

MANITOBA ) Order No. 88/10  
 )  
THE PUBLIC UTILITIES BOARD ACT ) August 17, 2010

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

RURAL MUNICIPALITY OF LANGFORD  
REVISED WATER RATES

**Executive Summary**

By this Order, the Public Utilities Board (Board) varies an application by the Rural Municipality of Langford (RM) for water rates. Revised rates are effective for the next quarterly billing, scheduled to go out in October 2010 with an additional increase approved for April 1, 2011 and a slight decrease April 1, 2012.

A summary of existing and revised rates are as follows:

<b>COMMODITY RATES</b>				
<b>\$/m<sup>3</sup></b>	<b>Current</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
1 <sup>st</sup> step - to 175 m <sup>3</sup>	\$ 1.8746	\$2.5570	\$2.7419	\$2.6726
2 <sup>nd</sup> step - 176 m <sup>3</sup> to 1,499 m <sup>3</sup>	\$ 1.6308	\$2.0029	\$2.0814	\$1.9994
3 <sup>rd</sup> step - over 1,500 m <sup>3</sup>	\$ 1.3110	\$1.6254	\$1.6314	\$1.9994
<b>MINIMUM QUARTERLY RATES</b>				
Service Charge	\$15.00	\$16.00	\$16.50	\$17.00
Minimum Quarterly*	\$41.24	\$51.80	\$54.89	\$54.42

\*Includes 14 m<sup>3</sup> of water

Full details of the rates as well as terms and conditions of the service are available on the attached Schedule "A".

Notice of the RM's application was mailed to all customers of the utility and posted in five prominent locations in the community.

## **Application**

The RM applied for revised water rates as set out in By-law No. 03/10, read the first time on February 9, 2010, and supported by a rate study. Current rates were last revised in 2009, and Board Order 27/09 approved annual increases to 2011.

For details of the RM's utility, readers are encouraged to refer to Order 27/09, available on the Board's website, [www.pub.gov.mb.ca](http://www.pub.gov.mb.ca).

The RM purchases its water from the Town of Neepawa (Town) at a rate of \$1.6254 m<sup>3</sup>. In 2009, the RM noticed a modest discrepancy between individual meter readings compared with readings taken from the two meters feeding the RM's lines. The individual readings totalled more than that of the two meters. The RM checked all lines to ensure that no water was entering the RM line that was not metered, and the meters appeared to be working.

By the second quarter, the difference between the two readings was so vast that the Councils decided for the remaining two quarters in 2009, the Town would invoice the RM using the individual readings taken by the RM or its customers.

As a result of this change, the RM was realizing a barely break-even financial situation.

The RM reports that both meters were replaced in April 2010. One was again found to be faulty and the meter head was replaced in June 2010.

Existing and proposed rates:

<b>COMMODITY RATES</b>				
\$/m <sup>3</sup>	Current (April 1, 2010)	2010	2011	2012
1 <sup>st</sup> step - to 175 m <sup>3</sup>	\$1.8746	\$1.9496	\$2.0666	\$2.1286
2 <sup>nd</sup> step - 176 m <sup>3</sup> to 1,499 m <sup>3</sup>	\$1.6308	\$1.7450	\$1.8671	\$1.9978
3 <sup>rd</sup> step - over 1,500 m <sup>3</sup>	\$1.3110	\$1.5077	\$1.7338	\$1.9939
<b>MINIMUM QUARTERLY RATES</b>				
Service Charge	\$15.00	\$15.00	\$15.00	\$15.00
Minimum Quarterly*	\$41.24	\$42.29	\$43.93	\$44.80

\* Includes 14 m<sup>3</sup> of water

The RM advised it currently supplies large users with water at a rate lower than what it costs the RM to purchase treated water from the Town. Other users can no longer continue to subsidize large users and if the proposed increases were approved, this matter would correct that by 2012.

In its 2009 application, the RM proposed to reduce or collapse the three step rate schedule by 2020. The RM Council, recognizing that to no longer be feasible, is proposing to remove the third step by 2015.

