

M A N I T O B A) Order No. 48/08
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THE PUBLIC UTILITIES BOARD ACT) April 28, 2008

BEFORE: Susan Proven, P.H.Ec., Acting Chair
 Alain Molgat, B.Comm, CMA, Member

**THE RURAL MUNICIPALITY OF LaBROQUERIE
LOCAL URBAN DISTRICT OF LaBROQUERIE
INITIAL SEWER RATES**

Executive Summary

By this Order, the Public Utilities Board (Board) approves, effective for the calendar year 2008, the Rural Municipality of LaBroquerie's (RM) application to establish rates for its sewer Utility (Utility) for the Local Urban District of LaBroquerie (LUD).

Previously, operating costs for the Utility were recovered from ratepayers through property taxes, by means of an assessed mil rate of 0.48 mils. The Utility has been declared a Public Utility; while sewer charges will continue to be, for convenience sake, collected through tax bills, Utility charges will be a distinct charge.

As usage is not metered, the charge is established based on a residential equivalent unit (REU), a well established methodology in Manitoba when consumption is not metered.

The Board approves a REU rate of \$77 per annum, as well as a service charge of \$5 per customer.

Pending the development of a Board-approved methodology to implement tipping fees, the RM is directed to contribute \$6,000 annually to the Utility for usage of the Utility by RM residents located outside of the LUD.

Application

The RM submitted a sewer rate application based on a rate study prepared by Jake Sawatsky, Municipal Consultant.

Notice of Hearing was published in accordance with the Board's requirements and the hearing was held in the Council Chambers of the RM on April 14, 2008.

The RM's application was presented by Mr. Sawatsky. Also in attendance were the Reeve, Marielle Wiebe, the Chief Administrative Officer, Lori Wood, several Councillors and the two system operators. In addition, three residents of the LUD attended, one of whom is also a developer in the area.

Background

Before the recent rate study, there is no record of any previous rate study and the RM's accounting records are unclear as to the operating costs of the utility and how those costs were recovered; it appears that utility costs were absorbed within the RM's General Operating Fund.

Utility customers were assessed a mil rate of 0.48. In addition, it had been established that a \$6,000 contribution was required from RM residents located outside of the LUD using the lagoon.

The consultant deduced that 2006 operating expenses were approximately \$12,900, offset in part by the mil rate levy amounting to \$7,000 (the remaining operating costs absorbed by the RM). For 2007, unaudited results suggest operating expenses of \$17,000 and an operating deficit of \$9,000, again recovered from the general revenues of the RM.

The System

The sewer system is a gravity-flow system, installed in 1988, involving two lift stations. These stations move the effluent into the lagoon, which was reported to have ample capacity having been designed for a population of 2,000 or more. The lagoon was constructed approximately two years ago.

There are two part-time operators of the sewage system who, while not currently certified, are enrolled in the certification program.

As at the filing date, the LUD had 200 single-family residences, 13 multi-family residences and 21 commercial, institutional and public facility customers, all connected to the sewer system. Active community development is underway.

The Rate Study

The rate study derives 349 REUs with respect to the current 234 customers. REU's are a long-used methodology in Manitoba for estimating the consumption of non-metered customers relative to a standard residential home. Details of each customer's REU assessment, other than for single-family dwellings, were provided in the rate study.

In addition to the 234 LUD customers, there is one customer connected to the system outside of the boundaries of the LUD, that being the golf course. The REU allocation for the golf course has not yet been established.

Financial Summary

The original capital cost (1988) of the system was \$630,000. Financing was by means of a debenture supported through the tax rolls; the last payment on the debenture is scheduled to take place in 2008. Accordingly, there is no debt-servicing expenditure included in the rate study for the purposes of establishing rates.

Estimated operating expenditures are as follows:

Administration Costs		\$1,150
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Operating Expenditures		
Personnel	\$3,660	
Vehicle use	\$1,220	
Utilities	\$2,100	
Testing, cleaning and flushing	\$3,700	
Lift station maintenance and pump station repairs and replacement	<u>\$10,700</u>	
Total operating expenditures	\$21,380	
Reserve allocation	<u>\$5,000</u>	
Total		<u>\$26,380</u>
Total annual operating expenditures		<u>\$27,530</u>

Administration charges were proposed to be met by a \$5 annual levy on each system customer, with remaining operating expenditures to be recovered through a combination of an annual levy of \$77 per REU and an annual contribution of \$6,000 from the RM for Utility usage by RM users from outside the LUD.

