

M A N I T O B A                    )     Order No. 86/09  
  )  
THE PUBLIC UTILITIES BOARD ACT    )     May 22, 2009

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

THE RURAL MUNICIPALITY OF VICTORIA BEACH  
ALBERT BEACH LOCAL IMPROVEMENT DISTRICT - ALBERT BEACH UTILITY  
REVISED WATER RATES

### **Executive Summary**

By this Order, the Public Utilities Board (Board) approves an application from the Rural Municipality of Victoria Beach (RM) for revised water rates for the Albert Beach Local Improvement District - Albert Beach Utility (utility).

Current and revised rates are as follows:

<u>Customer Type</u>	<u>2008 rates*</u>	<u>2009 approved rates*</u>	<u>Increase</u>
Cottage/Res	\$75.00	\$115.00	53%
Non-connected	\$11.00	\$ 25.00	127%

\*Rates are based on a five-month season (mid-May to mid-October).

As required, Notice of the RM's application with details as to the proposed new rates was provided to ratepayers; ratepayers were invited to provide comment to the Board by May 8, 2009 and two letters were received.

### **Background**

The system is a non-metered seasonal service, available from mid - May to mid - October. The utility provides potable water to 81 cottages/residences and 1 non - connected lot in Albert Beach area. As well, the pump house has a 'pail fill', which may be used by individuals who are not property owners within the serviced area.

The RM indicated that the serviced area is limited to the 82 properties, and only a few lots can be added as there are only a few large parcels with the area that could be subdivided.

The utility draws raw water from a deep well, the water is then disinfected with sodium - hypochlorite before being distributed. The storage capacity of the treated water is 180 US gallons.

The previous rate increase occurred in 1990, almost 20 years ago. In 2007 and 2008, the utility experienced operating deficits of \$598.32 and \$1,645.37, respectively.

### **Application**

The RM applied to the Board on March 18, 2009 for increased water rates and included a copy of its rate By-law No. 1514, read for a first time on March 17, 2009, and a rate study in support.

The existing and proposed rates are as follows:

<u>Customer Type</u>	<u>2008 rates*</u>	<u>2009 proposed rates*</u>	<u>Increase</u>
Cottage/Res	\$75.00	\$115.00	53%
Vacant Lot	\$11.00	\$ 25.00	127%

\*Rates are based on a five-month season (mid-May to mid-October).

The RM proposed no rate for the pail fill service as there is no way to monitor the use and to install a device to monitor use would be cost prohibitive.

The RM supplied the following financial information with its proposal.

<b>Revenues</b>	<b>2008</b>	<b>2009</b>
Annual Customer Rates	\$6,086.00	\$9,340.00
Penalties	<u>\$ 78.71</u>	<u>\$ 100.00</u>
<b>TOTALS</b>	<b>\$6,164.71</b>	<b>\$9,440.00</b>
<b>Expenses</b>		
Administration	\$1,500.00	\$1,500.00
Chemical		\$ 300.00
Plant/equipment repairs		\$ 250.00
Salaries	\$4,020.32	\$4,200.00
Hydro	\$ 815.53	\$ 900.00
Water Lines		\$ 250.00
Workers Comp/Insurance	\$ 150.96	\$ 150.00
Training/Certification		
Misc.	\$ 510.00	\$ 500.00
Testing	\$ 313.27	\$ 350.00
Reserve	<u>\$ 500.00</u>	<u>\$ 500.00</u>
<b>TOTALS</b>	<b>\$ ,810.08</b>	<b>\$9,000.00</b>
Surplus/ (Deficit)	(\$1645.37)	\$ 440.00

The RM provided financial projections for the utility to 2013. In 2009, it is estimated a \$440 surplus will be realized and, with nominal increases in expenses being applied, by 2013 an \$85 deficit is projected.

The RM commented that in the past the cost to chlorinate the water had not been allocated to the utility as shipments were made in bulk to the RM's larger Victoria Beach utility. The RM advised that for 2009 going forward, chlorine usage will be monitored and the appropriate amount charged, resulting in a minor increase to the utility's costs.

The RM advised that due to increased awareness of safety issues with operating a utility, there are associated increased costs for monitoring and operating. The RM indicated that the costs of training and certifying an operator are not charged to this utility as the Victoria Beach utility requires a greater level of expertise to operate. The RM noted operator salaries are shared, with the bulk of the salaries paid by and for time spent in the Victoria Beach utility.

The utility has included an administration cost of \$1,500 that is based on the estimated proportion of time spent to administer the utility. The RM advised of the total costs of salaries to administer the municipality, this utility is allocated less than 1.5% of those costs.

The RM specified that costs associated with the general operations, the Victoria Beach utility and this utility are accounted for separately; all related revenues and expenses are allocated to the entity. The RM advised that little sharing of equipment and services are done between the two utilities, excepting for common tools, supplied by the RM, and devices to measure water quality parameters. The RM indicated the equipment required to operate the utility is permanently housed at the utility's pump house and only used for that utility.

