The Rural Municipality of Alexander

Utility

Public Utilities Board Submission

On January 4, 2010 Manitoba's Public Utilities Board directed the Rural Municipality of Alexander to submit a Utility Rate Study for the Cape Dore Water Distribution System and the Cape Dore/St. Georges Sewer Utility as per 2(4)(b) and 2(6) of the Manitoba Public Utilities Board Act. Subsequent to this direction from the Board the Council of the Rural Municipality of Alexander commissioned the preparation of a PUB Utility Rate Submission for:

1. The Great Falls Water & Wastewater Utility.
2. The Cape Dore Water Distribution Utility.
3. The Cape Dore/St. Georges Wastewater Collection & Treatment Utility.
4. The Pine Grove Water Treatment & Distribution Utility.
5. The Traverse Bay Wastewater Treatment Utility.
6. The Highway 304 Truck Hall Wastewater Treatment Utility.
7. The Lac du Bonnet Wastewater Treatment Wastewater Utility.

Attached please find the report and proposed PUB Submission prepared by the Consultant for submission to the PUB no later than the 15th day of June, 2011.

In summary this submission proposes the creation of four (4) Public Utilities, to be administered by the Rural Municipality of Alexander being:

1st The Great Falls Water & Wastewater Utility
2nd The Cape Dore/St. Georges Wastewater Collection & Treatment Utility
3rd The Traverse Bay & Hwy 304 Wastewater Treatment Utility
4th The Pine Grove Water Treatment & Distribution Utility

Note: The Lac du Bonnet Wastewater Treatment Utility is administered by the Rural Municipality of Lac du Bonnet, and therefore, the assessment of costs for this Utility must be addressed through Alexander's General Operating Budget and not Alexander's Utility.

Additionally, the attached report recommends the assessment of use fees, as per the Public Utilities Act and policies. These recommendations also propose an assessment for Alexander's use of the Lac du Bonnet Lagoon.

The Council of the Rural Municipality of Alexander has directed its administration to place the Consultants report on its Website plus provide copies to any resident, as requested, for the purposes of obtaining public commit on the PUB Submission.

It is the intent of Council to give 1st reading to its four (4) Utility Rate By-laws on the 14th day of June, 2011.

Comments from residents must be received no later than **Wednesday June 1, 2011** and can be sent to:

The Council of the Rural Municipality of Alexander
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Draft

Rural Municipality of Alexander

Water and Sewer Utilities Rate Study

2011

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Table of Contents

1.0 Executive Summary

The Rural Municipality of Alexander (RM) commissioned a rate review to firstly, comply with the requirements of the Public Utilities Board (PUB) and secondly, to review the myriad of utility systems operated by the RM and to recommend a long-term strategy to operate these utilities on a stand-alone basis with user fees.

It is recommended that the RM set-up the following four (4) utilities all to be regulated by the PUB:

1. Great Falls Utility, already regulated by the PUB
2. Cape Dore/St. Georges Utility, in part declared to be a 'public utility'
3. Pine Grove, by definition a 'public utility"
4. Traverse Bay/Highway 304 Lagoon Service, to be declared a 'public utility'

If accepted, it is recommended that the RM develop separate financial reporting for each utility thereby avoiding the laborious task of assigning costs when a rate review is required.

On this basis, the rate review determines revised rates for Great Falls, which have not changed since 1994, and initial rates for the other Utilities. The Great Falls system is metered but not all other Utilities are.

For the Cape Dore/St. Georges Utility, rates are based on Residential Equivalent Units (REU) whereby, residential customers are assigned one (1) REU and commercial customers are assigned a multiple of REU dependent on their estimated use of the system.

For the Pine Grove Utility, it is recommended that the RM continue with the Charge-back system.

For the Traverse Bay/Highway 304 Utility, it is recommended that the cost be recovered from the haulers who use the system. To date, no charges have been levied even though many users may be from outside the RM boundaries. The haulers may need to pass-on this new cost to their customers.

The existing and calculated rates for Great Falls for 2011 are as follows:

$/1000 gallons	Water	Sewer	Combined	Water	Sewer	Combined
Commodity rates	$1.59	$5.07	$6.66	$17.55	$10.00	$27.55
Service Charge			$8.45			$15.00
Minimum Bill (5/8 meter)			$28.43			$97.65

For 2012 and 2013, the combined commodity rates are $24.05 and $24.65 per 1000 gallons. The report notes that these rates include small capital upgrade costs and if these costs were excluded, the combined commodity rates for 2011, 2012 and 2013 would be $17.85, $18.40 and $19.05 respectively.

For Cape Dore/St. Georges Utility, the calculated rates are as follows:

Monthly Per REU Charge	2011	2012	2013
Water	$14.60	$14.70	$14.85
Sewer	$21.65	$ 4.20	$ 4.00
Combined	$36.25	$18.90	$18.85
Service Charge	$ 1.50	$ 1.55	$ 1.60
Total	$37.75	$20.45	$20.45

Of note, in 2011, a large capital project is required on the sewer system which does not appear in subsequent years. As noted above, this results in a high sewer charge in 2011. Further, the residents would need to pay an additional $45.00 per month to St. Georges Water Co-op for water. For sewer only customers, the rates for 2011, 2012 and 2013 would be $23.15, $5.75 and $5.60 per month respectively.

For the residents of Pine Grove, in addition to the costs charged back to each LID annually, a charge of $200.00 should be assessed. This charge will recover the costs of the engineering assessment and compliance plan and as a place-mark only; an amount for a future capital project which the RM expects will be required to meet Drinking Water Standards. If this capital cost is not included, the annual charge reduces to $35.00.

For the Traverse Bay/Highway 304 lagoon, a fee per load of $3.70 has been determined and to minimize administration, it is recommended that the annual charge to haulers be based on the haulers' prior use of the lagoon. The amount can be collected monthly, quarterly or annually. The rate study reflects the approximate cost per hauler who has remained anonymous for the rate study but whom the RM knows.

The rates developed are based on the RM's best estimate of future costs and where applicable most recent consumption or usage levels of the services. Except for the Travers Bay/Highway 304 lagoon, no amortization is collected in the rates to be consistent with the PUB requirements to reduce amortization expense if the assets are donated as they were in Pine Grove, Cape Dore and Great Falls. As applicable, the costs of engineering assessments and compliance plans have been included in those systems affected – water production and/or distribution systems. No amounts have been included to build utility reserves and to the extent amortization expense are reduced; no monies are being collected for future replacement of assets. Finally, contingencies in accordance with PUB policy has been added and operating expenses have been increased at 3% consistent with industry norm.

The RM will need to determine what rates it wishes to propose to the PUB keeping in mind that those that use the systems should pay the cost (long time PUB principle) and that the rates should allow the Utility to recover reasonable expenses to operate the systems safely and meeting environmental requirements.

2.0 Background

2.1 Financial Reporting and Public Sector Accounting Rule Changes

Since the RM last made an application to the PUB, the PUB has issued a number of pronouncements covering:

- the financial reporting for utilities including new requirements for reporting operating deficits whether they be budgeted, anticipated mid-year or actual,
- the reporting of transfers to utility operations from a reserve fund or the General Operating Fund,
- minimum utility surplus requirements,
- disconnection and reconnection of services for non-payment, and
- late payment charges.

In addition, the PUB has established reporting deadlines and penalties for failing to meet these deadlines.

Some of these pronouncements are set out in Order 151/08 dated November 7, 2008 and are ones municipalities will have to pay close attention to for reporting in the future.

In Order No. 93/09 dated June 9, 2009, the PUB set out its response to the adoption of the PSAB Accounting Standards for Local Governments. The accounting rule changes are significant and have major implications for the financial reporting of not only utilities but also the entire operations of a municipality. The PUB worked with the Inter-Governmental Affairs Working Group in developing its response to PSAB.

The PUB noted that the 2009 financial statements are to be prepared in accordance with the new accounting rules and the 2008 financial statements are to be re-stated for comparative purposes.

Amortization is one of the major adjustments for utilities as it requires certain expenses to be capitalized and amortized and if a capital asset, amortized over its useful life.

Municipalities are required to develop a Tangible Capital Asset (TCA) schedule listing the original capital cost of the asset, the amortization period for each asset category and ultimately an annual amortization expense to be recorded in its financial statements.

It is important to note that the amount of monies for amortization for financial reporting may not be the same as the amount allowed by the PUB in rates. For rates, the PUB requires that the amortization expense set up in the financial statements be reduced for any grants obtained originally to finance the projects and by the principal amount of any debentures used by the municipality to finance their share of the cost.

In some cases, amortization expense for rate setting may be reduced to zero or certainly be less than the amortization expense shown on the financial statements. In real terms, this means that the revenues collected from rates will not support the amortization expense on the financial statement and therefore, deficits will occur. These deficits will require PUB approval until the assets are fully amortized.

With respect to the rates of amortization, the PUB, in Order No. 93/09, stated that:

"During transition, the Board will accept TCA schedules developed in accordance with the manual (manual developed in conjunction with Inter-Governmental Affairs for all municipalities) for rate setting purposes."

Any changes to these rates require PUB approval. This is because a change in this rate may have a significant impact on the rates charged for services.

The PUB noted that in the past the building of a utility reserve fund through rates might have been a surrogate for amortization expense. However, if the provision was not included in rates or if the ability to add monies to the reserve eroded over time by rising operating costs, amortization will be a new expense for the utility.

For donated assets, the PUB determined amortization expense is not to be included for ratemaking.