The RM provided the following three year projections:

	2010	2011	2012
General	\$6,635	\$6,873	\$7,079
Less penalty revenue	-\$200	-\$200	-\$200
General Revenue Requirements	\$6,435	\$6,673	\$6,879
PROJECTED REVENUE	\$6,000	\$6,000	\$6,000
Surplus/-Deficit	-\$435	-\$673	-\$879
Water			
Expenses	\$58,193	\$59,880	\$61,697
Amortization	\$25,182	\$25,182	\$25,182

Reserves	\$3,500	\$5,000	\$5,000
Subtotal	\$86,875	\$90,062	\$91,879
Less Connection Revenue	-\$10,500	-\$10,500	-\$10,500
Less Amortization of Grants	-\$12,242	-\$12,242	-\$12,242
Water Revenue Requirements	\$64,133	\$67,320	\$69,137
PROJECTED REVENUE	\$58,037	\$63,112	\$66,209
Surplus/-Deficit	-\$6,096	-\$4,208	-\$2,928

NOTE: The above information was assembled by Board staff.

Operating expenses are anticipated to increase by 3% each year.

The above estimates include a provision for the reserve fund, which at January 1, 2010 held a balance of \$213,473. With expected contributions and proposed withdrawals, the utility reserve fund should have a balance at the 2012 year end of \$77,573.

The largest expected withdrawal from the reserve fund would be for the RM's contribution towards the Town's Raw Water Pipeline Project, which the RM previously indicated would be responsible for 10% or about \$300,000.

The RM also plans to extend its water pipeline, with costs expected to be approximately \$180,000, to be funded by borrowing. The RM now advises that utility rates will be used to address annual debenture payments. These annual payments do not form part of this application.

The un-depreciated capital cost of the utility is \$1,259,116 as at December 31, 2009.

The RM indicates that it assesses 12% of council and staff time to the utility each year for administration of the utility.

The RM expects annual water consumption to remain constant at 29,819 m<sup>3</sup>. Of this amount, approximately 9,070 m<sup>3</sup> is sold at the third step (wholesale rate), 6,613 m<sup>3</sup> at the second step (intermediate rate) and 14,136 m<sup>3</sup> at the first step.

The RM fulfilled its public water system obligations in 2009 in complying with the terms and conditions of its operating licence. The RM promotes water conservation efforts by way of newsletters which it circulates quarterly. These newsletters contain information and tips for residents to conserve water.

The RM reported it met with its largest user, in March 2010, and indicated all parties present understood the need for the increases to meet the financial requirements of the utility for operating costs as well as future infrastructure projects. The RM advised that for the most part, the increases proposed are a result of the costs of purchasing water from the Town.

Notice of the RM's application was mailed to each customer and posted in the community, inviting customers to write the Board with any concerns by July 7, 2010. No responses were received.

### **Board Findings**

The Board finds the anticipated expenses submitted by the RM to be reasonable however notes that the proposed commodity rates do not address amortization expenses. The Board therefore finds it necessary to amend the proposed rates to reflect this Public Sector Accounting Board (PSAB) requirement.

The Board notes that the large volume users of the utility

currently pay less for water than it costs the RM to purchase. The Board will address this issue through this order and will phase out the wholesale rate by 2012 as proposed by the RM. With the additional financial expenses needing to be recovered, the Board did not deem it to be fair and reasonable that the intermediate and domestic customers be expected to subsidize the large volume users even further.

In year one and two, the Board will approve a wholesale rate that covers the cost of water purchases only from the Town. By year three, the second and third step rate will be the same and will recover the water purchase costs as well as 50% of the other costs associated with the utility.

The Board is pleased the RM plans to address the three step rate schedule even further by 2015 as opposed to the originally planned time line of 2020.

The Board will also approve increased quarterly service charges to ensure recovery of the anticipated expenses.

The RM will be required to amend its bylaw prior to second reading to agree with the provisions in this order.

The Board approves the Shared Cost Allocation policy as established by the RM for administrative services related to the utility. The Board expects that if these costs should change, or additional costs are discovered connected to the utility, the RM will seek Board approval prior to implementing a change in the Policy, as now herein approved.

The Board notes that the rates do not address debenture debt payments the RM anticipates will begin in 2011 for the Town's Raw Water Pipeline Project. The RM now proposes to recover annual payment through utility rates and the Board expects that an application will be made in due course and in time for the first payment to be recovered.

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.

