



Souris Sewer and Water Utility
Corporation

Application for Sewer & Water Rate Increases

Docket UW07304

Backgrounder

November, 2009

Souris Sewer and Water Utility

Application

In June 2009, the Souris Sewer and Water Utility filed an application with the Commission for approval to increase its tariff of water and sewer rates, in accordance with Section 15 of the *Water and Sewerage Act*.

Current Rates

The Utility's current annual rates for a single-family dwelling are:

Sewer	\$162.84	(\$13.57/month)
Water	\$115.32	(\$9.61/month)
Combined	\$278.16	(\$23.18/month)

Proposed Rates

Souris proposes that the rate changes take effect over 3 years. Originally, Souris sought approval for effective dates starting on October 1, 2009, but a subsequent request was made that rates take effect beginning on January 1, 2010. The Utility's proposed annual rates for a single-family dwelling at the end of the 3-year rate cycle will be:

Sewer	\$309.62	(\$25.80/month)
Water	\$149.76	(\$12.48/month)
Combined	\$459.38	(\$38.28/month)

Following is a break down of the proposed rate changes for a single-family dwelling for each of the 3 years:

Type of Service	Current Rate	Rate @ Jan 1, 2010	Rate @ Jan 1, 2011	Rate @ Jan 1, 2012
Sewer	\$162.84	\$211.85	\$260.74	\$309.62
Water	\$115.32	\$126.72	\$138.24	\$149.76
Combined	\$278.16	\$338.57	\$398.98	\$459.38

The changes represent a 90% overall increase in sewer rates over 3 years and a 30% increase in water rates over 3 years. The combined impact on residential customers of both services is 65% or approximately \$5 per month, for each of the next 3 years. The Utility has proposed that rates for commercial customers be increased by similar percentages.

Public Notice

In July, 2009, a Notice outlining Souris' Application and inviting public response was published in *The Guardian* and in the *Eastern Graphic*. The Notice and application were posted on the Commission's website as well.

The deadline for comments was August 14th, 2009 and, in response to the public notice, the Commission received one email offering comments on the Utility's application.

Background

The Utility was initially constructed in the early 1960s and provides sanitary sewer and water services to approximately 517 customers, 58 of which are metered.

The Utility indicates increased costs related to the overall operations of the central systems, including higher fuel and electricity costs, salary increases, and the financing of debt repayment—which includes costs related to a recent \$1.4 million project to upgrade services—as the main reason for increases at this time.

The last rate increase in Souris took effect on April 1, 1996 and current rates have been in effect since that time.

Analysis

A review of the Utility's revenue and expenditures shows that both services are presently operating at a loss. The Utility's water expenditures have increased by roughly 33% from 2006 to 2008 and the sewer expenditures have gone up approximately 12%.

The escalating costs are related to the ongoing operation of the systems, including increased costs for electricity, materials, salaries, as well as for testing and professional services such as accounting fees. There does not appear to be any extraordinary costs contributing to the increased expenses.

Below are tables summarizing the revenue and expenditures for water and sewer services for actual years 2006 to 2008 and projected years 2009 to 2012. Projected revenues reflect the Utility's proposed increases in rates based on January 1 effective dates:

SOURIS SEWER	ACTUAL				PROJECTIONS (With Inc. @ Jan)		
	2006 SEWER	2007 SEWER	2008 SEWER	2009 SEWER	2010 SEWER	2011 SEWER	2012 SEWER
TOTAL REVENUES	\$ 103,219	\$ 103,605	\$ 102,022	\$ 102,395	\$ 132,855	\$ 163,475	\$ 193,682
TOTAL EXPENDITURES	\$ 152,289	\$ 160,741	\$ 170,277	\$ 178,087	\$ 184,069	\$ 191,124	\$ 196,694
Surplus (Deficit)	\$ (49,070)	\$ (57,136)	\$ (68,255)	\$ (75,692)	\$ (51,214)	\$ (27,649)	\$ (3,012)

SOURIS WATER	ACTUAL			2009	PROJECTIONS (With Inc. @ Jan)		
	2006	2007	2008		2010	2011	2012
TOTAL REVENUES	\$ 186,015	\$ 179,607	\$ 180,846	\$ 190,679	\$ 202,279	\$ 216,367	\$ 231,252
TOTAL EXPENDITURES	\$ 161,775	\$ 192,949	\$ 215,343	\$ 213,203	\$ 222,054	\$ 229,713	\$ 236,921
Surplus (Deficit)	\$ 24,240	\$ (13,342)	\$ (34,497)	\$ (22,524)	\$ (19,775)	\$ (13,346)	\$ (5,669)

Sewer and water main replacement work throughout various areas in Souris was approved by the Commission in 2008. The combined cost for these projects was approximately \$1.4 million with the Utility's net portion being roughly \$440,000 after available infrastructure funding. Analysis carried out in relation to this project indicated that water and sewer rates would be impacted incrementally by approximately 15% each. The Utility's costs associated with this work are reflected in the projections that form part of this application.

Based on the revenue and expenditure analysis for this rate application, the proposed increases will not entirely offset the Utility's costs. The Utility is aware of the probable shortages but is not inclined to request higher rates than what's being proposed at this time.

Analysis of the Utility's financial statements confirms the Utility's proposed rates appear reasonable and necessary. Without rate relief at this time, the Utility would continue to experience losses each year for both services. The current rates proposed will offset most of the anticipated expenditures and prevent the Utility from accumulating significant deficits.

Detailed revenue and expenditure schedules are attached to this report.

Summary

Following a review of the application, as well as an analysis of the Utility's revenues and expenditures, the Commission determined that increased rates are warranted at this time and Order UW09-05 and tariffs were approved on November 30, 2009, for effect January 1, 2010, January 1, 2011 and January 1, 2012.