Public Utilities Board
Virtual Public Hearing - April 26, 2021
Initial Interim Wastewater Rates
St. Andrews South Wastewater Utility

Presenter: Karen McKenzie, St. Andrews, MB

Members of the Board:

I provided comments to the Board in a letter dated March 5, 2021 and also submitted a previous written presentation for today but ten minutes is not enough time to do justice to either document so I'm simply going to generalize some points and ask that you also consider my previous submissions.

In my opinion, these are the major issues with the proposed rate application….

The Municipality's rate proposal doesn't specify what portion of the fees are payable to the City of Winnipeg and what portion are controllable by St. Andrews. Utility customers are entitled to know who they are paying and how much they are paying for the service provided.

The design capacity of the wastewater system is the equivalent of about 4,500 homes and there are over 1,900 properties paying for the infrastructure under two LID by-laws. If and when the Municipality signs an agreement with Winnipeg, the City has promised to limit connections to a <u>maximum</u> of 1,800 homes for ten years but the City could run out of biosolids capacity even sooner. The Municipality will have to manage that 1,800 home capacity restriction ensuring all those who have paid for the system and wish to connect can connect and if any new development is proposed, the Municipality needs a Plan B to supplement treatment capacity beyond what the City will provide over the next ten years. If the Municipality can't take better advantage of the design capacity of the system, there will be little opportunity to improve the affordability of the utility and reduce rates.

The Municipality is projecting that virtually all utility operating costs are fixed regardless of the number of users and also projects these costs will not change over the first three years. In my opinion, that is an unreasonable assumption. The costs associated with odour and corrosion control chemicals is one example of a cost that will be higher with fewer users as the wastewater sits in the pipes for longer periods.

It is also unreasonable to assume that West St. Paul will continue to operate and maintain the shared gravity main without a contribution from St. Andrews. The Municipality's estimate of operating costs doesn't include an allowance for these costs…and there's still no sign of a signed agreement with West St. Paul.

City of Winnipeg volume rates are not the same for all three years and have already been approved by City Council. Actual rates should have been used in the Municipality's rate application. They were not.

In my opinion, the estimate of 500 users in the first three years may be overly optimistic. The Municipality should be encouraged to reevaluate this assumption based on more current information.

Underestimating operating costs and overestimating the number of potential users in the first few years increases the likelihood of utility deficits and future rate spikes. Even though this is a new utility and these are initial interim rates being applied for, I believe a more thorough and complete cost analysis is possible and warranted and could have been done based on information that is available now.

The Municipality is seeking approval from the Municipal Board for a $100 special service levy charged to non-users annually for a minimum of six years. A utility subsidized by non-users is inconsistent with the Board's objectives. Under the Municipality's current proposal, non-users will pay more into the utility than users until there are about 600 customers connected.

The fixed quarterly service charge of $80.82 includes $71.12 for the anticipated City of Winnipeg participation fee. That was not made clear in the Municipality's by-law or rate application notice. The City of Winnipeg's service sharing policy mandates that any agreement signed with another municipality for wastewater services must include revenue sharing provisions; that's the annual participation fee and also an up-front charge for new development. That money does not go to the Winnipeg sewer utility. It will go into the City's regional roads budget. In my opinion, the participation fee is an indirect, regressive and discriminatory tax. It's not a utility fee. It's a tax imposed on utility customers whether or not they use City of Winnipeg roads. There is no direct connection between this tax and any direct benefit to those who will be charged. Potential utility customers are not the only St. Andrews residents who use City of Winnipeg roads. Some don't use them at all. Utility rates should include charges for utility services alone…period. In my opinion, approving revenue sharing components of a potential agreement with the City of Winnipeg is beyond the responsibility of the Public Utilities Board. If an agreement with Winnipeg can't be negotiated without revenue sharing provisions, I suggest the Municipality consider a more transparent and equitable plan to meet that obligation to the City without placing the burden solely on utility customers.

When I first submitted my written presentation for today's hearing I was still trying to chase down some information regarding other possible options for rate structures given St. Andrews' unique circumstances. I received that information late last week and that has me led me to believe there is the opportunity for a different approach that would address some of the issues. The original rate application the Municipality submitted proposed a $5.91 per cubic meter rate assuming 600 users in the first year. That was not well received by the public. The current application proposes $4.23 per cubic meter assuming 500 users for three years but requires non-users to subsidize more than 70% of the operating costs. There is another way to approach this and there is precedence. CentrePort in the RM of Rosser has a wastewater service sharing agreement with Winnipeg. Connections will occur over several years as businesses gradually move in and development grows. Rosser also decided that the "early adopters" of the system should not be punished with outlandish fees in the beginning and roller-coaster changes in subsequent years, so the RM of Rosser proposed that costs be forecasted over a five year period with the understanding that deficits would occur initially and would be offset by later surpluses. The Board agreed with that approach and granted approval (Board Orders 140/19 and 41/20). I suggest the same approach be considered for approval in St. Andrews. Provincial legislation mandates a five year connection period for us so operating costs could be forecasted over five years based on gradual customer connections over that period and a rate determined that results in a break-even or better position after five years. Some "back of the napkin" calculations lead me to believe that a cubic meter rate of approximately $4.00 is achievable using this approach without subsidizing the utility with a special service levy charged to non-users.

As the Board has pointed out in previous rulings, "utility customers don't pay rates, they pay bills". I believe there is opportunity to develop a utility rate structure that better reflects the actual cost of providing the service and, in all likelihood, the quarterly bill to customers would actually be less than what's being proposed. Both utility users and non-users would be happier that they are being treated fairly and the PUB's objectives of a fair and transparent rate structure and a user-pay utility would be satisfied.

Thank you for your time and attention. I appreciate the opportunity to speak.

Respectfully submitted,

Karen McKenzie
19 Oakfield Drive
St. Andrews, MB R1A 2W9