

Rural Municipality of St. Andrews
South St. Andrews Wastewater Utility
Presentation to Public Utilities Board Hearing
April 26, 2021



Adjustments to Utility Rate Study

- Utility rate study completed in December, 2020 and subsequently final costs have been tabulated and debt interest rate locked in
- Utility rate study rate includes the impact on rates of Local Improvement charges being paid through annual property tax levies. Interest rate used in rate study was 4.5% for 20 year debt and actual rate locked in was 3.375% which reduces annual interest expense.
- Capital costs in rate study were estimated at \$35,622,124 and final cost came in at \$34,254,138. The reduction in capital cost reduces net amortization expense.
- Taken together, these adjustments reduce the wastewater rate from \$4.23 per cubic meter detailed in the rate study to \$3.57 per cubic meter.
- Reference in the Utility Rate study to the City of Winnipeg requiring water meters is incorrect. Water meters are required by RM of St. Andrews in the Wastewater System Bylaw.

Utility Rates - Introduction

- Proposed St. Andrews wastewater utility rates are composed of costs payable to the City of Winnipeg for wastewater treatment and expenses incurred by St. Andrews Utility for administration and for wastewater conveyance.
- Proposed rates are for initial operation of the Utility and are based on 2022 forecast revenues and expenses.
- As part of the proposed rate calculation, there is a special service levy of \$100 per unconnected property that forms part of the Utility's revenue. This proposed levy would be charged on property taxes and is under the jurisdiction of the Manitoba Municipal Board and is not the subject of this hearing.

Utility Rates – Introduction Cont'd

- The survey of potential utility customers in July, 2020 indicated that approximately 300 customers intended to hook up to the wastewater system immediately and another 250 customers to hook up in a year or two.
- 500 hooked up customers was used as the basis to establish the proposed rates.

City of Winnipeg Sewer Service Buy-in Charge

- City of Winnipeg has a sewer service buy-in or up-front charge applicable for service sharing agreements.
- The agreement with Winnipeg will include a requirement that St. Andrews pay the City a buy-in charge for each property upon connection.
- The RM of St. Andrews will collect and remit the buy-in charge to the City of Winnipeg and there is no additional administration or carrying fee added by St. Andrews for this.
- Amounts set for the buy-in charge by the City of Winnipeg for a residential property are:
 - 2021 \$2,680
 - 2022 \$3,000
 - 2023 \$3,100

City of Winnipeg Participation Fee

- The draft Service Sharing Agreement with the City of Winnipeg, which is similar to the agreement with the RM of West St. Paul, requires that St. Andrews pay the City an annual Participation Fee for properties connected to wastewater services. The Participation fee increases annually by the lesser of 4% and the increase in Consumer Price Index for that year.
- Participation fee rates for connected properties over the next few years, based on a 4% increase are:
 - 2021 \$263
 - 2022 \$284 (\$71.12 per quarter)
 - 2023 \$296

City of Winnipeg Wastewater Rates

- The City of Winnipeg's wastewater rates, applicable to City residents and to South St. Andrews Utility, have been set for the next few years as follows:
 - 2021 \$2.86 per cubic meter
 - 2022 \$2.91 per cubic meter
 - 2023 \$2.96 per cubic meter

Summary of City of Winnipeg Charges

- Buy-In Charge; one time charge on connection - 2022 rate for residential property is \$3,000
- Participation Fee; annual fee for connected properties – 2022 rate is \$284
- Wastewater Rate; based on volume as measured at the Sewer Meter located on the main sewer line in St. Andrews – 2022 rate is \$2.91 per cubic meter of wastewater

St. Andrews Wastewater Costs

- St. Andrews has administration and insurance costs that form a quarterly flat rate customer service charge.
- Wastewater conveyance costs, amortization expense (net of capital grant amortization) for the wastewater lines and lift stations, and interest on the debenture debt issued for properties that choose to pay the local improvement cost on property taxes, comprise the costs that are included in the portion of the wastewater rate per cubic meter of wastewater that St. Andrews is responsible for.