**IT IS THEREFORE ORDERED THAT:**

1. The Rural Municipality of Langford amends By-law No. 03/10, to agree with the provisions in this order, and the attached Schedule "A".
2. The Rural Municipality of Langford files a certified copy of By-law No. 03/10, with the Public Utilities Board once it has received third and final reading.
3. The Public Utilities Board approves the Shared Cost Allocation Policy as submitted by the Rural Municipality of Langford, for administrative costs associated with utility.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SHIELDS"

Acting Secretary

Certified a true copy of Order No.  
88/10 issued by The Public  
Utilities Board

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

**SCHEDULE "A"**  
**TO BOARD ORDER NO. 88/10**  
**RURAL MUNICIPALITY OF LANGFORD**  
**WATER RATES**  
**BY-LAW NO. 03/10**

1. Commodity Rates for Three Steps

*Effective October 1, 2010*

	<b>Cubic Metres (m<sup>3</sup>)</b>	<b>Rate per m<sup>3</sup></b>
First Step	1 to 175	\$2.5570
Second Step	176 to 1499	\$2.0029
Third Step	Over 1500	\$1.6254

*Effective April 1, 2011*

	<b>Cubic Metres (m<sup>3</sup>)</b>	<b>Rate per m<sup>3</sup></b>
First Step	1 to 175	\$2.7419
Second Step	176 to 1499	\$2.0814
Third Step	Over 1500	\$1.6314

*Effective April 1, 2012*

	<b>Cubic Metres (m<sup>3</sup>)</b>	<b>Rate per m<sup>3</sup></b>
First Step	1 to 175	\$2.6726
Second Step	Over 176	\$1.9994

2. Minimum Charges Per Quarter - Water

All consumption shall pay the quarterly minimum charges as set out below, such minimum charges to include the quarterly water allowances indicated as follows:

*Effective October 1, 2010*

<b>Meter Size</b>	<b>Minimum Quantity (m<sup>3</sup>) per Quarter</b>	<b>Minimum Quarterly Water Charge</b>	<b>Service Charge</b>	<b>Minimum Quarterly Bill</b>
½ or 5/8 "	14	\$35.80	\$16.00	\$51.80
3/4"	28	\$71.60	\$16.00	\$87.60
1"	56	\$143.19	\$16.00	\$159.19
1 1/2"	140	\$357.98	\$16.00	\$373.98
2"	350	\$797.98	\$16.00	\$813.98

*Effective April 1, 2011*

<b>Meter Size</b>	<b>Minimum Quantity (m<sup>3</sup>) per Quarter</b>	<b>Minimum Quarterly Water Charge</b>	<b>Service Charge</b>	<b>Minimum Quarterly Bill</b>
½ or 5/8 "	14	\$38.39	\$16.50	\$54.89
3/4"	28	\$76.77	\$16.50	\$93.27
1"	56	\$153.55	\$16.50	\$170.05
1 1/2"	140	\$383.87	\$16.50	\$400.37
2"	350	\$844.08	\$16.50	\$860.58

*Effective April 1, 2012*

<b>Meter Size</b>	<b>Minimum Quantity (m<sup>3</sup>) per Quarter</b>	<b>Minimum Quarterly Water Charge</b>	<b>Service Charge</b>	<b>Minimum Quarterly Bill</b>
½ or 5/8 "	14	\$37.42	\$17.00	\$54.42
3/4"	28	\$74.83	\$17.00	\$91.83
1"	56	\$149.67	\$17.00	\$166.67
1 1/2"	140	\$374.16	\$17.00	\$391.16
2"	350	\$817.60	\$17.00	\$834.60

3. Service To Customers Outside the Municipality

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

payment of the appropriate rates set out in 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. All costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer as per the agreement.

4. BILLINGS AND PENALTIES

Accounts shall be billed quarterly, and shall be due and payable fourteen days after date of billing. A late payment charge of 1¼% shall be charged on the dollar amount owing after the billing due date and shall compound monthly.

5. 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 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 previous quarters to the same customer, or to the same premises if the occupant has changed.

6. ACTIVATION AND TERMINATION OF WATER SERVICE

There shall be an activation and termination fee of \$50.00 charged to the consumer for each occurrence when RM of Langford staff must attend to the service.

In addition, services may be disconnected without further notice if the account has not been paid within 59 days of the due date (as per the Public Utilities Board Conditions Precedent, allowing for the collection and disconnection of water and/or sewer services for non payment of accounts).

That, before service is reconnected, payment shall be made of all arrears and penalties, plus a reconnection charge of \$50.00

7. OUTSTANDING UTILITY CHARGES & DISCONNECTION FOR NON-PAYMENT

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 Municipal office.