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THE PUBLIC UTILITIES BOARD ACT) Order No. 24/09
) March 23, 2009

BEFORE: Susan Proven, P.H.Ec., Acting Chair
 Alain Molgat, CMA, Member

THE RURAL MUNICIPALITY OF STANLEY
APRIL 1, 2009 REVISED WATER RATES
(UNIFIED UTILITY)

Executive Summary

By this Order, the Public Utilities Board (Board) approves an application from the Rural Municipality of Stanley (RM) for revised water rates for the RM's unified utility system, as of April 1, 2009.

Existing and revised rates are:

Per 1,000 gallons	Current Rate	Revised Rate	Current Minimum Quarterly Rates	Revised Minimum Quarterly Rate⁽¹⁾
Massey ⁽²⁾	\$2.50	\$3.50	\$17.50 ⁽⁴⁾	\$20.50
Schanzenfeld ⁽³⁾	\$6.50	\$7.50	\$29.50 ⁽⁴⁾	\$32.50
Reinfeld ⁽³⁾	\$7.08	\$7.50	\$24.74 ⁽⁵⁾	\$32.50
Blumstein ⁽³⁾	\$6.50	\$7.50	\$29.50 ⁽⁴⁾	\$32.50
Colert ⁽³⁾	\$7.00	\$7.50	\$27.00 ⁽⁶⁾	\$32.50
Dunston ⁽³⁾	\$7.00	\$7.50	\$31.00 ⁽⁴⁾	\$32.50
Three-Four ⁽³⁾	\$6.50	\$7.50	\$29.50 ⁽⁴⁾	\$32.50

(1) Includes 3,000 gallons and a \$10.00 per quarter service charge

(2) Produces own water

(3) Water supplied by Pembina Valley Water Co-op

(4) Includes \$10.00 per quarter service charge

(5) Includes \$3.50 per quarter service charge

(6) Includes \$6.00 per quarter service charge

Introduction

The RM is located in south-central Manitoba, straddling the Manitoba Escarpment with the east side being in the Red River Valley, the west side characterized by rolling uplands.

The RM operates seven water systems:

- Massey (based on a local water supply)
- Schanzenfeld (water supplied by Pembina Valley Water Co-op, PVWC))
- Reinfeld (water supplied by PVWC)
- Blumstein (water supplied by PVWC)
- Colert (water supplied by the Town of Morden)
- Dunston (water supplied by PVWC) and
- Three-Four (water supplied by PVWC)

The RM identified a need to respond to the challenge of operating multiple systems with varying operating, technical and financial requirements. The RM advised that some of the systems are experiencing particular pressures, as a result of the RM's average annual population growth rate of 5%, bringing a need to upgrade facilities.

The RM engaged the services of a consultant, Genivar, which reviewed the overall system and proposed an approach to merge the seven utilities into one entity, this to simplify administration, operation, financial management and technical issues.

Individual Systems

1. Massey system - Initial cost \$703,000

- This system has its own groundwater water source.
- The majority of the pipeline was installed in 1998/99.
- The Water Treatment Plant (WTP) was commissioned in 2003, and removes both iron and manganese in the treatment process.
- The WTP's rated capacity is 10 litres/second (0.72ML/d).
- The WTP involves a 200,000 litre reservoir.
- There are 131 service connections - representing 15% of the total connections of RM's overall system.
- Customers utilizing the Massey system use 27% of the overall system's annual total water.
- Unaccounted for water has averaged 2.0%, annually (a very low percentage, provincially).

2. Schanzenfeld system - Initial cost \$22,700

- This system was installed in the late 1970's and early 1980's, and involves a 200,000 litre reservoir and pumphouse; additional distribution capacity was added in 1997.
- There are 253 service connections - 28% of the RM's total system.
- Customers of this system consume 23% of the RM's total water sales.
- Unaccounted for water has been approximately 5.0%.

3. Reinfeld Water System - Initial cost \$16,000

- The main line was installed in 1978.
- A 200,000 litre reservoir and pumping station was added in 2002.
- Further pipeline extensions have been added over the last few years.
- There are 331 connections, 38% of the total.
- The system provides 21% of total water sold in 2007.

4. Blumstein Water System - Initial cost \$109,000

- The majority of the system was installed in 1999 and 2002.
- There is no reservoir; these customers are served directly from PVWC.
- There are 104 connections, representing 12% of the total connections.
- Customers consume 19% of total water sold in 2007.

