

M A N I T O B A                    )  
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THE PUBLIC UTILITIES BOARD ACT    )    Order No. 159/09  
  )    December 3, 2009

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

THE RURAL MUNICIPALITY OF SOUTH NORFOLK  
          LAVENHAM UTILITY  
          REVISED WATER RATES

### **Executive Summary**

By this Order, the Public Utilities Board (Board) approves the application of the Rural Municipality of South Norfolk (RM) for revised water rates for the Lavenham utility. The rates include a levy towards recovering the utility's estimated 2009 deficit.

Approved quarterly rates are as follows:

<b>APPROVED</b>	<b>Service Charge</b>	<b>Reserve Fund</b>	<b>2009 Deficit</b>	<b>Total</b>
4 <sup>th</sup> quarter of 2009	\$ 73.00	\$27.00	-	\$100.00
Jan - Oct 2010	\$ 73.00	\$27.00	\$43.00	\$143.00
Jan - Oct 2011	\$ 85.00	\$30.00	\$43.00	\$158.00
Thereafter	\$100.00	\$35.00	-	\$135.00

The Board approves recovery of the 2009 projected deficit; when the deficit is known, the approved rates as set out above may be amended by the RM, as long as the change to the \$43 set out above does not involve an increase of more than \$20.

Although the RM's notice of its application and intention to increase the levies to the Board was mailed to each customer with an invitation to write the Board with any concerns, no responses were received.

### **Background**

In 2006, the RM assumed responsibility for the operation of the Lavenham Water Utility, previously operated as a cooperative. In 2007, by Order 126/07, the Board approved initial rates for the Utility, which included recovery of expenses incurred in 2006, 2007 and for 2008 on a going forward basis.

In an application dated March 30, 2009, the RM sought approval from the Board to budget for a utility deficit for 2009 in the amount of \$6,891.20. Pursuant to the RM's request, the Board granted approval for the utility to incur such a deficit in 2009, but directed that it was to be recovered in rates in 2009 and 2010 on the condition that a rate study be filed by June 30, 2009.

### **Application**

On September 22, 2009, the RM applied to the Board for approval of revised water rates for the Lavenham Utility. The proposed rates are to take effect in the 4<sup>th</sup> quarter billing period for 2009, as set out in By-law No. 2483/2009 read for the first time on July 14, 2009.

The current and proposed rates for the RM are as follows:

<b>CURRENT</b>	<b>Service Charge</b>	<b>2006 Deficit</b>	<b>2007 Deficit</b>	<b>Total</b>
1 <sup>st</sup> quarter of 2008	\$ 46.20	\$14.92	\$92.40	\$153.52
2 <sup>nd</sup> quarter of 2008	\$ 46.20	-	\$92.40	\$138.60
Thereafter	\$ 46.20	-	-	\$46.20
<b>PROPOSED</b>	<b>Service Charge</b>	<b>Reserve Fund</b>	<b>2009 Deficit</b>	<b>Total</b>
4 <sup>th</sup> quarter of 2009	\$ 73.00	\$27.00	-	\$100.00
Jan - Oct 2010	\$ 73.00	\$27.00	\$43.00	\$143.00
Jan - Oct 2011	\$ 85.00	\$30.00	\$43.00	\$158.00
Thereafter	\$100.00	\$35.00	-	\$135.00

The proposed rates include recovery of a 2009 anticipated deficit, now estimated to be \$6,386.60, by including a \$43.00

quarterly levy, starting with the first billing in 2010 and ending with the last quarter in 2011.

However, since its initial calculations, the RM received notice of funding approvals that are expected to reduce the amount of the final deficit and therefore the amount required to be recovered.

Projected annual 2009 operating costs for the Utility reflected in the rate application were:

Administration and Salary	\$ 3,700.00
General Operating Expenses	\$ 1,820.00
Water Plant Assessment	\$ 4,900.00
Reserve Fund	\$ 500.00
Total	<u>\$10,920.00</u>

The RM estimates its administrative costs to be \$200 per year, based on the preparation of 19 bills each quarter at \$22.00 per hour.

With the proposed rates for operating costs and reserve fund contributions, the RM expects to raise the following revenues:

2010	\$ 7,600.00
2011	\$ 8,740.00
2012	\$10,260.00

The RM advised that currently there are no funds in the utility's reserve and only \$110.44 in its accumulated surplus.

Included in the above projection is a line item for the assessment of the water system; this is a new requirement for

utilities to be completed every 5 years for all public water systems by the Manitoba Provincial department of Water Stewardship. The RM advised that it had applied for, and subsequently received, funding approval from Manitoba Water Services Board for the assessment, in an amount up to \$2,450.00.

The RM advised that the treatment plant would be classified as a "Small System" with chlorination being the only treatment provided at this time. Once the engineering report of the system is complete, the RM will be apprised of recommendations for upgrades and treatments, to ensure the system continues to meet provincial drinking water standards into the future. There are no capital plans proposed at this time.

