

M A N I T O B A) Order No. 97/06
)
THE PUBLIC UTILITIES BOARD ACT) June 28, 2006

BEFORE: Graham F. J. Lane, C.A., Chairman
 Monica Girouard, C.G.A., Member
 Susan Proven, P.H.Ec., Member

**TOWN OF NEEPAWA
APPROVAL OF TIPPING FEES
(SEWAGE HAULED TO LAGOON)
EFFECTIVE JULY 1, 2006**

Executive Summary

By this Order, the Public Utilities Board (Board) approves the following tipping fee schedule for the Town of Neepawa (Town), effective July 1, 2006.

	<u>Residents</u>	<u>Others</u>
<u>Annual</u>		
Residential Fee:	\$ 50.00	\$125.00
Commercial Fee:	\$200.00	\$500.00
<u>Per Use</u> (not in addition to annual)		
Residential	\$ 10.00	\$ 25.00
Commercial	\$ 40.00	\$100.00

With respect to the schedule for commercial customers, both resident and non-resident, the Board provides the Town with the authority to establish:

- a) a lower fee schedule for commercial customers deemed to have usage characteristics similar to the average residential customers; and
- b) a higher fee schedule for commercial customers deemed to have usage characteristics four or more times that of the average residence.

With respect to these potential additional commercial classes, the per use fee shall not be less than \$50 nor more than \$200 (non-residents), nor shall the annual fee be higher than \$400 (resident) or \$750 (non-resident) or lower than \$50 (resident) or \$125 (non-resident).

The Board also provides the Town with the authority to increase tipping fees by up to 5% as of July 1, 2007 and again as of July 1, 2008.

Annual and/or per use fees for industrial customers are to be established by the Town on the merits of each case. In establishing an industrial rate the Town is to take into account the number of estimated annual visits and volume, and the commercial rate schedule. Presently, the Town reports there to be no industrial customers hauling effluent to the lagoon.

No sewage is to be accepted by the Town for the lagoon unless fees due have been paid. Prior to this Order, no charge was levied or approved with respect to effluent hauled to the Town's sewage lagoon.

Application and Review

The Town applied to the Board on April 12, 2006 for approval of proposed "tipping fees" to be charged for sewage delivered to the Town's lagoon, which operates twenty-four hours each day, and gave first reading to By-law No. 3033 in support of the application.

Proposed rates were:

	<u>Residents</u>	<u>Others</u>
<u>Annual</u>		
Residential Fee:	\$ 25.00	\$250.00
Commercial Fee:	\$200.00	\$500.00
<u>Per Use</u> (not in addition to annual)		
Residential	n/a	\$ 75.00
Commercial	n/a	\$ 75.00

The Town proposed to establish industrial tipping fees based on anticipated volume; there were no industrial customers hauling effluent to the lagoon at the time of the proposal. As well, the Town proposed that tipping fees be paid on per load basis or yearly basis, with no sewage to be accepted unless fees have been paid.

The Town estimated its proposal would, if approved, generate the following annual revenue:

Non-residents	\$12,075.00
Town residents	<u>\$ 3,700.00</u>
Total	\$15,775.00

Projected annual fee revenue would produce a deficit for the service, before considering tax support from residents.

	Town Resident		Non-Resident
Revenues	\$3,700.00	Revenue	\$12,075.00
Cost	<u>\$5,902.00</u>	Cost	\$ 5,902.00
Shortfall	(\$2,202.00)	Debenture ¹	<u>\$ 6,500.00</u>
		Shortfall	(\$ 327.00)

Note¹ \$2,500,000 for the replacement value of the lagoon, amortized over 20 years and apportioned to sewage haulers (10.4%) and divided equally between residents and non-residents is \$6,500/year.

The Town reported having based its proposal on its review of lagoon operations and costs, and a survey of fees charged by other municipalities.

A Public Notice approved by the Board was mailed to lagoon customers advising of the application and the Board's invitation for public comment, to be received until May 26, 2006. The Board received numerous responses, both from Town residents and property owners located outside the Town's boundaries, which are commented on below. In accordance with past practice, the Board shared the responses with the Town, and posed additional questions of the Town.

