

M A N I T O B A)
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THE PUBLIC UTILITIES BOARD ACT) Order No. 78/08
)
) June 5, 2008

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

THE TOWN OF RAPID CITY
REVISED WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves an application by the Town of Rapid City (Town) for revised water and sewer rates as of July 1, 2008 and January 1, 2009 and 2010, and recovery of a 2007 utility operating deficit by way of a draw from accumulated utility surplus.

Approved By-law No. 2-08 now will establish new rates for water consumption on and after July 1, 2008:

\$/1000 gallons	Existing	2008	Inc	2009	Inc	2010	Inc
Water	\$ 6.95	\$11.34	63%	\$11.91	5%	\$12.51	5%
Sewer	\$ 2.00	\$ 2.60	30%	\$ 2.73	5%	\$ 2.87	5%
Minimum Quarterly Bill (5/8")	\$41.85	\$58.82	40%	\$61.77	5%	\$64.89	5%
Sewer Only (quarterly)	\$33.00	\$43.00	30%	\$45.00	5%	\$47.00	5%
Quarterly service charge	\$15.00	\$17.00	13%	\$17.85	5%	\$18.75	5%

The Town faces significant challenges with respect to an aging utility infrastructure. The new rates are expected to meet projected future costs through 2010 and contribute to the Utility Reserve Fund.

Application

On February 13, 2008 the Town applied to the Board for approval of:

1. A 2007 operating deficit of \$4,967.90 to be recovered from the accumulated surplus account of the Utility which at December 31, 2007 had a balance of \$70,925; and
2. Approval of revised water and sewer rates as noted above. Notice of the Town's rate Application was published and posted, and invited ratepayers to write the Board with any comments or concerns regarding the Town's application; no comments were received.

The Town's rate Application was supported by By-law 2-08, a rate study and other supporting material. The last rate change occurred in 1994.

Deficit

The Town had previously incurred utility operating deficits in 2006 (\$17,281), 2005 (\$5,169) and 2002 (\$5,637). Recovery of those deficits was from accumulated cash surplus, and was approved by the Board.

The Town's Utility has high unaccounted for water - 44% in 2007 and 23% projected for 2008. Because of the gravel/sand soil conditions in the area, leaks in the system are not readily apparent. In late 2006, the Utility had three line breaks, which were subsequently repaired. In early 2007, three more leaks were repaired. The Town had to employ an external contractor to do the repairs, at a cost of \$17,726 in 2007.

As a result of the repairs, the level of unaccounted for water decreased from a high of 65% in the second quarter of 2007 to 23% in the fourth quarter. To assist in further leak detection, the Town plans to use the service of an expert consultant.

To support Utility costs in 2007, particularly the cost of line repairs, the Town transferred \$21,500 into the Utility's operating account from Utility Reserves leaving a reserve balance of approximately \$20,775 as at December 31, 2007. Despite this transfer, the Utility incurred a deficit of \$4,967.90, now met by accumulated surplus with the Board's approval by way of this Order.

Rates:

Projected utility operating costs, per the rate study, now reflected in revised rates:

	Rate Study
Administration	\$11,562
Water	\$51,509
Sewer	<u>\$11,372</u>
	<u>\$74,443</u>

The Town followed the Board's guidelines in preparing its rate study, including providing for a contingency allowance based on 1% of the original capital cost of the system, that being \$306,067 as of 2006. The annual contingency provision is \$2,700 for water and \$900 for sewer.

The Utility's annual debenture servicing cost, \$19,060 in 2007, is collected from ratepayers by way of property tax levies.

In 2006 and 2007, the Town replaced several curb stops and valves to reduce line losses. The Town reports now having a better understanding of its Utility system's condition and needs. As a result, the Town now should be in a better position to control operating costs.

The Town reviewed the allocation of staff salaries and administrative costs between the Utility and the General Operating Fund and considered the allocation to the Utility to be fair and reasonable for the current circumstances.

The Town intends to continue building its reserve fund and to accomplish this by phased-in rate increases. With the rates now set, the Town projects accumulating a utility operating surplus of approximately \$30,000 through 2010.

Background

The system was built in 1980, and is showing signs of its age.

There are currently 168 customers being served by way of a 5/8" service line. The Town reported no bulk water sales.

There are three outstanding debentures related to the Utility; as of January 1, 2008, the outstanding balances were:

By-law No. 6-94	\$42,461.70	Matures 2013
By-law No. 5-93	\$ 7,029.64	Matures 2012
By-law No. 2-05	\$51,212.79	Matures 2015

Board Findings

The Board has reviewed the Town's application, finds it reasonable and just and will approve same. The Board is pleased the Town is taking a longer-term outlook and, through this rate change, is providing its customers rate predictability for the next three years.

The Board understands that the rate increases are significant and represent "rate shock", but notes that rates have not changed since 1994 and since then costs have increased significantly and new provincial water and sewer requirements have come into place. By the rate changes effected herein, the Utility is placed in a better position to address its urgent need to begin upgrading an aging infrastructure.

The Board is also pleased that the allocation of staff salaries and other administration costs have been reviewed to reflect an approach more truly reflective of the costs being incurred for each of the Town's areas of responsibility.

