

M A N I T O B A)	Order No. 83/08
)	
THE PUBLIC UTILITIES BOARD ACT)	June 20, 2008

BEFORE: Graham Lane, CA, Chairman
Monica Girouard, CGA, Member

THE TOWN OF MACGREGOR
REVISED WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves an application by the Town of MacGregor (Town) for revised water and sewer rates; the revised rates are effective for the next quarterly billing.

Existing and revised rates are:

	Existing			Approved			Increase
	Water	Sewer	Total	Water	Sewer	Total	
First 90 M ³	\$1.40	\$0.45	\$1.85	\$2.25	\$0.45	\$2.70	46%
Over 90 M ³ (1)	\$1.15	\$0.45	\$1.60	\$2.25	\$0.45	\$2.70	69%
Minimum Quarterly Bill - 14 M ³	\$30.25			\$52.80			75%
Sewer only (Quarterly Bill) (2)	\$24.20			\$42.85			77%
Bulk water (/1,000 gals)	\$ 5.00			\$10.25			105%
Quarterly Service Charge	\$ 4.35			\$15.00			245%

(1) The large volume discount rate (2nd step) will be eliminated.

(2) Sewer only customer charges are now based on 62 M³ per quarter, previously 44 M³ per quarter.

The previous rate change was implemented in 1994.

The increases result from the Town's now purchasing its water from the Yellowhead Regional Water Co-operative (YRWC). The cost of the water supply has increased 285%, from \$1.95 per thousand gallons to \$7.50. YRWC has advised that, in future, its price for the Town's water will increase in step with increases in the Consumer Price Index (CPI).

Application

The Town's application was supported by By-law No. 746/2008, read for the first time on April 12, 2008, a rate study and other supporting material.

In 2007, the Town switched its water supply to the YRWC due to concerns over water quality. The Town weighed the projected cost to overhaul the treatment plant to meet Provincial water quality standards against switching its water source, and opted for the latter. This necessitated a review of the existing rates.

The following table reflects the changes in the Town's cost of water since 1999.

	\$/1000 gallons	% Increase/ (Decrease)
1999	1.71	
2000	1.76	2.9
2001	1.62	(8.0)
2002	2.36	45.7
2003	2.83	19.9
2004	1.54	(45.6)
2005	1.63	5.8
2006	2.79	71.2
2007	1.95	(30.1)
2008	7.50	284.6

From 1994 through to this rate change as provided by this Order, increases in the cost of water to the Town were absorbed by its Utility. During that extended period, the Utility built up its reserve fund and accumulated surplus to \$266,505 and \$112,847, respectively (balances as of December 31, 2007), without incurring any year with an operating deficit.

In 2007 the Utility reported an operating surplus of \$5,093, this after a \$35,000 transfer to its reserve fund. In the past 10 years,

the Utility has transferred an average \$31,200 to reserves, and reported annual Utility surpluses averaging \$2,370.

However, given the substantial increase in the cost of purchasing water this trend could not continue without a rate increase.

In the Town's preliminary 2008 budget, which supported its utility rate application, the Town projected a reduction to the transfer to reserves to \$3,000, with a projected surplus of \$9,104.

The annual cost of purchasing water was projected to increase from \$53,629 in 2007 to \$247,000 in 2008; the Manitoba Water Services Board (MWSB), which sets the rates for the YRWC, advised the Town that future increases will be tied to CPI increases.

The following operating costs were used to develop the new rates:

Administration	\$ 24,780	
Water	\$ 267,797	(1)
Sewer	<u>\$ 39,704</u>	(1)
Total	<u>\$ 332,281</u>	

⁽¹⁾ The rates include \$2,705 for contingencies.

The approximate capital cost of the system was \$270,500.

The Town proposed the elimination of its 2-step rate structure, which was providing a discounted rate to the Town's 9 large volume users. The Town advised it could not support a 2-step rate structure with water now being purchased at a one-step rate.

The Town reported that provincial drinking water standards are being met.

The 2008 capital plan reflects the following Utility expenditures will be required.

	Cost	Recovery
2009	\$300,000	Debenture (50%)
2010	--	
2011	--	
2012	--	
2013	\$1,200,000 (lagoon)	Debenture (50%)

The \$300,000 projected capital expenditure is related to a planned the extension of water and sewer service to a new area of the Town. The project is to be funded on a 50% sharing basis with the MWSB. The Town's contribution would be met by the issuance of a debenture, to be serviced through the tax assessment system. The Town owns the land in the new area and will develop the lots.

Concerning the possible lagoon project, slated for 2013, the Town advises it plans to add a new cell. The matter is currently under review. If it proceeds, the Town expects to obtain a 50% funding contribution from MWSB, with the Town's share to be met by debenture, that to be serviced through tax assessments. The Utility currently has no outstanding debenture debt.

The level of unaccounted for water was reported to be approximately 21%, and attributable to water line breaks, the lack of metering of a number of not-for-profit agency customers, and to aging meters that may not be registering consumption accurately. The Town plans to install meters for all customers and will soon embark on a meter replacement program over the next 10 year period.

While the Town's planned meter replacement program is not indicated within its five-year capital plan, the Town plans to finance the initiative through a drawdown of the Utility Reserve Fund.