The PUB recognized that for some utilities the recording of amortization expense, even after adjusting for grants and debentures, might result in an operating deficit for ratemaking. In these cases, the PUB stated that if such deficits are not manageable in the short term, municipalities are required to file a long-term rate plan to address the recovery of the operating deficits.

The PUB also required municipalities to develop a policy for the allocation of shared expenses between the utility and general operations of the municipality including personnel (including benefits) and equipment expenses.

This review addresses these PUB pronouncements and in addition matters of contingency allowances, future liabilities, reserves and surplus requirements.

3.0 Description of the Water and Sewer Systems

3.1 General

The RM owns and operates a variety of water and/or sewer systems: some are public utilities as defined by *The Public Utilities Board Act* (the *Act*) *as* they provide a water service and others that are sewer only utilities are only public utilities if declared by the PUB to be public utilities.

In addition, there are several water utilities in the RM, which are co-operatively owned, and either operated on a stand-alone basis or in conjunction with the RM jointly providing a treated water supply to customers or provide a treated water supply to the RM on a wholesale basis. While the PUB has determined all such owners of pubic water systems ought to be regulated under the Act for 'public interest' reasons, the PUB is not aware of all such systems. It is the responsibility of such owners to make application to the PUB for rate approval.

The RM also provides lagoon service **only** at two (2) locations – Traverse Bay and Highway 304 as noted hereunder.

Manitoba Hydro provides treated water to the Great Falls area and prior to the transfer of ownership of the distribution system in Great Falls in 1987 to the RM, Manitoba Hydro also provided distributed service to the residents. The sewage collection and treatment systems were also transferred to the RM.

Only the rates charged to customers in the Great Falls system are regulated currently by the PUB and the rates were last approved in 1994, in Order No. 138/94.

On January 4, 2011, the PUB declared the St. Georges sewer system a 'public utility' and required the RM to file proposed rates for this utility as soon as possible but by no later than April 30, 2011.

On June 21, 2010, the PUB advised that it only recently became aware of the Cape Dore system providing water and the PUB was advised that the RM owned the distribution system. The PUB requested details of ownership from the RM by no later than July 15, 2010. In a letter dated June 28, 2010 from the RM to the PUB, the RM advised it was seeking legal advice as to ownership. The PUB requested an update by October 31, 2010 and sent a reminder on January 14, 2011 that this update is now required by February 14, 2011. The writer understands that the CAO has been in contact with the staff of the PUB in this regard.

This review was commissioned to assist the RM in fulfilling its responsibilities to the PUB and to provide a comprehensive review of utility operations within the municipality in the hope of determining a utility strategy on a go-forward basis.

It is apparent that not all operations owned and operated by the RM are known to the PUB and this review addresses all such operations, and to the extent necessary, those owned and operated by Co-ops. However, this review does not address the stand-alone operations owned and operated by Co-ops, some of which may already be in contact with the PUB.

Characteristics of the Rural Municipality of Alexander

The following is provided to the reader to help understand the breadth of the territory of the RM, which may help explain why and how the water and sewer systems developed over time:

1. The RM is located 113 km northeast of Winnipeg stretching from the eastern shores of Lake Winnipeg east into the Whiteshell and north into the Canadian Shield – consisting of 1,521 square kilometers of land serviced by six (6) modern highways.
2. Its year-round population of 2,932 explodes to over 20,000 in the summer.
3. Great Falls, St. Georges and Stead are the municipality's largest communities with Lester Beach, Hillside Beach, Traverse Bay and Belair being other significant communities.
4. The center is in St. Georges, which is located in the eastern part of the RM along the Winnipeg River.
5. The central part of the RM is serviced by water and sewer services offered directly or indirectly by the RM while the western part of the RM located near the shores of Lake Winnipeg are serviced mainly by private water suppliers. The RM provides only lagoon service in the area and in one instance in one development known as Pine Grove provides water service.
6. A significant number of residents are seasonal residents only located on the eastern and western extremities of the RM with the center part of the RM being largely uninhabited with a large sections occupied by the sod growing industry.

The following is a more detailed description of each of the systems.

3.2 Great Falls Water and Sewer System (Water supplied by Manitoba Hydro

The Great Falls water and sewer system serves approximately 87 customers.

In 1987, Manitoba Hydro and the RM entered into an Agreement to transfer ownership of both the water treatment facility and distribution system and the sewage collection and treatment system to the RM. Except for the water treatment plant, the transfer occurred in 1992. The RM also assumed ownership of the fire protection system.

Manitoba Hydro provides treated water to the Manitoba Hydro Generating Station and the residents of Great Falls. Untreated water is provided to the fire protection system.

The Agreement provides for Manitoba Hydro to provide potable water to the town site until December 31, 2012. The Agreement provided for Manitoba Hydro to transfer responsibility for the provision of bulk water to the RM and this has occurred. Maintenance of the treatment plant is the responsibility of Manitoba Hydro.

The Agreement provided for Manitoba Hydro to charge the RM for the water supply, by means of a further agreement. Manitoba Hydro has no obligation to meet increased demand for water.

Currently, the water supply does not meet Canadian Drinking Water Standards and the community is under 'boil water'. Manitoba Hydro and the RM are in discussion currently as to the provision of water post December 31, 2012.

In June 2010, the engineering assessment of both the water treatment plant and distribution system was performed and in February 2011, the Compliance Plan

Report on the Great Falls Distribution System was completed - both by Genivar. The engineering assessment concluded that the current treatment system is inadequate for producing water that meets the required water quality standards and recommended the continuation of the boil water advisory. Genivar also recommended that the RM compile better information on the distribution system and improved metering to better assess leakage in the system.

The Compliance Plan Report confirms again that without some improvement is the treated water supply from Manitoba Hydro, the system is incapable of meeting Drinking Water Quality Standards.

Of note, the Genivar engineering assessment suggests that there may be some unknown connections to the water distribution system and suggested that the RM undertake a review of such matters. The RM confirmed this to be the case.

The following are the basic physical characteristics of the water and sewer systems:

1. The system has been in operation for about 40 years.
2. The system is a year-round operation.
3. The RM's operating license PWS-08-122 dated June 1, 2008 expires on May 31, 2012.
4. Manitoba Conservation issued certificate number 2006-678 classifying the Great Falls Distribution System as a 'Small Water Distribution Facility' and the certificate issued on August 25, 2006 expires on August 25, 2011.
5. Raw water from the Winnipeg River is treated at Manitoba Hydro's water treatment plant located inside the Great Falls Generating Station.
6. The treatment process consists of filtration followed by disinfection with sodium hypochlorite.
7. The system serves approximately 250 people - servicing Manitoba Hydro, the Great Falls Town Site and the Sunset area.
8. Water lines are believed to be mostly asbestos concrete with diameters ranging from 25 mm (1 inch) to 150 mm (6 inches).
9. The truck fill site is located in the Town Site and a key system is used for customer access.
10. A PVC extension (75 mm) serves the Sunset area.
11. A diesel pump located in the Great Falls Generating Station serves the non-potable fire protection system - fire hydrants.
12. The Manitoba Hydro owned and operated treatment system was issued Operating License PWS-08-21 on June 1, 2008 expiring on May 31, 2012. The water treatment plant is a 'Class 1 Water Treatment Facility'.

13. Water mains in the Town Site are mainly cast iron although there is some uncertainly about the in-ground infrastructure.

14. The RM tests for residual chlorine.
15. All hook-ups are metered and the standpipe meter is not working. The RM is planning to replace all meters at a total cost of $10,000 to $20,000.
16. Water meters are read approximately once every 3 months.
17. The treatment process is well maintained and in good operating condition.
18. The distribution system has issues of corrosion and the metering records observed by Genivar suggest there are leakage problems although line breaks do not appear abnormal.
19. The operator in charge of the treatment facility is a Manitoba Hydro employee with a Class 2 water treatment certification.
20. The RM does not employ any certified operating staff for running the distribution system requiring the RM to contract out to certified people when work is required on the system. However, the RM has a staff member in training.
21. The estimated average day water production rate is 59 cubic meters per day or 0.68 Liters per second.
22. The report notes consumption records are less than accurate due to meter malfunctions and without accurate readings leakage detection and control is a problem as is billing.
23. Genivar noted that the RM does not yet have formalized emergency plans relating to neither the distribution system nor a water main flushing program.
24. Most customers are residential.

Manitoba Hydro does not charge the RM or the residents for treated water.

The sewer system serving Great Falls is a gravity flow system with one lift station, a treatment plant and a 3-cell lagoon. Again, Manitoba Hydro transferred this system to the RM at the end of 1992.

The system is duly licensed as under its license and following the required testing, lagoon discharges are made into the Winnipeg River. The RM advises the lagoon has plenty of capacity for growth.

3.3 Cape Dore – Water Distribution and Sewer Service (Water supplied by St. Georges Co-op)

The Cape Dore water and sewer system was constructed in 2005 by the then-developer at a cost of $202,308.06. It is now owned and operated by the RM.

The St. Georges Water Co-op, a utility regulated by the PUB on a "Complaints Based Regulatory Model", supplies water to Cape Dore. The Co-op charges a flat rate of $45 per month for water. There are no meters. The Co-op does water testing in the distribution system but the RM advises that it will soon be assuming that responsibility. The RM is responsible for the water distribution system and the sewer collection system.

Cape Dore is a 41-lot subdivision along the Winnipeg River and the water distribution system is connected to the Co-op at a point outside the subdivision along PTH #11 south of the subdivision. There are no fire hydrants on the system. Cape Dore is not yet fully developed (only Phase 1 is complete) and currently 12 customers are served.

The RM understands that the Co-op is arranging for an engineering assessment and compliance plan of the water treatment plant serving Cape Dore and the RM is arranging an assessment of the Cape Dore distribution system.

