

M A N I T O B A) Order No. 72/08
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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. 3 (LISTER RAPIDS)
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. 3 (Lister Rapids).

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

	Existing	Revised	
		2008	2009
Sewer	\$325.00	\$506.00	\$568.00

Charges are assessed against each connected lot.

The Board also approves the RM's application to recover the 2007 utility operating deficit of \$4,406.52 from the Utility Sewer reserve fund.

The previous rate increase was implemented in 2005.

Application

The RM applied for revised sewer rates as set out in By-law 5/2008. The proposal was supported by an October 2007 rate study prepared by J.R. Cousin Consultants Ltd., updated in February 2008.

Notice of Application was forwarded to customers by mail, this in accordance with the Board's requirements, with an invitation to address any concerns to the Board; no one responded.

Actual and estimated annual operating expenditures are as

follows:

	2007 Actual	2008 Estimated	2009 Estimated
Administration	\$ 300	\$ 800	\$ 800
Wastewater Collection/Treatment	\$20,235	\$31,700*	\$31,700*
Reserve Contribution	<u>\$ 6,000</u>	<u>\$ 1,908</u>	<u>\$ 6,000</u>
Total	\$26,535	\$34,408	\$38,500

*Includes \$3,410 for contingencies, based on 1% of capital costs.

The Utility is expected to maintain annual \$6,000 contributions to the reserve fund from 2009; a lesser contribution is projected for 2008.

The proposed rates represent increases of 56% in 2008, and a further 12% in 2009.

Some of the projected increases in expenses are attributed to sludge disposal costs, following a July 2007 City of Winnipeg (City) increase of disposal fees for the North End Pollution Control Centre (Centre) - that being from \$1.00/kL to \$2.51/kL (an increase of 151%.)

Recent and anticipated future increases in the cost of fuel will also add to the RM's disposal costs as the sludge is trucked from the Wastewater Treatment Facility to the Centre. Additionally, the rate study indicated the City to be considering the implementation of surcharge rates for over-strength wastewater hauled to the City's treatment plant. The contemplated surcharge would further increase the cost of disposal of waste sludge.

The Utility's 2007 operating deficit of \$4,406.52 was attributed to a combination of a revenue shortfall (\$121.36) and an overage in expenditures (\$4,285.16), the latter the result of additional

pump-outs, and increased testing, laboratory and labour costs.

Prior year deficits occurred in 2004 (\$3,009), 2005 (\$5,225) and in 2006 (\$6,707). The 2004 and 2006 deficits were recovered from the Utility reserve, and the 2005 deficit from accumulated surplus. All were approved by the Board.

The Utility's financial statements indicate an accumulated surplus of \$4,081 and a further \$92,322 in the sewer reserve account, as of the end of 2007.

Background

The rate study was based on 68 single dwelling residential homes connected to the system with no industrial or commercial contributors. Each residential lot was assigned one equivalent unit for a total of 68 units.

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

The RM operates a wastewater treatment facility with a suspended growth activated sludge process known as continuous flow complete mix. The plant is classified as a Class 2 facility, and the RM confirmed that the required certified Class II Wastewater Treatment Plant operator was on staff.

Chopper lift pumps in the lift station pump the wastewater collected in the gravity sewer collection system into the treatment plant. The solids are reduced in size by the chopper pumps and sediment in the bottom of the lift station is removed

twice a year, when the pumps are inspected. The collection system is classified as Class 1 Wastewater Collection and a certified Class I Wastewater Collection Operator is required for the lift station's operation.

The plant was commissioned in 1985, with concrete tanks, and employs two aerator/mixers with double blades for aerating and mixing the wastewater in the reactor. The wastewater flows to a clarifier where 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. The solids are removed to a trough that re-circulates the solids 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.

From the clarifier, clarified effluent flows through a serpentine effluent channel prior to being discharged into the Red River. The channels are periodically pumped out and the effluent is not disinfected.

The original 1979 capital cost of the wastewater treatment system was \$141,300, the costs borne by the developer. The cost of the RM's gravity sewer system was also met by the developer, at an estimated cost of \$200,000.

Board Findings

The Board is pleased the RM is member of the Red River

Infrastructure Committee (RRIC), which is 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 further encouraged with the health of the utility reserve fund, as future construction may include work to connect the utility to a regional sewer system including, decommissioning the wastewater treatment plants, installation of a new lift station and the installation of a new sewer line.

The Board is also pleased that the Board has undertaken a rate review, noting that the last review was conducted in 2005.

It is readily apparent from the recurring operating deficits that current rates are unable to support the operating costs of the utility, and withdrawals from reserves and accumulated surplus have been required.

The Board notes the increased charges for disposal established by the City, and, also, the City's consideration of further charges related to over-strength sewage. In light of the changes and potential further charges, the Board is pleased to note that the RM is prudently reviewing alternatives to address the potential of increased costs.

The Board supports the RM's plan to obtain administrative savings by collecting the sewage charges through the property tax bill. That said, 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 projected operating costs of the utility, and to set aside some funds for future additional capital expenditures. Accordingly, the Board will approve not only the RM's application for revised rates, but also the RM's plan for deficit recovery from its accumulated surplus.

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 the 2007 utility operating deficit of \$4,406.52 for Local Improvement District No. 1 (Lister Rapids) from its accumulated surplus 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.
72/08 issued by The Public
Utilities Board

Acting Secretary