

MANITOBA ) Order No. 105/08  
 )  
THE PUBLIC UTILITIES BOARD ACT ) July 16, 2008

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

THE RURAL MUNICIPALITY OF ARGYLE  
LOCAL IMPROVEMENT DISTRICT NO. 1 (BALDUR)  
REVISED WATER AND SEWER RATES

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**Executive Summary**

By this Ex Parte Order, the Public Utilities Board (Board) establishes interim and revised water and sewer rates for the community of Baldur as set out in By-law 06-2008 of the Rural Municipality of Argyle (RM) read the first time on June 10, 2008.

Existing (since 2004) and new rates are:

<b>\$/1000 gallons</b>	<b>Existing</b>	<b>2008</b>	<b>%</b>	<b>2009</b>	<b>%</b>	<b>2010</b>	<b>%</b>
Water	\$ 8.46	\$14.60	72.6	\$15.00	2.7	\$15.40	2.7
Sewer	<u>\$ 0.90</u>	<u>\$ 1.75</u>	94.4	<u>\$ 1.80</u>	2.9	<u>\$ 1.85</u>	2.8
Total	\$ 9.36	\$16.35	74.7	\$16.80	2.7	\$17.25	2.7
Service Charge	\$ 6.91	\$ 6.95	0.5	\$ 7.00	0.7	\$ 7.10	1.4
Min. Quarterly Bill (5/8" meter) <sup>(2)</sup>	\$34.99	\$56.00	60.0	\$57.40	2.5	\$58.85	2.5
Bulk Water	\$12.91	\$16.80	30.1	\$17.20	2.4	\$17.60	2.3
Sewer Only <sup>(1)</sup>	\$10.18	\$20.95	105.8	\$21.40	2.1	\$21.90	2.3

<sup>(1)</sup> assumes use is 8000 gallons per quarter plus service charge.

<sup>(2)</sup> assumes 3000 gallons per quarter plus service charge

Acting in the absence of notice to consumers, and despite the large initial increase in rates, the Board acted because the Utility additional revenue requirement was considered by both the RM and the Board to be urgent.

The rate increases should allow the RM to meet the now higher cost of purchasing water from the Manitoba Water Services Board (MWSB) (an 81% increase) and meet its other challenges, primarily related to the sewer system maintenance or

replacement.

The RM is to provide notice to its customers of this Order and the rate increases, explain the basis for the increases, and invite utility customers to write the Board to express concerns and/or comment.

Depending on responses to the invitation, the Board will determine if reconsideration is required.

### **Application**

On June 16, 2008, the RM applied to the Board for revised water and sewer rates for Baldur for 2008, 2009 and 2010. The Application was supported By-law No. 06-2008, read the first time on June 10, 2008, as well a May 2008 rate study prepared by the RM's consultant, Mr. Jake Sawatzky.

The RM applied for urgent approval of higher rates to meet a major increase in its cost of water. Since April 1, 2008, the RM has been paying MWSB \$10.50 per thousand gallons, an increase from \$5.79 (81% more). Without an immediate rate adjustment, the RM advised the Utility would incur a significant operating deficit in 2008; municipalities in Manitoba are required by law to operate on a breakeven basis.

The RM advised that prior to MWSB's increase and since the last rate review in 2004, its Utility had been reporting annual surpluses, including \$345.02 in 2007.

MWSB's increase relates to the RM's request that MWSB upgrade the existing water treatment plant (WTP) and recover the local

share of upgrading costs through water rates. MWSB agreed to the request and indicated that it would require an immediate raise in water rates to \$10.50 per 1000 gallons, as well as future annual increases based on CPI changes (the greater of 2% per year or the amount of the CPI increase). MWSB advised the RM that it would take over 12 years to repay the capital debt incurred to upgrade the plant (50% of the cost of the upgraded WTP is to be met by provincial grants) through water rates.

The upgrade is planned to occur this year, and MWSB has indicated an intention to continue to operate the upgraded plant to either April 1, 2020 or until the outstanding debt is fully paid. By Resolution 136-07, the RM agreed to the MWSB's proposed agreement, which obligated the RM to immediately act to secure additional revenue to meet the increased cost for purchased water.

Also, the RM is planning a meter replacement program at a total estimated cost of \$14,000. The RM plans to recover in rates \$3,500 per year for four years to cover the costs.