The RM makes no charge to the residents in Cape Dore for water distribution. In addition, the Uphill Water Co-op, which serves 12 properties, is provided water by the St. Georges Co-op through the Cape Dore distribution system. Uphill Water Co-op may be testing water on that system at their expense.

The RM provides a low-pressure sewer service to the residents using the St. Georges lagoon. However, the residents arrange with haulers to haul their septic to the Highway 304 lagoon belonging to the RM. The RM makes no charge for this service.

This system is unregulated by the PUB.

3.4 St. Georges - Sewer Service (Water distributed and supplied by St. Georges Co-op)

The RM owns and operates a low-pressure sewage system, which is connected to a 3-cell lagoon located in the RM. The lagoon is duly licensed and after testing discharge is made into the Winnipeg River. The St. Georges lagoon only receives sewage from the low-pressure system. Septic from holding tanks is hauled at the property owner's expense to Highway 304 lagoon.

The RM serves 100 customers. The RM does not exactly know the location and condition of the sewer lines. There are no lift stations on the system.

The RM makes no charge for this service.

As noted earlier, the PUB has declared this system a 'public utility' and expects a rate application to be filed by the RM.

The Cape Dore and the St. Georges sewer systems are connected and both drain into the St. Georges lagoon. As noted earlier septic from holding tanks is hauled to Highway 304 lagoon.

The RM advises there is a mix of residential and non-residential customers connected to the sewer system and without the use of metered water volumes the rates charged will need to be based on Residential Equivalent Units.

3.5 Pine Grove - Water Treatment/Distribution System

The Pine Grove system is a water treatment and distribution system only located in the western extremity of the RM. There are 60 properties served and most are seasonal customers.

The RM obtains raw water from four (4) wells and the Cottagers Association of Pine Grove is responsible to do all the water testing to meet the requirements of the Office of Drinking Water.

An engineering assessment will be conducted in 2011. The RM believes that the water treatment system may have to be improved to include chlorination and filtration.

While the Cottagers Association manages the system, the RM pays all the costs of operating the system and the RM charges back the costs of operating the four (4) separate systems on a LID basis. This arrangement is set out in By-law No. 544 passed in 1980 when the system was constructed.

The Preamble to the By-law states that the LGD (now RM) deems:

"..... it advisable in the public interest that the said systems be operated and maintained and that the cost thereof be borne by the owners of the lands benefitted thereby." and further that the costs thereof be:

"..... raised annually be special rates on all the ratable property in each LID."

Each property is described in By-law Nos. 545 through to 548 inclusively.

There are no meters on the system.

Residents in Pine Grove are responsible for handling their own septic and it is expected that they utilize the RM's lagoon service in the Travers Bay Area.

The PUB does not regulate the Pine Grove system.

If the water treatment system requires upgrading to meet drinking water standards, the RM believes the solution may be expensive and beyond the financial capacity of the customers without assistance.

3.6 The Traverse Bay Lagoon and Highway 304 Truck Haul Lagoon

The RM provides lagoon service at no charge at two stand-alone locations – one in the Traverse Bay area in the western part of the RM and one located off PTH #304 located in the eastern part.

The PUB has not declared these systems 'public utilities'. The costs of operating these systems flows through the General Fund and no charges are assessed to the users.

The Traverse Bay lagoon (built in 2000) is a 3-cell lagoon duly licensed and after testing, is discharged into nearby swampland, which then drains into Lake Winnipeg. There are five (5) haulers using the Traverse Bay lagoon and the RM is considering a capacity study to determine whether the future needs of the RM will be met.

The Highway 304 lagoon was licensed in 1998 and consists of a 2-cell lagoon which after testing, is discharged into nearby low land, which drains into the Winnipeg River. There are two (2) haulers using this lagoon.

Both lagoons may be servicing residents located outside the RM although each hauler is required to keep a log of such use. Each hauler is required to pay a one-time $15.00 registration fee.

The RM estimates there are 1000 permanent residents and 6000 seasonal residents using the Traverse Bay lagoon and in addition to the 125 residents in St. Georges, there are an additional 400 users from the Town of Powerview-Pine falls area using the Highway 304 lagoon.

3.7 Lac du Bonnet Lagoon

For a number of years now the RM has had an arrangement with the RM of Lac du Bonnet to share in the cost of operating the lagoon located in the RM of Lac du Bonnet.

The RM pays to the RM of Lac du Bonnet 30% of the cost of operating the lagoon, which amounted to $14,073 in 2010. The RM of Lac du Bonnet has been experiencing some operational difficulties related to capacity and this attributes to the high cost of operation. The RM deems its share of costs to be reasonable.

The RM of Lac du Bonnet is reviewing the expansion of this lagoon and its arrangement with RM. This rate study does not include this expansion.

This lagoon does not appear on the TCA schedule of the RM as ownership resides with the RM of Lac du Bonnet.

3.8 Summary of Facilities

Accordingly, and in summary the RM owns and/or operates the following:

1. Great Falls water distribution and sewer system for which a volumetric charge is made which has been approved by the PUB.
2. Cape Dore water distribution system and sewer system for which no charge is made to connected customers and using the Cape Dore distribution system, the RM transports water from the St. Georges Water Co-op to the Uphill Water Co-op.
3. St. Georges' sewer system for which no charge is made.
4. Pine Grove water system, which is operated on a cost recovery basis by LID and by assessment. Seasonal standpipe service is provided to non-connected residents of Pine Grove.
5. Traverse Bay Lagoon for which no charge is made.
6. Highway 304 Lagoon for which no charge is made.
7. Lac du Bonnet Lagoon for which no charge is made.

In those instances where no charge is made, such costs are flowing through the General Fund.

4.0 Revenue Requirements

4.1 Current Financial Position

Great Falls

Separate financial statements are prepared for only the Great Falls system. In 2009, the audited financial statements (on a PSAB) indicate that the Utility incurred a $9,263.92 loss after providing for $13,225 of new amortization expense. In 2010, the Utility incurred a further loss of $15,005.64 (unaudited). While in 2009 the loss was attributed to the recognition of new amortization expense, in 2010, the Utility had a cash shortfall of $1,781 ($15,006 - $13,225) - a revenue shortfall but a favorable variance in expenditures.

The RM plans to recover these deficits by taxes.

Details (PSAB adjusted except for budget) are noted below:

Description	2009 Actual (Audited)	2010 Budget	2010 Actual (Unaudited)
Revenue:			
Water Sales	$3,741	$5,000	$3,472
Sewer Charges	13,725	15,000	12,898
Penalties	294	400	139
Hydrant Rentals		400	400
Connection revenue			
Standpipe revenue	660	650	455
Other revenue			
Contribution from revenue fund			
Total	**$18,420**	**$21,450**	**$17,364**
Expenditures:			
Administration		**$6,000**	**$5,750**
Water			
PUB Annual Fee	$100	$100	$100
Meter readings	730	800	696
Water purchases			
Meter mtce.	2,247	2,500	510

Trans/Distribution	4,065	4,000	1,997
Standpipe	65	100	114
Standpipe – hydro	901	1,000	885
Amortization	6,613		6,613
Total – water	**$14,721**	**$8,500**	**$10,915**
Sewer			
Freight	$573	$550	$721
Lab fees	1,352	1,350	909
Misc. service	3,505	4,000	6,537
Plant insurance			
Lift station – power		1,000	924
Repairs/Mtce.	920		
Treatment/Disposal			
Amortization	6,613		6,613
Sewage plant mtce.			
Total – sewer	**$12,963**	**$6,900**	**$15,704**
Total Expenditures	**$27,684**	**$21,400**	**$32369**
Surplus/Deficit	**($9,264)**	**$50**	**$(15,006)**

Notes:

1. Administration costs were not recorded in 2009.
2. 2010 Budget includes no amortization.
3. Amortization was split 50/50.

As of December 31, 2010, the Utility reported a reserve fund balance of $56,009 and a non-PSAB nominal surplus of $44,698 and PSAB adjusted surplus of $567,128 (after adjustment for capital costs less accumulated amortization). For the purposes of the PUB target surplus, a total surplus of $100,707 has been included in Appendix 1.

Lagoon Service

The following expenditures are reflected in the General Fund statements:

Description	2009 Actual	2010 budget	2010 Actual
Traverse Bay Lagoon	$359	$620	$377
St. Georges Lagoon	305	565	445
Great Falls Lagoon	205	460	345
PR #304 Lagoon	299	560	621
Lac du Bonnet Lagoon	8,284	18,550	14,073
Total Lagoons	**$9,452**	**$20,755**	**$15,861**
Municipal wells	$463	$500	$376

Note:

1. These expenditures do not include amortization expense.
2. There may be other costs not specifically identified in the financial statements.
3. The PR# 304 lagoon opened in 1998.
4. The Traverse Bay 5-year expenditure high was $987 in 2007.
5. The Cape Dore/St. Georges 5-year expenditure high was $748 in 2007.
6. The Great Falls 5-year expenditure high was $890 in 2006.

Pine Grove

The following are the revenues and expenditures regarding the Pine Grove Water System:

Revenue:	2009	2010
LID #1	$1,484.24	$1,580.49
LID #2	$1,539.29	$1,429,12
LID #3	$1,484.01	$1,581.14
LID# 4	$2,240.11	$1,964.56
Total	**$6,747.66**	**$6,555.31**
Expenditures:		
LID# 1	$1,580.49	$1,548.61
LID# 2	$1,429.12	$1,979.51
LID# 3	$1,581.14	$1,910.94
LID# 4	$1,964.56	$1,546.52
Total	**$6,555.31**	**$6,985.58**

Note:

1. The expenditures in the prior year reflect the revenues collected the following year pursuant to the RM By-law.
2. These expenditures for water do not include amortization expense and the costs of the upcoming engineering assessment and compliance plan or any upgrades that may be required by that assessment.
3. The Cottagers' Association manages the system.

