

M A N I T O B A) Order No. 13/11
)
THE PUBLIC UTILITIES BOARD ACT) January 21, 2011

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

RURAL MUNICIPALITY OF MORRIS
URBAN AND RURAL UTILITIES
REVISED 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 rates for the rural and urban utilities of the Rural Municipality of Morris (RM). (The urban utility consists of the Lowe Farm, Rosenort and Sperling utilities.)

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

Existing and revised rates:

Urban Utility

Commodity Rate \$/1,000 gallons	Current				Revised
	Lowe Farm (1999)	Rosenort (1999)	Sperling (2006)		
			Rural	Urban	
Water – All Consumption	\$7.13	-	\$7.60	\$9.60	\$11.50
First 27,500 gallons	-	\$6.54	-		-
Over 27,500 gallons	-	\$5.22	-		-
Sewer	\$2.22	\$1.09	-	\$1	\$1.75
Quarterly Service Charge	\$9.70	\$8.80	\$5		\$6
Minimum Quarterly*	\$38.54	\$32.32	\$35.40	\$48.40	\$45.75**
Bulk Water	\$8.40	\$7.72	\$9.60		\$15***
Reconnection charge	-	-	\$100		\$100

*Includes 4,000 gallons

**Includes 3,000 gallons

***Plus a \$6 per customer quarterly service charge

Rural Utility

Commodity Rate \$/1,000 gallons	Current (1999)	Revised
Water	\$6.50	\$8
Quarterly Service Charge	\$4	\$6

Minimum Quarterly*	\$30	\$30
Reconnection charge	\$100	\$100

The RM is to amend its bylaw prior to second reading, to reflect a change to the wording of Clauses 3 and 4 of Schedule "A" (attached to its bylaw).

Background

As noted above, rates were last reviewed in 1999 and 2006. Audited financial statements for 2009 and projected results for 2010 are yet to be filed with the Board.

Effective January 1, 2009, the Public Sector Accounting Board (PSAB) revised accounting standards for municipalities; the implications are significant and "drive" rates higher.

While the RM's application has yet be fully reviewed to ensure all the implications of the revised accounting standards have been reflected in rates, the Board has determined rate increases are required.

Legislation requires municipal utilities to, at least, break-even annually on utility operational costs. To alleviate otherwise even higher rates to 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 (www.pub.gov.mb.ca).

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 operating deficits, the Board will approve, on an interim basis, the rates sought by the RM.

This approach has and is being taken with municipal utility rate applications received by the Board between July 1 and December 31, 2010. For these applications, including the RM's, the Board relies on the submissions of the municipalities, which include supporting information, and, in this case, will approve the rates requested on an interim *ex parte* basis (*ex parte* means without public input).

Customers are encouraged to attend to the RM office to review the complete application.

This Order will be followed by a more detailed review of the

RM's application, and utility situation and prospects, in 2011, and the Board will then provide an opportunity for ratepayers to express comments and concerns.

The Board will obtain such further details as it deems necessary from the RM, towards ensuring it has a full understanding of the revenue requirements.

Application

The RM applied for revised water and sewer rates, as set out in its By-law No. 1659/09 (read the first time on December 10, 2009). The RM sought revised rates to address increasing costs and projected further increased costs.

While a rate study prepared in 2010 recommended rate increases greater than those sought by the RM, the RM decided to seek approval of rates that while representing significant increases are not as high as indicated in the rate study, this to reduce "rate shock" for ratepayers.

The RM indicated its preference that rates again be reviewed in 2012, to address recorded experience and projected further developments.

Because the RM opted to impose rates lower than those recommended in the 2010 rate study, the RM will be required to file with the Board its current projections of annual expenses and revenue requirements ahead of the Board setting final rates.

Board Findings

As previously indicated, the Board will, on an *ex parte* basis, approve interim water and sewer rates as applied for by the RM.

That said, the Board requires two amendments to Schedule A of the RM's by-law: to make the by-law consistent with Board-approved wording with respect to the provision of services to customers located outside the municipality, and as to the approach with respect to disconnection of services due to nonpayment of account.

3. The Rural Municipality of Morris reserves the right to sign agreements with customers outside the Rural Municipality of Morris to connect to the water system. The agreement shall provide for payment of the appropriate rates set out in this Schedule, plus a surcharge, set by resolution of Council, which shall be the equivalent to the frontage levy, general taxes, and special taxes for utility purposes in effect at the time, or which may be in effect from time to time, and which would be levied on the property concerned if it were within these boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

4. Disconnection

The Public Utilities Board has approved Conditions Precedent to be followed by the municipality with respect to the disconnection of service for non-payment including such matters as notice and the right to appeal such action to the Public Utilities Board. A copy of the Conditions Precedent is available for inspection at the Municipal office.

The Board is mindful that without immediate increases, the RM's utilities would be expected to incur further operating deficits, and incurring deficits is not in the public interest (as it

could result in greater "rate shock", when rates were subsequently adjusted to reflect full revenue requirements).

The RM's audited 2009 utility financial statements and preliminary 2010 results are to be filed with the Board; the Board is attentive to the potential that there may be other factors yet to be considered in the final determination of what represents just and reasonable rates.

As earlier stated, the Board will conduct a thorough review of the RM's utility revenue requirements and rates in 2011, once final 2009 and initial 2010 financial information is available.

As part of the Board's 2011 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, setting 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.

- Fees payable upon this Order - \$150.00

"GRAHAM LANE, CA"

"KRISTINE SHIELDS"

Acting Secretary

Acting Secretary