

M A N I T O B A ) Order No. 43/02  
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THE PUBLIC UTILITIES BOARD ACT ) March 13, 2002

BEFORE: S. Proven, Acting Chair  
M. Girouard, Member

**THE RURAL MUNICIPALITY OF DE SALABERRY  
LOCAL IMPROVEMENT DISTRICT NO. 2 (ST. MALO)  
WATER AND SEWER RATES  
BY-LAW NO. 2151**

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On January 8, 2002, Council for the Rural Municipality of De Salaberry (the Municipality) gave first reading to By-law 2151 setting out revised water and sewer rates for the approval of the The Public Utilities Board (Board) (the Application). By Resolution No. 575-01 dated December 17, 2001, Council authorized a reduction in the volume of water used to calculate minimum quarterly bills from 7,000 imperial gallons to 5,000 imperial gallons and further, authorized the inclusion of a clause providing for periodic meter inspections. In support of the Application, a water and sewer rate study prepared by Sawatzky Consulting Services was filed.

Public Notice advertising the Application and a public hearing to be convened by the Board on March 5, 2002 in St. Malo

was mailed by first class mail to all customers. An affidavit covering the serving of the Public Notice was filed by the Rural Municipality of De Salaberry and entered as an exhibit at the public hearing.

The following were in attendance:

Mr. Ronald Musick, Rural Municipality of  
Chief Administrative Officer De Salaberry

Mr. Jake Sawatzky Sawatzky Consulting Services

A number of ratepayers attended to voice their concerns including members of the Local Urban District of St. Malo.

The following information was filed at the hearing:

1. The sewer system was installed in 1970 followed by the water system in 1991. When the water system was constructed capital costs were recovered by way of a frontage levy with a pre-payment option. As the payments were inadequate to recover the entire capital cost, the Municipality covered the shortfall in the amount of approximately \$48,000. Of this amount approximately \$29,000 remains outstanding and to date, interest is not being charged to the outstanding balance.
2. Water quality meets drinking water standards, but at times has an odour and has been cloudy.

3. In 2001 the capacity of the lagoon was doubled in size. Pursuant to the Environmental License, no raw sewage is dumped into the lagoon between October 15<sup>th</sup> and June 1<sup>st</sup> of the following year.
4. There are currently 253 water and sewer, 7 water only, and 8 sewer only customers connected to the system. The Provincial Park is connected to the sewer system only, and by agreement will be making a \$12,000 annual contribution to the utility for the next 10 years (updated from \$6,000 used in the rate study). This money is not earmarked. Lagoon service to the Provincial Park is provided by a sewer line and a lift station. The Municipality maintains the line and the lift station.
5. The septage from cottage owners not located in the Provincial Park, and not connected to the system is hauled to the lagoon by one of five haulers in the area. The hauler pays a one-time \$50.00 fee to the utility to dump septage into the lagoon.
6. There are other customers located in the Municipality dumping septage into the lagoon for which no charge is made. However, the Municipality advised that it makes a minimum of a \$5,000 annual contribution to the utility in the form of labour and equipment which more than offsets the cost attributed to this residential dumping of septage.

7. The Municipality indicated that the medium in the filters will need changing in the near future at a cost of \$6,000 to \$8,000 and that, because of high humidity in the water plant, an air exchanger may be required. The utility has no schedule for flushing sewer lines and annual flushing will need to be considered.
8. The Municipality indicated that there is one unmetered customer - a farm operator who pastures a small herd (10 - 12) of cattle. This customer is charged \$160 for service for cattle in the summer months only.
9. The last rate change occurred in 1994 and deficits in the utility were incurred in 1997, 1998, 1999 and 2001. The 2001 deficit amounted to \$6,981.01 and is before the Board for approval.
10. The annual water loss in the system is approximately 11.5%. However, such losses are not all unaccounted for as some water is used in fire fighting and sewer line flushing.
11. The rate study is based on 2000 expenditures plus a 3% inflation factor for years 1 and 2. Included in the rates is an operating contingency allowance of \$6,260.00 based on 1% of the historical capital cost of the system.

12. As of December 31, 2001 (unaudited) the utility had no accumulated cash surplus, and a reserve fund balance of approximately \$1,900.00.
13. Sewer only customers are unmetered and a flat charge of \$26.00 per quarter is proposed which includes the service charge, plus sewer charges based on estimated volumes.
14. Customers served beyond the boundaries of the Local Improvement District of St. Malo are charged the regular commodity rates, and also contribute to the debenture cost of the system. When initially attached, each customer pays a contribution toward the original installation cost of the water system. The standard fee is \$4,250.
15. The Municipality proposed to reduce the volume of water used for the calculation of minimum quarterly bills. For customers with a 5/8" meter, the minimum quarterly water allowance has been reduced to 5,000 imperial gallons from 7,000 imperial gallons. The Municipality recognized that the water allowance was high compared to other communities and recognized that the allowance was creating higher bills for seniors and other low volume users.