There are no specific financial statements for the operation of the Cape Dore water distribution and sewage collection system or the St. Georges sewage collection system, which is connected to the Cape Dore system and which flows into the same lagoon.

4.2 Capital Plans

Many of the systems are relatively new and currently have the capacity to meet customers' needs in the near term. The installation dates are as follows:

1. Great Falls Lagoon – 2003
2. Great Falls Water Distribution System – 1970s
3. Great Falls Sewage Collection System – 1970s
4. Cape Dore Water Distribution System – 2005
5. Cape Dore Sewage Collection System - 2005
6. St. Georges Lagoon – 1981, expanded in 1998
7. St. Georges Sewage Collection System – 1981
8. St. Georges Sewer line extension – 2003
9. Pine Grove Water Treatment and Distribution System
10. Traverse Bay Lagoon – 2000
11. Highway 304 Lagoon – 1998
12. Lac du Bonnet Lagoon – 1995

Not surprisingly and because of the newness of the systems the 5-Year Capital Plans for the period 2010 to 2014 inclusively reflects no capital projects. To the extent necessary, the RM has been replacing meters in the Great Falls system from its ongoing budget.

With respect to the water distribution system and standpipe facility in Great Falls, the engineering assessment identified two capital expenditures: one related to the installation of a backflow prevention device on the truck fill standpipe and the other the repair of malfunctioning meters. These have been included as expenses in 2011.

As noted earlier, engineering assessments have not yet been performed on the other systems and they may identify additional capital spending requirements. As noted earlier, the RM believes it is highly likely that capital improvements may be required to improve water quality in the Pine Grove System.

Of course, out of the review of the Water Treatment Plant owned by Manitoba Hydro at Great Falls further capital spending may be required to rectify the boil water advisory and discussions are ongoing as Manitoba Hydro's obligation to supply water from the existing plant expires in 2012. The engineering assessment identifies possible solutions but such solutions have not been factored into this report, as they are unknown at this time.

And finally, the RM of Lac du Bonnet lagoon and the Traverse Bay lagoon may need to be expanded and these costs have not yet been factored into this report.

4.3 Amortization

The RM provided its Tangible Capital Asset (TCA) Schedules and these are attached as Appendix 5 to this report. The schedule below is different from those used in the 2009 audited financial statements and reflects more current data.

The TCA Schedules indicate the following:

Land Improvement	**Cost**	**Useful Life (Years)**	**Annual Amortization**	**Accumulated Amortization**	**NBV**
St. Georges Original Lagoon	$25,000.00	30	$833.33	$23,754.28	$1,245.72
Highway 304 Lagoon	158,402.00	30	5,280.07	60,751.49	97,650.51
Traverse Bay Lagoon	243,856.00	30	8,128.53	77,257.23	166,598.77
Great Falls Lagoon	271,669.00	30	9,055.63	58,920.50	212,748.50
Total			**$23,297.56**		
Water and Sewer Networks					
St. Georges Sewer lines	150,000.00	50	3,000.00	85,515.40	64,484.60
St. Georges Sewer Line Extension (2003)	152,272.00	50	3,045.44	19,815.16	132,456.84
Great Falls W/S Lines:				46,713.82	312,264.18

Great Falls Sewer Force main	143,918.00	50	2,878.36		
Great Falls Lift Station	156,347.00	50	3,126.94		
Great Falls Water Mains (3.6 km)	58,713.00	50	1,174.26		
Great Falls Sewer lines (4.0 km)					
Total			**$13,225.00**		

Notes:

1. The amortization expense recorded on the Great Falls Utility operating statements as at December 31, 2009 and 2010 is $13,225. This amount includes the St. Georges assets as noted above.
2. There is no amortization expense for Pine Grove water treatment and distribution system and the Cape Dore distribution system. The Lac du Bonnet Lagoon is not owned by the RM.
3. The Standpipe brick building has been included in these provisions.
4. No data available for the Great Falls sewer line.

The PUB requires amortization expense to be reduced to the extent that customers are paying some of the cost of the plant by debentures through taxes (reduced by the principal amount only) and to the extent that the asset was donated to the RM.

For the rate study, the data missing for Great Falls is not material as this would be treated as a donated asset for which no amortization expense would be collected.

The Cape Dore water distribution system, the Great Falls system and the Pine Grove system have all been donated to the RM and for ratemaking the related amortization expense will be reduced to zero for these assets.

The St. Georges sewer line expansion was financed by debentures, which matured in 2010. As there is no other outstanding debenture related to any of the systems, no deductions will be made for any principal component.

4.4 Contingency Allowance

A contingency allowance is a provision in rates to recognize that systems do breakdown unexpectedly. This provision is in addition to the amortization and reserve provisions, which are generally intended to cover expected and normal wear and tear of a system. The amount of contingency included in rates is determined based on the operating experience.

The PUB has provided guidance in this regard which indicates a contingency allowance included in rates may be approximately 1% of the historical capital cost of the system. The provision may be increased or decreased dependent on the operating experience of the utility. Newer operating systems tend to have a lower contingency allowance and older systems in a state of disrepair, may have a higher contingency amount.

Provisions for contingency have been added in the relative Revenue Requirement tables attached as Appendices 1 – 4 inclusively.

4.5 Reserve Provision

Reserve funds typically pay for routine and planned capital expenses.

The PUB advises that under normal circumstances the provision for amortization negate the need for such reserves. However, the PUB was prepared to consider an inclusion for reserves in rates if the need could be justified.

Reserves are not intended to pay for new capital projects related to expansion, as it is expected that the newly connected customers or developers will pay this cost.

As a note only, reserves typically do not cover costs related to major capital, for example, a new treatment plant as the ability of the rates to support this cost would be difficult. Further, in some cases the cost of large capital projects are better recovered by tax assessment in fairness between small and large customers.

As of December 31, 2010, the Great Falls Utility had $56,010 is reserves.

The General Fund has a Dumps/Lagoon reserve with $315,497 in the account as at December 31, 2009. The RM advises that although Municipal By-law 04/07 was passed in May of 2007 the Council has not raised, through the Mill Rate, any municipal funds to be allocated to this reserve. All financial resources allocated to this reserve have been raised through development fees assessed as per Municipal By-law 29/05 passed in December 2005.

4.6 Allocation of Shared Services and Equipment

Municipalities that have full time staff and equipment dedicated to the Utility must assign the full cost to the Utility including benefits.

Where a sharing of staff time and equipment occurs between the utility and the general operations of the municipality, the PUB determined that a municipality must establish how the cost of these shared services is allocated - in a Shared Cost Allocation Policy.

Further, in the future, a municipality must include a managerial statement confirming that the Policy has been adhered to in the preparation of only those financial statements submitted to the PUB. The PUB must approve any change in the allocations.

The managerial statement is not required for the audited financial statements. However, would be required if filing financial statements with the PUB in support of an application for approval of deficits, for approval of revised rates or any other reason.

The concern is one of fairness. The allocation must reflect the utility's fair share of shared costs to ensure the Utility operation is not being subsidized by general operations of the municipality.

The RM charges the Great Falls Utility a flat fee of $5,750.00 for shared services. Similar flat fees for administration have been assigned to each utility as per the attached Appendices.

To the extent an outside contractor is used to maintain the systems, the costs are allocated to each utility as incurred.

4.7 Accumulated Surplus

As noted financial statements are prepared for the Great Falls Utility only and the costs of other operations flows through the General Fund. As of December 31, 2010, the Utility had a nominal surplus of $44,698 on a non-PSAB basis and $522,431 on a PSAB basis.

This surplus when included with the reserve fund balance as reflected in Appendix 1, for the determination of whether the PUB's Equity Target of 20% of operating expenses demonstrate the PUB target has been met.

4.8 Future Liabilities

The RM has not identified any future liabilities at this time although as noted it may be that the Traverse Bay Lagoon may need to be expanded.

4.9 Debentures

There are no outstanding debentures – the last debenture expiring in 2010.

5.0 Rate Determination

5.1 Utility Structures and Cost Recovery in General

The RM charges the residents of Great Falls for water and sewer service using a volumetric rate set out in By-law No. 16/04. This by-law has not been approved by the PUB but was passed by the RM to agree with the PUB's requirements to amend the late payment charges only. The rates themselves are unchanged from last approved by the PUB in Order No. 138/94.

As noted earlier, the RM permits the St. Georges Co-op to distribute water through the lines belonging to the RM to serve the area known as Cape Dore and the Hillside Water Co-op and the St. Georges Co-op currently charges a flat rate $45.00 per month for water only service.

While the St. Georges Co-op serves the Cape Dore residents, the rates are not intended to cover the costs of operating and maintaining the lines in Cape Dore as that is the responsibility of the RM.

There are no charges levied to provide piped sewer service in St. Georges and Cape Dore or to provide lagoon service at any of the RM lagoon locations. The residents of Pine Grove cover their costs of water distribution on a charge-back per LID basis.

In Cape Dore and Uphill Water Co-op, all customers are residential.

However, with respect to St. George sewer system there is a mix of residential and commercial/non-residential customers and hence, the rates will need to be based on Residential Equivalent Units (REU) whereby all residences are assessed 1 REU and non-residential customers a multiple REU based on expected use of the service.