The Town's By-law 746/2008 includes charges based on metric and standard units, and the Town reported that the use of metric rates was consistent with past practice.

Notice of the Town's application was mailed to each customer and posted in several prominent locations in the area. The Notice invited the public to write the Board if they had any concerns or comments; no response was received by the Board.

Background

Prior to purchasing water from the YRWC, the Town's water supply was obtained from Squirrel Creek and treated in Austin. With the change to YRWC supply, the Town is providing bacteriological testing subsequent to receipt of the water, this to ensure appropriate levels of sodium hypochlorite are maintained throughout the distribution system. The wastewater lagoon is a 3 cell conventional facultative lagoon consisting of primary and two (2) secondary cells. Discharges are made into a nearby ditch under its operating license when bacteriological levels are attained.

The water distribution and sewage collection systems were both installed in 1962 and have received minor upgrades throughout the years of operation.

The Town reports 413 customers connected to the system, of which 14 are water-only (there are currently no sewer-only customers). Of the connections, 6 are located outside the Town boundaries, and are assessed a surcharge on their billings to provide fairness with

respect to the capital cost of the system, which are assessed to Town residents through local improvement levies.

Board Findings

The Town advises that decision to purchase water from the YRWC was taken by Council in the interest of safety and water quality standards.

The Board notes the Town's healthy utility financial position, particularly compared to certain other municipalities that the Board regulates. To not allow the pass-through of the increase in the cost of water now being purchased would reduce this strong financial position considerably, and would not be in ratepayers' best interests.

While the Town has experienced substantially higher water costs with the change to YRWC water, there have been no significant changes in the cost of operating the sewer system; accordingly, the sewer commodity rate is to remain as is. However, the minimum charge for potential sewer-only customers has been amended to reflect increased average sewage throughput of 62 cubic meters, up from 44.

The quarterly service charge will increase substantially, this to reflect a proper reallocation of administrative costs between the Town's Operating Fund and the Utility.

The Board is pleased with the Town's decision to implement a single step rate schedule. With YRWC water supply, there is no justification for continuing with volume discounts. A single step rate also promotes the conservation of water.

In the Board's view the rates are just and reasonable and accordingly will approve same.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 746/2008 of the Town of MacGregor BE AND IS HEREBY APPROVED, effective for the next quarterly billing, subject to amendment to agree with Schedule "A" to this Order.

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.
83/08 issued by The Public Utilities
Board

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Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 83/08

THE TOWN OF MACGREGOR

REVISED WATER AND SEWER RATES

BY-LAW NO. 746/2008

Schedule of Quarterly Rates

1. Commodity Rates (\$/cubic meter):

<u>Water</u>	<u>Sewer</u>	<u>Total</u>
\$2.25	\$0.45	\$2.70

2. Minimum Quarterly Charges:

Notwithstanding the commodity rates set forth in Paragraph One hereof, all customers will pay the applicable minimum charges set out below, which will include the water and sewer allowances indicated:

Meter Size	Group Capacity Ratio	Cubic Meters Minimum	Customer Service Charge	Commodity Charge Water	Commodity Sewer Charge	Total Quarterly Minimum
5/8"	1	14	\$15.00	\$ 31.50	\$ 6.30	\$ 52.80
¾"	2	28	\$15.00	\$ 63.00	\$ 12.60	\$ 90.60
1"	4	56	\$15.00	\$126.00	\$ 25.20	\$166.20
1 ½"	10	140	\$15.00	\$315.00	\$ 63.00	\$393.00
2"	25	350	\$15.00	\$787.50	\$157.50	\$960.00

a) Water Only Customers:

- i. Minimum charge will be the same as shown above for each meter size, however, the sewer commodity charge will be excluded.

b) Sewer Only Customers:

- i. The quarterly commodity charge, based on the average residential water consumption in the community (13,907 I.G.) plus the service charge, shall be \$42.85.

3. Bulk Water Sales:

- a) All water sold in bulk in each year shall be charged for at a rate of \$10.25 per M.G.

4. Billings and Payments for Non-Payment of Account:

- a) All connected customer shall be billed quarterly and payment shall be due and payable at least 20 days after the mailing of the invoices. 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 the customers.

5. Hydrant Rentals:

- a) The Town of MacGregor shall pay the utility an annual rental fee of \$165.00 per hydrant for each hydrant connected to the system which includes the cost of water for fire fighting.

6. Disconnection of Service:

- a) 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.

7. Reconnection of Service:

- a) Any service disconnected, whether due to non-payment of account or for any other reasons(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 the reconnection fee as prescribed in the By-Law Section 5, and all arrears and penalties, if any, have been paid.

8. Liabilities for Charges:

- a) Where charges and penalties pursuant to this by-law are not paid within sixty (60) 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.

9. Testing of Water Meters for Accuracy

- a) 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.

10. Service to Customers Outside Town Limits

- a) Council of the Town of MacGregor may sign agreements with customers for the provision of water services to properties located outside the legal boundaries of the Community of MacGregor. Such agreements shall provide for payment of the appropriate rates set out in a schedule, (for each 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 the 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 at connection to the utility's mains and installing and maintaining service connections will be paid by the customer.

11. Outstanding Bills

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