

M A N I T O B A                    )     Order No. 45/11  
  )  
THE PUBLIC UTILITIES BOARD ACT    )     March 31, 2011

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

RURAL MUNICIPALITY OF HARRISON  
SANDY LAKE - LID No 2 UTILITY  
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 Rural Municipality of Harrison's Sandy Lake - Local Improvement District No. 2 Utility (RM).

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

## Existing and revised rates:

Commodity Rate \$/1,000 gallons	Current	Revised
Water	\$18.49	\$25.35
Sewer	\$3.31	\$3.30
Quarterly Service Charge	\$6.62	\$6.71
<b>Residential Minimum Quarterly*</b>	<b>\$72.02</b>	<b>\$92.66</b>
<b>Sewer Only</b>	<b>36.41</b>	<b>\$36.41</b>
Bulk Water	\$26.50	\$32.70
Hydrant Rental Charge – Annual	\$60	\$60
Reconnection charge	\$50	\$50
Septic Haulers annual lagoon tipping fee	\$350	\$350

\*Includes 3,000 gallons

The RM is to amend its bylaw to reflect the approved change to the bulk water rate.

## Background

Rates were last reviewed by the Board in 2008, when annual rate increases were approved to 2009. The increases approved in 2008 were significant and larger than those requested by the RM. Before that, rates had not been increased since 1996.

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 RM's application has yet to be fully reviewed by the Board to ensure all the implications of the revised PSAB standards have been reflected, the Board has determined that a rate increase is required and will provide an interim increase.

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

For rate setting purposes, 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, for rate setting purposes, 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 submitted in 2010 and into 2011 has been much higher than expected. As the Board has limited staff resources to undertake rate reviews, reviews made more complex by the accounting changes, and to minimize delays and avoid the development of operating deficits, the Board will approve the rates as sought by the RM on an interim basis (except as noted).

This approach had been taken for many municipal utility rate applications received by the Board not only between July 1 and December 31, 2010 but into 2011. For these applications, including the RM's, the Board relies on the submission of the municipality, which included supporting information. Customers are encouraged to attend to the RM office to review the complete application.

This Order will be followed by a more detailed review. Further details will be requested from the RM, of its application and its utility situation in 2011, and the Board will, subsequently, provide an opportunity for ratepayers to express comments and/or concerns.

## **Application**

The RM applied for revised water and sewer rates, as set out in By-law No. 1-2011 (read the first time on January 5, 2011). The proposed rates were expected by the RM to generate sufficient annual revenue to recover the following projected annual expenses:

	<b>Projected Expenses</b>
<b>General</b>	
Expenses	\$5,554
Less Revenues	-
<b>General Revenue Requirements</b>	<b>\$5,554</b>
<b>Water</b>	
Expenses	\$100,820
Deficit Recovery (2007/2008)	12,885
Amortization	-
Reserves/Contingency	
Minor Capital	12,600
Less Revenues	-2,100
<b>Water Revenue Requirements</b>	<b>\$124,205</b>
<b>Sewer</b>	
Expenses	\$16,164
Amortization	-
Reserves/Contingency	-
Interest on long term debt	-
Less Revenues	-
<b>Sewer Revenue Requirements</b>	<b>\$16,164</b>

### **Board Findings**

The Board will, on an *ex parte* basis, approve interim water and sewer rates as applied for by the RM except for the bulk water rate. The Board notes an error in the RM's calculation that the 1.29 is not to be added to the water commodity rate but used as a factor to calculate the bulk rate ( $\$25.35 \times 1.29 = \$32.70$ ).

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 (and could result in a larger "rate shock", when rates were adjusted to reflect full Utility revenue requirements).

That said, the Board does require an amendment to Schedule A of the RM's by-law, this to be consistent with this Order and the approved rates.

The RM's audited financial statements for 2009 and 2010 have yet to be filed with the Board. It does not appear that the RM has fully addressed the new PSAB requirements, which provide for annual amortization of capital assets and expensing the interest portion only of debentures.

Accordingly, the Board requires the 2009 audited financial statements and 2010 preliminary results to be filed as soon as possible with the Board.

As previously stated, the Board will conduct a thorough review of the RM's utility revenue requirements and rates in 2011, once 2009 and 2010 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 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 Rural Municipality of Harrison By-law 1-2011 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 Rural Municipality of Harrison file a copy of By-law 1-2011 (once it has received third and final reading), not later than May 15, 2011.
3. The Rural Municipality of Harrison 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 Rural Municipality of Harrison file a copy of its 2009 audited financial statements with the Public Utilities Board as soon as they become available to the RM, and not later than May 15, 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.  
45/11 issued by The Public  
Utilities Board

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Acting Secretary