

M A N I T O B A                    )  
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THE PUBLIC UTILITIES BOARD ACT    )    Order No. 16/11  
  )    January 24, 2011

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

TOWN OF LAC DU BONNET  
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 Lac du Bonnet (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 meters (m <sup>3</sup> )	Current	Revised
Water – Domestic	\$1.46	\$1.75
Sewer	\$0.31	\$0.48
Quarterly Service Charge	\$13.18	\$14.60
<b>Residential Minimum Quarterly*</b>	<b>\$37.96</b>	<b>\$45.82</b>
Bulk Water	\$2.20	\$2.65
Pail Fill (22.7 litres)	\$2.50	\$3.00
Hydrant Rental Charge – Annual	\$85	\$100
Reconnection charge	\$50	\$50

\*Includes 14 m<sup>3</sup>

The Town shall amend its bylaw prior to second reading, to reflect an addition to the wording of Clause 6.0 iii) of Schedule "A" (attached to its bylaw).

## Background

Rates were last reviewed by the Board in 2007, when annual rate increases were approved to and including 2009.

Effective January 1, 2009, the Public Sector Accounting Board (PSAB) revised its 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 the likely implications of the revised PSAB standards have been included, the Board has determined that a 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 ([www.pub.gov.mb.ca](http://www.pub.gov.mb.ca)).

### **Backlog**

Because of the accounting changes, the number of utility rate applications that were 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 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 submissions of the municipalities, which include supporting information, and will, in this case, 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 provide an opportunity for the Utility's ratepayers to express comments and concerns.

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

### **Application**

The Town applied for revised water and sewer rates, as set out in its By-law No. 115/10 (read the first time on October 14, 2010).

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

	<b>Projected Expenses</b>
<b>General</b>	
Expenses	\$30,500
Less Revenues	-
<b>General Revenue Requirements</b>	<b>\$30,500</b>
<b>Water</b>	
Expenses	\$213,000
Interest on long term debt	-
Amortization	-
Reserves/Contingency	40,000
Minor Capital	-
Less Revenues	-3,200
<b>Water Revenue Requirements</b>	<b>\$249,800</b>
<b>Sewer</b>	
Expenses	\$44,500
Amortization	-
Reserves/Contingency	8,000
Interest on long term debt	-
Less Revenues	-
<b>Sewer Revenue Requirements</b>	<b>\$52,500</b>

### **Board Findings**

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

The Board makes this interim decision mindful that without immediate increases, the utility is expected to incur an operating deficit, and incurring deficits is not in the public interest (as it could result in a larger "rate shock", when rates are subsequently adjusted to reflect full revenue requirements).

That said, the Board requires an amendment to Schedule A of the

Town's by-law: to make the by-law consistent with Board-approved wording (with respect to the approach to disconnection of services due to nonpayment of account).

The following clause is to be inserted at the beginning of Clause 6.0 iii):

"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 Town's audited financial statements for 2009 have yet to be filed with the Board, and it does not appear that the Town has addressed new PSAB requirements, such as the inclusion of amortization expense. Accordingly, the Board will require preliminary 2010 results as well as the 2009 audited financial statements to be filed as soon as possible with the Board.

The Board is attentive to the potential that there may be other factors that have yet to be considered towards what is "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 initial 2010 financial information and 2009 statements have been filed and reviewed.

As well, 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, 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.

1. The Town of Lac du Bonnet By-law 115-10 BE AND IS HEREBY APPROVED (as amended pursuant to direction provided above) on an interim *ex parte* basis, with revised rates to be reflected on the next quarterly billing.
2. The Town of Lac du Bonnet file a copy of By-law 115-10 (once it has received third and final reading), not later than February 28, 2011.
3. The Town of Lac du Bonnet provides 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 Lac du Bonnet 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.

Acting Secretary