

M A N I T O B A)
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THE PUBLIC UTILITIES BOARD ACT) Order No. 92/09
) June 4, 2009

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

RURAL MUNICIPALITY OF MONTCALM
LETELLIER UTILITY
REVISED WATER RATES

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves the application of the Rural Municipality of Montcalm (RM) for revised water rates for the Letellier Utility. The new rates are to take effect July 1, 2009.

Existing (2006) and revised rates are as follows:

Rates \$/1000 gallons	Existing	Approved	% Inc
First 15,000	\$ 7.75	\$ 8.40	8.4
Next 85,000 ¹	\$ 6.40	\$ 6.90 ¹	7.8
Over 100,000	\$ 5.20	- ²	-
Minimum Quarterly Bill (5/8" meter) ³	\$28.55	\$32.50	13.8
Service Charge- quarterly	\$ 5.30	\$ 7.30	37.7

⁽¹⁾ Rate step changed to over 15,000 gallons.

⁽²⁾ Rate step eliminated.

⁽³⁾ Includes 3000 gallons and service charge.

The Board approves the RM's application to reduce its 3-step rate schedule to a 2-step rate schedule, the second step to take effect at a threshold of 15,000 gallons.

Notice of the Application was mailed to each customer with an invitation to write the Board with concerns or comments. No response was received.

2.0 Background

The Letellier Utility supplies water, from the Pembina Valley Water Co-op (PVWC) Treatment Plant located at Letellier, to 95 customers. No customers are served beyond the boundaries of the RM. Water is metered at the plant and the service has sufficient pressure to meet customer requirements.

The RM currently pays \$5.40 per 1000 gallons to the PVWC and at

the time of the application, the RM advised it expected an increase to take place in 2009 to \$5.70 or 5.6%.

Water is tested on a regular basis and drinking water standards are being met. The RM employs two (2) operators with level 1 certification, which meets the requirements for a Utility of this type and size. Shared services exist between the general operation of the RM and the Utility, and costs are allocated based on time spent for regular inspections, maintenance, etc. plus mileage for vehicles.

All water services are metered: one - 1" meter; one - ¾" meter and 93 - 5/8" meters. There are no bulk water sales in Letellier. Water losses in the system are approximately 1.2%; well below industry average.

The original capital cost of the system is approximately \$120,000. The RM did not provide a copy of its Tangible Capital Asset schedule.

The RM reported that it meets drinking water standards and there are no issues with respect to either water colour or taste.

The RM provides a low flow gravity sewer service using no lift stations. This system was installed through a community co-operative and paid for by the customers connected. The system was later turned over to the RM. A separate sewer charge is not assessed and the costs of sewage treatment at the lagoon, which are very minimal, are recovered through the water commodity charge.

An Emergency Plan has been developed which is reviewed annually, however, it is not utility specific.

3.0 Application

The RM applied to the Board for revised water rates for the Letellier Utility effective July 1, 2009, as set out in By-law No. 672/09 read the first time on February 10, 2009. The existing (2006) and proposed rates are as follows:

Rates \$/1000 gallons	Existing	Proposed	% Inc
First 15,000	\$ 7.75	\$ 8.40	8.4
Next 85,000 ¹	\$ 6.40	\$ 6.90 ¹	7.8
Over 100,000	\$ 5.20	- ²	-
Minimum Quarterly Bill (5/8" meter) ³	\$28.55	\$32.50	13.8
Service Charge- quarterly	\$ 5.30	\$ 7.30	37.7

⁽¹⁾ Rate step changed to 15,000 gallons.

⁽²⁾ Rate step eliminated.

⁽³⁾ Includes 3000 gallons.

The last comprehensive rate review was completed in 1983, and while in 2006 the RM passed through an increase of \$0.50 per 1000 gallons in the cost of purchasing water, the RM determined it was necessary to undertake a rate review to ensure rates kept up with rising operating costs.

The RM advised it has no customers purchasing water at the 3rd step, and therefore proposed elimination of that step, with the threshold limit for the second step to remain at 15,000 gallons.

As at December 31, 2007 and 2008, the Utility earned a \$2,787 and a \$3,669 (unaudited) surplus respectively and had an accumulated surplus of \$23,053. In 2008, Utility revenues of \$39,298 exceeded budget by \$3298 and expenditures of \$35,629 were slightly less than budgeted by \$371.

The Utility Reserve Fund balance is approximately \$161,303 and the Utility has no debenture debt.

The following forecast annual expenditures were reflected in the

proposed rates:

Administration	\$ 2,770
Water Purchases	\$25,645
Operating	<u>\$12,955</u>
Total	\$41,370

The cost of purchasing water constitutes 62% of total operating costs for the utility and it is noted this cost is beyond the control of the RM. The RM has included a \$1200 contingency provision in its estimated expenditures.

However, no provision was made to build the reserve fund as the RM believes the current level of reserves is adequate.

There are 14 fire hydrants on the system and the RM proposes to increase this charge to the RM from \$50.00 to \$150.00 per hydrant.

In the RM's review of its five-year capital plan, no projected capital expenditures related to the Utility were identified.

The RM has not yet prepared its Tangible Capital Asset (TCA) schedule, which is required to be filed with the Province in early 2009; the RM has agreed to submit the TCA to the Board once prepared.

The RM's application did not take into account changes in accounting standards by the Public Sector Accounting Board (PSAB), the changes include a requirement for the amortization of capital assets.