16. The Municipality indicated that the administrative fee is insufficient to recover the full cost of the services provided to the Local Improvement District of St. Malo, as it essentially recovers the cost of postage and supplies only.
17. The Municipality believes that the full cost of operating utilities should be recovered from the ratepayers on a user fee basis.
18. The Municipality recognized that its largest operating expense is the labour cost, and that there are questions related to this component being raised by the ratepayers. The public works operator is hired on a 40 hour per week basis by the Municipality and the Local Improvement District of St. Malo is allocated 80% of this cost.
19. While the Municipality proposes a multi-use meter charge for buildings with multiple tenants and served by one meter, no such charges are made to date. The Municipality indicated that it would consider the installation of separate meters if the situation arises. This provision existed in the currently approved rates for St. Malo.

Presentations:

1. Some presenters questioned the rate increase indicating that the 44% rate increase is

substantial, and that some consideration should be given to phasing-in the rate increase.

2. Presenters questioned the labour cost component and indicated that this matter is currently under review. It is possible that, through more effective use of the operator's time, cost savings will be realized. These savings would allow for a reduction in the rate increase. They suggested that the Board should defer consideration of the Application until this is determined. There is a belief that the operator time can be reduced to 18 - 25 hours per week.
3. Some presenters believed that more long term planning is required and that rate requirements should be handled on a more timely basis. Without a capital plan it was felt the reserve requirements cannot be determined and accordingly, the speed at which the reserve target is met is indeterminable.
4. It was also felt that the metering accuracy in the community is questionable, and until verified a rate increase should be deferred.

#### Board Finding

The Board accepts the position of the Municipality that existing rates are not adequate to recover its current level of operating costs, and while the rate deficiency should

have been addressed sooner thereby reducing the need for a significant rate increase, the current situation does not allow for any delay.

The Board noted that the Municipality, through the establishment of a committee, is reviewing the labour cost component and that if achievable, annual savings in the \$6,000 - \$7,000 per year range may be realized. However, the Board also noted the remarks of the Municipality indicating that it needs to be more vigilant with respect to the ongoing maintenance of the system. The Board does not believe that it is prudent to defer the rate increase at this time for reasons mentioned above. However, if such savings are obtained then such savings should be used to reduce the capital cost advance provided by the Municipality, or to rebuild the capital reserves of the utility. The Board will not defer the rate increase pending the meter accuracy evaluation for similar reasoning.

The Board agrees with the Municipality that long term planning is essential for utilities today, and that with such a plan, a target reserve level can be identified. Because of the low level of reserves it is mute at this point, as to what the desirable level of the reserve fund should be at this time.

Of concern to the Board is the lack of precision regarding the assignment of actual operating costs to the system both with respect to administrative expenses and other services provided by the Municipality to the Local Improvement District of St. Malo, and also, the recovery of operating costs from the



Provincial Park, septic haulers and its unmetered water customers.

The Board agrees with the Municipality that the utility should follow a user pay philosophy and further, that the utility should be operated on a stand alone basis. The data to date makes it difficult to determine with certainty how close the utility is to operating on this basis. Accordingly, the Board will require a report from the Municipality regarding the following:

1. Details including cost of the administrative services provided by the Municipality to the St. Malo utility. The rates, on a proposed basis, will recover \$7,200 annually related to this cost.
2. Details of the operating and maintenance services provided by the Municipality to the St. Malo utility and the cost for which, to date, no collection has been made. This cost is estimated to be \$5,000.
3. A report with respect to operator costs following the Committee's analysis and recommendations.
4. An analysis of the cost of the service provided to the Provincial Park.
5. An analysis of the cost of the service provided to septage haulers and other persons dumping septage

into the lagoon with a proposed fee for the recovery of such costs.

6. An estimate of the volume of water used by the farmer and an assessment regarding the fairness of the \$160.00 charge.

The Board expects a report to be filed regarding the above by no later than September 30, 2002. Attached to the report shall be some assessment as to the need for any rate adjustments.

The Board applauds the Municipality for reducing the minimum quarterly allowance from 7,000 imperial gallons to 5,000 imperial gallons for the 5/8" meter sized customer and other meter sizes accordingly. This is an improvement and will have the impact of cushioning the commodity rate increase for low volume users such as senior citizens in the community. Some considerations should be given to a further reduction to 3,000 gallons which is typical in other communities.

Based on the information filed including the revised Provincial Park fee, on a forecast basis, it is expected that the utility, based on the proposed rates will generate an approximate annual surplus of \$17,290. This includes the \$6,250 contingency allowance, the \$12,000 Provincial Park fee and the inflation allowance. The Board accepts the Municipality's position that a minimum of \$3,000 per year should be paid to the Municipality to retire the capital cost advance from the Municipality which should be increased as permitted by operating

surpluses. In approximately 10 years, barring any acceleration of the payments, the debt should be retired.

