

M A N I T O B A                    )     Order No. 113/05  
  )  
THE PUBLIC UTILITIES BOARD ACT    )     July 21, 2005

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

**THE RURAL MUNICIPALITY OF GREY - APPLICATION  
FOR APPROVAL OF OPERATING DEFICIT IN THE ELM  
CREEK AND GREY REGIONAL WATER SYSTEM, FOR  
THE JOINING OF UTILITIES AND FOR REVISED  
WATER AND SEWER RATES**

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On March 21, 2005, the Rural Municipality of Grey (the "Municipality" applied to The Public Utilities Board (the "Board") for approval of a 2003 operating deficit in the Elm Creek and the Grey Regional Water System, for the joining of the Elm Creek and Grey Regional Water System and for revised water and sewer rates as set out in By-law No. 3/05 filed with the Board after given first reading on January 19, 2005.

Pursuant to the Board's instructions the Municipality forwarded by first class mail to all customers and further posted a copy of the Notice of Public Hearing.

A public hearing was held on July 12, 2005 in the Elm Creek Community Hall, in Elm Creek, Manitoba at 7:00 p.m.

Mr. R. Haywood, Chief Administrative Officer and Ms. Jill Stafford, Administrative Assistant represented the Municipality. One citizen appeared and raised questions about the fairness of the meter testing charge and expressed concern about the quality of the Notice of Public Hearing indicating it was too detailed for the ordinary reader.

With respect to the Notice, Mr. Haywood advised that he had only one inquiry about the rates and the Municipality expects that rural residents are satisfied with the utility operations when contrasted with the use of private wells.

### **Background**

The Elm Creek Water and Wastewater System has been in operation since 1980 and currently provides service to 161 customers in Elm Creek and was expanded in 2003 to provide water service to 21 rural customers. The water treatment process is Reverse Osmosis with chlorinated water being tested and distributed in accordance with Provincial Health regulations. The wastewater system involves gravity collection of sewage which is pumped via lift station to a wastewater stabilization pond, and discharged via municipal drains in accordance with licence issued by Manitoba Environment. Capital costs were funded through a local improvement plan and all debentures have been retired. Major upgrades during its 25 years of operation include: Water Treatment Plant upgrade to Reverse Osmosis

Treatment in 1985; Expansion to Secondary Cell of Wastewater Treatment Lagoon in 1999; as well as various maintenance upgrades involving Lift Station, Water Treatment Plant and water meters. In 2004 operation of the water treatment plant was turned over to the municipality by The Manitoba Water Services Board and the Municipality now pays for all operating costs directly.

The second utility system (Grey Regional Water System) has been developing since 2001. It currently provides water service to 268 customers (including Haywood), as well as low pressure sewer service to customers in Haywood. Treated water supplied by Pembina Valley Water Coop (PVWC), Cartier Water Coop and Village of St. Claude (PVWC source) is chlorinated, tested and distributed in accordance with Provincial Health regulations.

Residents in Haywood pump their wastewater via a low pressure sewer line to a wastewater stabilization pond which is discharged via municipal drains in accordance with licence issued by Manitoba Environment. There are currently 16 customers connected to the wastewater system and it is anticipated that this number will rise to 64 customers over the next few years as private systems fail and require replacement. Capital costs relating to water supply with reservoir/pumping stations for distribution or bulk sales is being funded through a local improvement plan levy of \$68.15 per year over 15 years levied against all taxpayers in the municipality except the Village of Elm Creek who had already funded capital costs for a water supply system.

Capital costs relating to water distribution and wastewater collection/treatment in Haywood are being funded by a local improvement levy based on a per parcel charge levied against residents of Haywood over 20 years. Capital costs relating to rural water distribution pipelines are being funded through a service connection fee (\$8,000 or \$10,000) and Federal/Provincial grants. Residents have the option to pay their service connection fee in cash or finance through their taxes over 10 years. Capital costs being considered over the next 5 years include water distribution and wastewater system in Fannystelle plus further expansion of rural water pipelines. Additional capital work is dependent on availability of Federal/Provincial funding.

Initial water and sewer rates were approved for the Grey Regional Water System in 2002 and in Elm Creek the rates were last set in 1986. The existing and proposed rates are as follows:

	Existing (per 1000 gallons)	Proposed (per 1000 gallons)
Elm Creek Water Services	\$8.40	\$8.10
Regional System Water Services	\$7.50	\$8.10
Haywood Sewer Services	-	\$0.80
Elm Creek Sewer Services	-	\$1.15

**2003 Operating Deficit**

The Municipal applied to the Board on March 21, 2005 for approval of its 2003 Operating Deficit in the Elm Creek

Utility amounting to \$5,043.80, and in the Grey Regional Water System of \$29,955.19.

