

M A N I T O B A                    )     Order No. 71/08  
  )  
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. 4 (RIVERGATE)  
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. 4 (Rivergate).

The following rates are effective for the calendar years 2008 and 2009:

	Existing	Revised	
		2008	2009
Sewer	\$434.14	\$688.00	\$810.00

Charges are assessed against each building lot. Rates increase by 58% in 2008, and a further 18% in 2009.

The Board also approves the RM's application for recovery of the 2007 utility operating deficit of \$8,677.20 by an assessment of \$4,338.60 in each of the years 2008 and 2009, to be applied equally against the ratepayers on their tax bill.

Rates were last reviewed and approved by the Board in 2001.

The Board also approves the RM's application for recovery of the 2007 utility operating deficit of \$8,677.20 by an assessment of \$4,338.60 in each of the years 2008 and 2009, to be applied equally against the ratepayers on their tax bill.

**Application**

The RM's application was based on an October 2007 Rate Study prepared by J.R. Cousin Consultant Ltd., updated in February 2008. The rate study was accompanied by the RM's sewer rate By-law No. 6/2008.

A Notice of Application was forwarded to each sewer customer with an invitation for representations to be made to the Board by May 2, 2008; no responses were received.

Projected 2008 and 2009 annual operating expenditures, with actual 2007 results for comparison, were:

	2007 Actual	2008 Estimated	2009 Estimated
Administration	\$ 400	\$ 550	\$ 550
Wastewater Treatment/Disposal	\$19,924	\$23,633*	\$24,485**
Wastewater Collection	\$ 3,956	\$ 6,089*	\$ 7,050**
Reserve Contribution	\$ 6,000	\$ 0	\$ 3,500
Total	\$27,780	\$30,272	\$35,585

\* Includes \$3,022 for contingencies.

\*\*Includes \$4,835 for contingencies, based on 1% of capital costs.

The RM proposed that through rates the Utility maintain an annual contribution of \$3,500 to the Utility reserve fund for 2009 and on. The RM's rate proposal provides for a lesser amount for contingencies in 2008 and no contribution to the reserve, in order to accommodate the phasing in of increased rates.

A portion of the increase in expenses is attributable to sludge disposal costs. In July 2007, the City of Winnipeg (City) increased its disposal fee for the North End Pollution Control Centre (Centre) from \$1.00/kL to \$2.51/kL (an increase of 151%).

Increased fuel costs 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 is considering the implementation of over-strength wastewater surcharge rates for the over-strength wastewater currently hauled to the City's treatment plant. Such a surcharge would

further increase the cost of disposal of the wasted sludge.

The Utility's 2007 operating deficit of \$8,677.20 was attributed to a combination of a revenue shortfall (\$1,097.84) and over-budget sewer service costs (\$8,679.36), the latter primarily due to additional time spent by staff investigating odour complaints. Prior years' deficits occurred in 2005 (\$1,112) and in 2006 (\$12,453).

The 2005 deficit was recovered by a transfer from accumulated surplus; 2006's deficit is being recovered by a special levy applied to tax bills in 2007, 2008 and 2009.

The Utility's financial statements report an accumulated deficit of \$1,594.37 as of the end of 2007 and an account balance of \$39,079 in the sewer reserve.

The proposed rates increase by 58% in 2008, and a further 18% in 2009.

The Rate Study was based on 44 single dwelling residential homes connected to the system with no industrial or commercial users. Each residential lot was assigned one equivalent unit for a total of 44 units.

### **Background**

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

The wastewater treatment facility, constructed in 1998, operates

with a suspended growth activated sludge process known as "extended aeration". Ultraviolet light provides disinfection to the effluent prior to being discharged into the Red River. The process results in waste activated sludge collecting in the sludge holding tank, which is pumped out weekly and hauled by truck to the Centre for disposal.

The gravity sewer collects wastewater from each residence and a lift station pumps the wastewater into the wastewater treatment plant. The collection system is classified as "Small Wastewater Collection".

The original capital cost of the wastewater treatment system was approximately \$228,450, the cost borne by the developer. The gravity sewer system cost, also borne by the developer, was estimated at \$255,000.

### **Board Findings**

The Board understands the difficulties encountered by the RM in identifying the origin of odour complaints and is satisfied with staff's efforts in acting on the complaints.

Seeking outside assistance from the designer of the plant may prove useful in finding a solution to the problem.

The Board is pleased to hear of the RM's continued commitment, as a member of the Red River Infrastructure Committee (RRIC), to work diligently on an inter-municipal project to bring a regional sewage treatment system to the area. The Board is encouraged by the RM's plans for continued contributions to the

reserve fund, as future construction costs to adapt to the regional sewer system are anticipated.

The Board is also pleased that the RM has undertaken a rate review, and notes that the last review had been conducted in 2001.

It is readily apparent from recent operating deficits that current rates are not able to support the operating costs of the Utility, and have been requiring subsidization. It is also evident that Rivergate ratepayers will bear a significant financial responsibility in 2008 and 2009 for these deficits. However, with the levies to address the 2006 and 2007 deficits, the Board projects that the Utility should reach an accumulated surplus position in excess of \$15,000 by the end of 2009. This, along with continued contributions to the reserve fund, will improve the financial health of the Utility.

The Board noted the increased costs related to the higher City charges for disposal and also, the City's consideration of further charges related to over-strength sewage. In light of such potential charges, the Board is pleased to note that the RM is prudently reviewing its options.

The Board supports the administrative savings achieved by collecting sewage charges through the 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 that the proposed rates are reasonable

and necessary to recover the operating costs of the Utility and to set money aside for future capital expenditures.

Accordingly, the Board will approve both the RM's application for revised rates and the RM's deficit recovery proposal.

**IT IS THEREFORE ORDERED THAT:**

1. The Rural Municipality of West St. Paul's By-law No. 6/2008 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 the 2007 utility operating deficit of \$8,677.20 for Local Improvement District No. 4 (Rivergate), by an assessment of \$4,338.60 in each of the years 2008 and 2009, to be applied equally against the ratepayers in Rivergate on their tax bill, BE AND IS HEREBY APPROVED.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, C.A."

Chairman

"G.O. BARRON, FCGA"

Acting Secretary

Certified a true copy of Order No.  
71/08 issued by The Public  
Utilities Board

\_\_\_\_\_  
Acting Secretary