

M A N I T O B A) Order No. 85/08
)
THE PUBLIC UTILITIES BOARD ACT) June 20, 2008

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

RURAL MUNICIPALITY OF LAKEVIEW
LOCAL IMPROVEMENT DISTRICT OF LANGRUTH
REVISED WATER AND SEWER RATES

Executive Summary

By this Order the Public Utilities Board (Board) approves an application by the Rural Municipality of Lakeview (RM) for revised rates for the community of Langruth, and, as well, approves recovery of the 2007 utility operating deficit of \$6,172.34 from accumulated cash surplus.

Existing and approved rates:

\$/1000 gallons	Existing	Approved	Increase/ (Decrease)
Water	\$ 4.25	\$ 7.98	88%
Sewer	\$ 1.65	\$ 2.93	78%
Service Charge quarterly	\$ 8.15	\$ 5.76	(29%)
5/8" meter (minimum quarterly bill - 3000 gallons)	\$25.85	\$38.49	49%
Bulk Water	\$ 5.00	\$11.17	123%

The approved rates should allow the Utility to meet its current funding needs and thus continue to provide safe and adequate water, while setting aside some funds in reserve for future capital expenditure requirements.

Application

The RM applied to the Board on April 7, 2008 for approval of recovery of the 2007 operating deficit from accumulated operating surplus. The RM had also incurred an operating deficit in 2006 of \$9,085.07, which was recovered from the reserve fund with the approval of the Board by way of Board Order 134/07, dated October 23, 2007. In approving that deficit the Board noted the RM was conducting a rate review.

The RM applied to the Board on April 15, 2008 for approval of

revised water and sewer rates, as noted in By-law No. 57-8 read the first time on April 14, 2008. With respect to the rate application, the RM noted that the cause of the 2007 deficit was decreased bulk water sales and increased expenses noting, while noting that rates had not changed since 1995 when the system was installed.

The following projected expenditures for 2008 were reflected in the rate study:

Administration	\$ 1,500
Water	\$41,500
Sewer	<u>\$ 6,170</u>
	<u>\$49,170</u>

The expenditures include contingencies of \$5,090 and \$3,170 for water and sewer, respectively. These amounts were based on the Board's Guidelines recommending that a contingency allowance be included in rates equivalent to 1% of the capital cost of the system or the RM's actual operating experience. The capital cost of the system was \$826,000.

Based on the RM's projections, the new rates were expected to provide for an annual operating surplus of \$5,200, to be added to Utility Reserve Fund.

The proposed bulk water rate of \$11.17 includes partial recovery of the debenture debt costs of the utility. Bulk water sales volumes represent approximately one-half of total water sales.

The RM proposed to reduce the quarterly service charge from \$8.15 to \$5.76, this to reflect current cost allocations.

The Utility's five-year capital plan includes the installation of one new fire hydrant at a cost \$7,000, and, in 2009, retrofit of the treatment system to improve the quality of the water (at a cost of \$320,000 before grants).

The Utility serves 65 customers and has a current annual debenture debt servicing cost of \$19,298, which is collected by taxes.

As of December 31, 2007 the utility had an accumulated cash surplus balance of \$18,000 and a balance of \$72,000 in reserves.

The Utility has had unaccounted for water rates of 14.8%.

Notice of the RM's application was published in the locally distributed newspaper and posted in five (5) prominent locations in the area. The Notice set out the existing and proposed rates as noted above and also, referenced other conditions in the By-law which the reader was asked to review at the RM office. The Notice invited persons with concerns or comments to write the Board prior to June 6, 2008. No responses were received.

Background

The Langruth Water Treatment Plant went into operation in 1993. The system draws from an 18 million gallon reservoir that is filled with spring run off. The water is then sent through a multi-media filter then a carbon filter and finally treated with chlorine and stored in two 20,000 gallon cisterns. It is distributed through the LID of Langruth. Water is also available for hauling by using the bulk loading station adjacent to the treatment plant.

The plant was reported to be in good condition. The reservoir has

had recent (within the past two years) upgrades to its aeration system in an attempt to improve the aesthetic quality of the finished product.

Drinking water standards were reported as being met. The system has never had a boil water order. Outstanding issues are confined to: a) desire to improve the aesthetic quality of the finished product and b) a desire to lower the level of trihalomethanes (chlorinated compound, which results from a reaction between chlorine and organic matter in the water).

