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THE PUBLIC UTILITIES BOARD ACT) Order No. 8/11
) January 19, 2011

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

TOWN OF GRETNA
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 Gretna (Town).

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

Existing and revised rates:

Commodity Rate \$/1,000 gallons	Current	Revised
Water	\$10.61	\$13.95
Sewer	\$4.25	\$6.30
Quarterly Service Charge	\$12.40	\$22.90
Minimum Quarterly*	\$56.98	\$83.65
Bulk Water	\$13.11	\$13.95
Lagoon Tipping Fees	-	\$30/1,500 gallons
Hydrant Rental - Annual	\$60	\$100
Reconnection charge	\$30	\$30

*Includes 3,000 gallons

The Board will not approve the Town's proposed sewer charge to out-of-boundary customers (of \$9.71 per 1,000 gallons). The Town is to assess a rate to these customers consistent with Clause 9 of By-law 781-2010.

Background

The Utility last increased its water rates in 2009, that the result of an increased water purchase rate from Pembina Valley Water Co-op (PVWC) -- the Town purchases all of its water from PVWC. Rates were last reviewed by the Board in 2006.

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

While the Town's application was not fully reviewed to ensure all the likely implications of the revised PSAB standards have been included, the Board has determined that a rate increase is required.

Legislation requires municipal utilities to, at least, break-even on utility operational costs, annually. 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 will be considered a donation/grant, and be eligible for amortization over the same period of time as the acquired capital asset is amortized, resulting, in such a case, in a complete offset.

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 that were submitted in 2010 was much higher than expected. As the Board has limited staff resources to undertake rate reviews, made more complex by the accounting changes, in an effort to minimize delays to avoid the development of operating deficits, the Board will, with the one exception set out above, approve the rates as sought by the Town. This approach has and is being taken to a number of municipal utility rate applications received by the Board between July 1 and December 31 of 2010.

For these applications, including the Town's, the Board relies on the submission of the municipality, which included supporting information, and will approve the rates as requested on an interim *ex parte* basis (*ex parte* means without public input). Customers are encouraged to attend to the Town office to review its complete application.

This Order will be followed by a more detailed review of the Town's application and utility situation in 2011, and the Board will provide an opportunity for the Town's ratepayers to express comments and concerns.

The Board plans to obtain such further details as it deems advisable from the Town, towards ensuring the Board has a full understanding of the Town's utility revenue requirement.

Application

The Town applied for revised water and sewer rates, as set out in its By-law No. 781-2010 (read the first time on June 15, 2010).

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

	Projected Expenses
General	
Expenses	\$19,811
Less Revenues	- 200
General Revenue Requirements	\$19,611
Water	
Expenses	\$87,505
Amortization	3,500
Reserves/Contingency	6,000
Minor Capital	12,117
Less Revenues	-3,500
Water Revenue Requirements	\$105,622
Sewer	
Expenses	\$44,235
Amortization	13,191
Reserves/Contingency	6,000
Interest on long term debt	1,485
Less Revenues	-17,134
Sewer Revenue Requirements	\$47,777

Board Findings

The Board will, on an *ex parte* basis, approve interim water and sewer rates as applied for by the Town (except for the sewer rate proposed for out-of-boundary customers).

Municipal by-laws include provisions with respect to out-of-boundary customers, and sets out the rates and charges to be assessed to these customers. The Board will accept the rates and charges set out in the by-law, and review the matter in more detail in 2011 (as part of the comprehensive review previously mentioned).

The Board makes this interim decision mindful that without immediate increases, the Town's utility is expected to incur an operating deficit, and incurring deficits is not in the public interest (as it could result in "rate shock" when rates are subsequently adjusted to reflect revenue requirements).

The Board notes that neither the Town's financial statements for 2009 nor its preliminary 2010 utility results have been filed with the Board, and is attentive to the potential that there may be other factors that have yet to be considered in determining just and reasonable rates.

As previously stated, the Board will conduct a thorough review of the Town's utility revenue requirements and rates in 2011, once final 2009 and initial 2010 financial information is available.

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, 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 Gretna By-law 781-2010 BE AND IS HEREBY APPROVED as amended on an interim *ex parte* basis, with interim rates to be reflected on the next quarterly billing.
2. The Town of Gretna file a copy of By-law 781-2010 (once it has received third and final reading), not later than February 28, 2011.
3. The Town of Gretna 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 Gretna file a copy of its 2009 audited financial statements and unaudited 2010 utility results with the Public Utilities Board, not later than March 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.
8/11 issued by The Public
Utilities Board

Acting Secretary