Pine Grove

With respect to Pine Grove, while no specific charge is levied the RM provides service on a cost recovery basis through special annual levies. Of note to change the manner in which this utility recovers its costs to a flat rate per customer fee (unmetered) would require an amending By-law. Therefore, the continuation of this system on a 'stand alone' basis is recommended. The RM should seek the approval of the PUB to continue this cost recovery basis.

Through this cost recovery basis the RM should include the cost of the future engineering assessment and compliance plan and of course, any capital upgrades costs required by the assessment. Because the Cottagers Association is responsible for the safe delivery of water to the residents, the RM should ensure the responsibilities and obligations are clearly enunciated to protect the RM from any liability and should ensure that the Cottagers Association carries adequate liability insurance. The Cottagers Association should provide reports to the RM that it meets the requirements of the Office of Drinking Water.

Great Falls

The RM should continue to operate the Great Falls water and sewer system on a 'stand alone' basis. Water consumption is measured using meters and the rates should continue to be based a volumetric basis.

Cape Dore/St. Georges Sewer Service

The PUB has declared the sewer system serving St. Georges a 'public utility" and the PUB should also declare the Cape Dore sewer system as such. The Cape Dore water system by definition is a 'public utility'. The Cape Dore and St. Georges sewer systems are interconnected. The RM should develop a flat rate charge for the sewer service. As noted earlier such flat rates should be based on Residential Equivalent Units, as the RM does not provide metered water service to these residents.

The Cape Dore system is a donated asset for which the PUB allows no amortization expense to be recovered. However, the amortization expense related to the St. Georges system ought to be included in the rate calculations.

Cape Dore Water Distribution Service

The RM should implement a PUB approved charge to cover the operating costs of the Cape Dore water distribution system. While such costs are minimal at this time, it would be prudent for the RM to begin collecting monies for line breaks and line upgrading in the future including the cost of the newly required engineering assessment and compliance plan for the water distribution system. Such charges could be assessed monthly, quarterly or annually noting that the St. Georges Water Co-op bills monthly.

Similar to Pine Grove, the RM may if it has not already done so ensure, through some arrangement that the St. Georges Water Co-op continues to provide safe water. Liability insurance is carried by the RM.

Traverse Bay/Highway 304 Lagoon Service

These systems should be operated as one Utility and should be declared by the PUB to be a 'public utility'.

Such an approach will minimize the administration costs of managing the two (2) lagoon services including rate regulation. The services provided are identical. A 'tipping fee' ought to be charged the haulers on a per load basis. Such a charge is reasonable to ensure that residents outside the RM contribute to the lagoon costs. While currently such costs are minimal at this time, the RM is recovering such costs from RM residents only.

As the lagoons are relatively new systems, the costs will continue to be minimal and in the future may include the cost of cleaning. Setting up the Utility as a 'public utility' will ensure those that use the system pay the costs of operating those systems. If the Traverse Bay lagoon requires expansion, the RM might consider some recovery of the capital costs in rates so that those users located outside the RM make a contribution to such costs.

In summary, if the RM adopts the above approaches, four (4) separate Utilities will be created - all with individual rates regulated by the PUB. Because the four (4) systems are dissimilar in characteristics and history, the creation of one large Utility does not make sense at this time.

Lac du Bonnet Lagoon Arrangement

The RM advises that the RM does not charge a 'tipping fee' for the use of the lagoon and instead recovers such costs through the General Fund. The RM of Lac du Bonnet may handle the costs on a similar basis. As a result it is not practical to derive a 'tipping fee' for the RM of Alexander on a stand-alone basis as haulers may simply claim they are using the capacity of the RM of Lac du Bonnet which does not assess a charge.

If the lagoon is expanded and a new arrangement is made, the recovery of the lagoon costs by a 'tipping fee' ought to be considered.

In the meantime, the RM may wish to consider a Special Services Levy or an LID to ensure the users of the system pay the costs of using the lagoon. This levy may be based on the logs kept by haulers.

5.2 Great Falls

5.2.1 Existing Water and Sewer Rates

The RM currently charges a 2-step water rate and a single step sewer rate as noted below (approved in 1994):

$/1000 gallons	Water	Sewer	Combined
First 20,000 gallons	$1.59	$5.07	$6.66
Over 20,000 gallons	$1.23	$5.07	$6.30

The Group Capacity Ratios are consistent with the PUB Guidelines and commence with a 5/8 inch meter with a minimum water allowance of 3000 gallons per quarter. No change is recommended with respect to these ratios and the minimum.

With an administration charge of $8.45, the minimum quarterly bill for a customer with a 5/8 inch meter size (residential or small commercial) is $28.43. For a one-inch meter size, the minimum bill rises to $88.37. Meters are read quarterly and any amount used higher than the minimum bill is charged at the above commodity rates. Bulk water customers are charged $3.63 per thousand gallons ($0.80 per cubic meter).

5.2.2 Water Rates

The RM provided the following volumes of water consumed (86 accounts) as of December 31, 2010:

1000 gallons:

Jan. – March	293,431
April – June	339,698
July – Sept.	296,175
Oct. – Dec.	308,269
Total:	1,237,573

With 86 accounts, each account on average uses approximately 853 gallons per quarter. This is extremely low use and on observing each account use in the last quarter of 2010, there are a large number of customers using less than the minimum 3000 gallons per quarter. There are 39 customers using over 3000 gallons per quarter with one customer with the highest usage of 37,844 gallons in the last quarter of 2010.

There are only three (3) customers who are able to take advantage of the lower second step rate for water in the last quarter of 2010 and two (2) barely exceed 20,000 gallons. Accordingly, it is recommended that the RM discontinue the second step rate. This would be consistent with what other utilities are doing in Manitoba and a single step rate provides an incentive to use less water.

On this basis, the calculated revised water rate ($/1000 gallons rounded) using Appendix 1 is as follows:

2011: $21,700 / 1237 = $17.55
2012: $17,015 / 1237 = $13.75
2013: $17,339 / 1237 = $14.00

The reason the rates decline is related to a capital expenditure of $5,000 being included in 2011 only.

The water rates are substantially higher than current rates and without including the meter replacement program and the back flow valve in rates would result in rates of $7.85, $8.10 and $8.40 in 2011, 2012 and 2013 respectively.

5.2.3 Sewer Rates

The sewer rates again using Appendix 1 are as follows ($/1000 gallons rounded):

2011: $12,400 / 1237 = $10.00
2012: $12,772 / 1237 = $10.30
2013: $13,155 / 1237 = $10.65

The sewer rates are approximately double the existing rate and there is not a particular major contributing factor to the increase noting however, that rates have not changed since 1994.

5.2.4 Customer Service Charge

The revised customer service charge using Appendix 1 is as follows noting that the service charge does not change over the 3-year period:

$5,155 / 86 / 4 = $15.00 per quarter

This is an increase from $8.45 and is not out-of-step with what other utilities are experiencing.

5.2.5 Minimum Quarterly Bill

Using the revised rates, the revised minimum quarterly bill including 3000 gallons is $97.65 ($17.55 + $10.00) 3 + $15.00). This is an increase from the existing quarterly bill of $28.43. For many customers using less than the 3000 gallons per quarter, this is the only increase they will experience.

Of special note is the fact that these rates do not include any cost of water production as that service is provided by Manitoba Hydro and at the moment there is no charge for this service.

The volume of water used is very low contributing to the high cost of water and sewer. For both water and sewer rates, amortization expense for rate making is reduced to zero as the assets were donated to the RM by Manitoba Hydro.

5.2.6 Bulk Water Rate

The RM currently approved charge is $0.80 per cubic meter or $3.63 per 1000 gallons for water taken from the Standpipe in Great Falls – approved in 1994.

This rate was set $2.04 higher than the commodity rate of $1.59 per 1000 gallons charged connected customers.

Typically, bulk water rates are set higher than the commodity rate charged to connected customers to ensure that standpipe users who may not be residents of the community make a contribution to the capital costs of the system when such capital costs are being recovered by taxes. Where there is no debenture debt collected by taxes, the bulk water rate typically equals the commodity rate.

The RM advises that the meter at the standpipe is not working and hence, the RM does not charge for water on a metered basis using the rate noted above.

Instead, customers are issued keys to access the supply of water and are charged $100 per year, $60 per half year or $30 per quarter year.

The RM advises this system is not working as collection is very difficult. They indicated some users have not paid for years.

Without knowing the amount of water taken by which customers, it is difficult to determine whether the rates currently charged are fair and reasonable. At the revised calculated rate, for 500 gallons of water a user should be charged $8.80.

In fairness to all customers, greater efforts should be made to collect monies owing or the RM should demand the key be returned. If the RM returns to the use of a meter, the calculated metered rate should be applied.

5.3 St. Georges/Cape Dore/Uphill Water Co-op

5.3.1 General / Residential Equivalent Units (REU)

As noted earlier, the water distribution system in Cape Dore also serves the Uphill Water Co-op. Cape Dore has a sewer collection system. The PUB has declared the St. Georges sewer system a public utility. Historically, no rates have been charged for this service.

As there are no meters on the system, the rates are required to be based on REUs as noted below:

Water (all residential) in Cape Dore and Uphill Water Co-op:

Twenty (20) REU (12 Cape Dore and 8 Uphill Water Co-op).

Sewer in Cape Dore and St. Georges (100 customers in total):

Customer	REU Assigned
Non-residential:	
RM Office	3
Winnipeg River Echo Newspaper	1
Foyer Chateauguay (55+ complex)	16
Church	3
Museum	1
Condo complex	9
Ecole Communautaire de St. Georges	12
Bibliotheque	1
McDougall Mall	8
Non-residential REUs	54
Residential (100-9=91)	91
Total REU :	145

5.3.2 Water Rates – Cape Dore/Uphill Water Co-op

The following rates are calculated on a per REU basis per month using the costs reflected in Appendix 3:

2011: $3,500 / 20 / 12 = $14.60
2012: $3,530 / 20 / 12 = $14.70
2013: $3,561 / 20 / 12 = $14.85

The RM could choose to collect such costs quarterly or annually.