5. Colert, Dunston, and Three-Four Utilities - Initial cost \$418,000

- These water systems were commissioned in 2002-2003.
- There are 70 connections in total, 7% of the RM's total connections (Colert 18, Dunston 31, Three-Four 21)
- These systems accounted for 10% of the RM's total water sales in 2007.

Application

The RM applied to the Board on December 31, 2008 for the approval of RM rate By-law No. 21-08, read for the first time on August 7, 2008, and supported the application with a rate study, that having been prepared in July 2008.

Financial

For the rate study, the following estimated annual expenses were forecast for the utility as a whole. The projections were determined by drafting a 2008 budget for the system drawing on actual 2007 financial information supplied by the RM, and projected to 2012 using an annual inflationary rate of 3%.

EXPENSES	2008 Budgeted	2012 Projected
Administration	\$ 38,000.00	\$ 45,000.00
Water Purchases	\$ 291,547.00	\$ 379,283.00
Service and Supply	\$ 14,000.00	\$ 16,500.00
Water Distribution	\$ 37,000.00	\$ 43,000.00
General Water Production	\$ 6,000.00	\$ 7,000.00
Massey Water Treatment	\$ 6,000.00	\$ 7,000.00
Massey Misc. Expenses	\$ 1,000.00	\$ 1,500.00
Operators Expense	\$ 3,000.00	\$ 3,500.00
Operators Wages	\$ 23,520.00	\$ 40,000.00
Contingency Allowance	\$ -	\$ 6,000.00
Reserve Fund Contribution	\$ -	\$ 100,000.00
TOTAL	\$ 420,067.00	\$ 648,783.00

The overall initial capital cost of the system is \$1,268,700.

The rate study reported balances for each separate utility providing accumulated surpluses and/or construction accounts as at January 1, 2007. The construction accounts are contributions from parties that were connected to the system after the system was originally built.

The amounts for each system are as follows:

System	Surplus	Construction Account
Reinfeld	\$173,708	n/a
Schanzenfeld	\$178,329	n/a
Massey	\$ 54,593	\$ 71,339
Three Four	\$ 2,586	\$ 30,000
Blumstein	\$132,870	\$ 24,507
Colert	\$ 4,346	\$ 17,590
Dunston	\$ 778	\$ 35,396

The RM proposed that all accumulated surplus and construction account funds remain segregated in separate accounts, to be used to finance upgrades specific to each system. For example, and as identified in the rate study, Reinfeld, Schanzenfeld and Massey all require additional reservoir capacity. The RM indicates that construction of these reservoirs will deplete the individual surpluses/accounts, and will also require additional funds.

The RM also advised that with the implementation of the new rate structure, on a "one utility" basis, no new contributions will be made to these accounts. Any future surpluses, connection fee contributions and/or reserve fund appropriations will be credited to a newly created and unified Utility Reserve Fund.

At the time capital improvements are required, the RM indicated that Council will determine funding and sources.

Rate Proposal

The RM proposed a unified water utility to provide an administration and operational framework for the water systems serving the municipality. The rate study provided the following parameters to be used as principles upon which a single utility would be established.

- Administrative and distribution operating and maintenance costs, as well as contributions to reserves, could be equalized across the board.
- Water production costs will be the same for all systems supplied by PVWC, which will be different for those supplied by Morden and by local groundwater. The rate structure allows for the exceptions, and the utilization of, different water production costs.
- The issue of Accumulated Surpluses is more difficult to rationalize, as a number of factors have to be balanced:
 - equitability re: past contributions;
 - equitability for all citizens to be served by a new single utility; and
 - the need to have reserves for future capital work.
- The issue of Construction Account Balances involves similar factors. "Geographic" accounts (i.e. surpluses accumulated by the individual utilities specific to their geographic locations) can be maintained, with the funds attributable only to that geographic area, to provide for local water system upgrades. No new money would flow into these accounts in the future though. Upon there being a single utility, all revenues will be held in new reserve accounts to benefit the whole system. The option is also available to simply pool all the 'geographic' accounts into the shared reserves, if council prefers.

The RM intended to consolidate, to the extent possible, the seven utilities into a common utility rate structure. The rate study however was unable to support a 'one rate for all', as the cost to produce water in the Massey system remains significantly lower than the cost of purchasing water for the other systems.

The RM proposed two rates, one for the Massey system and one for the remaining six systems that purchase water.

The utility rates first proposed included a base rate called a General Utility Step, common to all systems, that to include the recovery of general water distribution costs, a general contingency allowance and contributions to a reserve fund. This base rate was determined at \$1.82 per 1,000 gallons.

