

M A N I T O B A) Order No. 26/09
)
THE PUBLIC UTILITIES BOARD ACT) March 23, 2009

BEFORE: Graham Lane, CA, Chairman
 Monica Girouard, CGA, Member

THE RURAL MUNICIPALITY OF ODANAH
WATER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves interim revised water rates for the Rural Municipality of Odanah's (RM) rural pipeline; rates were last revised in 2004.

Notice of the RM's application and the proposed rates were provided to ratepayers; no concerns were filed with the Board.

Previous and now approved interim rates are:

	Existing	Interim
Water (\$/1,000 gallons)	\$5.65	\$7.00
Quarterly Service Charge	\$9.25	\$9.75
Minimum Quarterly Bill (5/8" meter)⁽¹⁾	\$26.20	\$30.75
Bulk Water	\$6.00	\$7.75

(1) Includes 3,000 gallons of quarterly consumption.

The RM employs a single step rate schedule.

Background

The RM operates a rural pipeline, purchasing its water from the Town of Minnedosa (Town). The RM advised that in 2004, prior to the RM applying for its last rate change, the RM was paying the Town \$3.64/1000 gallons as well as a \$16.00 quarterly service charge.

In 2006, rates were increased to \$3.77/1000 gallons, and, increased again to \$4.09/1000 gallons in 2008 (with the service charge increased to \$16.20 per quarter).

By way of an agreement between the RM and the Town, the RM is now charged \$4.45/1000 gallons, as well as a \$16.20 monthly service charge. The \$4.45 breaks down to \$3.59 per 1,000 gallons for water (\$0.79 per cubic metre) and \$0.86 per 1,000 gallon (\$0.19 per cubic metre) charge to contribute to the build-up of the Utility Reserve Fund.

The RM estimates it purchases approximately 4,500 cubic metres of water a month.

There are 132 water-only customers connected to the system.

The RM advises that the capital cost of the system is \$2.7 million and that there is no outstanding capital debt related to the utility. As at December 31, 2007, the utility's accumulated surplus totalled \$97,331.23, and the reserve fund held a balance of \$195,071.35.

Application

On December 1, 2008, the RM applied to the Board for approval of By-law 9/08, read for the first time on November 13, 2008, and included a rate study in support.

The RM advised that with increased rates having been implemented by the Town, it was necessary for the RM to increase its rates.

The impact for those connected to the RM's system was projected to be:

All water consumption		Existing Water Rate	Proposed Water Rate	Increase
\$ per 1,000 gallons		\$5.65	\$7.00	23.9%
Meter Size	Gallons Included	Existing Minimum Quarterly	Proposed Minimum Quarterly	Increase
5/8"	3,000	26.20	30.75	17.4%
3/4"	6,000	43.15	51.75	19.9%
1"	12,000	77.05	93.75	21.7%
1½"	30,000	178.75	219.75	22.9%
2"	75,000	433.00	534.75	23.5%

The quarterly service charge was proposed to increase from \$9.25 to \$9.75 (5%). The RM proposed no change to either the annual hydrant rental charge of \$50.00, or the reconnection charge of \$30.00.

Based on the filed rate study, the RM projected its utility's annual revenue and expenses would, with the new rates, be:

Revenues

Service charge	\$ 5,148.00
Commodity charges	\$ 86,170.00
Bulk Charges	\$ 11,392.50
Total Revenue	<u>\$102,710.50</u>

Expenses

Administration	\$ 5,100.00
Water Purchases	\$ 61,000.00
Salaries	\$ 16,200.00
Contingency	\$ 2,000.00
Other	\$ 14,500.00
Total Expenses	<u>\$ 98,800.00</u>

Surplus \$ 3,910.50

The rates reflect a contingency allowance equal to less than 1% of capital costs, but no allocation for a contribution to the reserve fund was included. The rate

study indicates that any surpluses would be placed in the utility reserve fund.

Rates were last approved in 2004; there have been no deficits since.

Notice of the RM's application was published twice in the Minnedosa Tribune -- once on January 12, 2009, and again on January 23, 2009. The RM also posted the notice in five prominent locations in the municipality.

