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THE PUBLIC UTILITIES BOARD ACT) Order No. 124/ 11
) September 23, 2011

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

RURAL MUNICIPALITY OF SOUTH NORFOLK
RATHWELL WATER UTILITY
WATER RATES - FINAL

Executive Summary

By this Order, the Public Utilities Board (Board) confirms as final the water utility rates for the Rural Municipality of South Norfolk (RM), Rathwell Water Utility (Utility), approved on an interim *ex parte* basis by Order No. 133/10.

The rates are effective as of January 1, 2011.

Previous and now final revised rates are as follows:

	Previous	Revised
Per Residential equivalent unit	\$150 per annum	\$250 per annum
Bulk Water Sales	\$/1,000 gallons	\$/1,000 gallons
Rathwell Municipal Well	\$5	\$5
Treherne Municipal Well	\$5	\$5
Rathwell Waterplant Well	\$7	\$7

Background

The Utility last increased its rates in 2004, and those rates are no longer sufficient to cover the costs of operating the Utility.

Effective January 1, 2009, Public Sector Accounting Board (PSAB) accounting standards became applicable for municipalities, including their utility operations. The implications of the accounting change for municipal utilities are significant.

While the Utility's application neither included financial statements prepared in accordance with PSAB standards, nor did it take into account all of the implications of PSAB driven

changes, the Board, on an interim basis, determined that a rate increase was required to reflect the changed standards.

The audited financial statements for 2009 were received and provided to the Board subsequent to the application and the Board was able to use the information discerned there from to assess the reasonability of the proposed rates.

The interim approval included the proviso that a public notice of the change be issued to provide utility customers with the opportunity to review and comment on the RM's proposal. That notice was provided in the month of June, 2011. No comments were received by the Board.

Application

The Town applied for revised water and sewer rates, as set out in By-law No. 2486/10 read the first time on November 9, 2009.

The Town proposed the following rates:

	Current	Proposed
Residential equivalent units*	\$150 per annum	\$250 per annum
Bulk Water Sales	\$/1,000 gallons	\$/1,000 gallons
Rathwell Municipal Well	\$5	\$5
Treherne Municipal Well	\$5	\$5
Rathwell Waterplant Well	\$7	\$7

*There are 74 residential and small business customers, each of which are assigned one residential equivalent unit. In addition, there is a senior citizens' home which is assigned 6 REU's.

The RM indicated that it did not include bulk water sales revenue in Utility results, but, rather, deposited such revenues with general municipal revenues.

Nonetheless, the RM submitted bulk water rates for approval, being of the view that such rates were under the purview of the Board. Expenses related to bulk water sales were reported as minimal. The Rathwell and Treherne Municipal Wells provide untreated water only, and the RM has confirmed that there is clear signage to this effect.

Following issue of the interim order, the RM maintained that, while it accepted that the Rathwell bulk well should be considered part of the utility, the Treherne bulk well should not, because its revenues are used to support infrastructure providing access to the wells. Their response also suggested that the costs related to provide access to the well have not been included in the rate determination, contributing in large measure to the surplus projected in Order 133/10.

A report from Manitoba Water Stewardship confirmed acceptability of the water supply produced from the Rathwell Water Treatment Plant.

Board Findings

From the information submitted as well as from the 2009 audited financial statements, the Board determined the following projected summary of annual Utility expenses:

	Interim Approval
Expenses	
Operating costs*	\$18,000
Amortization	16,081
Interest	4,029
Reserve provision	1,000
Contingency	1,000
Total Revenue Requirement	\$40,110

Non-rate Revenues	
Amortization of capital grants	\$3,866
Taxation levies for debenture	8,264
	\$12,130
Net revenue requirement	\$27,980
Product sales	
Bulk water sales	\$14,876
Water sales	20,000
	\$34,876
Net surplus*	\$6,896

*Does not include access maintenance costs related to the Treherne bulk well

The Board is of the view that all water related sales, including bulk sales, should be considered part of the water utility operations. It therefore considered the amortization expenses related to the wells, as well as the attendant revenue, in determining the rates for which it provided its interim

approval.

In taking this position, the Board focuses on the legislative definition of a public utility which states in part

“any system, works, plant, pipe line, equipment or service....

(c) for the production, transmission, delivery, or **furnishing** of ... water....;

either directly or indirectly, to or for the public, and includes all such carried on by or for the owner or a municipality or the Government of Manitoba...”[emphasis added]

While there was no data provided with respect to the quantum of access maintenance costs to the Treherne well, the Board is mindful that those costs will offset the Net Surplus indicated above.

The Board encourages the RM to reconsider its position with respect to the Treherne bulk well and to include the related operating costs and revenues in its utility results in future. The approval confirmed herein is based on that premise.

The Board considers the absence of public reaction to the notice provided in June to be tacit acceptance by users that the rates are reasonable.

The Board notes the RM’s by-law does not contain the required clause with respect to disconnection of service for non-payment of account. The Board asks for this clause to be included in all utility rate by-laws even if the municipality has no intention of disconnecting services. The Board will required the RM to amend its by-law to include this required clause, and as noted on Schedule ‘A’, attached to this Order.

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.

IT IS THEREFORE ORDERED THAT:

1. The Rural Municipality of South Norfolk By-law 2486/10 IS
HEREBY GIVEN FINAL APPROVAL, with rates to be effective
as of January 1, 2011.
2. The Rural Municipality of South Norfolk amend By-law
2486/10 to agree with Clause 5 of Schedule 'A', attached
hereto.
3. The Rural Municipality of South Norfolk, files a copy of
its amending by-law with The Public Utilities Board, once
it has received third and final reading, but not later
than November 15, 2011.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"
Chairman

"KRISTINE SHIELDS"
Acting Secretary

Certified a true copy of Order No.
124/11 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO
ORDER NO. 124/11

Rathwell Water Plant Rates and Terms
By-Law No. 2486/2010

1. Minimum Annual Charges

All customers will pay \$250.00 annually to support the operation and maintenance of the Rathwell water plant.

2. Service to Customers outside the Local Urban District of Rathwell

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 Local Urban District of Rathwell. 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 such customers.

3. Billings and Penalties

Accounts shall be billed annually on tax statements and due same date. 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 notice of overdue taxes.

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, 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.

5. Disconnection

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.

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.

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 property owner or contractors of the property owner are the responsibility of the property owner.

7. Outstanding Bills

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.

8. Bulk Water Rates

- i. Bulk treated water received from the water plant located in the Local Urban District of Rathwell shall be charged at \$7.00 per thousand gallons.
- ii. Bulk untreated water sold from the well known as the Rathwell Municipal Well located South of Rathwell on section SW 6-8-8WPM on the road allowance will be charged at \$5.00 per thousand gallons.
- iii. Bulk untreated water sold from the well known as the Treherne Municipal Well located North East of Treherne on section SE 7-8-9WPM shall be charged at \$5.00 per thousand gallons.

Billings and Penalties

A late payment charge of 1 ¼% shall be charged on the dollar amount owing after the billing due date and will compound monthly. Outstanding balances and penalties will appear on the customer's next billing. The due date will be at least fourteen days after the mailing of the bills.

9. Outstanding Bills

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for bulk water shall be collected in the same manner as a tax may be collected or enforced under *The Municipal Act*.