5.3.3 Sewer Rates – Cape Dore/St. Georges

The following rates are calculated on a per REU basis per month using the costs reflected in Appendix 3:

2011: $37,706 / 145 / 12 = $21.65
2012: $ 7,303 / 145 / 12 = $ 4.20
2013: $ 6,909 / 145 / 12 = $ 4.00

The sewer rate declines as amortization expense reduces slightly in 2013.
Of note, the 2011 expenses include a $30,000 expense related to a product access issue at the St. Georges lagoon. If this expense is treated differently, the rates in 2011 would be consistent with 2012 and 2013. As options, the large capital costs could be spread over 3 years and still recovered in rates, recovered by debt financing or from the General Operating budget – the latter moving away from the user-pay principle.

5.3.4 Customer Service Charge

The following rates are calculated on a per customer basis per month using the costs reflected in Appendix 3:

2011: $1,967 / 108 / 12 = $1.50
2012: $2,013 / 108 / 12 = $1.55
2013: $2,059 / 108 / 12 = $1.60

5.3.5 Combined Rates

When combined with the $45 per month charge of St. Georges Water Co-op, for a residential customer using water and sewer services, the monthly charge would equal as follows:

2011: $45.00 + $14.60 + $21.65 + $1.50 = $81.75
2012: $45.00 + $14.70 + $ 4.20 + $1.55 = $65.45
2013: $45.00 + $14.85 + $ 4.00 + $1.60 = $65.45

For the Uphill Water Co-op the rates would apply except without sewer charges. This assumes the Uphill Water Co-op is also charged $45.00 by the St. Georges Water Co-op.

5.4 Pine Grove

As noted, he residents of Pine Grove are charged the actual costs of operating the Utility as determined for the prior year. No change is recommended to the manner in which such costs are recovered. However, the RM will need to recovery of the engineering assessment and compliance plan costs and an annual $10,000 provision has been included to recover in part only, the anticipated future upgrading costs of the system. The $10,000 amount is only a 'place mark' amount only as the exact work required and the amount is yet unknown.

In total, these costs are $12,000 per year and it is recommended that this cost be added to each LID operating costs in equal amounts - $3,000 each. As there are 60 properties in Pine Grove, this additional cost equals $200.00 per year. Without the place-mark amount the rate is $35.00 per year (rounded).

The RM provides standpipe service in Pine Grove all year-around for those customers not connected to the water lines. As it is expected the volumes are small, it is recommended that this cost continue to be collected with other charges in a like-manner. The volumes used may not justify the installation of a meter and separate billing.

Appendix 3 reflects what the operating costs may be in future years but this is provided as information only due to the exact costs being determined at year-end and charged in the following year.

5.5 Traverse Bay/Highway 304 Lagoon Service

Appendix 2 reflects the costs of operating these lagoons on a collective basis. The major new cost component is the need to recognize amortization expense.

The haulers to these lagoons have been required to log the use of each lagoon. There are six (6) haulers in total with one (1) hauler hauling to both lagoons. Four (4) haulers only use the Traverse Bay lagoon and one (1) only hauls to the Highway 304 lagoon. Based on the logged information, the Traverse Bay lagoon receives 10 times more septic than the Highway 304 lagoon.

Again, the RM does not charge a tipping fee and the costs of operating the lagoons are recovered from the General Fund. To the extent many users may live outside the RM boundaries, these users pay no cost for the use of the lagoon.

To the extent that, in 2010 from records kept by the RM, most hauled septic involved loads of 1000 gallons, approximately 5,812 loads were hauled to both lagoons in total. This would be approximately 581 loads per truck per year (10 trucks used by 6 haulers). Using this data and in absence of better information, the dumping fee per load is calculated as follows:

$21,320 / 5,812 = $3.70

The costs increase only slightly in 2012 and 2013 to a high of $21,547 - so no change is calculated for the per load fee.

To administer the system more easily, the RM might consider using the log to determine an annual or quarter fee based on the prior period's use. Using the 2010 data, the annual fee per hauler is calculated as follows:

Hauler #1	533 x $3.70 =	$ 1,975
Hauler #2	3141 x $3.70 =	$ 11,625
Hauler #3	955 x $3.70 =	$ 3,535
Hauler #4	0	
Hauler #5	1082 x $3.70 =	$ 4,000
Hauler #6	103 x $3.70 =	$ 375
Total:		$21,510

5.6 Surcharges for Services beyond the Boundaries

Except for lagoon service and as noted for the Uphill Water Co-op, there is no piped water and sewer services provided beyond the RM boundaries.

5.7 Disconnection and Reconnection Charges

In Order No. 127/08 dated September 4, 2008, the PUB approved the Conditions Precedent to effect a disconnection of service for non-payment. The Conditions Precedent provide for reasonable notice to be provided to customers prior to disconnection.

The PUB noted and accepted that municipalities have the power to add outstanding utility bills to taxes and then to collect the unpaid account in a like-manner.

The RM communicated with the PUB in September, 2008 advising that they will follow the PUB requirements for notice but will not be able to effect a disconnection where two customers are served off the same line and therefore, stated a preference not to disconnect customers but rather add the outstanding amount to the tax bill. The notes on the file suggest that the RM received an indication from Mr. Gerry Gaudreau, the Executive Director of the PUB at the time and Ms. Kristine Shields that the process had been considered by the PUB and was found acceptable.

This reflects the current practice followed by the RM.

With respect to rented properties, the RM left it to the owner to effect payment under the circumstances.

As the concession and the powers of the RM, work for those utilities providing piped service over which the RM has direct control, the RM should, if necessary ensure that the Cottagers Association follows the Conditions Precedent adopted by the PUB to effect a disconnection for non-payment noting however, that the cost of operating the Pine Grove system is collected by taxes and therefore, a disconnection of service or a refusal to provide service may not be an issue.

The writer assumes that through the PUB's oversight responsibility of the St. Georges Water Co-op, the Conditions Precedent to effect the disconnection of service for non-payment is being enforced. Again, the St. Georges Water Co-op has no taxing authority in the RM and therefore, the threat of disconnection may be the only recourse to effect payment.

With respect to lagoon only service, as the RM's customers are haulers perhaps outside the taxing authority of the RM, the Conditions Precedent ought to apply.

Clause 7.0 in existing Schedule "A" to By-law No. 16/04 should be amended as required to agree with the above.

5.8 Late Payment Charges

The RM follows the current requirements of the PUB as reflected in Clause 6.0 in existing Schedule "A" to By-law No. 16/04. The clause should be continued.

5.9 Hydrant Rentals

There are eight (8) hydrants located in Great Falls and the Utility charges the General Fund $50.00 per hydrant. This charge is set out in Clause 9.0 in Schedule "A" in By-law No. 16/04. There are no other hydrants on any of the other systems.

This charge if it includes the cost of water should be increased to a level more consistent with the industry average charge of $100.00 per hydrant. This higher revenue has been included in Appendix 1.

This is a legitimate charge to the RM as determined by the PUB as the cost of fire protection is a cost to be paid by all residents and not only utility customers.

5.10 Sewer Surcharges

The RM treats all sewage as domestic strength and hence, no surcharges are assessed. However, if this should change the RM has the ability in Clause10.0 in Schedule "A" to By-law No. 16/04 to measure the strength of sewage and to assess surcharges as applicable. This clause should be continued if for no other reason than to place such industries that may come to the RM on notice that such charges may apply.

6.0 Conclusion and Recommendations

In the past, water and sewer system development in the RM was done by parties other than the RM and of late, the involvement of the RM has grown to the extent that to this day there remains a potpourri of ownership and partnership arrangements to bring such services to residents in the RM. With the strengthening of regulations and owner responsibilities, it is conceivable that the responsibilities of the RM may grow in the future.

This represents an opportune time for the RM to assess the history and develop a strategy on a go-forward basis.

The PUB has determined only recently that water utilities owned by co-operatives ought to be regulated pursuant to the *Public Utilities Board Act* and further that sewer only utilities ought to be declared 'public utilities" and hence, regulated by the PUB. These utilities provide an essential service and through such oversight, it is believed the financial strength and accountability of utilities will be strengthened.

Those sewer utilities known to the PUB have been declared 'public utilities'. This includes the St. Georges system. Except for the Lac du Bonnet lagoon, all other such systems in the RM ought to be declared 'public utilities' by the PUB. This includes the Cape Dore sewer system and the Traverse Bay and Highway 304 lagoons.

Water utilities are automatically 'public utilities'. This includes the Pine Grove and the Cape Dore water system. It should be noted it is the responsibility of each co-op to refer their operations to the PUB for regulation.

The Great Falls water and sewer system is regulated and the PUB last approved the rates charged in 1994. This rate study has calculated revised water and sewer rates. As noted in the study, the required rate increases are quite large and that rates do not include the cost of water treatment, which is provided by Manitoba Hydro at no charge. Council will need to review the revised rates for reasonableness. The rate study notes that a considerable number of customers in Great Falls are using less water than the 3,000 gallons allowed in the minimum bill. A contributing factor to the large increase is the low volume of water consumed. The rate study also suggests that the step rates be eliminated in the interest of water conservation noting very few customers are water greater than 20,000 gallons per quarter.

