

M A N I T O B A                    )     Order No. 69/00  
  )  
THE PUBLIC UTILITIES BOARD ACT   )     May 10, 2000

BEFORE: G. D. Forrest, Chairman  
          E. Edmondson, Member

**APPLICATION BY THE RURAL MUNICIPALITY OF  
VICTORIA BEACH FOR THE APPROVAL OF THE  
CONSOLIDATION OF THE HAMPTON AND THE VICTORIA  
BEACH UTILITIES AND CORRESPONDING RATES**

Pursuant to applications filed by the Rural Municipality of Victoria Beach for the approval of the consolidation of the Hampton and the Victoria Beach utilities as set out in By-law No. 1435 and of water rates as set out in By-law No. 1434 both certified as to having been read the first time on January 25, 2000, a public hearing was held in the Board's office in Winnipeg on May 2, 2000. In an affidavit sworn by Mr. Raymond J. Moreau on April 11, 2000, it was confirmed that a Notice of Application and Hearing was mailed by first class mail to all customers of both utilities on April 5, 2000.

Mr. Raymond J. Moreau, Secretary/Treasurer of the Rural Municipality of Victoria Beach attended the hearing to support the applications. Also in attendance were Mr. & Mrs. D. Thompson and Mr. Greg Daniels. These individuals supported the applications as well.

The following is a summary of the primary issues heard by the Board:

1. The Hampton Utility was established about 1989 and has been operating on a stand alone basis since that time. The Utility currently serves approximately 66 customers located in the extreme North East part of the Municipality. Approximately one-half of these customers are connected to the water distribution while the balance are classified as non-connected customers.
2. The Victoria Beach utility is a much larger utility serving approximately 972 customers of which approximately 123 customers are classified as non-connected customers. The Victoria Beach Utility has three commercial accounts one of which is a golf course.
3. There are no fire hydrants in either utility.

4. While both systems appear to be inadequate the Municipality determined that the Hampton utility water quality problems is best handled via consolidation. Due to the urgent nature of the Hampton Utility problems, the two systems have been physically interconnected thereby ensuring the availability of potable water to the Hampton Utility customers.
5. While the Victoria Beach utility is significantly undersized which has been determined based on engineering advice, the addition of the Hampton Utility customers would not detrimentally affect the quality of water currently being served to the Victoria Beach Utility customers.
6. While it was suspected that the low quality of water being provided impacted on the desire of customers to attach to the distribution system of the Hampton Utility, it was the Municipality's view that the utility was not viable and could not support the capital additions required to provide a higher quality of water. The Municipality referred to the recurring deficits of the Hampton Utility to support this view
7. A full engineering assessment is being made of the Victoria Beach utility and a report is expected by early summer. It is expected that significant capital costs will be necessary to upgrade the system. Such capital costs will be debenturized by the Municipality. The current debenture matures in approximately 2004.

Preliminary discussions suggest a large reservoir, increased pumping capacity, increased filtration and a new pumphouse will form part of the capital requirements.

8. The Municipality provided a rate study to support its application for rates. The rate study was based on a 2000 utility budget on a combined basis. The budget provided for the following:

i) Increased revenues from rates and from contributions from utility reserve fund. The Secretary/Treasurer advised that the utility is expected to spend considerable sums on capital improvements and the withdrawal from the reserve is not to support general operations which should come from rates.

ii) Estimated increases in Operating and Maintenance expenses to reflect the current requirements of the utility on a consolidated basis and a contribution to capital infrastructure of \$10,000 which equates to the withdrawal referred to earlier. On a net basis, the budget includes a \$5,000 contribution to reserve.

iii) A contingency allowance of \$1,000 is provided for in the budget which was felt to be low under the circumstances. A higher amount was not proposed.