Regarding the Elm Creek system, the Municipality advised that the utility is now 24 years old and maintenance upgrading on the sewage lift station, water treatment plant and replacement of water meters have become necessary. The Elm Creek utility had a cash surplus and reserve balance as at December 31, 2003 in the amount of \$77,315.40 and \$29,823.10 respectively.

The Municipality applied to recover the deficit from the accumulated cash surplus account. The Elm Creek's reserve fund balance as at the end of 2004 was \$30,616.10.

The 2003 operating deficit in the Grey Regional Water System was the result of lower than expected sales volumes and an increase in the Municipality's water purchase costs from outside suppliers. The Grey Regional Water System incurred a 2004 operating surplus of \$27,322.56 from which the Municipality wishes to recover the prior year's deficit. The Grey Regional Water System has no reserve funds.

The Grey Regional Water System still has an accumulated deficit of \$8,247.62 which the Municipality proposes to recover for a three (3) year period over the ratepayers of the Grey Regional Water System specifically by means of \$0.10 per thousand gallon levy. The Municipality intends to track the repayment to ensure the levy is eliminated in a timely fashion after retirement of the deficit.

### Joining of Utilities and the Rate Application

The Municipality gave the following reasons for the joining of the utilities:

- 1) Operate one Regional Water System capable of serving all residents in the municipality. Future plans include looping of water systems (Elm Creek, Cartier, P.V.W.C.) so that no area is dependent on one supply source. As noted earlier, the Elm Creek System is already serving customers in the rural area.
- 2) Provide all residents with municipal water at the same rate. In looking at a separate water rate for each utility, rates were very similar with both customers looking at a little over \$8.00 per M.G. and no major saving for either utility to have a separate rate.
- 3) The combining of utilities would simplify administration procedures. All operating expenditures such as labor, mileage, hydro, phone and supplies would be charged to one set of utility accounts reducing time spent on budgeting and allocating expenses.

To arrive at the blended water rate the Municipality combined the operating costs of the separate utilities and to

arrive at a unit rate used a projection of the total volume of water sold. As noted earlier the water purchase cost is the most significant cost of the utility - 60% and one which the Municipality has no control over.

Included in the operating cost and the rates is a \$12,000 contingency allowance. There is no provision to build a reserve fund.

The Elm Creek Sewer and the Haywood Sewer Systems will continue to be operated separately and the operating costs for these operations include no contingency allowance or reserve fund provisions.

All residents in the Municipality (exception Elm Creek residents) make a financial contribution to the capital cost of the rural water distribution system and accordingly, will be charged the same rates for water as all other residents in the Municipality. The capital cost is recovered by taxes and amounts to \$68.15 per resident.

An advance billing for the minimum quarterly charge will not be used. Elm Creek customers who currently pay an advance billing would be refunded through a credit on their next billing. Grey Regional Water System customers currently are not paying an advance billing and therefore would see no change. The Municipality noted that this will have an impact on the utility cash flow but feel the change would help simplify the billing process for staff and customers.

The reconnection fee for non-payment of account has been set at \$50.00. This fee is based on an estimate of Labour \$35.00 and Mileage \$15.00 to disconnect and reconnect a customer who has not paid their account. The last change to this fee was in 1985.

In conclusion, it is the Municipality's opinion that the proposed rates should provide for a reasonable surplus in the next five operating years to cover projected operating costs with accumulated surplus being transferred into a reserve fund. However, this position is based on current water supply costs and any further increases by suppliers need to be passed onto customers in a timely fashion.

The meter testing charge is \$100.00 and is refunded to customers if the meter is proven to be inaccurate. While the fee may be described as a deterrent for nuisance requests to test meters, the Municipality advised it does reflect the actual costs of removing, testing and installing a replacement meter. If certain customers require special consideration the Municipality advised it was prepared to consider same. The Municipality noted that the requests to test meters is very rare.

### **Board Findings**

The Board considered the Municipality's reply regarding the meter testing charge and finds the Municipality's response acceptable and accordingly, will approve the provision in the by-law.



Owners of the utilities have an obligation to operate the utility not only safely and prudently but also on a break even basis. If a deficit is incurred the deficit must be recovered. Deficit funding is not an option for the Municipality. Owners of the utility must also operate the utility prudently and minimize costs wherever possible without compromising the safety of the service or the system's reliability.

The Board will approve the 2003 operating deficit and the suggested method of recovery. As noted by the Municipality, the \$0.10 levy is expected to be eliminated following the recovery of that deficit.

The Board further accepts that the joining of the utilities will bring about efficiencies in the operation of the system and will serve to benefit all ratepayers and will approve same. The Board will also approve the amended billing cycle to accommodate ease of administration and better understanding by customers.

