

M A N I T O B A) Order No. 46/11
)
THE PUBLIC UTILITIES BOARD ACT) March 31, 2011

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

TOWN OF LYNN 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 Lynn Lake (Town).

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

Existing and revised rates:

Commodity Charge	REU*	Current	Revised
Flat Rate per Quarter	-	\$80.00	\$112.00
Quarterly Service Charge	-	\$25.00	\$35.00
Single Family/Small Commercial (otherwise not listed)	1	\$105.00	\$147.00
Pharmacy, Bus Lines, Arena, Hall, ESSO, Car Dealer, etc	2	\$185.00	\$259.00
Bank, Curling, Store and Suites	3	\$265.00	\$371.00
Community Club, RCMP, Laundry, Motel	4	\$345.00	\$483.00
NW Dev Corp, Legion, Offices, Suites, Northern Store	5	\$365.00	\$511.00
Hostels	7	\$585.00	\$819.00
Plaza	9	\$745.00	\$1,043.00
Hotel/Restaurant/Bar	12	\$985.00	\$1,379.00
Hospital	27	\$2,985.00	\$4,179.00
School	38	\$3,065.00	\$4,291.00
Bulk Water per 100 gallons	-	\$1.56	\$2.18

*REU: Residential Equivalent Unit

Background

Rates were last reviewed by the Board in 1991, and the Town's utility has incurred operating deficits annually from at least 2003 through to and including 2009. The accumulated deficits to the end of 2009 total \$843,220.

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 implications of the revised PSAB standards have been reflected in the statements and the rates, the Board has determined that an interim 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 amortized. Similarly, the value of any water and sewer infrastructure transferred to a municipality by a developer will be considered, for rate setting purposes, a donation/grant, and eligible for amortization over the same period of time as the acquired capital asset is amortized.

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 and now 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 so as to avoid operating deficits, the Board will approve the rates as sought by the Town, on an interim basis.

This approach has been taken with respect to a number of municipal utility rate applications received by the Board from July 1, 2010. For such applications, including the Town's, the Board relies on the submissions of the municipality, which, in this case, has included supporting information.

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

This Order will be followed by a more detailed review, to be assisted by additional information to be requested of the Town, and subsequent to its review, the Board will provide an opportunity for ratepayers to express comments or concerns.

Application

The Town applied for revised water and sewer rates, as set out in By-law No. 1346-2011 (read the first time on February 8, 2011). The proposed rates are not adequate to address the projected costs of operating the utility:

	Projected Expenses
General	
Expenses	\$45,585
General Revenue Requirements	\$45,585
Water	

Expenses	\$197,705
Interest on long term debt	-
Amortization	-
Reserves/Contingency	-
Water Revenue Requirements	\$197,705
Sewer	
Expenses	\$63,627
Amortization	-
Reserves/Contingency	-
Interest on long term debt	-
Sewer Revenue Requirements	\$63,627

Although the rate study submitted suggests an initial rate increase of 80+%, the Town proposed a 40% increase, with an expectation of additional increases to be phased-in over time.

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 Town's utility may be expected to incur further material operating deficits, which, when fully addressed by increased rates could well result in even a larger "rate shock".

The Town's audited financial statements for 2009 have yet to be filed with the Board, and in the material provided to-date the Town has not provided sufficient detail of its expected costs of operating the utility going forward.

Therefore, the Board cannot confirm that new PSAB requirements have been addressed; these new requirements include annual amortization expense related to capital assets. Accordingly, the Board will require a completed Appendix 'B' be submitted - it is available on the Board's website.

The Board is attentive to the potential that there may be other factors beyond PSAB's changed accounting rules that have yet to be considered in rate setting.

As previously stated, the Board will conduct a thorough review of the Town's utility revenue requirements and rates in 2011, once additional information has been received, including audited 2009 financial statements. Ratepayers will be provided notice, and allowed an opportunity to provide comments to the Board. An oral hearing may be held, 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 Town of Lynn Lake By-law 1346-2011 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 Lynn Lake file a copy of By-law 1346-2011 (once it has received third and final reading), not later than May 15, 2011.
3. The Town of Lynn Lake 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 Lynn Lake file a completed Appendix "B" with details of projected expenses for 2011 to 2013 by May 15, 2011.
5. The Town of Lynn Lake file its 2009 audited financial statements and 2010 preliminary results no 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.
46/11 issued by The Public
Utilities Board

Acting Secretary