

M A N I T O B A                    )     Order No. 50/11  
  )  
THE PUBLIC UTILITIES BOARD ACT    )     April 4, 2011

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

VILLAGE OF ST-PIERRE-JOLYS  
          SEWER RATES

### **Summary**

By this Order, the Public Utilities Board (Board) approves on an *ex parte* basis revised and interim sewer utility rates for The Village of St-Pierre-Jolys (Village).

The new rates will be reflected on ratepayers' 2011 property tax bills, consistent with the Village's rate by-law.

### **Existing and revised rates:**

<b>Annual fees</b>	<b>Existing</b>	<b>Proposed</b>	<b>Revised</b>
Service Charge	\$ 3.60	\$ 3.55	\$ 3.55
Residential Equivalency Unit (REU)	<u>\$43.00</u>	<u>\$84.35</u>	<u>\$72.50</u>
<b>TOTAL</b>	<b><u>\$46.60</u></b>	<b><u>\$87.90</u></b>	<b><u>\$76.05</u></b>

The interim rates are lower than those proposed by the Village, as the Board awaits filing of additional information related to the Village's accumulated deficit with respect to utility operations. The Board does accept the proposed assignments of Residential Equivalency Units.

### **Background**

Rates were last reviewed by the Board in 2008.

Effective January 1, 2009, the Public Sector Accounting Board (PSAB) revised 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 revised PSAB standards are properly reflected in rates, 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 often result from a full reflection of the mandated accounting changes, the Board has established regulatory accounting practices, for rate setting purposes, that differ.

For rate setting purposes, grants may be amortized over the same period as the corresponding capital asset is amortized.

Similarly, the value of any 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 2011 has been much higher than expected. And, as the Board has limited staff resources to undertake rate reviews, reviews made more complex by the accounting changes, in an effort to minimize delays and avoid

the development of operating deficits, the Board will approve the rates 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. The Board relies on the submission 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; the Board will then undertake a more detailed review of the Village's application and provide an opportunity for ratepayers to express comments or concerns.

### **Application**

The Village applied for revised sewer rates, as set out in By-law No. 2011-5. The proposed rates were expected to generate sufficient annual revenue to recover the following projected annual expenses:

	<b>Projected Expenses</b>
<b>General</b>	
Expenses	\$1,300
<b>General Revenue Requirements</b>	<b>\$1,300</b>
<b>Sewer</b>	
Expenses	\$20,918
Interest on long term debt	2,197
Amortization	17,514
Reserves/Contingency	11,435
Deficit Recovery	6,793
Less Revenues	-10,487
<b>Sewer Revenue Requirements</b>	<b>\$48,370</b>

## **Board Findings**

The Board will, on an *ex parte* basis, approve interim sewer rates for by the Village. The interim rates are based on the Village's submission, excepting that the reflection of a recovery of deficits through rates will be deferred until the Board has received and had an opportunity to review additional information, including audited accounts for 2009 and preliminary accounts for 2010.

Without immediate increases, the Village's utility would be expected to incur further operating deficits and incurring deficits is not in the public interest and could result in a larger "rate shock" when rates are subsequently adjusted to reflect the Utility's full revenue requirement.

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.

The Board will require an amendment to Schedule A of the Village's by-law, to make it consistent with this Order.

Following the Board's review and, perhaps, an oral hearing (dependent upon any concerns expressed) the Board will issue a final Order, which will set final rates (which may vary from those established herein).

Generally, municipal utilities bill for water and sewer services separate from property tax bills; however, in this case, the Board accepts the practice of annual billings reflected on the property tax bills, this to save administrative and collection costs, and taking into account the size of the Utility.

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 St-Pierre-Jolys' By-law 2011-5 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 2011 property tax statements (on the condition that the Utility charges be set out separate and distinct from taxes and not be off-set by the Manitoba Education Property Tax Credit).
2. The Village of St-Pierre-Jolys file a copy of By-law 2011-5 (once it has received third and final reading), no later than May 31, 2011.

3. The Village of St-Pierre-Jolys provide notice to its customers, with a copy to the Board, of the interim rate increases and rationale for same.
4. The Village of St-Pierre-Jolys file a copy of its 2009 audited financial statements and 2010 preliminary results as soon as the statements are available and not 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.  
50/11 issued by The Public  
Utilities Board

Acting Secretary