St. Andrews Customer Service Charge

- Customer service charge is a quarterly charge to cover St. Andrews administration and insurance costs
- Annual fee of \$30 per customer for administration costs
- Annual insurance costs of \$6,900
- Quarterly customer service charge for St. Andrews costs is \$9.70

St. Andrews – Customer Service Charge Calculation

St. Andrews Customer Service Charge

Administration costs; 500 @ \$30	\$15,000
Insurance expense	6,900
Penalty revenue (late payment charges)	<u>(2,500)</u>
	\$19,400
Number of customers	<u>500</u>
Annual customer service charge	\$38.80
Quarterly customer service charge	\$9.70

St. Andrews Wastewater Charge

- Costs are computed based on Public Sector Accounting Standards and PUB guidelines for rate setting. This includes:
 - Amortization expense for capital cost of wastewater system
 - Capital grant amortization to reduce amortization expense
 - Transfer from General Fund for property taxes collected for debenture debt payments shown as revenue
 - Contingency allowance of 10% of wastewater operating costs, excluding amortization and interest expenses

St. Andrews Wastewater Rate Calculations

St. Andrews Wastewater Costs

Low pressure sewer line repair and maintenance	\$5,000
Lift station; Selkirk staffing contract	103,480
Water Well operation	832
Lift station; odour control system	5,200
Lift station; corrosion control system	39,520
Emergency generators	5,200
Water meter installation & curb stops	1,040
Wastewater effluent testing	10,400
Lift station grounds maintenance	2,600
Preparation of annual report for City of Winnipeg	1,560
Water meter reading	1,560
Remote monitoring of Flygt SCADA system	1,040
Amortization	573,924
Interest on long term debt	286,558
Contingency allowance	17,743
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	\$1,055,657
Less Capital grant amortization	(286,844)
Less Debenture Debt payments	(590,671)
Fee for unconnected properties; 1,300 @ \$100	(130,000)
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	48,143
Wastewater volume; 500 @ 145 CM average use	72,500
Charge per CM for St. Andrews costs	<hr/> <hr/>
	\$0.66

Proposed Utility Rates

Customer Service Charge

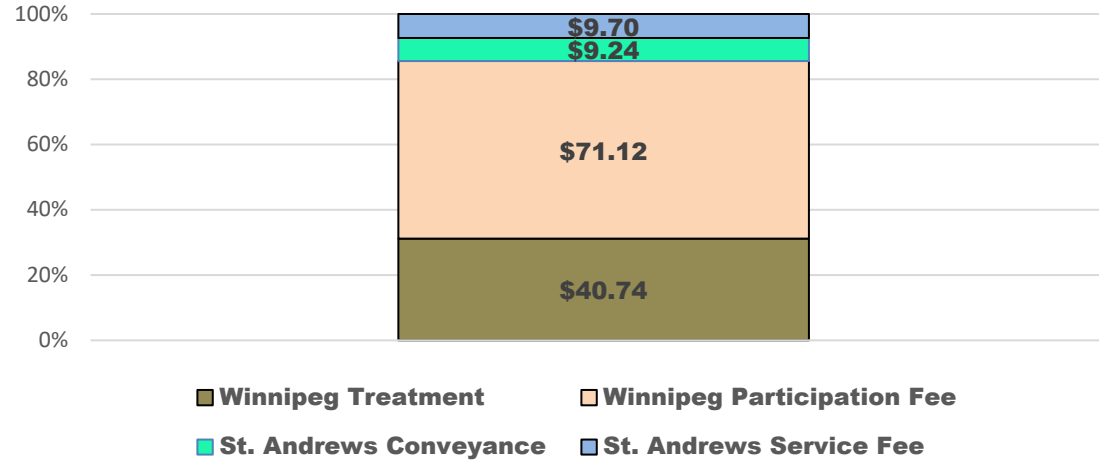
Winnipeg portion of Quarterly Customers Service Charge	\$71.12
St. Andrews portion of Quarterly Customers Service Charge	\$9.70
Total Quarterly Customer Service Charge	<u>\$80.82</u>

