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THE PUBLIC UTILITIES BOARD ACT) Order No. 12/11
) January 21, 2011

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

THE TOWN OF SNOW LAKE
WATER AND SEWER RATES

Summary

By this Order, the Public Utilities Board (Board) approves on an *ex parte* basis revised and interim water and sewer utility rates for the Town of Snow Lake (Town).

The new rates are to be reflected on the next quarterly billing, this consistent with the Town's rate by-law.

Existing and revised rates:

| Commodity Rate \$/cubic meter (m ³) | Current Interim | | Revised Interim |
|---|-----------------|------------------------------|-----------------|
| Water | | Water | |
| First 100 m ³ | \$2.08 | All Consumption | \$2.45 |
| Next 350 m ³ | \$1.91 | - | - |
| Over 450 m ³ | \$1.74 | - | - |
| Sewer | \$1.54 | Sewer | \$1.66 |
| Quarterly Service Charge | \$24.20 | Quarterly Service Charge | \$19.19 |
| Minimum Quarterly* | \$73.58 | Minimum Quarterly* | \$75.25 |
| Unmetered Customers** | \$506.95 | Unmetered Customers** | \$574.04 |
| Hydrant Rental | \$150 | Hydrant Rental | \$150 |
| Tipping Fees | \$2.93 | Tipping Fees | \$2.80 |
| Reconnection charge | \$50 | Reconnection charge | \$50 |

*Includes 13.64 m³

**Based on 135 m³ of usage

Background

Rates were last reviewed by the Board in 2009; Order 22/09 then-approved a 25% increase. Rates were again increased by a further 25% in 2010 (Order 53/10); this second increase because the Utility had incurred operating deficits in 2008, 2009 and expected a further deficit in 2010. These orders are available for review on the Board's website (www.pub.gov.mb.ca).

Effective January 1, 2009, the Public Sector Accounting Board (PSAB) revised accounting standards for municipalities; the implications of the accounting change are significant.

While the Town's application has yet to be fully reviewed by the Board (to ensure all implications of the revised PSAB standards have been reflected), the Board has determined that yet another rate increase is required.

Legislation requires municipal utilities to, at least, break-even annually on utility operational costs. To alleviate the otherwise even higher rates that could result from a full reflection of the mandated accounting changes, the Board has established regulatory accounting practices that differ (in one respect) from those set by PSAB.

Grants may be amortized over the same period as the corresponding capital asset is to be amortized. Similarly, the value of any water and sewer infrastructure transferred to a municipality by a developer will be considered a donation/grant, and be eligible for amortization over the same period of time as the acquired capital asset is amortized, resulting, in such a case, in a complete offset.

Details of PSAB requirements and the Board's allowable regulatory accounting treatments are set out in Order 93/09, available on the Board's website.

Backlog

Because of the accounting changes, the number of utility rate applications submitted in 2010 was much higher than expected. As the Board has limited staff resources to undertake rate reviews, reviews made more complex by the accounting changes, and in an effort to minimize delays to avoid the development of further utility operating deficits, the Board will approve the rates as sought by the Town.

This approach has and is being taken to a number of municipal utility rate applications (received by the Board between July 1 and December 31, 2010).

For these applications, including the Town's, the Board is relying on the submission of the municipality, which included supporting information, and will approve the rates as requested on an interim *ex parte* basis (*ex parte* means without public input).

Customers are encouraged to attend to the Town office to review its complete application.

This Order will be followed by a more detailed review (by the Board) of the Town's application and utility situation in 2011, and the Board will then provide an opportunity for ratepayers to express comments and concerns.

Further details will be requested from the Town by the Board, towards ensuring the Board has a full understanding of the utility's annual revenue requirement.

Application

The Town applied for revised water and sewer rates, as set out in By-law No. 896/10 (read the first time on August 17, 2010).

The proposed rates were expected by the Town to generate sufficient annual revenue to recover the following projected annual expenses:

| | Projected Expenses |
|-------------------------------------|---------------------------|
| General | |
| Expenses | \$26,998 |
| Equity Surcharge | 10,000 |
| Less Revenues | - 1,700 |
| General Revenue Requirements | \$35,298 |
| | |
| Water | |
| Expenses | \$226,013 |
| Interest on long term debt | 55,523 |
| Amortization | 106,292 |
| Reserves/Contingency | 10,000 |
| Minor Capital | - |
| Less Revenues | -148,770 |
| Water Revenue Requirements | \$249,058 |
| | |
| Sewer | |
| Expenses | \$130,856 |
| Amortization | 19,653 |
| Reserves/Contingency | 25,000 |
| Interest on long term debt | - |
| Less Revenues | -7,500 |
| Sewer Revenue Requirements | \$168,009 |
| | |

Board Findings

The Board will, on an *ex parte* basis, approve interim revised water and sewer rates (as applied for by the Town).

The Board makes this decision mindful that without immediate increases, the Utility is likely to incur additional operating deficits, and incurring deficits is not in the public interest (and could result in even greater "rate shock" when rates were subsequently adjusted to reflect the full annual revenue requirement).

The Board awaits the Town's filing of audited Utility financial statements for 2009 and preliminary 2010 Utility results, and the Board is aware of the possibility that there may be other factors that have yet to be considered in determining just and reasonable rates.

As previously stated, the Board will conduct a thorough review of the Town's utility revenue requirements and rates in 2011, once final 2009 and initial 2010 financial information is available. As well, as part of the review, ratepayers will be provided notice and allowed an opportunity to provide comments to the Board.

Following the Board's review, which may include an oral hearing (dependent upon any concerns expressed), the Board will issue a final Order, one that will set final rates (which may vary from those established herein).

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure.

IT IS THEREFORE ORDERED THAT:

1. The Town of Snow Lake By-law 896/10 BE AND IS HEREBY APPROVED on an interim *ex parte* basis, with revised rates to be reflected on the next quarterly billing.
2. The Town of Snow Lake file a copy of By-law 896/10 (once it has received third and final reading), not later than February 28, 2011.
3. The Town of Snow Lake provide notice to its customers, with a copy to the Board, of the interim rate increases and the rationale for same as soon as possible.
4. The Town of Snow Lake file a copy of its 2009 audited financial statements and unaudited 2010 utility results with the Public Utilities Board, not later than March 31, 2011.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"
Chairman

"KRISTINE SHIELDS"
Acting Secretary

Certified a true copy of Order No.
12/11 issued by The Public
Utilities Board

Acting Secretary