The sewage system also went into operation in 1993 and is in good condition. The RM advises there are no issues with this system.

The sewage treatment process involves a low-pressure sewage system. Sewage is collected in a two-cell lagoon system. Discharges from the lagoon are made into an adjacent municipal ditch. The nearest residence adjacent to the flow of this ditch is approximately 6 kilometers away. Discharges are made one or twice a year depending on weather conditions and the amount of evaporation experienced in the second cell (the one that discharges to the ditch). Discharges are done in compliance with the RM's licence and are only done after proper test results are obtained.

The Water Plant Operator obtained his Water Plant Operator Level I in 2007; no immediate plans are in place for upgrading since he just received his accreditation. The Council is fully supportive of upgrading the operator's skills as opportunity and necessity arise; no specific provision for this has been made in the 2008 budget.

The RM's present emergency plan was approved by the provincial

Drinking Water Officer in 2000. The plan deals with the safety of the water and sets protocols as to dealing with water unsafe for human consumption. The RM understands that new guidelines for the development of an emergency response (contingency) plan are forthcoming. When the RM receives the guidelines, a plan will be developed, such a plan must be in place by June 01, 2010.

Board Findings

The Board finds the proposed rates to be just and reasonable, expects they will prove sufficient to meet current and immediate needs of the Utility.

While the increases are large and represent "rate shock", the Board notes that rates have not changed since 1995 and recent operating deficits support a need for rate relief to allow the Utility to continue provide a safe and adequate water supply for its customers. Provincial municipal utilities are required by law to break-even on operations.

The Board is pleased to note that the bulk water customers who consume one half of the water produced by the plant are paying a fair share of the capital costs of the system.

The Board will also approve recovery of the 2007 operating deficit from the accumulated surplus account of the utility.

The Board notes that the Disconnection provision in the By-law no longer reflects the current practice adopted by the Board, and, accordingly, will hereby amend the By-law to agree with current requirement.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 57-08 of the Rural Municipality of Lakeview BE AND IS HEREBY APPROVED subject to amendment to agree with Schedule "A" to this Order.
2. The recovery of the 2007 operating deficit, incurred by the water and sewer utility of the Rural Municipality of Lakeview, in the amount of \$6,172.34, from the Utility's accumulated cash surplus account BE AND IS HEREBY APPROVED.

Fees payable upon this Order - \$250.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"G. O. BARRON, FCGA"

Acting Secretary

Certified a true copy of Order No.
85/08 issued by The Public Utilities
Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 85/08
THE RURAL MUNICIPALITY OF LAKEVIEW
LOCAL IMPROVEMENT DISTRICT OF LANGRUTH
REVISED WATER AND SEWER RATES
BY-LAW NO. 57-08

SCHEDULE OF QUARTERLY RATES:

1. Commodity rates per M.G.

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
All water consumption	\$7.98	\$2.93	\$10.91

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:

(a) Water and Sewer Customers

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Gallons</u>	<u>Customer Service Charge</u>	<u>Commodity Charges</u>		<u>Total Quarterly Minimum</u>
				<u>Water</u>	<u>Sewer</u>	
5/8"	1	3,000	\$ 5.76	\$ 23.94	\$8.79	\$38.49
3/4"	2	6,000	5.76	47.88	17.58	71.22
1"	4	12,000	5.76	95.76	35.16	136.68
1 1/2"	10	30,000	5.76	239.40	87.90	333.06
2"	25	75,000	5.76	598.50	219.75	824.01

(b) Water Only Customers

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

3. Bulk Sales Rate

All water sold in bulk by The Rural Municipality of Lakeview shall be charged for at the rate of \$11.17 per 1,000 gallons.

4. Service to Customers outside Municipality, Town, or L.I.D., limits

The Council of The Rural Municipality of Lakeview may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Langruth Local Improvement Area. Such agreements shall provide for payment of the appropriate rates set out in the 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 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 of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

5. Billings and Penalties

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.

6. 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.

7. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$20.00 have been paid.

8. 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.

9. Hydrant Rentals

The Rural Municipality of Lakeview will pay to the utility an annual rental of \$100.00 for each hydrant connected to the system.

10. 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.

11. 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 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.