

M A N I T O B A) Order No. 74/08
)
THE PUBLIC UTILITIES BOARD ACT) May 30, 2008

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

THE RURAL MUNICIPALITY OF WEST ST. PAUL
LOCAL IMPROVEMENT DISTRICT No. 2 (RIVERDALE)
REVISED SEWER RATES

Executive Summary

By this order, the Public Utilities Board (Board) approves an application by the Rural Municipality of West St. Paul (RM) for revised sewer utility (Utility) rates for Local Improvement District No. 2 (Riverdale), effective for calendar year 2008.

The revised rates, as set out below, represent the Utility's first rate change since 1992.

	Existing	Revised	
		2008	2009
Sewer	\$250.00	\$320.00	\$355.00

The charges are assessed against each connected lot.

The Board also approves the RM's application to recover the 2007 utility operating deficit of \$7.80 from the Utility's accumulated surplus.

Application

The RM's application was based on an October 2007 Rate Study prepared by J.R. Cousin Consultant Ltd., subsequently updated in February 2008. The rate study was accompanied by the RM's sewer rate By-law No. 4/2008.

The Rate Study was based on the current 152 residential customers connected to the system, with no institutional, industrial or commercial users. Each single-family residence was assigned one equivalent unit for a total of 152 residential equivalency units.

A Notice of Application was forwarded to each sewer customer in accordance, with an invitation for representations to be made to the Board by May 2, 2008. None were received.

The application proposed to phase-in the increases over a two-year period. Prior year's actual, and 2008 and 2009 estimated annual operating expenditures are as follows:

	2007	2008	2009
Administration	\$ 900	\$ 1,400	\$ 1,400
Wastewater Treatment and Disposal	\$19,983	\$31,415*	\$31,415*
Wastewater Collection	\$ 6,828	\$ 9,800*	\$ 9,800*
Subtotal	\$27,711	\$42,615	\$42,615
Reserves	\$11,000	\$ 6,025	\$11,000
Total	\$38,711	\$48,640	\$52,615

*Includes \$4,015 for contingencies, based on 1% of capital costs.

The RM proposed that the Utility maintain an annual contribution of \$11,000 to the reserve fund for 2009 on, with a lesser contribution in 2008 to accommodate the phasing-in of increased rates.

Existing rates and those proposed are as follows:

	Existing	Proposed			
		2008	Increase	2009	Increase
Sewer	\$250.00	\$320.00	28%	\$355.00	11%

The increase in projected expenses can be attributed, in part, to sludge disposal costs. In July 2007, the City of Winnipeg (City) increased its disposal fee at the North End Pollution Control Centre (Centre) from \$1.00/kL to \$2.51/kL, or by 151%. Increases in the cost of fuel will also add to the disposal costs as the sludge is trucked from the Wastewater Treatment Facility to the Centre.

Additionally, the rate study indicated that the City will be assessing the implementation of over-strength wastewater surcharge rates for over-strength wastewater that is currently hauled to the City's treatment plant. This anticipated surcharge would further impact the cost of disposal of the wasted sludge.

The Utility experienced a small operating deficit of \$7.80 in 2007. Prior years' deficits occurred in 2005 (\$2,792) and in 2006 (\$1,798), both recovered, with Board approval, from the utility's accumulated surplus.

The Utility's financial statements report an accumulated surplus of \$47,585, and a balance of \$202,218 in the sewer reserve fund as at December 31, 2007.

Background

The system is a sewer collection and treatment system only. All customers obtain their water supply from individual private wells.

The RM operates two wastewater treatment facilities with a suspended growth activated sludge process known as continuous flow complete mix. Both plants have been classified as Class 2 facilities and require a certified Class II Wastewater Treatment Plant operator.

Wastewater is collected in a gravity sewer system and conveyed to the treatment facilities by a lift station. Wastewater flow from the lift station is split, using a splitter channel,

between the two treatment plants. The collection system is classified as a Class 1 Wastewater Collection System, thereby requiring a Class I Wastewater Collection operator to operate the lift station.

The RM confirmed that they employ the appropriately certified operator for both wastewater collection and treatment.

The original plant was constructed in 1979, with steel tanks and the second plant in 1983, with concrete tanks. Both plants use two aerator/mixers with double blades in the reactor, and then the wastewater flows to a clarifier to remove solids. Settled solids are removed from the bottom of the clarifier by a drag conveyor and a skimmer is used to remove floatable solids from the liquid surface. These solids are removed to a trough that directs them back to the aerated reactor.

Activated sludge in the reactor is periodically removed to a holding tank that is emptied on a weekly basis and transported by truck to the Centre for disposal.

Clarified effluent (not disinfected), flows from the clarifier through a serpentine effluent channel prior to being discharged into the Red River.

The original capital cost of the wastewater treatment system, in 1979, was approximately \$201,500 and was borne by the developer. The cost of the gravity sewer system was also borne by the developer, at an estimated cost of \$200,000.

Board Findings

The Board is pleased to note that the RM is a member of the Red River Infrastructure Committee (RRIC), currently working on an inter-municipal project to bring sewage treatment, potable water and solid waste management to the area on a regional basis.

The Board is encouraged by the Utility's financial health and the RM's continued planned contributions to the reserve fund, as future construction costs to connect the utility to the regional sewer system may include, decommissioning the wastewater treatment plants, the installation of a new lift station and a new sewer line.

Noting a rate review has not been conducted since 1992, the Board is pleased the RM has undertaken this review at this time.

The Utility has incurred operating deficits in 2005 (\$2,791.99) and 2006 (\$1,798.47) and also a small deficit in 2007 (\$7.80). The existing rates were no longer capable of fully supporting the utility.

The Board examined the RM's forecast of expenditures and its plan to build reserves. The increase in the rates charged by the City for waste disposal are significant and, as with other sewer utilities in the jurisdiction of the RM, this sewer utility may be faced with increased costs related to over-strength sewage. This could impact utility costs in the future.

The Board supports the administrative savings achieved 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 is satisfied with the expenditure forecast for the utility and its need to build reserves and, accordingly, the Board will approve the rates proposed by the RM.

IT IS THEREFORE ORDERED THAT:

1. The Rural Municipality of West St. Paul's By-law No. 4/2008 BE AND IS HEREBY APPROVED.
2. The Rural Municipality of West St. Paul is hereby authorized to collect the annual 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 its 2007 utility operating deficit of \$7.80 for the Local Improvement District No. 1 (Riverdale) from its accumulated surplus BE AND IS HEREBY APPROVED.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"
Chairman

"G.O. BARRON, FCGA"
Acting Secretary

Certified a true copy of Order No.
74/08 issued by The Public
Utilities Board

Acting Secretary