

M A N I T O B A) Order No. 179/02
)
THE PUBLIC UTILITIES BOARD ACT) October 9, 2002

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

**THE RURAL MUNICIPALITY OF RITCHOT
LOCAL IMPROVEMENT DISTRICT OF ILE-DES-CHENES
APPLICATION FOR APPROVAL OF INITIAL WATER RATES
BY-LAW NO. 8-2002**

The Application of the Rural Municipality of Ritchot for approval of initial water rates as prescribed in By-law No. 8-2002 was the subject of a public hearing held in Club Chevalier 5979 Inc. in Ile-des-Chenes commencing at 7:00 p.m., October 1, 2002.

Mr. Yves Sabourin, C.A.O. of the Rural Municipality of Ritchot and Mr. Jake Sawatzky of Sawatzky Consulting Services spoke in support of the Application. Several members of Council and members of the general public also attended and participated. Some members of the public sought clarification and others opposed various parts of the Application.

The following are the major points discussed during the hearing:

1. The Rural Municipality of Ritchot (the Municipality) has for some time been operating a sewer utility in Ile-des-Chenes. It is not the intention at this time for the Municipality to join this utility from a rate setting perspective with the new water utility to serve the community.
2. Currently residents in Ile-des-Chenes are using private wells and the community has been under a boil water advisory since 2000.
3. Because of water quality concerns in the Municipality, a water production facility was constructed to serve the entire Municipality including the communities of Ste. Agathe, St. Adolphe and Ile-des-Chenes with infrastructure monies from the Federal and Provincial Governments. The system includes the water treatment plant located at Ste. Agathe, pumping stations and accompanying reservoirs. This facility is operated separately from the community distribution systems, is operated on a break even basis and recovers its costs using a volumetric charge to its customers including the communities. The current charge is \$4.50 per thousand gallons. The Municipality advised that this facility is currently operating at a deficit.

Concern was raised by the residents that this facility was unregulated. However, the Municipality advised the system is operated on a break even basis.

4. Also, with infrastructure monies, the Municipality developed the water distribution system in Ile-des-Chenes which was currently under construction.

To assist in funding the capital costs of the distribution system, the Municipality sought and obtained the approval of the Municipal Board to recover associated debentures by means of a local improvement tax in the amount of \$228 per parcel on all of the rateable property described and by means of a one-time prepayment option of \$2,160 per parcel, to be paid on or before November 30, 2002.

5. In support of its Application, the Municipality provided a water rate study following the guidelines adopted by the Board.
6. Because of the newness of the utility, the rates, by necessity, were developed using estimated consumption and costs, and included in its consumption estimate was the trailer park located in Ile-des-Chenes. It was estimated that the trailer park would use 6 million gallons, or 30% of the total estimated volumes for the community.

A concern was expressed that should the trailer park not hook up to the distribution system, the result could be higher rates in the community due to decreased volumes. It was estimated that the rate would increase to approximately \$7.40 per thousand gallons.

7. To assist in determining reasonable estimates, the Municipality relied on volumetric statistics obtained from the Manitoba Water Services Board and cost estimates as obtained from a professional engineering firm.
8. The rates included a 1% contingency allowance totalling \$12,266 and an annual \$4,000 contribution to reserves.
9. It was forecasted that there will be 348 customers of which approximately 100 will be trailer park residents.
10. Bulk water use will be nominal. The Municipality proposed a charge of \$6.00 per thousand gallons.
11. The Municipality determined that because of the diversity of customer sizes in the community it was advantageous to propose a 2-step rate structure with the first step including 20,000 gallons per quarter.

It was forecasted that the 2-step rate structure would benefit the schools, owners of the apartment blocks, the arena, senior citizen homes and the trailer park. As a result of the 2-step rate proposal it was estimated that the saving to the trailer park would be \$3,100 per quarter.

12. Connection to the utility is not mandatory. However, the Municipality advised that only three (3) properties have not signed an agreement to hook-up namely a tax sale property, a vacant lot property, and the trailer park.

13. Consistent with the practice found in the water and sewer utility industry, the Municipality will deliver and be responsible for the distribution system up to the customer's property line. Beyond this point it is the responsibility of the property owner.

The presentations from the residents addressed the following concerns:

1. Because this is a new utility and estimated water usage and costs have been used to develop the rates, what future analysis will be done to ensure that these initial rates will remain fair and equitable?