Notice of the application was mailed to each water consumer by first class mail and posted in five prominent locations in the RM with an invitation to advise the Board with concerns or comments by no later than May 15, 2009. No comments were received. Of note, the Notice did not reflect the elimination of the 3rd step rate, however, no customers are affected as there are no

customers purchasing water at quantities over 85,000 gallons per quarter.

4.0 Board Findings

The Board will approve the revised water rates as proposed by the RM. At the next rate application, the RM will be required to develop a separate sewer charge. While sewer system costs may be minimal at this stage, with the adoption of PSAB standards, costs related to contingent liabilities and/or amortization may justify a separate charge in the future.

The Board notes that the RM increased rates in the past to pass through an increase in the cost of purchasing water for the PVWC without the Board's approval, and reminds the RM that such increases must obtain the Board's prior approval.

The Board is pleased that the RM took the initiative to review its operating expenditures and rates in totality, as the last review occurred some 26 years ago. More frequent rate reviews can avoid rate shock, though the increases proposed by the RM are among the lowest the Board has seen in recent years.

Absent consideration of the financial implications related to PSAB yet to be determined including the recognition of amortization of fixed assets, the rate proposal is reasonable and should allow the Utility to continue to earn surpluses and may also allow any pending increase by PVWC to be absorbed without a further increase -- the PVWC rate proposal, if forthcoming, will require the approval of the Board.

The RM did not provide its TCA schedule and therefore, the Board was unable to assess in general terms the implications of the adoption of PSAB standards for the utility. The most significant impact will be the recognition of amortization (depreciation) of

utility assets. The Board notes that the RM considers the level of reserves to be sufficient such that no provision is required to build the reserve fund. However, the prudence of this decision can only be assessed based on the financial statements of the utility once the statements are prepared to reflect new PSAB standards.

The Board notes the process used by the RM to allocate shared equipment and services between the General Operation of the RM and Utility is based on mileage and time spent, and will require the RM to file any future changes for the Board's approval.

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. 672/09 BE AND IS HEREBY APPROVED as attached hereto effective July 1, 2009.
2. The Tangible Capital Asset schedule for the Utility be submitted to the Public Utilities Board once prepared and no change to the amortization rates set out therein shall be made without Board approval.
3. Any changes to the methodology used to allocate shared equipment and services based on mileage and time spent respectively will be required to be approved by the Public Utilities Board

June 4, 2009

Order No. 92/09

Page 8 of 11

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. 92/09 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 92/09

RURAL MUNICIPALITY OF MONTCALM
LETELLIER UTILITY
WATER RATES
BY-LAW NO. 672/09

Schedule of Quarterly Rates:

1.

Commodity Rates per M.G.

	<u>Water</u>	<u>Total</u>
Domestic Rate: First 15,000 I.G.	\$8.40	\$8.40
Intermediate: All over 15,000 I.G.	\$6.90	\$6.90

Notwithstanding the Commodity Rates set out above, all customers will pay the applicable minimum charges set out below, which will include water allowances as indicated.

Water Only Customers:

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Gallons</u>	<u>Water</u>	<u>Service Charge</u>	<u>Total</u>
5/8"	1	3,000	\$ 25.20	\$7.30	\$ 32.50
3/4"	2	6,000	\$ 50.40	\$7.30	\$ 57.70
1"	4	12,000	\$100.80	\$7.30	\$108.10
1½"	10	30,000	\$229.50	\$7.30	\$236.80
2"	25	75,000	\$540.00	\$7.30	\$547.30

2. Billings and Penalties:

All connected customers shall be billed quarterly and payment shall be due and payable at least 14 days after the mailing of the bills. A late payment charge of 1.25% (1¼%) per month shall be charged on the dollar amount owing after the billing due date and a notice to this effect shall be clearly printed on all bills sent to customers.

3. Hydrant Rentals:
The community of Letellier shall pay the utility an annual rental fee of \$ 150.00 per hydrant for each hydrant connected to the system which includes the cost of water for fire fighting.
4. Liability for Charges:
Where charges and penalties pursuant to this by-law are not paid within ninety (90) days from the date when they were incurred; said charges and penalties shall be added to the taxes on the property and collected in the same manner as other taxes as per authority of Section 252(2) of The Municipal Act of Manitoba.
5. Testing of Water Meters for Accuracy:
Any customer desiring and requesting their meter to be tested for accuracy shall deposit with the municipality the sum of \$ 40.00, which will be retained if the meter (when tested) shall be found to be within the allowable limits of variation from accuracy. If the meter is found to register in excess of the allowable limits the deposit shall be refunded and the customer's account adjusted to reflect an accurate consumption. The allowable limit of variation shall be 4% of average flow.
6. Disconnection and Reconnection:
 - i) 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 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.
 - ii) Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$ 50.00 have been paid. Service may be disconnected or reconnected upon receipt of a written request and payment of \$ 25.00. Service may be removed upon written request and a payment of \$ 50.00.

7. Responsibility for Service Connections:
The Utility is responsible for all costs involved to bring services to the property line of the owner (including any water losses that may occur to that point.) The owner is responsible for all costs of services (including water losses) from the property line into the building being serviced.
8. Service to Customers outside the limits of Letellier:
The Council of the Rural Municipality of Montcalm may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the community of Letellier. Such agreements shall provide for payment of the appropriate rates set out in Section 1 of this schedule (for each applicable year), 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 which would be levied on the property concerned if it were within these boundaries. In addition, all costs for connecting to the utility's mains and installing and maintaining service connections shall be paid for by the customer.
9. Sewer Surcharges:
 - a) There may be levied annually, in addition to the rates set forth herein, 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 to a customer based on the actual costs of treatment required for the particular sewage or industrial waste.