

M A N I T O B A) Order No. 88/09
)
THE PUBLIC UTILITIES BOARD ACT) May 27, 2009

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

RURAL MUNICIPALITY OF PIPESTONE
LOCAL IMPROVEMENT DISTRICT NO. 2 (RESTON)
REVISED WATER AND SEWER RATES

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves revised water and sewer rates for the Rural Municipality of Pipestone (RM) for the community of Reston. The new rates take effect July 1, 2009 and replace rates established in 2004.

Existing and revised rates are as follows:

Rates	Existing	Approved	% Increase
Water \$/1000 gallons	\$ 6.10	\$ 8.00	31
Sewer \$/1000 gallons	\$ 1.65	\$ 2.25	36
Service Charge- quarterly	\$ 6.50	\$ 9.00	38
Minimum Quarterly Bill (5/8") ⁽¹⁾	\$ 29.75	\$ 39.75	34
Bulk Water	\$ 7.75	\$ 10.25	32

⁽¹⁾Includes 3,000 gallons

The Board finds the RM's plans to set aside additional funds for future replacement costs reasonable.

2.0 Background

The RM is one of Manitoba's most westerly municipalities, bordering on the Province of Saskatchewan. The RM manages a water treatment and distribution system serving the community of Reston, with 272 customers. No customers are served beyond the boundaries of LID No. 2 (Reston).

The utility is fully metered - 262 5/8" meters, five 1" meters and five 1½" meters.

The utility provides bulk water service and, as well, provides hydrant service to the RM at 28 locations.

Unaccounted for water use, water produced but not sold, was reported to be in the order of 17% to 18%, with overall annual

water consumption being approximately 11.5 million gallons. The RM explained that the high level of unaccounted for water was due to water use for line flushing and backwashing water treatment plant filters.

The RM's Water and Sewer Utility Reserve fund had a balance of \$20,518 as of December 31, 2008. The reserve is for future repair and replacement projects.

The utility has no outstanding debenture debt.

The Board understands there are no colour and taste issues with respect to the treated water. The RM has advised that both drinking water standards and environmental licensing requirements are being met.

The main operator of the system has a Class 1 water treatment and distribution certification, and has plans to obtain waste water certification in 2009; the operating budget for the utility includes \$3,600 for operator training.

The RM has developed an Emergency Plan for the utility, and it is reviewed annually.

3.0 Application

The RM applied to the Board for revised water and sewer rates for the community of Reston to be effective April 1, 2009, as set out in By-law No. 2009/01 read the first time on February 12, 2009.

Rates	Existing	Proposed	% Increase
Water \$/1000 gallons	\$ 6.10	\$ 8.00	31

Sewer \$/1000 gallons	\$ 1.65	\$ 2.25	36
Service Charge- quarterly	\$ 6.50	\$ 9.00	38
Minimum Quarterly Bill (5/8") ⁽¹⁾	\$ 29.75	\$ 39.75	34
Bulk Water	\$ 7.75	\$ 10.25	32

Existing (2004) and proposed rates were:

⁽¹⁾Includes 3,000 gallons

The RM recorded a utility surplus of \$1,483 in 2007, and expected to generate a surplus of \$27,790 in 2008, the increase being, in part, the result of allocating some of the operator's time to municipal general operations. As of December 31, 2007, the utility had an accumulated surplus of \$75,209.

The RM engaged J.R. Cousin Consultants Ltd. to review the existing rates, and the consultant developed proposed revised rates based on forecasted expenditures that provide for the re-building of the utility reserve fund for future capital replacement and meeting the expected costs of a required engineering assessment of the water treatment and distribution system. The rate study was prepared using the Board Guidelines.

The following annual expenditure forecast was used in developing the proposed rates:

Administration	\$ 9,550
Water	\$ 90,440
Sewer	<u>\$ 24,500</u>
Total	<u>\$124,490</u>

In 2008, total utility expenditures were \$114,538.

As part of the expenditure forecast, the RM included both a

\$7,000 contingency allowance and a provision of the same amount to be added to the utility reserve. The RM advised that any unused contingency provision would also be added to reserves. The RM reported its plan to add at least \$13,500 annually to the utility reserve fund.

The RM advised that shared administration personnel between General Operations of the RM and the utility are allocated on a flat rate for shared overhead costs and activity based for shared direct operating and capital costs.

The RM has a 5-year capital expenditure plan and within that plan expects to purchase a new truck for utility use, at a cost of \$30,000.

Public Sector Accounting Board (PSAB) accounting standard changes are not reflected in the RM's application. The most significant impact of PSAB for the utility, when the new standards are implemented, will be the recognition of amortization (depreciation) in the operating statements and in future rates.

The RM's proposal does not address the rate implications of PSAB at this stage, and when it does rates will need to be again reviewed. The RM filed a Tangible Capital Asset schedule indicating an expectation for annual amortization expense of \$19,596, again, which has not been reflected in the rate proposal.

Notice of Application was published in the local newspaper on two occasions and posted in five prominent locations in the RM with an invitation to advise the Board with concerns or comments by no later than April 24, 2009. No comments were received.