- iv) In summary, the budget reflects a \$6,680 surplus compared to 1999 operating deficits of approximately \$5,000 in the Hampton Utility and \$4,800 in the Victoria Beach Utility.
  - v) In 1999, the Municipality applied and received the Board's approval to withdraw \$127,000 from reserves for capital works which will be replenished once debenturized. This ensures that rates recover operating costs and capital is recovered by debenture.
  - vi) Water production and water distribution costs are not separately tracked.
9. The Hampton Utility rates were last approved in May 1999 and the Victoria Beach rates in April, 1995.
10. Both systems are unmetered and customers are charged based upon a multiple of the residential customers' rates based upon estimated consumption. Customers not connected to the distribution system are charged a flat fee which is increasing from \$11.00 per year to \$15.00 per year.
11. Existing reserve funds of each utility will be combined after consolidation. The Victoria Beach utility reserve fund balance is \$142,874.33 as at February 29, 2000 and for the same period ending, the Hampton Utility reserve fund balance is \$1,266.44.

## **Board Findings**

After consideration of the evidence, the Board will approve the Municipality's applications for consolidation and rates.

The Board is satisfied that the consolidation of the two utilities is in the public interest as it will ensure that, on a combined basis, the utility will provide reliable quality service and be more sustainable for the benefit for the ratepayers of both systems.

The Board is satisfied that the proposed rates, are fair and equitable. However, in arriving at this decision the Board noted the Municipality has some major challenges ahead to ensure the utility continues to provide quality service to its customers. Major capital works are being considered to meet these challenges and the Board notes that decisions regarding improvements will be made with the advice of the Municipality's engineer. The Board trusts that the Municipality will carefully plan for this work. When the projects proceed there may be greater uncertainty with respect to the utility's operating costs and these too will need to be carefully considered. More frequent rate changes may be required to keep abreast of needed revenues.

With such an improved system and higher water quality it is conceivable that increase revenues will be derived from further attachments to the distribution system.

The Board would recommend that in the future the operating costs of the system be tracked in water production and water distribution accounts. In this way rate requirements in the future can be better determined.

**IT IS THEREFORE ORDERED THAT:**

1. By-law No. 1434 and By-law No. 1435 of The Rural Municipality of Victoria Beach BE AND THE SAME ARE HEREBY APPROVED.
2. The water rates set forth in Schedule "A" attached hereto shall apply to all customers of the utility effective on the next billing in the normal course after the date of this Order.
3. The Municipality file an amended reserve fund by-law for the combined utility for information.

The Municipality remit a cheque in the amount of \$326.91 for the cost of this Order.

THE PUBLIC UTILITIES BOARD

"G. D. FORREST"  
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Chairman

"G. O. BARRON"  
\_\_\_\_\_  
Secretary

Certified a true copy of  
Order No. 69/00 issued by The  
Public Utilities Board

\_\_\_\_\_  
Secretary

**SCHEDULE "A"**

**TO BOARD ORDER NO. 69/00**

**THE RURAL MUNICIPALITY OF VICTORIA BEACH**

**LOCAL IMPROVEMENT DISTRICT NO. 1**

**VICTORIA BEACH UTILITY**

**WATER RATES**

**BY-LAW NO. 1434**

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

<u>Customer Type</u>	<u>Yearly Rate</u>
Single Family Residence/Cottage, Grocery Store, Doctor's Office	\$ 70.00
Restaurant, Bakery	\$ 140.00
Golf Course	\$2,500.00

2. Water rate covering seasonal service to customers not directly connected to the water system, but who are using water obtained from municipal pumps or stand-pipes shall be levied as follows:

Any Customer \$15.00 per year

3. Water rate equivalent payment covering vacant lots along main water lines or in the vicinity of municipal pumps or stand-pipes shall be levied as follows:

Any Customer \$15.00 per year

4. Water and equivalent rates set forth in paragraphs 1, 2 and 3 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. Outstanding accounts after due date shall be charged a penalty of 1.25% per month, on the first day of each month, until paid in full.