Wastewater Rate per Cubic Meter

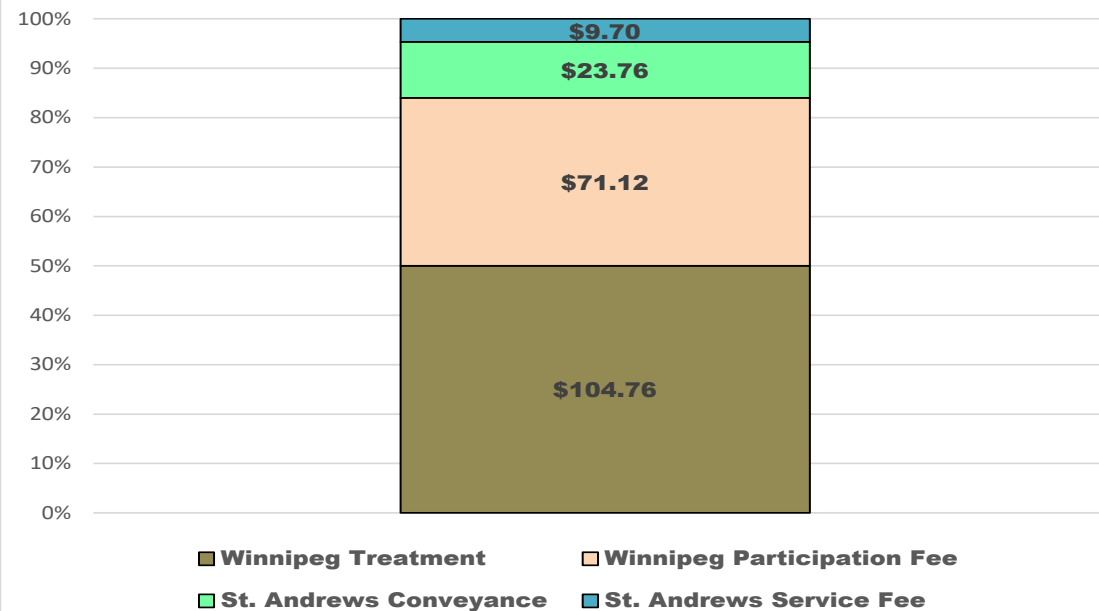
City of Winnipeg wastewater treatment rate - 2022	\$2.91
St. Andrews South wastewater conveyance & lift station rate	\$0.66
Total Wastewater Rate per CM	<u>\$3.57</u>

Proposed Utility Rates

Minimum Bill 14 CM - Cost Breakdown



Average Bill 36 CM - Cost Breakdown



Comparison of Utility Rates

	Customer Service Charge	Wastewater Rate per CM	Quarterly Bill - 14 CM
RM of St. Andrews	\$80.82	\$3.57	\$130.80
RM of West St. Paul	\$83.82	\$3.52	\$133.10
City of Winnipeg; note 1	\$63.88	\$2.91	\$104.62
City of Winnipeg; 65 foot lot sewer main property taxes			\$65.81
City of Winnipeg quarterly charges for sewer - 65 foot lot			\$170.43

note 1

City of Winnipeg Customer service charge amount is the daily basic charge for customer with a 5/8" meter.

note 2

Winnipeg also has a Sewer Main property tax levy of \$4.05 per front foot (2021). A property with sewer service and 65 foot frontage would equal \$263 a year on property taxes for sewermain renewal.

Rate Impact of Fewer Customers

- As customers connect, revenue from the \$100 unconnected property fee decreases and revenue from increased utility billings offsets that revenue decrease.
- Rates calculated for 100, 200, 500 or 1,000 customers are relatively similar and result in forecast annual operating surpluses:

	Number of Customers			
	<u>100</u>	<u>200</u>	<u>500</u>	<u>1000</u>
Customer Service Charge	\$94.62	\$85.99	\$80.82	\$79.09
Wastewater rate per CM	\$3.47	\$3.54	\$3.57	\$3.59
Annual Operating Surplus	\$13,652	\$14,604	\$17,460	\$22,220

Conclusion

- Utility rates proposed are based on 2022 costs including City of Winnipeg 2022 rates.
- Utility rates proposed are initial rates required for operation of South St. Andrews Wastewater Utility.
- After 12 months of operation, in the spring or summer of 2022, the RM of St. Andrews should analyze actual operating costs, number of customers, portion of local improvement payments made through debenture debt payments, changes to City of Winnipeg rates and then based on that analysis, propose any changes to the initial rates to ensure revised rates, if required, are in effect by December 31, 2022.