

M A N I T O B A)	Order No. 70/08
)	
THE PUBLIC UTILITIES BOARD ACT)	May 30, 2008

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

**THE TOWN OF CARBERRY
REVISED SEWER RATES
BY-LAW NO. 3/2008**

Executive Summary

By this Order, the Public Utilities Board (Board) accepts an application by the Town of Carberry (Town) and approves sewer rate increases, to be phased in over a three year period.

Existing and revised annual rates per REU¹ are as follows:

Existing	\$111.00	Increase
2008	\$120.00	+8%
2009	\$125.00	+4%
2010	\$130.00	+4%

⁽¹⁾ Residential and small commercial customers are allocated one REU.

The previous rate change occurred in 1995.

The phase-in of higher rates will be assisted by accumulated utility surplus and the Utility reserve, now, in aggregate, the equivalent of three years of operating costs.

Application

On February 14, 2008, the Town applied to the Board for approval of revised sewer rates as established in By-law No. 3/2008 read the first time on February 12, 2008.

Notice of the Town's application was published in the local newspaper and posted in several prominent locations in the community, and invited any person with concerns or comments to write the Board; no responses were received.

The Town advised that revised rates were required as a result of increased operating costs related to the lagoon, ongoing expansion

costs, and the anticipated costs of repairs and increased monitoring. In 2006, the Utility incurred an operating deficit of \$9,815.45 and, except for a transfer from the reserve, a deficit would have been incurred in 2007 as well. The Town budgeted for a \$25,000 transfer from the reserve in 2007, but actually transferred \$15,600, this resulting in a small surplus.

As of December 31, 2007 the Utility had an accumulated surplus of \$254,737.44 and, as well, a reserve balance of \$96,116.00.

Projected annual operating costs for the Utility for rate making purposes, including \$1,100 for contingencies, were:

Administration	\$ 6,000
Sewage Collection	\$ 10,000
Sewage Lift Station	\$ 12,000
Sewage Treatment and	\$ 32,000
Other Sewage Costs	\$ 10,000
Sewer Line Construction	\$ 30,000
Transfer to Reserves	<u>\$ 10,000</u>
	<u>\$110,000</u>

Assuming approval of its application, the Town projected a 2008 surplus of \$209.00.

The calculated required annual sewer rate by way of the rate study was \$127.50 per REU - a 14.9% rate increase over existing rates. The Town proposed to phase-in the required rate. As a result, in

2008, \$6,548 $[(127.50 - 120.00) \times 873 \text{ REUs}]$ less revenue would be collected which may mean the proposed transfer to reserve of \$10,000 would be unlikely to occur.

The Board made an inquiry of the expected cost of adding a cell to the lagoon and how it was to be financed. The Town advised the cost could be as high as \$300,000, and that it was reviewing a cost sharing arrangement with the Rural Municipality of North Cypress, the latter having a potential need for use of the lagoon because of environmental concerns. The Town advised that its portion of the expected capital project would be met by drawing on the accumulated surplus and reserve. A debenture may be required but the Town hoped to avoid that by having rates support the project.

The Town advises of minimal other expected future capital costs. In 2008, a small expansion project is planned, estimated at \$30,000.

The Board enquired as to why the required rate increase was being phased-in and the Town advised that it was because of its current healthy financial position and to avoid rate shock.

The Town advised that no change was being proposed with respect to the assignment of REUs to customers, those other than residential and small commercial are assigned more than one REU.

Consistent with past practice, the Town intends to collect the annual sewer charge through the annual property tax bill.

Background

The Town currently serves 657 customers. There is no water utility; residents obtain water from individual wells.

The Town has been approached by the Province regarding nutrient removal, and understands the need for an engineering assessment of the sewage system will be required.

The Town is currently in compliance with Provincial Regulations.

Board Findings

The Board appreciates the Town's concerns about the level of the rate increase and the consequence of rate shock. The Utility's financial position is quite healthy.

Of concern to the Board is a practice sometimes used by municipalities which allows for Utility costs to be offset by the Home Owners Tax Assistance credit when Utility charges are collected on the tax bill. In the Board's view Utility costs should be recovered on a user pay basis.

At some future point, additional capital expenditures will likely be required to effect nutrient removal. Such a project would likely require borrowing and rate changes.

IT IS THEREFORE ORDERED THAT:

1. By-law No. 3/2008 of the Town of Carberry BE AND IS HEREBY Approved.
2. The Town of Carberry in collecting Utility charges with the tax bill shall ensure that such charges are not offset by the Home Owners Tax Assistance Credit.

Fees payable upon this Order - \$250.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"
Chairman

"G. BARRON, FCGA"
Acting Secretary

Certified a true copy of Order No.
70/08 issued by The Public Utilities
Board

Acting Secretary