

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

RURAL MUNICIPALITY OF VICTORIA  
LOCAL URBAN DISTRICT OF CYPRESS RIVER  
UTILITY SURCHARGE (CUSTOMERS  
SERVED OUTSIDE CYPRESS RIVER'S BOUNDARIES)

## **Executive Summary**

By this Order, the Public Utilities Board (Board) approves an application by the Rural Municipality of Victoria (RM) with respect to the Local Urban District of Cypress River (LUD) and establishes a surcharge of \$7.15 per thousand gallons on water consumed by Utility customers outside the LUD's boundaries.

However, with respect to the duration of the surcharge, the Board varies the RM's application and directs that the surcharge be in place from the next billing date through to the final billing for the year 2011.

## **Introduction**

By Order 172/07 dated December 31, 2007, the Board, approved revised utility rates for the LUD.

The revised rates did not recognize that while utility capital costs were being recovered from LUD ratepayers through property taxes, customers of the Utility residing outside of the LUD's boundaries were not making a similar contribution.

Accordingly, Order 172/07 also requested that the RM consider a utility rate surcharge on residents served outside the LUD's boundaries; the RM's authority to assess surcharges is set out in RM By-law No. 1293/2007.

### **Application, Discussion and Findings**

On April 9, 2007, the RM, by way of Council Resolution #108/2008 dated April 9, 2008, proposed a \$7.15 per thousand gallon surcharge on water consumed by Utility customers outside the LUD's boundaries. The RM also proposed that the surcharge, upon being approved by the Board, only be only collected in 2008, as the debenture debt of the Utility, representing the LUD's Utility capital costs associated with water service, will mature in 2008. The RM's position was set out in an email to Board staff dated May 22, 2008. The debenture was issued in 1993, and customers outside of the LUD's boundaries began receiving water from the RM in 2000.

The RM estimated that approximately \$6,900 would be generated by the surcharge, for credit to the utility reserve fund.

The proposed \$7.15 surcharge is based on customers located outside the LUD being obliged to meet a prorated share of debenture debt servicing costs from the date of implementation of the charge through to the expiry of the debenture. Due to late implementation of a surcharge, coming four months into 2008, the expected revenue is far less than \$6,900.

As this matter flows from the Board's consideration of the RM's general rate application for revised rates, which resulted in Order 172/07, for which public Notice was provided, the Board concluded no further notice was required.

The Board also considered varying the RM's proposal and directing the implementation of the proposed surcharge through to 2014, to reflect the time, from the date of service being provided to

customers outside of the LUD's boundaries, the year 2000, to the implementation of the surcharge.

The Board estimates that customers beyond the LUD's boundaries have saved as much as \$40,000 over this period from what they would have paid if the surcharge had been made from the date service began to be provided. This is a considerable sum, and represents a degree of unfairness with respect to customers within the LUD's boundaries whom have paid the equivalent of the surcharge through reflection of the debenture servicing costs in property taxes since the debenture was issued.

However, as the RM expressed the view that it was not the responsibility of the customers outside of the LUD that the surcharge was not put in place earlier, the Board establishes a compromise position. The surcharge is to be in place for approximately half the time it should have been, and the additional revenue that will be raised from the surcharge should assist all ratepayers.

**IT IS THEREFORE ORDERED THAT:**

A surcharge of \$7.15 per thousand Imperial Gallons of water consumed is to be assessed against the residents served utility services beyond the boundaries of the Local Urban District of Cypress River for water consumed from the next billing date to and including December 31, 2011, IS HEREBY APPROVED.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chair

"GERRY BARRON, FCGA"

Acting Secretary

Certified a true copy of Order No.  
63/08 issued by The Public Utilities  
Board

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Acting Secretary