The Town responded to the Board on May 26, 2006, providing responses to both the comments of utility customers and the questions posed by the Board.

The Town indicated that:

- a) annual operating and maintenance lagoon costs approximated \$113,500, excluding amortization of fixed assets;
- b) approximately 10% of total annual lagoon use could be accounted for by sewage hauled to the lagoon, with residents and non-residents making roughly equal use of the service (there were approximately 138 residential and commercial customers, of which 68 were Town residents);
- c) given annual operating costs of the lagoon of \$113,500, and 10.4% of the lagoon usage being for hauled sewage, annual operating costs related to hauled sewage was estimated at approximately \$12,000 excluding debenture debt/capital asset amortization costs;
- d) the replacement cost of the lagoon would approximate \$2.5 million, providing for annual notional amortization of approximately \$130,000;

- e) Town residents have been the only lagoon customers contributing to the capital cost of the lagoon, this by means of tax assessment, and lagoon operating costs have been subsidized by the Town's General Fund, again tax-supported;
- f) proposed rates were based on average volumes not sewage density (projected volume per customer per haul, 5.7 cubic meters or 1,500 gallons); and
- g) customer use of the lagoon has varied from weekly to yearly, dependent in part on whether the customer has a septic field.

The Town did not provide data supporting its contention that each commercial account uses lagoon service more than a residential account, and supported its proposal by noting water meter records that disclosed the average water use by a commercial account to be twice that of a residential account. Accordingly, the Town proposed to charge commercial resident accounts twice as much as residences.

The Town justified its proposed differentiation of resident and non-resident fees by noting that Town residents meet lagoon capital and operating costs fully or partly through taxes, whereas non-residents pay no taxes to the Town.

While presently there are no industrial customers, the Town proposed to reserve the right to negotiate fees with any future industrial firms hauling sewage to the lagoon.

A comparison of the "tipping fees" of other municipalities follows:

	<u>Annual Charge</u>
R.M. of Armstrong	\$25.00
R.M. of Ochre River	\$126.00 (assumed 12 uses per year @ 1,500 gallons/use)
Town and R.M. of Minitonas	\$75.00 - \$100.00 per year
Town of Swan River	\$120.00 - \$900.00 per year (12 pump outs/year)
Town of Morden	\$225.00
Town of Grandview	\$250.00
Town of Roblin (hauler)	\$1,500.00

The Board received a number of responses from customers, as summarized below:

1. General support for tipping fees - no responder supported service provision at no cost.

2. A suggestion that the volume of sewage for some commercial customers would be far less than for some homeowners. This view was reported to have been developed through inquiries of the sewage hauler.
3. A preference for no differentiation between rural versus urban (non-resident as to resident) was advanced by at least one customer.
4. A report that as the local waste hauler had increased fees by 50% over the last 3 years, new Town tipping fees would prove an economic burden for customers. (One customer reported annual hauling costs of \$1,000 per year.)

The Town responded to the comments received by the Board, as summarized below:

- a) residents' water and sewer rates do not include debenture debt costs, and these costs as well as the past subsidization of lagoon operating costs have been met by Town residents by way of taxation;
- b) if the R.M. of Langford, where the Town's non-resident customers reside or operate, were to build a lagoon to serve its ratepayers, the Town opines that R.M. of Langford's tax levies on its ratepayers would have to double; and
- c) while residents are required to pay the sewage hauler in addition to the tipping fees, it should be noted that Town residents connected to the sewer system meet the costs of that system, and rates have increased by 75% since 2004.

The Town rejected a tipping fee schedule based on volumes and a volumetric rate, concluding the approach could not be implemented efficiently or economically. With respect to the Town's proposal that payment in advance would be required prior to receipt of the sewage at the lagoon, the Town noted that if payment was not forthcoming the Town is unable to add the cost to the tax roll.

Finally, with respect to its proposal for an annual fee option, the Town noted that the local sewage hauler offers per-load and yearly fees.

The Town advised the Board that it may not accept effluent from outside the Town's boundaries if the Board did not approve its application.

Background

By Order 144/04 (November 22, 2004), the Board approved revised water and sewer rates aggregating approximately 65% (50% for water and 75% for the sewer system) over the 2004-2006 period. The large increases were required to allow the Town to gradually transition from large tax-based subsidies of the water and sewer utility to break-even operations consistent with legislative requirements.