The Board reviewed the operating costs of the joined utility and the blended rates and will approve same.

**IT IS THEREFORE ORDERED THAT:**

1. The revenue deficit in the amount of \$5,043.80 incurred by the Elm Creek Utility of the Rural Municipality of Grey during the year 2003 BE AND THE SAME IS HEREBY APPROVED subject to the said deficit being recovered from the accumulated cash surplus account.
2. The revenue deficit in the amount of \$29,955.19 incurred by the Grey Regional Water System of the Rural Municipality of Grey during the year 2003 BE AND THE SAME IS HEREBY APPROVED subject to the said deficit being recovered from the accumulated cash surplus account plus through a \$0.10 levy per thousand gallons for the residents over three (3) years or until the total amount is collected.
3. The joining of the utilities BE AND THE SAME IS HEREBY APPROVED;
4. By-law No. 3/05 of The Rural Municipality of Grey BE AND THE SAME IS HEREBY APPROVED;
5. The water and sewer rates set forth in Schedule "A" hereto shall apply to all customers effective on the next billing in the normal course after the date of this Order.

Fees payable upon this Order - 1,565.42

THE PUBLIC UTILITIES BOARD

"S. PROVEN"  
Acting Chair

"G. O. BARRON"  
Secretary

Certified a true copy of  
Order No. 113/05 issued by  
The Public Utilities Board

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Secretary

SCHEDULE "A"  
 TO BOARD ORDER NO. 113/05  
 THE RURAL MUNICIPALITY OF GREY  
 GREY REGIONAL WATER AND SEWER UTILITY  
 WATER AND SEWER RATES  
 BY-LAW NO. 3/05

1. Commodity Rates per M.G.

	<u>Water</u>
All Water Consumption	\$8.10
Haywood Sewer Service	\$ .80
Elm Creek Sewer Service	\$1.15

2. Minimum Quarterly Charges:

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

Meter Size	Gallons Minimum	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
			Water	Sewer	
a) Elm Creek Customers - water and sewer service					
5/8"	3,000	5.00	24.30	3.45	32.75
3/4"	6,000	5.00	48.60	6.90	60.50
1"	12,000	5.00	97.20	13.80	116.00
1 1/2"	30,000	5.00	243.00	34.50	282.50
2"	75,000	5.00	607.50	86.25	698.75
b) Haywood Customers - water and sewer service					
5/8"	3,000	5.00	24.30	2.40	31.70
3/4"	6,000	5.00	48.60	4.80	58.40
1"	12,000	5.00	97.20	9.60	111.80
1 1/2"	30,000	5.00	243.00	24.00	272.00
2"	75,000	5.00	607.50	60.00	672.50
c) All Customers - water only service					
5/8"	3,000	5.00	24.30		29.30
3/4"	6,000	5.00	48.60		53.60
1"	12,000	5.00	97.20		102.20
1 1/2"	30,000	5.00	243.00		248.00
2"	75,000	5.00	607.50		612.50

3. Bulk Sales Rate:  
All water sold in bulk by the municipality shall be billed quarterly and charged at the commodity rate set forth in paragraph 1 hereof, subject to minimum charge based on 1,000 gallons. In addition to the commodity charge bulk customers will be charged a \$5.00 service charge per quarter.
4. Deficit Levy:  
In addition to the commodity rate set forth in paragraph 1 hereof, a levy of 0.10 cents per M.G. will be collected during a 3 year period (July 1, 2005 to June 30, 2008) from consumers outside of the L.I.D. of Elm Creek, until the accumulated operating deficit of \$8,247.62 which was incurred by Grey Regional Water System prior to amalgamation with the Elm Creek Utility, has been recovered.
5. Billings and Penalties for Non-payment of Account  
A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen (14) days after the mailing of the bills.
6. Non-Payment of Account  
Service may be disconnected and discontinued immediately and without further notice in the event of non-payment of the account within thirty (30) days after the due date. Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of fifty (\$50.00) dollars have been paid.
7. Outstanding Bills:  
Where charges and penalties pursuant to this by-law remain unpaid for a period of 30 days or more after the due date, 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.
8. Hydrant Rentals:  
The municipality shall pay the utility an annual rental fee of \$100.00 for each hydrant connected to the system which includes the cost of water for fire fighting.

9. Meter Accuracy:

Any customer requesting their water meter be tested for accuracy shall be required to make a deposit of \$100.00 with the municipality. If said meter is found to be accurate then the deposit will be retained by the municipality. If the meter is found to be inaccurate then the deposit will be returned to the customer.

10. Service to Customers outside the limits of Rural Municipality of Grey Regional Water and Sewer Utility:

The Council of the Rural Municipality of Grey may sign agreements with customers for the provision of water services to properties located outside the legal boundaries of the Municipality. 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.