

M A N I T O B A) Order No. 73/08
)
THE PUBLIC UTILITIES BOARD ACT) May 30, 2008

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

RURAL MUNICIPALITY OF WEST ST. PAUL
LOCAL IMPROVEMENT DISTRICT No. 1 (RIVERCREST)
REVISED WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves the Rural Municipality of West St. Paul's (RM) application for revised water and sewer rates for Local Improvement District No.1 - Rivercrest (Utility), effective for calendar year 2008.

New annual rates are to be:

	142 lots (Sewer)	64 lots (Water)	Total (Water and Sewer)
Existing	\$250.00	\$215.00	\$465.00
Jan 1, 2008	\$262.00	\$355.00	\$617.00
Jan 1, 2009	\$317.00	\$378.00	\$695.00

The Board also approves the RM's application to recover the 2007 utility operating deficit of \$8,739.06 from the Utility's accumulated surplus.

The previous rate increase was implemented in 2005.

Application

The RM applied for revised water and sewer rates as set out in By-law 3/2008. The RM's application was supported by an October 2007 rate study completed by J.R. Cousin Consultants Ltd., as updated in February 2008.

Notice of Application was forwarded by mail to customers in accordance with the Board's requirements. The notice invited customers to express concerns to the Board, though none were received.

Financial Status

The original capital costs of the water and sewer systems were estimated in the rate study at \$40,000 and \$176,000, respectively.

The Utility's 2007 operating deficit of \$8,739.06 was attributed to a combination of revenue shortfalls and water and sewer service expenditure overages, largely with respect to the water portion. A continued increase in the maintenance program with regular and additional laboratory testing requires additional staff time, which has increased costs.

Prior years' deficits occurred in 2004 (\$3,812), 2005 (\$2,155) and in 2006 (\$7,035), all attained Board approval for recovery from the utility reserve or the accumulated surplus.

The RM reported a December 31, 2007 Utility accumulated surplus of \$49,889, before taking into account recovery of the 2007 deficit. In addition, as at the end of 2007 the Utility's water reserve held a balance of \$38,174, with a sewer reserve of \$307,804.

Rate Study

The water treatment facility was constructed in 1946 and currently provides non-metered service to 64 properties in a 142-property subdivision. The remaining 78 properties use private wells. The water from the treatment facility is disinfected using a hypochlorite (chlorine) solution. The water treatment facility is classified as Class 1 Water Treatment and Class 1 Water Distribution; the RM confirmed the required Class I operator is on staff.

The RM operates a wastewater treatment facility (WWTF) with a suspended growth activated sludge process known as batch reactor which has modified the original septic tank design. A gravity sewer collects wastewater from each property and a lift station then pumps the wastewater into the transfer tank of the WWTF. All 142 properties in the subdivision are connected to the sewer collection system. The collection system is classified as Class 1 Wastewater Collection, and, therefore requires a Class I operator for the lift station.

The solids and sludge collected in the transfer tank is pumped out four times per year and trucked to the City of Winnipeg's (City) North End Pollution Control Centre (Centre) for disposal. Effective July 2007, the City of Winnipeg increased their disposal fees from \$1.00/kL to \$2.51/kL, a 151% increase, and it is expected costs for trucking will increase as well as the cost of fuel continues to rise.

Furthermore, the rate study indicates the City to be currently considering the implementation of a surcharge for over-strength wastewater hauled to their Centre. This will additionally impact costs.

In 1999, the wastewater treatment plant was commissioned and has now been classified as a Class 2 Wastewater Treatment Plant requiring a Class II operator.

The RM proposed to include the annual sewer or water and sewer bill as part of the property tax statement, and requested that the rates be effective as of January 1, 2008.

All customers connected to the water and sewer system are residential. As there are no meters to monitor individual use, a flat rate based on an equivalent rating unit of one unit per residential lot is used, for a total of 142 equivalent units. Sewage production is estimated at 245 litres per day per person, with an assumption of four persons per household for a total production of 139,160 litres of sewage per day.

The proposal included a request to increase the rates in phases over a two-year period as follows:

	142 lots (Sewer)	Inc.	64 lots (Water)	Inc.	Total (Water/Sewer)	Inc.
Existing	\$250.00		\$215.00		\$465.00	
Jan 1-2008	\$262.00	5%	\$355.00	65%	\$617.00	33%
Jan 1-2009	\$317.00	21%	\$378.00	6%	\$695.00	13%

Projected operating costs for calendar 2008 and 2009 were:

	2007	2008	2009
Water Administration	\$ 400	\$ 1,500	\$ 1,500
Water Production	\$15,438	\$19,310*	\$19,310*
Water Distribution	\$ 1,326	\$ 2,820*	\$ 2,820*
Reserve Contribution	\$ 2,000	\$ 2,000	\$ 2,000
Sewer Administration	\$ 400	Included above	Included above
Sewage Collection	\$ 3,484	\$ 5,040*	\$ 5,040*
Sewage Treatment	\$13,166	\$15,720*	\$15,720*
Reserve Contribution	\$22,500	\$13,534	\$22,500
Total	\$58,714	\$59,924	\$68,890

*Included in these amounts are 2% of estimated original capital costs for contingencies for each water (\$800 total) and sewer (\$3,520 total).

Board Findings

The Board notes that the RM is a member of the Red River Infrastructure Committee (RRIC) that is working on an inter-municipal project to bring a supply of potable water, sewage treatment and solid waste management to the area on a regional basis. Possible future construction includes the connection of the Utility to a regional sewer system by way of a new line,

installation of a new lift station, and the decommissioning of the wastewater treatment plant.

While the proposed rate increases represent rate shock, the Board believes the increases are necessary to allow the Utility to operate on a breakeven basis and, as well, to set aside funds to meet future challenges.

Depending on the City of Winnipeg's review of surcharges for over-strength sewage, and the RM's future assessment levels, the Board finds it prudent for the RM to be reviewing its options for a sludge disposal lagoon. Depending on the RM's decision, costs may be significant

The Board finds the expense projections of the rate study to be reasonable, and is supportive of measures to minimize administrative costs by collecting sewage charges through the property tax bill. However, Utility charges are to be separate from taxes and not offset or reduced through the application of the Manitoba Education Property Tax Credit.

The Board will approve the RM's rate proposal, as well as its 2007 deficit recovery proposal.

IT IS THEREFORE ORDERED THAT:

1. The Rural Municipality of West St. Paul's By-law No. 3/2008 BE AND IS HEREBY APPROVED.
2. The Rural Municipality of West St. Paul is hereby authorized to collect the annual sewer or water and sewer charges by adding these to the tax bill, on the condition that the Utility charges be set out separate and distinct from taxes and not be off-set by the Manitoba Education Property Tax Credit.
3. The Rural Municipality of West St. Paul's application for approval to recover the 2007 utility operating deficit of \$8,739.06 for the Local Improvement District No. 1 (Rivercrest) from its accumulated surplus BE AND IS HEREBY APPROVED.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chair

"G.O. BARRON, FCGA"

Acting Secretary

Certified a true copy of Order
No. 73/08 issued by The Public
Utilities Board

Acting Secretary