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THE PUBLIC UTILITIES BOARD ACT) Order No. 51/11
) April 4, 2011

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

THE TOWN OF ALTONA
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 Altona (Town).

The new rates are effective April 1, 2011 and should be reflected on the next quarterly billing (consistent with the Town's rate by-law).

Existing and revised rates:

Commodity Rate \$/1,000 gallons	Current		Revised
Water			
First 500,000 gallons	\$11.66	All Consumption	\$ 11.57
Over 500,000 gallons	\$10.94		-
Sewer			
First 500,000 gallons	\$ 2.57	One Rate	\$ 3.83
Over 500,000 gallons	\$ 2.19		-
Quarterly Service Charge	\$13.71	Quarterly Service Charge	\$ 18.70
Minimum Quarterly*	\$56.40	Minimum Quarterly*	\$ 64.90
Sewer Only Quarterly	\$45.33	Sewer Only Quarterly	\$ 61.20
Bulk Water	\$11.94	Bulk Water	\$ 11.57
Hydrant Rental Charge	\$89.68	Hydrant Rental Charge	\$150.00

*Includes 3,000 gallons

Significant increases are involved, the basis for which are to be indicated to Utility customers through the next billing.

Background

Rates were last reviewed by the Board in 2008, although rates

were subsequently increased in 2010 as a result of the passing through of an increase in the cost of water purchased from the Pembina Valley Water Cooperative.

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

While the Town's application has yet to be fully reviewed by the Board, to ensure the implications of revised PSAB standards are reflected in rates, the Board has determined that a rate increase is, as sought by the Town, required.

Legislation requires municipal utilities to, at least, break-even annually on 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 to be amortized. Similarly, the value of any water and sewer infrastructure transferred to a municipality by a developer may be considered a donation/grant, and amortized over the same period of time as the acquired capital asset.

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 2011, to-date, have been much higher than expected. As the Board has limited staff resources to undertake rate reviews, reviews made more complex by the accounting changes, to minimize delays and to avoid the development of operating deficits the Board will approve, on an interim basis, the rates sought by the Town.

This approach has been taken for a number of municipal utility rate applications received by the Board since July 1, 2010.

For these applications, the Board relies on the submission of the municipality, which includes supporting information. Customers are encouraged to attend the Town office to review its complete application.

This Order will be followed by a more detailed review (by the Board) of the Town's application and utility situation in 2011 (further information will be requested from the Town, towards ensuring the Board has a full understanding of the Utility's revenue requirement), following which the Board will provide an opportunity for utility ratepayers to express comments or concerns.

Application

The Town applied for revised water and sewer rates, as set out in its By-law 1684/2011, revised with respect to attached Schedule A (as per Resolution 52-2011).

The proposed rates are expected by the Town to generate sufficient annual revenue to recover the following projected annual expenses:

	Projected Expenses
General	
Expenses	\$281,642
Less Revenues	- 4,500
General Revenue Requirements	\$277,142
Water	
Expenses	\$1,024,600
Interest on long term debt	3,838
Amortization	47,341
Reserves/Contingency	52,000
Minor Capital	30,000
Less Revenues	-38,269
Water Revenue Requirements	\$1,119,510
Sewer	
Expenses	\$143,300
Amortization	223,388
Reserves/Contingency	163,000
Debenture Debt	122,958
Interest on long term debt	3,818
Less Revenues	-43,019
Sewer Revenue Requirements	\$713,465

Water and/or sewer commodity rates reflect a portion of the general administrative costs of the Town, which are usually recovered by the quarterly service charge.

Board Findings

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

Without immediate increases, the Utility would be expected to incur operating deficits, and incurring deficits is not in the public interest (as it could result in a greater "rate shock" when rates were subsequently adjusted to reflect full revenue requirements based on the new accounting standards).

The Town's audited financial statements for 2009 and preliminary 2010 results have yet to be submitted to the Board, and are required to allow the Board to ensure that the new accounting requirements are reflected. As well, the Board is attentive to the potential that there may be other factors that have yet to, and should be, considered.

As previously stated, the Board will conduct a thorough review of the Town's utility revenue requirements and rates in 2011, once more financial information is available. 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, setting 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 Altona By-law 1684/2011 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 Altona file a copy of By-law 1684/2011 (once it has received third and final reading), not later than May 31, 2011.
3. The Town of Altona provide 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 Altona file a copy of its 2009 audited financial statements and preliminary 2010 utility results with the Public Utilities Board, 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.
51/11 issued by The Public
Utilities Board

Acting Secretary