The system is only metered at the water plant and all residents are charged a flat quarterly rate. The production capacity of the plant is 46,680 gallons per month. The utility provides no bulk water services, and there are no hydrants connected to the system.

There are 18 water-only residential customers and the community hall connected to the system. The RM does not provide sewer service in Lavenham, and indicated that residents and the hall have their own septic tank or field.

As was required by the Board, the RM mailed notice to all residents affected on October 16, 2009 and posted the notice in three locations in the hamlet. The notice invited those affected to write the Board with any comments or concerns with respect to the RM's application by November 3, 2009; none were received.

## **Board Findings**

The Board has reviewed the RM's application and is satisfied the proposed rates are just and reasonable and will approve the application as made.

With no reserve funds for this utility and the minimal amount in the accumulated surplus, the Board agrees that an amount should be allocated to augment the reserve fund. The Board requires utilities to maintain a minimum accumulated surplus, which includes reserve accounts, in an amount equal to or greater than 20% of annual operating expenditures.

Given that the utility's expenses approximate \$10,000 for 2009, the minimum amount of the utility's surplus should be built up to \$2,000.

Further, and dependent upon the results of the water system engineering assessment, additional funds may be required for necessary upgrades. The Board will require the RM to file a report of the recommendations provided in the assessment as well as a financial plan to address any deficiencies.

The Board notes that no amortization expense is recorded for this utility likely because the assets were donated when the RM took over operations. The RM may need to include an amount for the amortization of capital assets in future applications upon capital upgrades being made to the system.

The Board accepts and approves the RM's allocation of

administrative costs as noted based on an estimated nine hours spent preparing the 19 billings. Should there be any changes made to this method of allocation, the RM should obtain the Board's approval.

The Board also approves the recovery of the utility's 2009 anticipated deficit through quarterly rates as requested. The Board will require the RM to provide a report to the Board of the actual deficit as well as the actual rate to effect recovery of the deficit that will be applied to the quarterly billing. The Board understands the RM's by-law may require amending depending on the final amount of the deficit and the quarterly amounts required.

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with section 36 of the Board's Rules of Practice and Procedure (Rules). The Board's Rules may be viewed on the Board's website, [www.pub.gov.mb.ca](http://www.pub.gov.mb.ca).





SCHEDULE "A"  
TO BOARD ORDER NO. 159/09

RURAL MUNICIPALITY OF SOUTH NORFOLK  
LAVENHAM UTILITY  
REVISED WATER RATES  
BY-LAW NO. 2483/2009

**1. Minimum Charges, Quarterly**

All customers will pay the applicable minimum charges as set out below:

Effective Period	Quarterly Service Charge	2009 Deficit Recovery	Total per Quarter
4th quarter of 2009	\$100.00	0	\$100.00
Jan. 2010 - Oct. 2010	\$100.00	\$43.00	\$143.00
Jan 2011 - Oct. 2011	\$115.00	\$43.00	\$158.00
Thereafter	\$100.00	\$35.00	\$135.00

**2. Service to Customers outside the Hamlet of Lavenham**

The Council of the Rural Municipality of South Norfolk may sign agreements with customers for the provision of water services to properties located outside the legal boundaries of the Hamlet of Lavenham. 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,

**3. Billings and Penalties**

Accounts shall be billed quarterly in advance. The due date shall be at least fourteen days after the mailing of the bills. A late payment charge of 1 ¼% shall be charged on the dollar amount owing after the billing due date and will compound monthly, and will appear on the customer's next quarterly bill if unpaid.

**4. Connection Fees**

A surcharge of \$50.00, plus an amount may be 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. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer. The materials used and installation procedures shall be governed by the Municipality's specifications and/or approved by an authorized representative of the Municipality.

**4. Disconnection**

The Public Utilities Board has approved the Conditions Precendent to be followed by the municipality with respect to the disconnection of service for non-payment including, such matters, as notice and the right to appeal such action to the Public Utilities Board. A copy of the Conditions Precendent is available for inspection at the Municipality's office.

Service may be disconnected and discontinued immediately and without further notice in the event of non-payment of the account within 30 days after due date.

To disconnect from the distribution system the customer must hire a qualified plumber and the line must be capped off and approved by the Municipality. Written notice of disconnection must be given to the Municipality at least seven (7) days before disconnection. Date, time, and location of disconnect must be included in the notice of disconnection. A surcharge of \$50.00 to disconnect is owed to the Municipality prior to disconnection.

**5. Reconnection**

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties, actual cost of disconnection and the actual cost of reconnection have been paid.

**6. Damage to Distribution System**

The property owner shall be responsible for the costs of maintaining, and repairing of all pipes and works of the water distribution system which are located upon their property. Any damage to the distribution system by the homeowner or contractors of the homeowner are the responsibility of the homeowner.

**7. Outstanding Bills**

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Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water 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.