The rate study was based on 2007 operating expenses providing for the increase in the cost of purchasing water and inflation of 2.5%. The projected costs are as follows:

Administration	\$ 4,600
Water	\$77,010
Sewer	<u>\$ 8,625</u>
Total	<u>\$90,235</u>

The bulk water rate recovers a part of the annual debenture debt

re-payment costs of \$12,080 annually and will be adjusted upwards by approximately 2.5% after 2008 for 2009 and 2010 as were all other rates except the service charge.

The Utility has 28 hydrants and proposes to charge \$100 per hydrant - an increase from \$75.00. Recent annual water losses, unaccounted for water, have amounted to 0.36% of water produced, well below industry averages.

Based on the rates proposed the RM projects to realize the following surpluses:

2008	\$2,500
2009	\$2,764
2010	\$3,466

All surpluses will be transferred to the Utility reserve fund.

### **Background**

The Utility serves 166 customers with 160 customers being residential or residential-like customers using 5/8" meters.

The Utility reports a capital cost (2003) of \$334,862, prior to the upgrade, and this amount was used for the purposes of determining the annual allowance for contingency to be included in rates. The contingency allowance now to be reflected in the new rates are \$1,200 for water and \$3,250 for sewage collection and disposal. Upon the upgrading of the WTP, the sewer system has a greater potential for required future repairs.

The Utility had a utility reserve balance of \$14,000 as of December 31, 2007, and the RM has reflected in the new rates a provision for an annual transfer to reserves of \$2,000, to be equally reflected in water and sewer rate calculations.

As of December 31, 2007, the Utility's accumulated cash surplus account was \$29,522.

All water is purchased from the MWSB. The Utility operator is an employee of the RM and currently has completed Water Treatment Level 1 and Wastewater Treatment and Collection Levels 1. The operator will soon take the Water Distribution level course.

The WTP is owned and operated by the MWSB with raw water being obtained through two wells, one located approximately 4 miles south of Baldur and the other approximately one-quarter mile North of Baldur. The two wells supply the bulk of the water for the Utility.

There has been concern about the quality of the water (high nitrate levels), since the wells are located in close proximity to a hog operation operated by a Hutterite Colony.

An additional supply of water from wells in closer proximity (with less concern for contamination) is currently being explored. The aquifer supplying water to these wells has ample capacity for Baldur into the foreseeable future.

The water is treated through a green sand filtration system and partially through a reverse osmosis system with chlorination and fluoridation. Approximately one-third of the water being used

is treated through the reverse osmosis system. Plans are currently underway to have all water treated through the reverse osmosis system.

The water treatment and distribution system has existed since the mid 1960's and there have been relatively few water main breaks. It is not anticipated that there should be a need for any major repairs and/or replacement of water mains required in the near future.

The sewage collection system is a gravity flow system with sewage being pumped into the sewage lagoon via forcemain from a lift station.

The sewer mains were installed in the early 1960's and there have been some minor breaks and repairs over the years. A portion of the existing sewer mains is due for replacement and the cost thereof will likely be met through the issuing of debentures.

The lagoon has adequate capacity at the present time and discussions are ongoing with the Department of Environment, Province of Manitoba regarding possible expansion. Minor problems such as small seepages and over-flow during heavy spring rains or run-off do occur from time to time.

#### **Board Findings**

Given the urgency of the situation and the involvement of MWSB, and after having considered the Application carefully, the Board will approve the proposed rates on an interim ex parte basis.

Council, having determined that an upgrade to the WTP was necessary, proceeded with its understanding with the MWSB and applied to the Board to pass-through the higher cost of purchasing water.

The Board finds the RM's action prudent, not only to adjust rates for the new purchase cost of water, but also to update all its costs at this time. The increases in rates are substantial and will represent rate shock. While rate shock is far from a desirable situation, under the circumstances no other options appear available.

Both water and sewer costs have increased dramatically, particularly the water costs for reasons noted above.

The Board notes that the disconnection clause within the RM's By-law does not reflect the Board's current requirement for adequate notice and for appeals to the Board, and the Board will therefore direct an amendment to the By-law by way of this Order.



**IT IS THEREFORE ORDERED THAT:**

1. By-law No. 06-2008, upon it being amended with respect to disconnections, BE APPROVED on an interim ex parte basis.
2. The Rural Municipality shall provide Notice to its customers, such notice to be reviewed and approved by The Public Utilities Board prior to being issued, of this Order and the reasons for the rate increase, with an invitation to write the Public Utilities Board with concerns.
3. Subject to responses that may be received, the Public Utilities Board will consider confirmation or reconsideration of this Order.