The notice invited any person wishing to make representation to write to the Board by February 6, 2009; none were received.

Board Findings

The Board commends the RM for reviewing its rates and filing an application prior to the utility experiencing poor financial results because of inadequate rates.

The Board is also pleased to note the RM's relatively healthy accumulated surplus and reserve fund for its utility, and that the RM is confident the utility will be able to address unforeseen expenses that may arise in the future.

The Board will approve the rates applied for by the RM on an interim basis.

The Board notes that the rates the RM pays to the Town for purchasing water does not flow through the rate steps as established by Board Order 93/07. Further, Order 93/07 does

not provide for a monthly service charge.

The Board, however, recognizes that the RM and the Town have agreed to these rates through the signing of an agreement and, given no concerns have been indicated by ratepayers, the Board will grant approval with the understanding that the Town of Minnedosa include these arrangements in an application to be approved by the Board.

Order 93/07 requires the Town to provide an updated rate study no later than September 30, 2009 and the Board encourages the Town to submit the study on time. Upon application and review, the Board will then either confirm the provisions of this Order or amend the rates.

The Board notes water purchases from the Town make up approximately 62% of the estimated operating costs of the utility. The Board will consider the pass-through of any increases to rates made by the Town, if approved by the Board following the filing of an application by the RM.

As any increase in rates approved by the Board for the Town results in a cost beyond the RM's control, any such increases may be considered for reflection in rates by the Board without prior notice to ratepayers.

However, the RM will be required to provide notification to the ratepayers of approved higher rates.

For all other rate changes, ratepayers are to be notified, and provided an opportunity to comment on the application of the RM to the Board.

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 (Rules). The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 9/08 of The Rural Municipality of Odanah BE AND THE SAME IS HEREBY APPROVED.
2. The water rates set forth in Schedule "A" hereto shall apply to all customers of the utility effective on the next billing in the normal course after the date of this Order and upon The Rural Municipality of Odanah enacting By-law No. 9/08.
3. The Rural Municipality of Odanah shall file with the Public Utilities Board a certified copy of By-law No. 9/08 after having received third and final reading.

Fees payable upon this Order - \$250.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SCHWANKE"

Acting Secretary

Certified a true copy of
Order No. 26/09 issued by The
Public Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER NO. 26/09

THE RURAL MUNICIPALITY OF ODANAH
WATER RATES
BY-LAW NO. 9/08

Schedule of Quarterly Rates:

1. **Commodity Rates per M.G.**

All water consumption - Water \$7.00

2. **Minimum Charges - Water Customers**

a) **Minimum Charges, Quarterly - Water Customers**

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

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Gallons</u>	<u>Customer Service Charge</u>	<u>Commodity Charge Water</u>	<u>Total Quarterly Minimum</u>
5/8"	1	3,000	9.75	21.00	30.75
3/4"	2	6,000	9.75	42.00	51.75
1"	4	12,000	9.75	84.00	93.75
1½"	10	30,000	9.75	210.00	219.75
2"	25	75,000	9.75	525.00	534.75

Note: Minimum charge will be the same for each meter size as shown above.

3. **Bulk Sales Rate**

All water sold in bulk by the Rural Municipality of Odanah shall be charged for at the rate of \$7.75 per 1,000 gallons on a pro-rated basis.

4. **Service to Customers Outside Municipality**

The Council of the Rural Municipality of Odanah may sign agreements with customers for the provision of

water services to properties located outside the legal boundaries of the Rural Municipality of Odanah. 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 the customer.

5. **Billings and Penalties**

Accounts shall be billed quarterly, and shall be due and payable 30 days after the date of billing. A penalty of 1.25% of the amount of the bill shall be added if not paid by the due date. (Note: due date may be set as Council sees fit to do so.)

6. **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.

7. **Reconnection**

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$30.00 have been paid.

8. **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.

9. Hydrant Rentals

The Rural Municipality of Odanah will pay to the Utility an annual rental of \$50.00 for each hydrant connected to the system.

10. Water Allowance Due to Line Freezing

That in any case where, at the request of the Council, a customer allows water to run continuously for any period of time to prevent the water lines in the water system from freezing, the charge to that customer for the current quarter shall be the average of the billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.