2. The 2-step rates proposed do not provide a sufficient discount to large volume users recognizing, for example, the trailer park has its own cost of operation and further, the trailer park offers significant benefits to the utility by lowering the unit cost for all customers.
3. The utility will be using inferior product whereas the trailer park uses superior copper pipe.
4. The rates are not equal for all customers.
5. The Municipality ought to acquire and use the distribution system in the trailer park thereby reduce overall costs for the utility.
6. The construction of the utility will cause the under recovery of capital costs in the trailer park and the Municipality may already own the trailer park system.
7. Trailer park residents must be treated like other customers of the utility and thereby have a right to be served and metered by the Municipality.

Board Finding

The matter before the Board related to the approval of just and reasonable rates for the recovery of prudent operating costs for only the water utility located in the Local

Improvement District of Ile-des-Chenes. It is the responsibility of municipalities to design, construct and arrange for funding for the capital costs of such systems. The Board finds all of these steps were taken by the Municipality, and where necessary the approval of the Municipal Board was obtained.

The Board is satisfied the rates as proposed are just and reasonable. However, as these are initial rates based on estimates the Board will require the Municipality to file a report following the end of the 2003 operating year commenting on the adequacy of rates.

This review will allow the Board to assess the financial impact, if the trailer park does not attach to the system.

The Board is also satisfied that the 2-step rate proposal with the first step at 20,000 imperial gallons is also reasonable, and provides a reasonable reduction to the higher volume users in the community.

The Board finds that the rates are not discriminatory notwithstanding the trailer park owner has to operate their own distribution system downstream of the property line. This is the responsibility of the trailer park owner. The Board finds that the Municipality, consistent with industry norm, intends to provide service to the trailer park property line the same level of service, at the same rates as any other customer that connects to the system. If the trailer park owner does not

connect, the Municipality would have incurred costs related to the sizing of the reservoir to serve Ile-des-Chenes. Distribution costs will need to be recovered from other customers until such time as growth in the community is able to utilize this excess capacity.

The Board notes that part of the costs of operating the water supply system in the trailer park currently related to water production will be foregone if the trailer park connects. If they do not connect there will continue to be a cost either absorbed by the owner, or charged to the residents in the trailer park.

The Board notes the utility rate study which accompanied the Application provided for a sum of money to be placed in a utility reserve account, and the Board therefore desires to ensure that these moneys be expended in an appropriate fashion.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 8-2002 of The Rural Municipality of Ritchot serving Local Improvement District of Ile-des-Chenes 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.

3. This Order is subject to moneys being expended from the utility reserve fund only to support existing infrastructure, unless the Board has authorized the expenditure pursuant to Section 168 of The Municipal and Various Acts Amendment Act, c. 58.

4. The Rural Municipality of Ritchot provide a copy of the financial statements for the utility in the Local Improvement District of Ile-des-Chenes for the year ended December 31, 2003, by no later than March 1, 2004, together with a statement regarding the adequacy of rates.

Fees payable upon this Order - \$238.66

THE PUBLIC UTILITIES BOARD

"S. PROVEN"

Acting Chair

"G. O. BARRON"

Secretary

Certified a true copy of
Order No. 179/02 issued by
The Public Utilities Board

Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 179/02

THE RURAL MUNICIPALITY OF RITCHOT

LOCAL IMPROVEMENT DISTRICT OF ILE-DES-CHENES

INITIAL WATER RATES

BY-LAW NO. 8-2002

1. Commodity Rates per M.G.

Water

Domestic Rate (up to 20,000 I.G. per Quarter) \$ 7.00 M.G.
Intermediate Rate (over 20,000 I.G. per Quarter) \$ 5.50 M.G.

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>Service Charge_</u>	<u>Total</u>
5/8"	1	3,000	\$ 21.00	\$9.00	\$ 30.00
¾"	2	6,000	\$ 42.00	\$9.00	\$ 51.00
1"	4	12,000	\$ 84.00	\$9.00	\$ 93.00
1½"	10	30,000	\$195.00	\$9.00	\$204.00
2"	25	75,000	\$442.50	\$9.00	\$451.50

3. Bulk Sales Rate:

All water sold in bulk by the municipality shall be charged for at a rate of \$0.25 per 42 I.G. (\$6.00/1000 I.G.)

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

All connected customers shall be billed quarterly and payment shall be due within 30 days from the date of billing. 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.

5. Hydrant Rentals:

The municipality shall pay the utility an annual rental fee of \$50.00 for each hydrant connected to the system.

6. Disconnection and reconnection of service:

If any bill issued pursuant to section 4 hereof is not paid within forty-five (45) days of the billing date, the municipality may disconnect and discontinue service to the customer immediately and without further notice.

If any service is discontinued, pursuant to this clause, such service shall not be reconnected until payment has been made for a reconnection charge of thirty (\$30.00) dollars, plus the amount of any unpaid bills and penalties.

7. Liability for Charges:

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.