The RM advised that the original capital cost of the utility has been fully depreciated excepting the pump house which had a Net Book Value at December 31, 2008 of \$8,725. The building will be depreciated over 40 years with an annual amortization expense of \$246.95. The RM advised it has no outstanding debentures related to the utility and no capital projects are planned for the next five years.

The RM confirmed the utility is meeting the *Guidelines for Drinking Water Quality* and provided the Board with the 2008 Audit Report from Manitoba Water Stewardship. The report advised the utility fulfilled its obligations in 2008 by complying with Manitoba regulations pertaining to safe drinking water however, indicated that improvement is required in 2009 for disinfectant

monitoring and reporting.

The report also reminds the RM that an application for the Operating Licence is due and that the Engineering Assessment date is currently scheduled for March 1, 2010. The RM advised that the estimated costs to provide this assessment is \$1,000; proposed to be funded by the reserve account.

The utility is reported to have approximate balances as at December 31, 2008 of \$11,680 in its accumulated surplus and in the reserve account, \$16,024.

Notice of the application was mailed to each customer and placed in three locations; those being the municipal office in Winnipeg, the general store in Albert Beach and the post office in Victoria Beach. The notice invited persons wishing to make representation to write to the Board by May 8, 2009, and two communications were submitted.

### **Board Findings**

The Board will approve the rates as applied for the by RM for the Albert Beach utility. The Board noted Schedule "A" attached to RM By-law No. 1514, includes at least four categories for the application of rates. The Board will require the RM's Schedule "A" to be amended to agree with Schedule "A" attached hereto, which sets out rates for customers connected to the system and customers not connected to the system.

Both parties that registered complaints indicated the 53% proposed increase substantial, and suggested that the increase

was being sought to help offset the additional costs of the Victoria Beach utility.

While the Board agrees that a 53% increase is significant, it notes that the increase is the first increase in operating rates in almost 20 years. The general level of inflation over those twenty years matches or exceeds the proposed increase.

The RM advised that costs associated with each utility as well as those of the general operations of the municipality are all tracked and recorded appropriately with each entity.

The Board noted not all expenses are being applied to the utility such as the actual costs of chlorination, annual amortization expense, vehicle and equipment costs and operator training. It is the Board's view that if the Albert Beach utility records all expenses and with the approved increase, the utility will be in a deficit position far sooner than 2013 as projected by the RM.

While the Board will accept the RM's position, noting the 53% increase, the Board will expect the above noted costs to be tracked and included in the RM's next rate study, which the Board will require, be file no later than November 30, 2011.

The RM advised that a higher level of certification is required for the Victoria Beach utility and hence, allocated no cost to the utility, but the Board believes there is still a cost to maintaining a certified operator for this utility. The Board will expect the RM to reconsider its position in the next rate study and allocate an appropriate amount.

The Board notes that for services shared by the utility and the other entities of the RM, operator time is tracked and for the administration it is estimated. Again, the Board will accept and acknowledge these shared service allocations and advises the RM that should a change to this methodology be required, prior approval of the Board must be obtained.

And finally, the Board noted that the RM's B-law No. 1514, does not contain the required clause in its schedule for Conditions Precedent, and, therefore, the Board will require the By-law be amended to include this clause prior to second reading.

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)).



IT IS THEREFORE ORDERED THAT:

1. The Rural Municipality of Victoria Beach By-law No. 1514 BE  
AND IS HEREBY APPROVED, subject to amendments to reflect  
the attached Schedule "A".

2. The Rural Municipality of Victoria Beach complete a rate study for the Albert Beach utility and file such study with the Public Utilities Board no later than November 30, 2011.

3. The Public Utilities Board approves the shared services methodology of an annual administration charge of \$1,500 and actual operator time tracked; should changes be made to this method, prior approval of the Public Utilities Board is required.

Fees payable upon this Order - \$250.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SCHWANKE"

Acting Secretary

Certified a true copy of  
Order No. 86/09 issued by The  
Public Utilities Board

Acting Secretary

**SCHEDULE "A"**  
**TO BOARD ORDER NO. 86/09**

**RURAL MUNICIPALITY OF VICTORIA BEACH**  
**BY-LAW NO. 1514**  
**ALBERT BEACH LOCAL IMPROVEMENT DISTRICT - ALBERT BEACH UTILITY**

1. Water rate covering seasonal service to customers connected to the water system, shall be levied annually as follows:

Single Family Residence/Cottage	
Service Charge	\$ 18.30
Commodity Charge	96.70
<b>Total</b>	<b>\$115.00</b>

2. Water rate covering seasonal service to customers not directly connected to the water system, shall be levied annually as follows:

Non - connected property	
Service Charge	\$ 18.30
Commodity Charge	6.70
<b>Total</b>	<b>\$ 25.00</b>

3. The rates set forth in paragraphs 1 and 2 hereof shall be billed to each customer on a separate utility invoice and shall be payable on or before July 31<sup>st</sup> of each year. A late payment charge of 1.25% shall be charged on the dollar amount owing after the billing due date and shall be calculated on the first day of each month, until paid in full. The due date will be at least fourteen days after the mailing of the bills.
4. 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.