Great Falls is under boil water advisory and the RM is reviewing possible solutions with Manitoba Hydro. It is sometimes difficult to defend a large increase under such circumstances but that does not negate the need for a utility to breakeven. There is no "free lunch" and if rates do not recover operating costs and the Utility incurs an operating deficit as it did in 2009 and 2010 it leaves the RM no recourse, but to recover the deficit by taxes or some other means. It is also important to note that rates have not changed in Great Falls since 1994 – so some catch-up is occurring.

For all other systems, the rates are "new". It is a sound ratemaking principle that those that cause the costs should pay the costs and the fairest method of allocating those costs among customers is through usage rates. To recover such costs by means of taxes distorts this principle notwithstanding the recovery of such costs in this manner is administratively easier.

The rate study recommends the continuation of the charge back system used in Pine Grove. However, Pine Grove may be facing requirements for significant capital improvements. The calculated rates begin the process of recovering some part of these costs as a "place mark" only. As the system and regulations becomes more complex, it may be desirable and in fact, necessary, that the RM fully operate the system which is currently operated by the Cottagers' Association.

The Cape Dore water and the Cape Dore/St. Georges sewer system are unique in that water is provided by a co-operative and is charged by the co-operative on a flat rate basis. The St. Georges Water Co-op rates are regulated by the PUB separately and are not the subject of this rate review. The RM provides the water distribution service in Cape Dore and sewage collection and treatment service in Cape Dore and St. Georges. The rate study calculates the "new" rates based on Residential Equivalent Units and the REUs has been based on the information provided by the RM. The REUs has been assigned using the PUB Guidelines.

The calculated "new" rates for the Travers Bay and the Highway #304 lagoon service are based on an approximation of the number of loads dumped into the lagoons by each hauler. The rate study develops a per load fee and indicates what the annual cost per hauler would be which could be assessed monthly, quarterly or annually.

Council will need to consider the rates and eventually make application to the PUB to revise existing rates or to charge new rates for the four (4) utilities.

If the four (4) utility approach is accepted, the RM will need to apply for specific rates for each utility passing separate by-laws and further, on a go-forward basis may wish to separate each utility in its financial statements.

Appendix 1 – Revenue Requirements of Great Falls Utility
Appendix 2 – Revenue Requirements of Traverse Bay/Highway 304 Lagoon
Appendix 3 – Revenue Requirements of Cape Dore/St. Georges
Appendix 4 – Revenue Requirements of Pine Grove
Appendix 5 - TCAs

NAME OF MUNICIPALITY AND UTILITY: RM of Alexander - Great Falls Water and Sewer Utility

SCHEDULE OF UTILITY RATE REQUIREMENTS **Appendix "1"**

Projected for the rate year(s) 2011-2013 with comparative numbers for current and past year

Inflation Rate: 3 %

	2009 Actual	2010 Actual	Budget forecasts Next year	Next year+1	Next year+2
General					
Expenses:					
Administration (building, office, staff, etc.)		5,750.00	5,750.00	5,750.00	5,750.00
Billing and collection				-	-
Total general expenses	-	5,750.00	5,750.00	5,750.00	5,750.00
Equity surcharge (1% of annual expenses)[3]					
Deficit Recovery					
Revenue:					
Standpipe	660.00	455.00	455.00	455.00	455.00
Service charges				-	-
Penalties	294.29	139.03	140.00	140.00	140.00
Total general revenue	954.29	594.03	595.00	595.00	595.00
Net revenue general	(954.29)	5,155.97	5,155.00	5,155.00	5,155.00
Water					
Expenses:					
Staffing				-	-
Purification and treatment	830.00	796.00	900.00	927.00	954.81
Water purchases				-	-
Service of Supply	2,247.23	510.00	2,500.00	2,575.00	2,652.25
Transmission and Distribution	4,065.00	1,997.36	4,000.00	4,120.00	4,243.60
Other Water Supply Costs - Standpipe	965.65	998.90	1,100.00	1,133.00	1,166.99
Connections - Net Loss				-	-
Amortization/ depreciation	1,174.26	1,174.26	1,174.26	1,174.26	1,174.26
Interest on long term debt	-	-	-	-	-
Reserves				-	-
Minor capital upgrades			12,000.00	7,000.00	7,000.00
Contingency			2,000.00	2,060.00	2,121.80
Sub-total- water expenses	9,282.14	5,476.52	23,674.26	18,989.26	19,313.71
Revenue:					
Connection Revenue				-	-
Hydrant rentals		400.00	800.00	800.00	800.00
Investment Income				-	-
Amortization of capital grants			1,174.26	1,174.26	1,174.26
Taxation revenues (1)	-	-	-	-	-
Other revenue				-	-
Total non-rate revenue - water	-	400.00	1,974.26	1,974.26	1,974.26
Net rate revenue - water	9,282.14	5,076.52	21,700.00	17,015.00	17,339.45
Sewer					
Expenses:					
Staffing				-	-
Sewage Collection System				-	-
Sewage Lift Station	919.96	923.82	1,000.00	1,030.00	1,060.90
Sewage Treatment and Disposal	1,926.83	1,630.84	1,900.00	1,957.00	2,015.71
Other Sewage Collection & Disposal Costs	3,505.42	6,537.57	6,500.00	6,695.00	6,895.85
Connection - Net Loss				-	-
Amortization/ depreciation	18,690.85	18,690.85	15,060.93	15,060.93	15,060.93
Interest on long term debt	-	-	-	-	-
Reserves				-	-
Future Remediation					
Minor capital upgrades				-	-
Contingency			3,000.00	3,090.00	3,182.70
Total sewer expenses	25,042.06	27,783.08	27,460.93	27,832.93	28,216.09
Revenue					
Connection Revenue				-	-
Lagoon Tipping Fees				-	-
Investment Income				-	-
Amortization of capital grants	-	-	15,060.93	15,060.93	15,060.93
Taxation revenues (2)	-	-	-	-	-
Other Revenue				-	-
Total non-rate revenue- sewer	-	-	15,060.93	15,060.93	15,060.93
Net rate revenue - sewer	25,042.06	27,783.08	12,400.00	12,772.00	13,155.16
(1) Water facility- debt servicing taxation revenues					
Principal					
Interest					
Total	-	-	-	-	-
(2) Sewer facility- debt servicing taxation revenues					
Principal					
Interest					
Total	-	-	-	-	-
(3) Accumulated Surplus (20% Expenses)					
General & Water & Sewer Expenses	34,324.20	39,009.60	56,885.19	52,572.19	53,279.80
Target Surplus	6,864.84	7,801.92	11,377.04	10,514.44	10,655.96
Actual Surplus		100,707.00	100,707.00	100,707.00	100,707.00
Shortfall	6,864.84	(92,905.08)	(89,329.96)	(90,192.56)	(90,051.04)

Notes:

1. Assumed all sewer amortization expense reflects a donated asset.
2. Hydrant rental charges were not collected in 2009. Increased to $100 per hydrant in 2011.
3. No tipping fees - no dumping.
4. No administration costs assigned in 2009.
5. Administration a flat fee and if changed requires PUB approval.
6. 2009 and 2010 deficit recovered by taxes.
7. Meter upgrade program is minor capital expenses over 3 years
8. In 2011, small capital includes the cost of a back flow valve - $5000 (estimate).
9. Amortization for water not offset by grants (standpipe costs paid for by the RM).
10. PUB surplus target met in each year.

NAME OF MUNICIPALITY AND UTILITY: Traverse Bay/Hwy. #304 Lagoon Service

SCHEDULE OF UTILITY RATE REQUIREMENTS Appendix "2"

Projected for the rate year(s) 2011-2013 with comparative numbers for current and past year

***Only insert information in blue areas

Inflation Rate: 3 %

	Prior year Actual	Current year Projected	Budget forecasts Next year	Next year+1	Next year+2
General					
Expenses:					
Administration (building, office, staff, etc.)			2,500.00	2,575.00	2,652.25
Billing and collection				-	-
Total general expenses	-	-	2,500.00	2,575.00	2,652.25
Equity surcharge (1% of annual expenses)[3]			211.09	212.20	213.34
Deficit Recovery				-	-
Revenue:					
Surcharges				-	-
Service charges				-	-
Penalties				-	-
Total general revenue	-	-	-	-	-
Net revenue general	-	-	2,711.09	2,787.20	2,865.59
Water					
Expenses:					
Staffing				-	-
Purification and treatment				-	-
Water purchases				-	-
Service of Supply				-	-
Transmission and Distribution				-	-
Other Water Supply Costs				-	-
Connections - Net Loss				-	-
Amortization/ depreciation				-	-
Interest on long term debt	-	-	-	-	-
Reserves				-	-
Minor capital upgrades				-	-
Contingency				-	-
Sub-total- water expenses	-	-	-	-	-
Revenue:					
Connection Revenue				-	-
Hydrant rentals				-	-
Investment Income				-	-
Amortization of capital grants				-	-
Taxation revenues (1)	-	-	-	-	-
Other revenue				-	-
Total non-rate revenue - water	-	-	-	-	-
Net rate revenue - water	-	-	-	-	-
Sewer					
Expenses:					
Staffing				-	-
Sewage Collection System				-	-
Sewage Lift Station				-	-
Sewage Treatment and Disposal	658.00	998.00	1,200.00	1,236.00	1,273.08
Other Sewage Collection & Disposal Costs				-	-
Connection - Net Loss				-	-
Amortization/ depreciation			13,408.60	13,408.60	13,408.60
Interest on long term debt	-	-	-	-	-
Reserves				-	-
Future Remediation					
Minor capital upgrades				-	-
Contingency			4,000.00	4,000.00	4,000.00
Total sewer expenses	658.00	998.00	18,608.60	18,644.60	18,681.68
Revenue					
Connection Revenue				-	-
Lagoon Tipping Fees				-	-
Investment Income				-	-
Amortization of capital grants	-	-	-	-	-
Taxation revenues (2)	-	-	-	-	-
Other Revenue				-	-
Total non-rate revenue- sewer	-	-	-	-	-
Net rate revenue - sewer	658.00	998.00	18,608.60	18,644.60	18,681.68
(1) Water facility- debt servicing taxation revenues					
Principal					
Interest					
Total	-	-	-	-	-
(2) Sewer facility- debt servicing taxation revenues					
Principal					
Interest					
Total	-	-	-	-	-
(3) Accumulated Surplus (20% Expenses)					
General & Water & Sewer Expenses	658.00	658.00	21,108.60	21,219.60	21,333.93
Target Surplus	131.60	131.60	4,221.72	4,243.92	4,266.79
Actual Surplus			0.00	211.00	212.00
Shortfall	131.60	131.60	4,221.72	4,032.92	4,054.79

Notes:

1. Contingency based on capital cost of Traverse Bay/Hwy #304 system only - 1% x $402,260.
2. Administration costs reflect billing to several haulers.