The Massey commodity rate, proposed to be \$3.50/1,000 gallons, includes the General Utility Step of \$1.82, as well as the costs of water treatment and 75% of the operator's costs.

The Unified Utility commodity rate not applicable to Massey, proposed at \$7.50 per 1,000 gallons, also includes the General Utility Step Rate as well as the costs of purchasing water, other water production costs and the remaining 25% of the operator's costs.

The RM determined that even though the Colert system purchases water from Morden as opposed to the PVWC, the difference in the cost is relatively small, as is the volume of water purchased, and any minor savings or expenses would be absorbed by the general utility as a whole (the Colert system accounts for only approximately 1% of the total water usage).

Rates proposed and the implications for users connected to the separate systems were:

Per 1,000 gallons	Current Rate	Proposed Rate	Inc.	Current Minimum Quarterly Rates	Proposed Minimum Quarterly Rate ⁽¹⁾	Inc.
Massey ⁽²⁾	\$2.50	\$3.50	40%	\$17.50 ⁽⁴⁾	\$20.50	17%
Schanzenfeld ⁽³⁾	\$6.50	\$7.50	15%	\$29.50 ⁽⁴⁾	\$32.50	10%
Reinfeld ⁽³⁾	\$7.08	\$7.50	6%	\$24.74 ⁽⁵⁾	\$32.50	31%
Blumstein ⁽³⁾	\$6.50	\$7.50	15%	\$29.50 ⁽⁴⁾	\$32.50	10%
Colert ⁽³⁾	\$7.00	\$7.50	7%	\$27.00 ⁽⁶⁾	\$32.50	20%
Dunston ⁽³⁾	\$7.00	\$7.50	7%	\$31.00 ⁽⁴⁾	\$32.50	5%
Three-Four ⁽³⁾	\$6.50	\$7.50	15%	\$29.50 ⁽⁴⁾	\$32.50	10%

(1) Includes 3,000 gallons and a \$10.00 per quarter service charge

(2) Produces own water

(3) Water supplied by Pembina Valley Water Co-op

(4) Includes \$10.00 per quarter service charge

(5) Includes \$3.50 per quarter service charge

(6) Includes \$6.00 per quarter service charge

Following the publication of a public notice, as required by the Board, a public hearing was held on March 2, 2009 in the RM's Council chambers in Morden. The notice advised as to the RM's proposal and the by-law, made available for public inspection. The RM Council, Chief Administrative Officer and assistant attended the hearing; there were no members from the general public in attendance.

At the hearing, the RM indicated that the 75/25 allocation for the operator's wages and costs was determined based on the actual time staff spends operating the Massey water system compared with time spent operating the remaining systems. The RM advised that the operator spends a minimum of four hours per day at the Massey plant.

The RM noted that the Town of Morden has an application before the Board for a rate increase which, if approved by the Board,

would affect the cost to purchase water. The RM advised that the increase, if implemented, would be minimal and that, because Colert accounts for a small percentage, the increase could be absorbed in the proposed rates.

And finally, the RM advised that with the implementation of Public Sector Accounting Board requirements, i.e. that municipalities must account for depreciation and amortization in their financial statements, the RM's proposed \$100,000 contributions to reserves should be adequate to offset these amounts in rates. Therefore, the RM advised that although the utility will be required to report annual depreciation expense, the amount should be similar to the planned contribution to the reserve fund.

Board Findings

A proposal to merge seven utilities is a significant and complex matter; one that the Board commends the RM for initiating. The merger of the utilities should provide benefits to all customers through the synergies associated with operational efficiencies, and increased assurance that the supply of water to all connected customers will be safe and sufficient, so as to meet the long term needs of the communities.

Accordingly, the Board will approve the RM's application for revised rates, as set out in Schedule "A" attached hereto. The Board believes the rates proposed to be fair and reasonable.

The Board is pleased to note, and agrees with the manner in which Council plans to disburse, the existing accumulated

surplus and construction accounts. However, the Board is concerned that there is yet to be a defined plan or policy set for how the newly created reserve fund will be used in the funding of future capital projects.

Therefore, the Board will require the RM to develop a policy as to how Council proposes to expend funds from the newly created reserve account, for the unified utility, in a fair and equitable manner. The Board will require this policy to be approved by the Board prior to the RM using funds from this account.

The Board will require the RM to file utility financial statements for 2009 and 2010, by no later than March 31, of 2010 and 2011, respectively. This should provide the Board with a financial view of the utility after one and two years of operation. The Board will also seek comments from the RM at that time, as to rate adequacy.