The Board then expressed concern with the overall state of the wastewater facility, including the lagoon. The Town had advised the Board that its wastewater plant and lagoon were at or beyond maximum usage levels, with major improvements required. The situation was exacerbated by the economic necessity of employing the Town's lagoon and sewage treatment plant with respect to Springhill Farms' effluent. As well, there was, and is, the potential for an additional industrial service need, for the proposed Natural Valley Beef plant, and servicing such a new plant would also require enhancements to the Town's sewer system.

The Board supported the Town's effort to obtain an infrastructure grant towards remedying the serious existing situation and preparing for the potential of future industrial expansion.

Capital investments in the Town's utility, net of grants and customer contributions, have, in the past, been funded by debentures, with debenture debt serviced by annual tax levies (estimated levy for 2006, \$91,287). With Canada-Manitoba Infrastructure grants requiring a municipal contribution, neither the contribution that would be required from the Town nor the method by which the Town would meet that contribution were known at the time of Order 144/04.

At that time though the Town had interest in establishing a "tipping fee" schedule pertaining to the delivery of sewage to the Town's lagoon, a proposal not then brought before the Board. Board Order 144/04 directed the Town file to file a proposal when readied.

A copy of Order 144/04 is available on the Board's website, www.pub.gov.mb.ca.

Board Findings

Given the Town's relatively low forecast of \$15,000 in annual revenues to arise from tipping fees, and to restrain municipal regulatory costs, the Board decided to hear the application by way of a public paper hearing process. The process took place in accordance with the Board's normal practices.

By this Order, and subsequent to careful consideration of the Town's application, its financial requirements, comments received through the paper hearing process, and environmental concerns the Board will vary the Town's proposal while approving a tipping fee schedule.

The Board will approve the following tipping fee schedule for Neepawa, effective July 1, 2006.

	<u>Residents</u>	<u>Others</u>
<u>Annual</u>		
Residential Fee:	\$ 50.00	\$125.00
Commercial Fee:	\$200.00	\$500.00
<u>Per Use</u> (not in addition to annual)		
Residential	\$ 10.00	\$ 25.00
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With respect to the schedule for commercial customers, both resident and non-resident, the Town may establish:

- c) a lower fee schedule for commercial customers deemed to have usage characteristics similar to the average residential customers; and
- d) a higher fee schedule for commercial customers deemed to have usage characteristics four or more times that of the average residence.

With respect to these potential additional commercial classes, the per use fee shall not be less than \$50 nor more than \$200 (non-residents), nor shall the annual fee be higher than \$400 (resident) or \$750 (non-resident) or lower than \$50 (resident) or \$125 (non-resident).

As of July 1, 2007 and again as of July 1, 2008, the Town may increase the tipping fees by up to 5%.

Annual and/or per use fees for industrial customers may be established by the Town on the merits of each case. In

establishing an industrial rate the Town is to take into account the number of estimated annual visits and volume, and the commercial rate schedule. Presently, there are no industrial customers hauling effluent to the lagoon.

The Board accepts the Town's plan that no sewage will be accepted by the Town for the lagoon unless fees due have been paid in advance.

The Town's rate proposal recognized that Town residents make significant contributions towards the Town's sewer system through the municipal tax system. Accordingly, and the Board agrees, non-residents should pay higher tipping fees than Town residents. The question that the Board reflected on was how much higher.

The Board concludes that the Town's proposed annual fee for residential residents hauling sewage to the lagoon was too low, and herein the Board approves a \$50 fee rather than the proposed \$25. As well, and to provide an additional and perhaps economical option to some residents, the Board will approve at \$10 per use fee for residential and \$40 per use fee for commercial Town resident customers.

However, with respect to non-residents, the Board concludes the Town's proposed fees for residential customers were too high, and approves a per use fee of \$25 rather than \$75, and an annual \$125 fee rather than the proposed \$250.00.

