

M A N I T O B A)
)
THE PUBLIC UTILITIES BOARD ACT) Order No. 53/11
) April 4, 2011

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

THE CITY OF SELKIRK
WATER AND SEWER RATES

Revised: April 8, 2011

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 City of Selkirk (City).

The new rates are to be reflected on the next quarterly billing, now scheduled for June 2011, for utility services provided since March 10, 2011 (consistent with the City's rate by-law).

Existing and revised rates:

Commodity Rate \$/1,000 gallons	Current	Revised
Water		
First 50,000 gallons per quarter	\$6.67	\$7.33
Next 450,000 gallons per quarter	\$4.64	\$5.78
Over 500,000 gallons per quarter	\$3.20	\$4.32
Sewer	\$4.00	\$4.37
Quarterly Service Charge	\$21.32	\$26.50
Minimum Quarterly*	\$53.33	\$61.60
Bulk Water	\$7.67	\$7.98
Hydrant Rental Charge	\$110	\$110
Sewage Receiving Station		
Quarterly Administration Fee	\$21.32	\$26.50
Volume Dumping	\$17.35	\$21.12
B.O.D. Surcharge	\$0.51/kg	\$0.51/kg
S.S. Surcharge	\$0.25/kg	\$0.25/kg
Untested Dumping	\$33.24	\$36.44

*Includes 3,000 gallons

Significant increases are involved, and the basis is to be indicated to Utility customers within the next billing. The City is to amend its bylaw to reflect Board-approved wording of Clause 6 B.

Background

Rates were last reviewed by the Board in 2007.

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

While the City's application has yet to be fully reviewed by the Board, the Board has determined that a rate increase is 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 from those set by PSAB.

For rate setting purposes, 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

Largely because of the accounting changes, the number of utility rate applications submitted in 2010 and 2011 have, to-date, 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 avoid the development of operating deficits and even larger rate increases that might be required to recover the deficits, the Board will approve, on an interim basis, the rates sought by the City.

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 submissions of the municipalities, which almost always includes supporting information.

Customers are encouraged to attend on the City's offices to review its complete application.

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

Application

The City applied for revised water and sewer rates, as set out in its By-law 5190. The City's application includes proposals

for additional increases for 2012 and 2013, and includes reducing the current three-step water rate schedule to two steps.

The 2011 proposed rates are expected by the City to generate sufficient annual revenue to recover the following projected annual expenses:

	Projected Expenses
General	
Expenses	\$683,040
Less Allocations	- 345,310
General Revenue Requirements	\$337,730
Water	
Water Production	\$808,943
Water Distribution	430,763
Amortization	0
Reserves/Contingency	0
Deficit Recovery	52,134
Minor Capital	100,000
Less Revenues	0
Water Revenue Requirements	\$1,391,840
Sewer	
Expenses	\$632,023
Amortization	0
Nutrient Removal	80,000
Deficit Recovery	26,067
Minor Capital	100,000
Less Revenues	0
Sewer Revenue Requirements	\$838,090

Order 161/08 approved the recovery of the 2007 deficit (\$234,604) from rate generated revenue in 2011, 2012 and 2013, in equal annual amounts of \$78,201.

Board Findings

The Board will, on an *ex parte* basis, approve interim water and sewer rates as applied for by the City, but for 2011 only and retroactive to March 10, 2011.

Without immediate increases, the Utility expects to incur an operating deficit, and incurring deficits is not in the public interest (as greater "rate shock" could result when rates are subsequently adjusted to reflect full revenue requirements, based in part on the new accounting standards).

That said, the Board requires an amendment to the City's by-law: to make the by-law consistent with Board-approved wording (with respect to the approach taken to the disconnection of service due to nonpayment).

The following clause is to be inserted as Clause 6. B.:

"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."

Although the City's audited financial statements for 2009 have been submitted, the Board awaits submission of preliminary 2010 results. In its very cursory review, it does not appear to the Board that the new accounting requirements are reflected (amortization of assets).

The Board is attentive to the potential that there may be other factors that should be considered in setting 2012 and 2013 rates.

As previously stated, the Board will conduct a thorough review of the City's utility revenue requirements and rates later this year, 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 City of Selkirk By-law 5190 BE AND IS HEREBY APPROVED (as amended) on an interim *ex parte* basis, with revised rates to be reflected on the next quarterly billing.
2. The City of Selkirk file a copy of By-law 5190 (once it has received third and final reading), no later than May 31, 2011.
3. The City of Selkirk 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 City of Selkirk file a copy of its 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.
53/11 issued by The Public
Utilities Board

Acting Secretary