

M A N I T O B A) Order No. 47/08
)
THE PUBLIC UTILITIES BOARD ACT) April 21, 2008

BEFORE: Graham Lane, CA, Chairman
 Monica Girouard, CGA, Member
 Susan Proven, P.H.Ec., Member

RURAL MUNICIPALITY OF EDWARD
LOCAL URBAN DISTRICT OF LYLETON
INTERIM REVISED WATER RATES AND 2007 REVENUE DEFICIT

Executive Summary

By this Order, the Public Utilities Board (Board) approves, on an interim ex parte basis, new rates for the Rural Municipality of Edward (RM), with respect to the RM's customers in the Local Urban District of Lyleton (LUD).

The new annual charge of \$75.00 per connected customer is to be added to the RM's 2008 property tax bills as a distinct charge; the new annual fire hydrant charge of \$75.00 is to be paid by the RM to its Utility. The existing annual \$160.00 charge to a rural customer, which was not included in By-law No. 1/85, is also approved.

The \$75 charge to connected customers is to be in addition to the \$20.00 charge now collected quarterly on water bills, as set out in By-law No. 1/85, previously approved by Board Order 33/85. The overall effect will approximate a 100% increase to the total annual charges for water service (\$155 for connected customers, compared to the annual \$80.00 currently charged on a quarterly basis).

The Board provides approval on a conditional basis, and without prior public notice, due to its assessment of the weak financial position of the RM's utility and an urgent need for higher revenue.

The Board also approves the RM's application for recovery of a 2007 utility revenue deficit, that to be by way of transfer from the accumulated cash surplus account of the utility.

Background

The RM operates a water-only utility serving approximately 26 LUD customers. On February 13, 2008, the RM reported that its utility

had incurred a 2007 operating deficit of \$4,318.93, and proposed to recover that deficit from a transfer from its nominal surplus of \$6,880.41 as at December 31, 2007. The RM advised that the revenue deficit had been caused by inadequate rates and an accounting adjustment required by new accounting rules.

In 2005, the Board had encouraged the RM to make a rate application, then noting that LUD rates were inadequate. Noting rates were inadequate the RM's proposed special rates as included in its Special Service Plan No. 1-2008 (SSP), to be discussed at a public hearing in the community on April 24, 2008.

The proposal was that the rate per connected customer as set out in the SSP would be recovered through property tax bills over a three year period (2008, 2009 and 2010), and with the annual charge proposed to be \$75.00, \$76.50 and \$78.00. The RM also proposed to charge itself \$75.00 per fire hydrant per annum, for its two LUD hydrants.

The RM then-projected \$1,950.00 would be collected in 2008 from the proposed \$75.00 annual charge, for the 26 LUD customers. Together with the revenue collected from the existing \$20.00 per quarter charge collected, pursuant to Order 33/85, the total revenue to be collected was estimated at \$4,030.00. With projected operating costs for 2008 at \$4,065.00, the revenues projected provide for a near breakeven position. The RM advised of no future capital expenditure plans other than the replacement of pumps at some uncertain future date.

The RM suggested that any shortfall which might develop during 2008

would be recovered by a transfer from its General Operating Fund.

The SSP was not submitted to the Board for approval, on the premise that the RM would collect the charges through taxes. The RM's initial intention was to hold a public hearing on the issue and then make an application to the Municipal Board for approval.

In support of its application for approval of recovering the 2007 operating deficit, the RM filed a report with Water Stewardship (WS) confirming that it had met regulatory requirements for 2007. It noted that, with respect to disinfection by-products, as full sampling had not occurred, quarterly average results could not be generated. WS sought improvements, and advised that an engineering assessment would be required by September 1, 2008.

Upon receipt of the RM's application for approval of the 2007 revenue deficit, the Board advised the RM that connection and other utility charges were subject to the approval of the Board, notwithstanding the RM's plan to recover some of the charges by way of the tax bill, and that submission to the Municipal Board for approval was not required.

The RM subsequently advised that its public hearing scheduled earlier was postponed to April 24, 2008. The RM had received a response from one objector.

Board Findings

The Board finds that need for increased revenue is urgent, and necessitates approval of the rates set out in the SSP on an interim ex parte basis. While the Board notes there was an objector to the

RM's plans, approval of new interim rates is now required to avoid increasing deficits. That said, the Board will not approve proposed 2009 and 2010 charges, and requires the RM to file a rate study in 2008. Following receipt of that study and the RM's plans, the Board intends to review the entire matter of adequate and reasonable rates and direct that a public notice be issued to allow ratepayers an opportunity to address current and proposed rates.

In providing a rate study and its views, the RM is to consider the following:

1. Adequacy of rates - even with the interim rates, the operation of the utility is near a breakeven position with no provision being made for unexpected repairs, i.e. contingencies, nor any provision for a reserve for future capital replacements (like the pump replacement program). When developing its next rate submission, these matters should be considered, and as well, the potential for a further customer rate shock.
2. Quarterly Billing versus Collection on the Tax Bill - the Board notes the RM's preference for eliminating quarterly billing and adding all utility charges to property tax bills, and, recognizing that such an approach would reduce the RM's costs is prepared to consider such a proposal.

However, the Board makes it clear herein that these charges are separate and distinct from taxes, and are not to be offset or reduced through the application of the Manitoba Education Property Tax Credit. To do otherwise would be to usurp the user-pay concept promoted by this Board.

3. Costs of testing for disinfection and bacteria - the adequacy of rates to recover the full costs of this monitoring to meet full compliance.

With respect to late payment charges, if such charges are levied, the charges are to meet the requirements of Order 105/04, dated August 5, 2004, which sets out a maximum late payment charge of 1¼% per month.

The Board also notes that hydrant charges are not provided for in the RM's existing rate By-law, and that the reconnection charge now provided for, of \$5.00, is extremely low. These matters should also be attended too when the RM revisits rate adequacy and files the required rate review.

The Board will approve recovery of the 2007 deficit from the accumulated cash surplus account of the utility, as requested.

IT IS THEREFORE ORDERED THAT:

1. An annual \$75.00 per connection charge be collected on the tax bill in 2008, and IS HEREBY APPROVED on an interim ex parte basis on the condition that it be treated separate and distinct from taxes otherwise offset by the Manitoba Education Property Tax Credit.
2. The fire hydrant charge of \$75.00 BE AND IS HEREBY APPROVED on an interim ex parte basis.
3. The rural annual connection charge of \$160.00 BE AND IS HEREBY APPROVED on an interim ex parte basis.
4. Approvals are conditional upon the Rural Municipality of Edward

conducting a rate study and filing an application for final rates by no later than September 30, 2008.

5. The Rural Municipality of Edward provide a copy of its response to the Water Stewardship's report to the Public Utilities Board prior to May 15, 2008.
6. The 2007 Revenue Deficit of the utility be approved subject to recovery from the accumulated cash surplus account of the utility.

Fees payable upon this Order - \$150.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM F. J. LANE, CA"

Chairman

"GERRY BARRON, FCGA"

Acting Secretary

Certified a true copy of Order No.
47/08 issued by The Public Utilities
Board

Acting Secretary