The Board notes that the disconnection clause no longer represents the Board's requirements, that with respect to a provision for reasonable notice to be provided to customers and advice as to the availability of appeals to the Board, and will direct that the clause be amended.

As the new rates reflect in part PVWC water costs, the Board notes that it intends to review PVWC rates and that if revised rates result, rates now set for the RM may be subject to further review.

Board decisions may be appealed in accordance with the

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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.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 21-08 BE AND IS HEREBY approved, subject to amendment to agree with Schedule "A" to this Order with rates being effective April 1, 2009.
2. The Rural Municipality of Stanley files a certified copy of By-law No. 21-08, including all schedules with the Public Utilities Board after it has received third and final reading.
3. The Rural Municipality of Stanley develop a policy for the disbursement of funds from the Water Utility Reserve Fund, created by By-law No. 22-08, to be submitted to the Board for approval no later than June 30, 2009. This policy is to be attached to By-law No. 22-08, in the form of a schedule.
4. The Rural Municipality of Stanley files 2009 and 2010 financial statements with the Public Utilities Board no later than March 31, 2010 and 2011, respectively, including commentary on rate adequacy.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN"

Acting Chair

"KRISTINE SCHWANKE"

Acting Secretary

Certified a true copy of Order No.
24/09 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO
BOARD ORDER NO. 24/09

THE RURAL MUNICIPALITY OF STANLEY
WATER RATES
BY-LAW NO. 21-08

SCHEDULE OF QUARTERLY RATES:

1. Commodity Rates per 1,000 Imperial Gallons

(a) All Customers Connected to the Massey Distribution System

	<u>Water</u>
All Water Consumption	\$3.50

(b) All Other Customers

	<u>Water</u>
All Water Consumption	\$7.50

2. Minimum Charges, Quarterly

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

(a) All Customers Connected to the Massey Distribution System

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption (IGAL)	Service Charge	Commodity Rates Water	Minimum Quarterly Charges
5/8"/3/4"	1	3,000	\$10.00	\$10.50	\$20.50
1"/11/2"	4	12,000	\$10.00	\$42.00	\$52.00

(b) All Other Customers

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption (IGAL)	Service Charge	Commodity Rates Water	Minimum Quarterly Charges
5/8"/3/4"	1	3,000	\$10.00	\$ 22.50	\$ 32.50
1"	4	12,000	\$10.00	\$ 90.00	\$100.00
1 1/2"	10	30,000	\$10.00	\$225.00	\$235.00
2"	25	75,000	\$10.00	\$562.50	\$572.50

3. Service To Customers Outside of the Municipality

The Council of The Rural Municipality of Stanley may sign agreements with another municipality for the provision of water services outside the Municipal boundaries. Such agreements shall provide for payment of the appropriate rates set out in the Schedule, as well as the 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 those 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. Service To Customers Inside the Municipality

The Council of The Rural Municipality of Stanley may provide for the provision of water services to properties located within the Municipality. All approved applications shall be serviced as per a connection policy and fee schedule established by Council. In addition to the rates and terms set out in Schedule "A" of this by-law, all costs of connecting to the utility's mains, and installing service connections will be paid by the customer.

5. Billing And Penalties

Accounts shall be billed quarterly, and shall be due and payable 30 days after date of billing. A penalty of 1.25% per month of the amount of the bill shall be added if not paid by the due date.

6. Disconnection

The Public Utilities Board has approved the Conditions Precedent 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 Precedent is available for inspection at the Municipality's office.

7. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and reconnection fee of \$25.00 have been paid. Any customer wishing to have billings discontinued due to vacancy of premises shall be required to have service disconnected and to pay \$25.00 reconnection fee when service resumes.

8. Outstanding Bills

Pursuant to section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water and sewer service may be collected by the municipality in the same manner as a tax may be collected or enforced under this Act.

9. Water Allowance Due to Line Freezing

That in any case where, at the request of the Council, the 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. Water Meters

- (a) The meter shall be installed by a registered plumber or qualified installer and the costs shall be the responsibility of the property owner.
- (b) The meter shall be installed 75 cm above the floor or as approved by the Municipality.
- (c) The meter shall be located as close as practical to the point of entry of the water line. Ample room must be provided for access to the meter and main valve at all times.

- (d) The meter shall be in a horizontal position with the main shut off valve immediately before the meter.
- (e) No distribution piping or ports shall be allowed before the meter.
- (f) The meter shall be protected from any type of damage including freezing.
- (g) Costs for any damage and labour for repairs to the water meter and associated equipment shall be the responsibility of the property owner