

M A N I T O B A) Order No. 48/11
)
THE PUBLIC UTILITIES BOARD ACT) March 31, 2011

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

THE RURAL MUNICIPALITY OF WEST ST. PAUL
RIVERS EDGE SEWER UTILITY
SEWER RATES

Summary

By this Order, the Public Utilities Board (Board) approves on an *ex parte* basis revised and interim sewer rates for the Rivers Edge Sewer Utility in the Rural Municipality of West St. Paul (RM).

For 2011, connected customers are to be billed \$676.95 for sewer services, this including \$24.95 for administration costs. The new annual billing rate is significantly higher than the \$355 of the prior year.

The RM's rate by-law is to be amended to remove the inclusion of the sewer charge in property tax billings.

Background

Rates were last reviewed by the Board in 2009, when Order 37/09 provided the RM with discretion to implement a 2.5% increase as of January 1, 2010 - the RM did not impose the increase.

Effective January 1, 2009, the Public Sector Accounting Board (PSAB) revised accounting standards for municipalities, including utility operations; the implications of the accounting change are significant.

While the RM's application is yet to be fully reviewed to ensure all implications of revised PSAB standards have been reflected, based on the RM's application a very steep rate increase is warranted.

Legislation requires municipal utilities to, at least, break-even annually on utility operational costs. And, 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 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, and, for rate setting 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 treatment 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 into 2011 is 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 and avoid the development of operating deficits, the Board will approve, on an interim basis, the rate sought by the RM, except as outlined in this order.

This "interim rate" approach has been taken with respect to a

number of municipal utility rate applications received by the Board since July 1, 2010. For selected applications, including the RM's, the Board relies on the submission of the applicant, which, in this case included supporting information.

Customers are encouraged to attend to the RM office to review the complete application.

The Board will obtain such further details as it deems necessary from the RM and conduct a more detailed review of the application. The Board will then provide an opportunity for the Utility's ratepayers to express comments or concerns.

Application

The RM applied for revised sewer rates, as set out in By-law No. 2011-02 (read the first time on January 13, 2011).

The RM proposed an annual rate of \$763 for 2011, expected to generate sufficient annual revenue to recover the following projected annual expenses:

	Projected Expenses
General	
Expenses	\$2,420
Less Revenues	-
General Revenue Requirements	\$2,420
Sewer	
Expenses	\$47,745
Amortization	29,984
Reserves/Contingency	5,500
Future Remediation	10,000
2010 Deficit (1/3)	8,374

Less Revenues	-29,984
Sewer Revenue Requirements	\$71,619

Additional increases for 2012 and 2013 were also proposed.

Board Findings

The Board will, on an *ex parte* basis, vary the application and approve interim revised sewer rates different from those applied for.

The Board will not allow recovery of the 2010 deficit to be reflected in rates until it has conducted a thorough review of the RM's utility circumstances.

The Board makes this interim decision mindful that without immediate increases, the RM's sewer utility would be expected to generate annual operating deficits, and incurring deficits is not in the public interest and could result in an even greater "rate shock" when rates were subsequently adjusted to reflect full revenue requirements.

The RM's audited financial statements for 2009 and 2010 preliminary results have yet to be filed, and these statements may reflect a need a further rate revision.

As already stated, the Board will conduct a thorough review of the RM's utility revenue requirements and rates in 2011, once 2009 and 2010 statements and such other information as the Board may deem to be required 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).

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 West St. Paul By-law 2011-02 BE AND IS HEREBY APPROVED, as amended, on an interim *ex parte* basis with revised annual rates of \$676.95 for 2011.
2. The Rural Municipality of West St. Paul file a copy of By-law 2011-02, as amended and having received third and final reading, not later than May 31, 2011.
3. The Rural Municipality of West St. Paul provides notice to its customers, with a copy to the Board, of the interim rate increases and rationale, as soon as possible.
4. The Rural Municipality of West St. Paul file a copy of its 2009 audited financial statements and 2010 preliminary results as soon as they are available and no later than May 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. -
48/11 issued by The Public Utilities
Board

Acting Secretary