

M A N I T O B A) Order No. 18/11
)
THE PUBLIC UTILITIES BOARD ACT) January 24, 2011

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

RURAL MUNICIPALITY OF WALLACE
 WATER RATES

Summary

By this Order, the Public Utilities Board (Board) approves on an *ex parte* basis revised and interim water rates for the Rural Municipality of Wallace (RM).

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

Existing and revised rates:

Commodity Rate \$/cubic meter (m ³)	Current	Revised
Water	\$1.18	\$1.38
Quarterly Service Charge	\$8.60	\$23.35
Minimum Quarterly*	\$24.35	\$41.80
Bulk Water	\$1.59	\$1.59
Reconnection charge	\$75/\$150**	\$75/\$150**

*Includes 13.370 m³ or 3,000 gallons

**After normal working hours

The Board requires the RM to add to its by-law the required Board-approved Conditions Precedent for the disconnection of service for nonpayment of account clause to Schedule A of the by-law, prior to second reading and implementation of this Order.

Background

Rates were last reviewed by the Board in 2005.

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

While the RM's application has not yet been fully reviewed to

ensure all the implications of the revised PSAB standards have been reflected, based on the application and to avoid a utility deficit, the Board has determined a rate increase is warranted on an interim basis.

Legislation requires municipal utilities to, at least, break-even annually on utility operational costs. To alleviate the otherwise even higher rates that could result following 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 operating

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

This approach is being taken with respect to 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, including supporting information, and, in this case, 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 RM office to review the complete application.

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

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

Application

The RM applied for revised water rates, as set out in its By-law No. 2159 (read the first time on November 17, 2010).

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

	Projected Expenses
General	
Expenses	\$37,500
Less Revenues	-2,000
General Revenue Requirements	\$35,500
Water	
Expenses	\$337,500
Amortization	426,018
Reserves/Contingency	-
Interest on long term debt	38,705
Less Revenues	-293,128
Water Revenue Requirements	\$509,095

Board Findings

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

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

The RM's audited financial statements for 2009 and preliminary 2010 results have yet to be filed with the Board, and these statements may reflect a need for additional increases (pursuant to the PSAB accounting changes). As well, the Board is mindful that there may be other factors that should be considered, towards determining "just and reasonable rates".

As previously stated, the Board will conduct a thorough review of the RM's utility revenue requirements and rates in 2011, once initial 2010 financial information and the 2009 audited statements have been filed. 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, which will set final rates (rates may vary from those established herein).

That said, the Board requires an amendment to Schedule A of the RM's by-law, this 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 added:

"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."

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 Rural Municipality of Wallace By-law 2159 BE AND IS
HEREBY APPROVED (as amended) on an interim *ex parte*
basis, with the revised rates to be reflected on the next
quarterly billing.
2. The Rural Municipality of Wallace file a copy of By-law
2159 (once it has received third and final reading), not
later than February 28, 2011.
3. The Rural Municipality of Wallace provide notice to its
customers, with a copy to the Board, of the interim rate
increases and the rationale, as soon as possible.
4. The Rural Municipality of Wallace 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.
18/11 issued by The Public
Utilities Board

Acting Secretary