As well, the Board concludes that the Town's proposal with respect to commercial customers requires adjustment. The Board accepts the argument made by some responders that some commercial accounts may be hauling sewage volumes at or below the volumes provided by some residences. Taking into account the costs of hauling as well as tipping fees, the Board concludes some low-volume commercial accounts could experience an undue financial burden if the Town's proposal was adopted without amendment.

The amendments to the fee schedule to be approved by the Board should still meet the Town's estimate of operating cost requirements for lagoon "hauling" service; and the Board notes that notional capital replacement costs are not reflective of the Town's actual investment to-date in the lagoon.

Another Board concern addressed by the above-referenced variances to the Town's proposal relates to environmental protection. The Board holds that the Town's lagoon service is important not only to the Town but also to residents of the adjoining municipality. Fees for tipping should not be so high as to encourage inappropriate actions damaging the environment. It should be economically feasible for R.M. residents to haul sewage to the lagoon; towards this end, the fee schedule should not only be fair from a financial perspective but should also be perceived as being fair.

The Board strongly recommends that the Town continue to extend access to its lagoon to residents of the R.M. of Langford, and does not support any withholding of the service from non-residents.

On the other hand, the Board concludes that some commercial accounts may develop effluent volumes and frequencies far in excess of the average residence, and average commercial account. Accordingly, the Board will provide the Town with the ability to create a three-tier fee schedule for commercial accounts, and allow the Town to place commercial accounts within the tiers as it deems fair and reasonable.

The Board notes the large investments required to upgrade the Town's waste water treatment plant and lagoon, and anticipates additional operating costs will develop as well as increased annual debt servicing charges and notional system amortization. Accordingly, as a contribution recognizing this likelihood, the Board will provide the Town with authority to increase the tipping fees by up 5%, both on July 1, 2007 and 2008.

Taking all of the variances to be approved by the Board into account, the Board holds that the revenue projections supporting the Town's proposal can still be met, if not exceeded.

The Board also suggests that the Town discuss the provision of its lagoon services with the R.M. of Langford (R.M.). The R.M. should be apprised of the benefits being provided its ratepayers by the Town, and the costs the R.M. is avoiding by the presence of the Town's lagoon and availability of its service. A case could be advanced for the R.M. considering a contribution towards the capital and operating costs of the lagoon.

IT IS THEREFORE ORDERED THAT:

1. By-law # 3033 of the Town of Neepawa be amended by adding Clause 19 titled Lagoon Tipping Fees as noted hereunder:

19. Lagoon Tipping Fees

- i) The following tipping fee shall apply for sewage hauled to the Town of Neepawa's lagoon:

	<u>Inside Town Boundaries</u> (Residents)	<u>Outside Town Boundaries</u> (Non-Residents)
<u>Annual</u>		
Residential Fee:	\$ 50.00	\$125.00
Commercial Fee:	\$200.00	\$500.00
<u>Per Use</u> (not in addition to annual)		
Residential	\$ 10.00	\$ 25.00
Commercial	\$ 40.00	\$100.00

- ii) With respect to the schedule for commercial customers, both resident and non-resident, the Town of Neepawa may establish:
- a) a lower fee schedule for commercial customers deemed to have usage characteristics similar to the average residential customers; and
- b) a higher fee schedule for commercial customers deemed to have usage characteristics four or more times that of the average residence.
- iii) With respect to these potential additional commercial classes, the per use fee for the Town of Neepawa shall not be less than \$50 nor more than \$200 (non-residents), nor shall the annual fee be higher than \$400 (resident) or \$750 (non-resident) or lower than \$50 (resident) or \$125 (non-resident).
- iv) As of July 1, 2007 and again as of July 1, 2008, the Town of Neepawa may increase the tipping fees by up to 5%.
- v) Annual and/or per use fees for industrial customers may be established by the Town of Neepawa based on the merits of each case. In establishing an industrial rate the Town is to take into account the number of

estimated annual visits and sewage volume, as well as the commercial rate schedule as such may be amended by the Town pursuant to this Order.

Fees payable upon this Order - \$750.00

THE PUBLIC UTILITIES BOARD

"GRAHAM F. J. LANE, C.A."

Chairman

"H. M. SINGH"

Acting Secretary

Certified a true copy of Order No.
97/06 issued by The Public
Utilities Board

Acting Secretary