Based on estimated revenues, the RM projects an annual contribution to the Utility reserve of \$5,000, and an operating surplus of \$6,500. As there is no provision for contingencies, any unexpected expenditures will be absorbed by the projected surplus.

Lagoon Usage - Non-Residents

The consultant advised that there is no documented support for a \$6,000 rural area contribution for lagoon usage. There was insufficient time to do a detailed study of a proper recovery formula for this usage; thus a \$6,000 contribution by the RM was proposed.

Council members in attendance at the hearing advised of a future intention to consider tipping fees in lieu of the RM's \$6,000 annual contribution.

Discussion about how a tipping fee system might be managed so as to ensure that septic haulers would be levied an appropriate charge ensued, and the council members present suggested the RM would return with an application for 2009.

Residential Views

A concern raised at the hearing was the lack of information available to those in attendance concerning the financial status and projections of the Utility. In response, Mr. Sawatsky recited details from his rate study, and this appeared to answer the concern.

With the largest maintenance expense being related to the pumps, there was a discussion concerning pump costs and the pump replacement program.

Concern was expressed over the reliability of the projected operating expenses, supported by a lack of comparative

information from prior years.

Board Findings

The Board recognizes that the rate study prepared for the Utility was its first, and that the historical financial information that was employed may prove not to have been a reliable base. However, as it was the only information at the disposal of the consultant the Board will rely on the consultant's expertise and accept the projections and the rate study.

On a broad base analysis, the projected expenses appear to be consistent with the historical data provided, once the administration fees, not previously charged, and a contribution to reserves are added and consideration given to the projected costs for training the two operators.

The Board shares the Council's concern with respect to the \$6,000 fee assessed for non-resident usage. Not only was the \$6,000 amount not able to be substantiated, reimbursement by the RM is not consistent with the user-pay concept encouraged by the Board. The Board strongly supports the proposal to establish tipping fees for 2009, and will so direct.

The Board supports the administrative benefits to be achieved by collecting the administration and consumption charges through the tax bill. However, these charges are to be separate from taxes, and are not to be offset or reduced through the application of the Manitoba Education Property tax credit.

The Board was encouraged to hear of the plan to certify the two system operators. Knowledgeable and certified people are not only key to proper maintenance to the lagoon system for an apparently growing community like LaBroquerie, but also add to the confidence of the community that its Utility is being overseen by qualified personnel. It is expected that such expertise will also provide some assurance to the community that pump repair and replacement will be properly considered and addressed.

IT IS THEREFORE ORDERED THAT:

1. The Rural Municipality of LaBroquerie By-law No. 7-2008 be and is hereby approved in accordance with the attached "Schedule A".
2. The Rural Municipality of LaBroquerie is hereby authorized to collect the annual administration and consumption charges by adding these to the tax bill, on the condition that Utility charges be set out separate and distinct from taxes and not be offset by the Manitoba Education Property Tax Credit.
3. The Rural Municipality of LaBroquerie return to the Board

in the fall of 2008 with a proposal for a tipping fee assessment for 2009 to replace the current annual fixed levy for non-resident usage of the sewage disposal system.

Fees payable upon this Order - \$250.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."
Acting Chair

"G. O. BARRON, FCGA"
Acting Secretary

Certified a true copy of Order No.
48/08 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"

TO BOARD ORDER NO. 48/08

THE RURAL MUNICIPALITY OF LA BROQUERIE
SEWER RATES
BY-LAW NO. 7-2008

Single-Family Residential Units:
Annual Residential Equivalent Unit charge- \$77 per unit
plus
Annual Administration Levy of \$5.00

Multi-Family, Commercial, Industrial, Institutional and Public
Properties, shall be charged as follows:

<u>Tax Roll No</u>	<u>Annual Levy</u> <u>(includes administrative charge of \$5 per Annum)</u>
108095	\$ 82.00
108120	82.00
109725	82.00
109900	82.00
110100	82.00
112000	82.00
114350	82.00
114410	82.00
115020	82.00
117500	82.00
110500	20.50
114200	120.50
110120	159.00
115305	159.00
115328	159.00
116400	159.00
118605	159.00
118611	159.00
118621	159.00
113502	236.00
113504	236.00
114000	236.00
114450	236.00
118669	274.50
106200	313.00
118679	313.00
118619	505.50
113285	544.00
119450	621.00

109750	775.00
112100	775.00
110000	929.00
111600	929.00
114405	2,546.00