The Municipality's reserve fund by-law should be amended to provide for a mandatory transfer to reserve of \$6,000 per year. Any acceleration of the repayment of the advance should not occur beyond the \$3,000 per year provision until the utility has 1/4 year's operating cost in the accumulated cash surplus account. Of course, any additional amount will need to be considered in the context of the ongoing financial needs of the utility.

In summary, the Board will approve the rates and clauses proposed by the Municipality as set out in By-law No. 2151 except for the multi-use charge. The Board encourages the installation of separate meters for this purpose.

**IT IS THEREFORE ORDERED THAT:**

1. By-law No. 2151 is hereby approved subject to the deletion of Clause 3 with respect to the multi-use charge.
2. An amount of \$6,000 per year be added to the Reserve Fund for the utility and no withdrawals be made without the approval of The Public Utilities Board.
3. A minimum amount of \$3,000 per year be paid to the Rural Municipality of De Salaberry to retire the

capital cost advancement made to the Local Improvement District of St. Malo up to an amount of \$29,000.

4. The Rural Municipality of De Salaberry provide a report to the Board by September 30, 2002 providing the following:
  - i. Details including cost of the administrative services provided by the Municipality to the St. Malo utility.
  - ii. Details of the operating and maintenance services provided by the Municipality to the St. Malo utility and the cost for which to date, no collection has been made.
  - iii. A report with respect to operator costs following the Committee's analysis and recommendations.
  - iv. An analysis of the cost of the service provided to the Provincial Park.
  - v. An analysis of the cost of the service provided to septage haulers and other persons dumping septage into the lagoon with a proposed fee for the recovery of such costs.

- vi. An estimate of the volume of water used by the farmer and an assessment regarding the fairness of the \$160.00 charge.

Fees payable upon this Order - \$496.37

THE PUBLIC UTILITIES BOARD

"S. PROVEN"  
Acting Chair

"G. O. BARRON"  
Secretary

Certified a true copy of  
Order No. 43/02 issued by The  
Public Utilities Board

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Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 43/02

THE RURAL MUNICIPALITY OF DE SALABERRY

LOCAL IMPROVEMENT DISTRICT NO. 2 (ST. MALO)

WATER AND SEWER RATES

BY-LAW NO. 2151

1. Commodity Rates per M.G. (4.54 Cubic Metre):

	<u>Water</u>	<u>Sewer</u>	<u>Water &amp; Sewer</u>
All Water Consumption	\$2.30	\$1.90	\$4.20

2. Minimum Charges (Quarterly):

Notwithstanding the Commodity Rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges set out below, which will include allowances as indicated:

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Gallons</u>	<u>Water</u>	<u>Sewer</u>	<u>Service Charge</u>	<u>Total</u>
5/8"	1	5,000	\$ 11.50	\$ 9.50	\$6.75	\$ 27.75
¾"	2	10,000	\$ 23.00	\$ 19.00	\$6.75	\$ 48.75
1"	4	20,000	\$ 46.00	\$ 38.00	\$6.75	\$ 90.75
1 ½"	10	50,000	\$115.00	\$ 95.00	\$6.75	\$216.75
2"	25	125,000	\$287.50	\$237.50	\$6.75	\$531.75

Water Only Customers

Minimum charge will be the same for each meter size as shown above, but the Sewer Commodity charge will be excluded.

Sewer Only Customers

The quarterly commodity charge, based on the average residential water consumption in the community, plus the service charge, shall be \$26.00.

3. Billings and Penalties for Non-payment of Account:

All connected customers shall be billed quarterly and payment shall be due and payable within twenty-one (21) days of the billing date. A penalty of ten percent (10%) is to be added to any bill not paid by the due date and a notice to this effect shall be clearly printed on all bills sent to customers.

4. Discontinuation and Disconnection of Service:

Services may be discontinued and disconnected without further notice if the account has not been paid within 30 days after the due date. Disconnection of service is to include the closing of the curb stop. A customer who has had his service line disconnected for any reasons shall not be reconnected until all regulations have been complied with and all arrears (including any penalties) and a re-connection fee of \$45.00 has been paid.

5. Hydrant Rentals:

The R. M. of De Salaberry shall pay the utility an annual rental fee of \$75.00 per hydrant for each hydrant connected to the system.

6. Liability for Charges:

Where charges and penalties pursuant to this by-law are not paid by the end of the year in which they have been 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.

7. New Customers

All new residential customers for water and sewer shall be metered at customer cost. Ownership, inspection and maintenance of meters will remain the responsibility of the utility system. Maintenance for meters with a size of 25 mm (1 inch) or larger (commercial) will be the responsibility of the utility system but will be billed to the commercial user.

8. 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 \$35.00, 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 consumer's account adjusted

to reflect an accurate consumption. The allowable limit of variation shall be 4% of average flow.

9. Service to Customers Outside the Limits of Local Improvement District No. 2

The Council of the Rural Municipality of De Salaberry may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the LUD of St. Malo. Such agreements shall provide for payment of the appropriate rates set out in Sections 1 and 2 of this 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 for connecting to the utility's mains and installing and maintaining service connections shall be paid for by the customer.