

5. **Disconnection of Service:**

Water Sewer service may be disconnected and discontinued when an account is 30 or more days past due. Disconnection and discontinuance is subject to a 15-day notice provided in writing.

6. **Reconnection of Service:**

Any service disconnected, whether due to non-payment of account or for any other reason(s) mutually agreed to by the customer and the Town (i.e., repairs necessitated by negligence of the customer, changes in tenant, vacancy for an extended period of time, etc.) shall not be reconnected until a reconnection fee of \$30.00 and all arrears and penalties, if any, have been paid.

7. **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.

8. **Testing of Water Meters for Accuracy:**

Any customer desiring and requesting their meter to be tested for accuracy shall deposit with the Town 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 the average flow.

9. **Service to Customers outside Town limits:**

Council of the Town of Niverville may sign agreements with customers for the provision of water services to properties located outside the legal boundaries of the Town. Such agreements shall provide for payment of the appropriate rates set out in 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 from time to time, or may be in effect from time to time and which would be levied on the property concerned if it were located within the Town boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining the service connection(s) shall be paid for by the customer.

10. **Water allowances due to line freezing:**

That in any case where, at the request of Council, a customer allows water to run continuously for any period of time to prevent the waterlines in the water system from freezing, the charge to the customer for the current quarter shall be the average of the billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.