IT IS THEREFORE ORDERED THAT:

1. The recovery of the 2007 operating deficit, incurred by the water and sewer utility of the Town of Rapid City, in the amount of \$4,967.90, from the Utility's accumulated surplus BE AND IS HEREBY APPROVED; and
2. By-law No. 2-08 of the Town of Rapid City BE AND IS HEREBY APPROVED effective on and after July 1, 2008 and January 1, 2009 and 2010.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"G. O. BARRON"

Acting Secretary

Certified a true copy of
Order No. 78/08 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 78/08

THE TOWN OF RAPID CITY

WATER AND SEWER RATES

BY-LAW NO. 2-08

SCHEDULE OF QUARTERLY RATES:

1. Commodity rates per M.G.

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
All water consumption 2008	\$11.34	\$2.60	\$13.94
All water consumption 2009	\$11.91	\$2.73	\$14.64
All water consumption 2010	\$12.51	\$2.87	\$15.38

2. Minimum Charges, Quarterly

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

2008

Meter Size	Group Capacity Ratio			Commodity Charges		
				Water	Sewer	
5/8"	1	3,000	17.00	34.02	7.80	58.82
3/4"	2	6,000	17.00	68.04	15.60	100.64
1"	4	12,000	17.00	136.08	31.20	184.28
1 1/2 "	10	30,000	17.00	340.20	78.00	435.20
2"	25	75,000	17.00	850.50	195.00	1062.50

Water Only Customers

Minimum Charge will be the same for each meter size as shown above, but the Sewer Commodity Charge will be excluded.

Sewer Only Customers

The Town of Rapid City do charge the owners or occupants of land serviced with sewer but no water the sum of \$43.00 per quarter.

2009

Meter Size	Group Capacity Ratio			Commodity Charges		
				Water	Sewer	
5/8"	1	3,000	17.85	35.73	8.19	61.77
3/4"	2	6,000	17.85	71.46	16.38	108.69
1"	4	12,000	17.85	142.92	32.76	193.53
1 1/2 "	10	30,000	17.85	357.30	81.90	457.05
2"	25	75,000	17.85	893.25	204.75	1115.85

Water Only Customers

Minimum Charge will be the same for each meter size as shown above, but the Sewer Commodity Charge will be excluded.

Sewer Only Customers

The Town of Rapid City do charge the owners or occupants of land serviced with sewer but no water the sum of \$45.00 per quarter.

2010

Meter Size	Group Capacity Ratio			Commodity Charges		
				Water	Sewer	
5/8"	1	3,000	18.75	37.53	8.61	64.89
3/4"	2	6,000	18.75	75.06	17.22	111.03
1"	4	12,000	18.75	150.12	34.44	203.31
1 1/2 "	10	30,000	18.75	375.30	86.10	480.15
2"	25	75,000	18.75	938.25	215.25	1172.25

Water Only Customers

Minimum Charge will be the same for each meter size as shown above, but the Sewer Commodity Charge will be excluded.

Sewer Only Customers

The Town of Rapid City do charge the owners or occupants of land serviced with sewer but no water the sum of \$47.00 per quarter.

3. Service to customers outside the Municipality, or L.I.D., limits

The Council of the Town of Rapid City may sign agreements with customers for the provision of water and sewer services to properties located outside the boundaries of the Municipality. Such agreements shall provide for payment of the appropriate rates as set forth in paragraphs 1 and 2 of this schedule, as well as a surcharge, set by resolution of Council, which shall be equivalent to the frontage levy, and general and special taxes for Utility purposes in effect at the time, or as may be in effect from time to time, and would be levied on the property concerned if it were within these boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining service connections will be paid by the customer.

4. Disconnection

Service may be disconnected and discontinued for non-payment of the account. If the account remains unpaid **30 days** past the due date, customers will be sent a reminder notice. If after a further 30 days, the account remains unpaid, a second notice will be issued providing disconnection advice unless payment is received within **30 days**. All disconnection notices shall advise the customer of the specific date of the disconnection and of their right to appeal to The Public Utilities Board and include the Board's relevant contact information.

5. Reconnection Fee

A customer who has had his service disconnected for any reason shall not be reconnected until all regulations have been complied with, and all arrears paid, as well as any penalties and a reconnection fee of \$40.00.

6. Billing & Penalties

Accounts will be billed quarterly. A late payment charge of 1¼% shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen days after the mailing of the bills.

7. Outstanding Bills

Pursuant to Section 252(2) of The Municipal Act, the amount of all outstanding charges for water and sewer service are a lien and charge upon the land serviced, and shall be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies.

8. Hydrant Rentals

The Town of Rapid City will pay to the utility an annual rental of \$95.00 for each hydrant connected to the system.

9. Water Allowance Due to Line Freezing

That in any case where, at the request of the Council, a customer allows water to run continuously for any period of time to prevent the water lines in the water system from freezing, the charge to that 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.

10. Sewage Surcharges

(a) There may be levied annually, in addition to rates set forth above, a special surcharge on sewage having a Biochemical Oxygen demand in excess of 300 parts per million, to be set by special resolution of Council.

(b) A special surcharge for substances requiring special treatment shall be charged based on the actual costs of treatment required for the particular sewage or industrial wastes.