

M A N I T O B A)
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THE PUBLIC UTILITIES BOARD ACT) Order No. 84/08
)
) June 20, 2008

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

THE RURAL MUNICIPALITY OF NORTH NORFOLK
LOCAL URBAN DISTRICT OF AUSTIN
REVISED WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves an application by the Rural Municipality of North Norfolk (RM) for revised water and sewer rates for the community of Austin effective for the next quarterly billing.

Existing and approved rates are:

\$/cubic meter	Existing	Approved	Increase
Water(1 st step)	\$ 1.50	\$ 2.00	25%
(2 nd step)	\$ 1.15	\$ 2.00	74%
Sewer	\$ 0.70	\$ 0.95	36%
Service Charge	\$ 7.90	\$15.00	90%
Minimum Quarterly Bill (5/8" meter - 14 m ³)	\$38.70	\$56.30	45%
Sewer only	-	\$48.60	
Bulk water	-	\$ 2.03	
Hydrant Rental (annual)	\$90.00	\$165.00	83%

The primary reason for the increases is the higher cost of purchasing water from the Yellowhead Regional Water Co-Operative (YRWC).

Application

The RM applied to the Board March 19, 2008 for approval of revised water and sewer rates as set out in By-law No. 754/2008 read the first time on March 25, 2008. The existing rates were approved in 1996.

The Utility has incurred no operating deficits since 1996; in 2006 and 2007 earned surpluses of \$2,480 and \$584, respectively, were reported.

The following table indicates the historical trend of the RM's cost of water:

	\$/1000 Gallons	% Increase/(Decrease)
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	5.9
2006	2.79	71.2
2007	1.95	(30.1)
2008	7.50	284.6

In 2007, the RM switched its water supply to the YRWC due to concerns over water quality. The RM 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.

Up until 2008, with much lower cost of water, the Utility was able to absorb changes in the cost of water without requiring a rate change. At the same time, the Utility earned average annual surpluses of \$2,405, and made average annual contributions to reserves of \$18,567. As at December 31, 2007, the utility had a cash surplus balance of \$35,768 and reserves of \$164,454.

The YRWC advised the RM that future increases in its price for water will follow increases in the Consumer Price Index (CPI).

The projected annual operating costs of the Utility used for rate making was:

Administration	\$12,000
Water	\$62,565
Sewer	\$24,969
Total	<u>\$99,534</u>

The proposed rates include contingencies of \$2,300 for water, and \$1,370 for sewer. The capital cost of the system was \$337,000.

With the proposed rates the RM projects being able to meet the higher cost of purchasing water, and will be able to produce an operating surplus.

The Utility has experienced unaccounted for water levels of 16.4%, this is attributable to a history of water line breaks, aging meters and non-metered non-for-profit community groups. Council has since requested that all customers be metered.

The Utility expects to spend \$200,000 in 2010 and 2013 related to the sewage lift station, and a further \$1.2 million in 2011 with respect to its lagoon. The lift station expenditures are to be met by a debenture, while 50% of the lagoon costs are also to be financed by a debenture, the remainder to be covered by a government grant. The Utility currently has no debenture debt.

Notice of the RM's application was mailed to each customer, and advised of the proposed rates and other clauses as set out in the By-law. The notice requested that customers contact the RM if further information was required, and to

write the Board with any concerns or comments; no such comments were received by the Board.

Background

The Utility has approximately 200 customers of which 193 are residential or small commercial accounts using 5/8" meters.

The water distribution system was installed in 1974 and has had various upgrades since. The most recent upgrades involved the connection of the regional water system to the RM's water treatment plant; various upgrades to the plant were made at that time.

The sewage collection system was also constructed in 1974, and the system consists of a network involving two lift stations and uses a central location as the main station for pumping into the sewage lagoon. The lift stations have received various upgrades through the years, most recently the main station has been equipped with new pumps.

The wastewater lagoon at Austin is a 2-cell conventional facultative lagoon, consisting of a single primary cell and a single secondary cell, also constructed and placed into operation in 1974. Discharge is provided according to the operating license on an annual basis when required bacteriological levels are attained. Discharge is into a ditch adjacent to the lagoon.

The Rural Municipality of North Norfolk undertakes bacteriological testing of the water supply from YRWC to

ensure appropriate levels of sodium hypochlorite are maintained throughout the distribution network. If levels require, additional sodium hypochlorite is injected in the system.

According to the Office of Drinking Water, provincial drinking water standards are being met. Water samples are submitted to the provincial department on a bi-weekly basis, with a report returned within a 2-day period.

Nine properties beyond the Austin Local Urban District (LUD) are connected to the water and sewer utility system. These customers are responsible for their service connections and are required to pay the annual local improvement levies that are imposed on the properties inside the LUD.

Board Findings

The Board is pleased to note the relatively strong financial position of the Utility as compared to certain other utilities the Board regulates.

The increase in the cost of water is substantial, driven by the decision to obtain water from YRWC, and without a rate increase, deterioration in the Utility's financial position will occur. Such a deterioration is not in ratepayers' best interests, particularly taking into account that new capital costs are to be incurred.

The Board notes that a meter replacement project is not

planned, and suggests all properties be metered. As well, given that line breaks are related to an aging system, the Utility should consider focusing on upgrading the distribution pipeline to reduce the unaccounted for water, particularly now that when water is now being purchased at \$7.50 per thousand gallons.

After carefully reviewing the RM's application, the Board finds the proposed rates just and reasonable and will approve same. As the Utility currently bills using metric rates, the Board will approve metric rates only.

However, as the disconnection process in the By-law no longer represents current provincial practice, the Board will require the RM to amend its By-law to be consistent with the new requirements.

IT IS THEREFORE ORDERED THAT:

1. The Rural Municipality of North Norfolk's By-law No. 754/2008 with amendments as shown in the attached Schedule "A", BE AND IS HEREBY APPROVED effective for the next quarterly billing.

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. 84/08 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 84/08
THE RURAL MUNICIPALITY OF NORTH NORFOLK
LOCAL URBAN DISTRICT OF AUSTIN
WATER AND SEWER RATES
BY-LAW NO. 754/2008

Schedule of Quarterly Rates

1. Commodity Rates:

Cubic meter

<u>Water</u>	<u>Sewer</u>	<u>TOTAL</u>
\$2.00	0.95	\$2.95

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:

a) Water and Sewer Customers in Cubic Meters:

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	\$ 28.00	\$ 13.30	\$ 56.30
¾"	2	28	\$15.00	\$ 56.00	\$ 26.60	\$ 97.60
1"	4	56	\$15.00	\$112.00	\$ 53.20	\$ 180.20
1 ½"	10	140	\$15.00	\$280.00	\$133.00	\$ 428.00
2"	25	350	\$15.00	\$700.00	\$332.50	\$1047.50

b) 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.

- c) Sewer Only Customers:
 - i. The quarterly commodity charge, based on the average residential water consumption in the community (8,246 I.G.) plus the service charge, shall be \$48.60
- 3. Bulk Water Sales:
 - a) All water sold in bulk in each year shall be charged for at a rate of \$9.20 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 Rural Municipality of North Norfolk 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 Municipality (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 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 the average flow.
10. Service to Customers Outside Municipality Limits
 - a) Council of the Rural Municipality of North Norfolk may sign agreements with customers for the provision of water services to properties located outside the legal boundaries of the Local Urban District of Austin. 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.