Fees payable upon this Order - \$250.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"  
Chairman

"G.O. BARRON, FCGA"  
Acting Secretary

Certified a true copy of Order No.  
105/08 issued by The Public  
Utilities Board

\_\_\_\_\_  
Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 105/08

THE RURAL MUNICIPALITY OF ARGYLE

LOCAL IMPROVEMENT DISTRICT NO. 1 (BALDUR)

WATER AND SEWER RATES

BY-LAW NO. 06-2008

**Schedule of Quarterly Rates:**

1. **2008 Rates:**

Commodity Rates per M.G.

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
All Water & Sewer Consumption	\$14.60	\$1.75	\$16.35

Water and Sewer Customers:

Meter Size	Group Capacity Ratio	Water Included Gallons	<u>Water</u>	<u>Sewer</u>	Service Charge	<u>Total</u>
5/8"	1	3,000	\$ 43.80	\$ 5.25	\$6.95	\$ 56.00
3/4"	2	6,000	\$ 87.60	\$ 10.50	\$6.95	\$ 105.05
1"	4	12,000	\$ 175.20	\$ 21.00	\$6.95	\$ 168.35
1 1/2"	10	30,000	\$ 438.00	\$ 52.50	\$6.95	\$ 412.25
2"	25	75,000	\$1,095.00	\$131.25	\$6.95	\$1,233.20

**2009 Rates:**

Commodity Rates per M.G.

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
All Water & Sewer Consumption	\$15.00	\$1.80	\$16.80

Water and Sewer Customers:

Meter Size	Group Capacity Ratio	Water Included Gallons	Water	Sewer	Service Charge	Total
5/8"	1	3,000	\$ 45.00	\$ 5.40	\$7.00	\$ 57.40
3/4"	2	6,000	\$ 90.00	\$ 10.80	\$7.00	\$ 107.80
1"	4	12,000	\$ 180.00	\$ 21.60	\$7.00	\$ 208.60
1 1/2"	10	30,000	\$ 450.00	\$ 54.00	\$7.00	\$ 511.00
2"	25	75,000	\$1,125.00	\$135.00	\$7.00	\$1,267.00

**2010 Rates:**

Commodity Rates per M.G.

	Water	Sewer	Total
All Water & Sewer Consumption	\$15.40	\$1.85	\$17.25

Water and Sewer Customers:

Meter Size	Group Capacity Ratio	Water Included Gallons	Water	Sewer	Service Charge	Total
5/8"	1	3,000	\$ 46.20	\$ 5.55	\$7.10	\$ 58.85
3/4"	2	6,000	\$ 92.40	\$ 11.10	\$7.10	\$ 110.60
1"	4	12,000	\$ 184.80	\$ 22.20	\$7.10	\$ 214.10
1 1/2"	10	30,000	\$ 462.00	\$ 55.50	\$7.10	\$ 524.60
2"	25	75,000	\$1,155.00	\$138.75	\$7.10	\$1,300.85

2. Minimum Quarterly Charges:

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges as set out herein for each respective year, which will include water allowances as shown for each meter size.

b) Water Only Customers:

Minimum charges will be the same as shown above for each meter size, however, the sewer commodity charge will be excluded.

c) Sewer Only Customers:

The quarterly commodity charge, based on the average residential water consumption in the community of 8,000 I.G., plus the service charge, shall be \$ 20.95 for 2008; \$ 21.40 for 2009 and \$ 21.90 for 2010.

d) Bulk Water Rate:  
The Bulk Water rate for 2008 shall be \$ 16.80 per M.G.; for 2009 the rate shall be \$ 17.20 per M.G. and for 2010 the rate shall be \$ 17.60 per M.G..

3. 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.

4. Hydrant Rentals:

The LUD of Baldur shall pay the utility an annual rental fee of \$ 100.00 per hydrant for each hydrant connected to the system which includes the cost of water for fire fighting.

5. 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.

6. 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.

7. Disconnection and Reconnection:

- a) Service may be disconnected and discontinued for non-payment of the account. If the account remains unpaid 30 days past the due date, customers will be sent a reminder notice. If after a further 30 days, the account remains unpaid, a second notice will be issued providing disconnection advice unless payment is received within 30 days. All disconnection notices shall advise the customer of the specific date of the disconnection and of their right to appeal to The Public Utilities Board and include the Board's relevant contact information.
- b) 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.

8. 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.
9. Service to Customers outside the limits of Local Improvement District No. 2:  
The Council of the Rural Municipality of Argyle may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the LUD of Baldur. 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.
10. 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.