

M A N I T O B A                    )     Order No. 47/11  
  )  
THE PUBLIC UTILITIES BOARD ACT    )     March 31, 2011

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

THE VILLAGE OF NOTRE-DAME-DE-LOURDES  
          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 Village of Notre-Dame-de-Lourdes (Village).

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

## Existing and revised rates:

| Commodity Rate \$/1,000 gallons          | Current        | Revised        |
|--|----------------|----------------|
| Water                                    | \$6.85         | \$8.35         |
| Sewer                                    | \$1.40         | \$1.71         |
| Quarterly Service Charge                 | \$6.75         | \$6.75         |
| <b>Residential Minimum Quarterly*</b>    | <b>\$31.50</b> | <b>\$36.92</b> |
| <b>Sewer Only</b>                        | <b>\$18.00</b> | <b>\$21.94</b> |
| Bulk Water                               | -              | -              |
| Hydrant Rental Charge – Annually         | -              | \$5,000        |
| Reconnection charge                      | -              | \$25           |
| Septic Haulers annual lagoon tipping fee | -              | \$350          |

\*Includes 3,000 gallons

The Village is to amend its bylaw to reflect revised wording of Clause 5 of Schedule "A" (attached to the bylaw).

## Background

Rates were last reviewed by the Board in 2005.

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 Village's application has yet to be fully reviewed by

the Board to ensure the implications of the revised PSAB standards have been reflected, 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 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 amortized.

Similarly, the value of any water and sewer infrastructure transferred to a municipality by a developer will be considered a donation/grant for rate setting, and be 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](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 in an effort to minimize delays to avoid the development of operating deficits, the Board will approve

the rates as sought by the Village, on an interim basis.

This approach has been taken with a number of municipal utility rate applications from July 1, 2010, and will be adopted for the Village's. The Board relies on the submissions of the Village, which included supporting information.

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

Further details will be requested from the Village and the Board will then undertake a more detailed review of the Village's application. The Board will provide an opportunity for ratepayers to express comments or concerns.

### **Application**

The Village applied for revised water and sewer rates, as set out in By-law No. 70-10. The proposed rates were expected to generate sufficient annual revenue to recover the following projected annual expenses:

|                                     | <b>Projected<br/>Expenses</b> |
|-------------------------------------|-------------------------------|
| <b>General</b>                      |                               |
| Expenses                            | \$39,891                      |
| <b>General Revenue Requirements</b> | <b>\$39,891</b>               |
|                                     |                               |
| <b>Water</b>                        |                               |
| Expenses                            | \$119,805                     |
| Interest on long term debt          | -                             |
| Amortization                        | -                             |
| Reserves/Contingency                | -                             |
| Less Revenues                       | -26,750                       |
| <b>Water Revenue Requirements</b>   | <b>\$93,055</b>               |

|                                   |                 |
|-----------------------------------|-----------------|
|                                   |                 |
| <b>Sewer</b>                      |                 |
| Expenses                          | \$19,934        |
| Amortization                      | -               |
| Reserves/Contingency              | -               |
| Interest on long term debt        | -               |
| <b>Sewer Revenue Requirements</b> | <b>\$19,934</b> |

### Board Findings

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

The Board makes this interim decision mindful that without immediate increases the Village's utility may be 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 are subsequently adjusted to reflect full revenue requirements.

That said, the Board requires an amendment to Schedule A of the Village's by-law to be consistent with Board-approved wording (this with respect to the approach to the communication aspect of the disconnection of services due to nonpayment of account).

The following clause is to be inserted at Clause 5:

*"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 Village's audited financial statements for 2009 have yet to be filed with the Board, and the Board cannot confirm that the Village has addressed the new PSAB requirements: additional information will be required. As well, the Board is attentive to the potential that there may be other factors that have yet to be considered.

As previously stated, the Board will conduct a thorough review of the Village's utility revenue requirements and rates in 2011, once additional information has been received and 2009 audited statements and 2010 preliminary results have been filed. Ratepayers will be provided notice and allowed an opportunity to provide comments to the Board.

Following the Board's review and, perhaps, 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.

**IT IS THEREFORE ORDERED THAT:**

1. The Village of Notre-Dame-de-Lourdes' By-law 70-10 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 Village of Notre-Dame-de-Lourdes file a copy of By-law 70-10 (once it has received third and final reading), not later than May 15, 2011.
3. The Village of Notre-Dame-de-Lourdes 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 Village of Notre-Dame-de-Lourdes files a copy of its 2009 audited financial statements as soon as the statements are available and 2010 preliminary results with the Board, 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.  
47/11 issued by The Public  
Utilities Board

Acting Secretary