NAME OF MUNICIPALITY AND UTILITY: St. Georges/Cape Dore Water and Sewer Utility

SCHEDULE OF UTILITY RATE REQUIREMENTS **Appendix "3"**

Projected for the rate year(s) 2011-1013 with comparative numbers for current and past year

Inflation Rate: 3 %

	Prior year Actual	Current year Projected	Budget forecasts Next year	Next year+1	Next year+2
General					
Expenses:					
Administration (building, office, staff, etc.)			1,500.00	1,545.00	1,591.35
Billing and collection				-	-
Total general expenses	-	-	1,500.00	1,545.00	1,591.35
Equity surcharge (1% of annual expenses)[3]			467.52	467.52	467.52
Deficit Recovery				-	-
Revenue:					
Surcharges				-	-
Service charges				-	-
Penalties				-	-
Total general revenue	-	-	-	-	-
Net revenue general	-	-	1,967.52	2,012.52	2,058.87
Water					
Expenses:					
Staffing				-	-
Purification and treatment			1,000.00	1,030.00	1,060.90
Water purchases				-	-
Service of Supply				-	-
Transmission and Distribution				-	-
Other Water Supply Costs				-	-
Connections - Net Loss				-	-
Amortization/ depreciation			2,023.08	2,023.08	2,023.08
Interest on long term debt	-	-	-	-	-
Reserves				-	-
Engineering Assessment/Compliance Cost			2,000.00	2,000.00	2,000.00
Minor capital upgrades					-
Contingency			500.00	500.00	500.00
Sub-total- water expenses	-	-	5,523.08	5,553.08	5,583.98
Revenue:					
Connection Revenue				-	-
Hydrant rentals				-	-
Investment Income				-	-
Amortization of capital grants			2,023.08	2,023.08	2,023.08
Taxation revenues (1)	-	-	-	-	-
Other revenue				-	-
Total non-rate revenue - water	-	-	2,023.08	2,023.08	2,023.08
Net rate revenue - water	-	-	3,500.00	3,530.00	3,560.90
Sewer					
Expenses:					
Staffing				-	-
Sewage Collection System				-	-
Sewage Lift Station				-	-
Sewage Treatment and Disposal	305.00	445.00	600.00	618.00	636.54
Other Sewage Collection & Disposal Costs				-	-
Connection - Net Loss				-	-
Amortization/ depreciation			6,878.77	6,457.83	6,045.44
Interest on long term debt	-	-	-	-	-
Reserves				-	-
Future Remediation					
Minor capital upgrades			30,000.00		-
Contingency			2,250.00	2,250.00	2,250.00
Total sewer expenses	305.00	445.00	39,728.77	9,325.83	8,931.98
Revenue					
Connection Revenue				-	-
Lagoon Tipping Fees				-	-
Investment Income				-	-
Amortization of capital grants	-	-	2,023.08	2,023.08	2,023.08
Taxation revenues (2)	-	-	-	-	-
Other Revenue				-	-
Total non-rate revenue- sewer	-	-	2,023.08	2,023.08	2,023.08
Net rate revenue - sewer	305.00	445.00	37,705.69	7,302.75	6,908.90
(1) Water facility- debt servicing taxation revenues					
Principal					
Interest					
Total	-	-	-	-	-
(2) Sewer facility- debt servicing taxation revenues					
Principal					
Interest					
Total	-	-	-	-	-
(3) Accumulated Surplus (20% Expenses)					
General & Water & Sewer Expenses	305.00	305.00	46,751.85	16,423.91	16,107.31
Target Surplus	61.00	61.00	9,350.37	3,284.78	3,221.46
Actual Surplus			0.00	457.00	458.00
Shortfall	61.00	61.00	9,350.37	2,827.78	2,763.46

Notes:
1. Assumes RM will test for residual chlorine and make reports to Water Stewardship
2. Contingency 0.5% of 50% of capital costs of $202,308 - Cape Dore water only.
3. Amortization at Cape Dore split 50/50 between water and sewer.
4. Engineering assessment/Compliance Plan capitalized and amortized over 5 years ($2000 per year).
5. Some of these costs to be paid by Uphill Water Co-op.
6. Contingency for sewer ($500 + 1% of TCA Capital Cost x $175,000).
7. Amortization for water reduced to '0' as it was donated by developer.
8. Amortization for sewer in Cape Dore reduced to zero - same as #7.
9. $30,000 cost related to product access issue.
10. Equity surcharge kept the same in each year to stabilize customer service charge.

NAME OF MUNICIPALITY AND UTILITY: RM of Alexander - Pine Grove Water Utility (All LIDs)

SCHEDULE OF UTILITY RATE REQUIREMENTS **Appendix "4"**

Projected for the rate year(s) 2011-2013 with comparative numbers for current and past year

***Only insert information in blue areas **Inflation Rate:** 3 %

	2009 Actual	2010 Projected	Budget forecasts Next year	Next year+1	Next year+2
General					
Expenses:					
Administration (building, office, staff, etc.)			1,500.00	1,545.00	1,591.35
Billing and collection				-	-
Total general expenses	-	-	1,500.00	1,545.00	1,591.35
Equity surcharge (1% of annual expenses)[3]			405.00	407.55	410.18
Deficit Recovery				-	-
Revenue:					
Surcharges				-	-
Service charges				-	-
Penalties				-	-
Total general revenue	-	-	-	-	-
Net revenue general	-	-	1,905.00	1,952.55	2,001.53
Water					
Expenses:					
Staffing				-	-
Purification and treatment				-	-
Water purchases				-	-
Service of Supply	6,555.31	6,985.58	7,000.00	7,210.00	7,426.30
Transmission and Distribution				-	-
Other Water Supply Costs				-	-
Connections - Net Loss				-	-
Amortization/ depreciation			20,000.00	20,000.00	20,000.00
Interest on long term debt	-	-	-	-	-
Reserves				-	-
Minor capital upgrades			10,000.00	10,000.00	10,000.00
Engineering Assessment			2,000.00	2,000.00	2,000.00
Contingency				-	-
Sub-total- water expenses	6,555.31	6,985.58	39,000.00	39,210.00	39,426.30
Revenue:					
Connection Revenue				-	-
Hydrant rentals				-	-
Investment Income				-	-
Amortization of capital grants			20,000.00	20,000.00	20,000.00
Taxation revenues (1)	-	-	-	-	-
Other revenue	6,747.66	6,555.31		-	-
Total non-rate revenue - water	6,747.66	6,555.31	20,000.00	20,000.00	20,000.00
Net rate revenue - water	(192.35)	430.27	19,000.00	19,210.00	19,426.30
Sewer					
Expenses:					
Staffing				-	-
Sewage Collection System				-	-
Sewage Lift Station				-	-
Sewage Treatment and Disposal				-	-
Other Sewage Collection & Disposal Costs				-	-
Connection - Net Loss				-	-
Amortization/ depreciation				-	-
Interest on long term debt	-	-	-	-	-
Reserves				-	-
Future Remediation					
Minor capital upgrades				-	-
Contingency				-	-
Total sewer expenses	-	-	-	-	-
Revenue					
Connection Revenue				-	-
Lagoon Tipping Fees				-	-
Investment Income				-	-
Amortization of capital grants	-	-	-	-	-
Taxation revenues (2)	-	-	-	-	-
Other Revenue				-	-
Total non-rate revenue- sewer	-	-	-	-	-
Net rate revenue - sewer	-	-	-	-	-
(1) Water facility- debt servicing taxation revenues					
Principal					
Interest					
Total	-	-	-	-	-
(2) Sewer facility- debt servicing taxation revenues					
Principal					
Interest					
Total	-	-	-	-	-
(3) Accumulated Surplus (20% Expenses)					
General & Water & Sewer Expenses	6,555.31	6,555.31	40,500.00	40,755.00	41,017.65
Target Surplus	1,311.06	1,311.06	8,100.00	8,151.00	8,203.53
Actual Surplus			0.00	405.00	408.00
Shortfall	1,311.06	1,311.06	8,100.00	7,746.00	7,795.53

Notes:

1. Engineering assessment/Compliance Plan cost capitalized and amortized over 5 years.
2. Minor capital costs flow out of engineering assessment. Placemark only as capital costs expected to be large.
3. Amortization is reduced to '0' as it is a donated asset paid by cottagers.
4. Amortization approximate only as origincal capital costs unknown - offsetting in any case.