4.0 Board Findings

The Board will approve the application of the RM for revised water and sewer rates.

The last rate increase took place in 2004, and a five (5) year cycle for rate reviews is too long, the Board would prefer that reviews take place no less frequently than tri-annually.

That said, in light of the financial requirements of the utility and the desire to build the reserve fund for future expenditures and the future adoption of new accounting standards, the Board finds that the RM's rate proposal acceptable.

The RM is acting prudently by planning for the future needs of the utility and continuing to build the reserve fund, which has not increased since 2004.

The rate increase is large but not the largest the Board has seen. While the Board is concerned with the impact of large increases on low and fixed income ratepayers, the needs of the utility are clear and no ratepayer has raised any concerns with the RM's proposal.

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 at www.pub.gov.mb.ca.

5.0 IT IS THEREFORE ORDERED THAT:

1. By-law No. 2009/01 BE AND IS HEREBY approved, subject to amendment to agree with Schedule "A" to this Order with rates being effective July 1, 2009.

2. Shared costs be allocated to the utility and general operations of the Rural Municipality of Pipestone on a flat rate for overhead costs and activity based for shared direct operating and capital costs and, if there is a change to the allocation method, prior Board approval is required.

3. The amortization rates as set out in the Utility Tangible Capital Asset schedule dated December 31, 2008 are hereby approved and any changes thereto must obtain the Board's prior approval.

Fees payable upon this Order - \$300.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"GERRY BARRON, FCGA"

Acting Secretary

Certified a true copy of Order
No. 88/09 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 88/09

RURAL MUNICIPALITY OF PIPESTONE
LOCAL IMPROVEMENT DISTRICT NO. 2 (RESTON)
WATER AND SEWER RATES
BY-LAW NO. 2009/01

1.0--SCHEDULE OF QUARTERLY RATES

A schedule of rates per 1,000 imperial gallons (4.54 cubic metre)

	Water & Sewer
All Water Consumption	\$10.25

2.0--MINIMUM QUARTERLY CHARGES

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) Meters

For metered customers minimum charges based on consumption shall be based on the following meter sizes

i) Water & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included, gallons	Customer Service Charge	Quarterly Commodity Charges Water	Total Quarterly Minimum
5/8"	1	3,000	\$ 9.00	\$ 30.75	\$ 39.75
1"	4	12,000	\$ 9.00	\$ 123.00	\$ 132.00
1 1/2"	10	30,000	\$ 9.00	\$307.50	\$316.50

3.0--WATER ONLY CUSTOMERS

All customers connected to the water distribution system but not to the sewer system, shall pay the quarterly bill, which includes service and water charges for the appropriate meter size.

4.0--BULK WATER SALES

All water sold in bulk by the Utility shall be charged for at the rate of \$10.25 /1,000 gallons pro-rated for all quantities greater than 500 gallons. All quantities for 500 gallons or less the charge will be \$6.00.

5.0--SERVICE FOR CONNECTING CUSTOMERS OUTSIDE THE PIPESTONE PROPERTIES REGION

The Council of the R.M. of Pipestone may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Community of Reston. Such agreements shall provide for payment of the appropriate rates set out in this Schedule, as well as a surcharge, set by resolution of Council, which shall be the equivalent to the frontage levy, general taxes and special taxes for utility purposes in effect at the time, or which 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.

6.0--BILLINGS AND PENALTIES

Accounts shall be billed quarterly and shall be due and payable fifteenth day of the month following the month of the quarter being billed. A penalty of one per cent (1%) of the total amount of the bill shall be added if not paid by the due date.

7.0—DISCONNECTION FOR NON-PAYMENT AND RECONNECTION

- 7.1 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.
- 7.2 Any service disconnected due to non-payment shall not be reconnected until all arrears, penalties and a reconnection fee of \$60 have been paid.

8.0—REQUESTED DISCONNECTION and RECONNECTION

Customers requesting that their service be disconnected and then reconnected within a twelve (12) month period shall pay a fee of \$60 prior to the service being reconnected.

9.0--OUTSTANDING BILLS

Pursuant to section 573 (1)(d) of the Municipal Act, the amount of all outstanding charges for water and sewer service are a lien and charge on the land serviced, and shall be collected in the same manner in which ordinary taxes are collectable, and with like remedies. A consumer who has not paid their bill will be charged an administration fee of \$10.00 to cover costs of adding outstanding accounts to the tax roll.

10.0--HYDRANT RENTALS

The R.M. of Pipestone will pay to the utility an annual rental of \$120.00 per year for each hydrant connected to the system.

11.0--SEWER SURCHARGE

- a) There may be levied annually, in addition to the rates set forth above, a special surcharge on sewage having a Biochemical Oxygen Demand in excess of 300 mg/L, 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 waste.

12.0--WATER METERS

All new residential customers for sewer and water shall be metered at customer cost. Ownership, inspection and maintenance of meters will remain the responsibility of the utility system. Commercial meter maintenance will be the responsibility of the utility system but will be billed to the commercial user.

13.0--WATER ALLOWANCE DUE TO FREEZING

That in any case where, at the request of the R.M. of Pipestone, 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 billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.