

M A N I T O B A                    )     Order No. 9/11  
  )  
THE PUBLIC UTILITIES BOARD ACT    )     January 20, 2011

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

RURAL MUNICIPALITY OF STRATHCONA  
          BELMONT UTILITY  
          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 rates for the Belmont Utility in the Rural Municipality of Strathcona (RM).

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

## Existing and revised rates:

Commodity Rate \$/1,000 gallons	Current		Revised
Water		Water	
First 20,000 gallons	\$16.60	All Consumption	\$22.80
Over 20,000 gallons	\$15.62	-	-
Sewer	\$2.65	Sewer	\$6.13
Quarterly Service Charge	\$11.25	Quarterly Service Charge	\$10.65
<b>Minimum Quarterly*</b>	<b>\$69.00</b>	<b>Minimum Quarterly*</b>	<b>\$97.44</b>
Bulk Water	\$16.60	Bulk Water	\$22.80
Lagoon Tipping Fees	\$10/up to 6,800 litres	Lagoon Tipping Fees	\$10/up to 6,800 litres
Hydrant Rental - Annual	\$75	Hydrant Rental - Annual	\$75
Reconnection charge	\$25	Reconnection charge	\$50
-	-	Meter Repairs (new)	\$25
-	-	Meter Testing (new)	\$25

\*Includes 3,000 gallons

The Board will require the RM to amend its bylaw prior to second reading, to reflect a change in the title and wording to Clause 4 (Service to other Municipalities) of Schedule "A".

## Background

Rates were last reviewed by the Board in 2006; Order 171/06 approved increases to 2008. The utility reported operating deficits in 2006, 2007 and 2008. Audited financial statements

for 2009 and projected results for 2010 have yet to be filed.

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 RM'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 annually on utility 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 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](http://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, reviews made more complex by the accounting changes, and in an effort to minimize delays to avoid the development of operating deficits, the Board will approve the rates as sought by the RM.

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, 2010.

For these applications, including the RM's, the Board is relying 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 RM office to review the complete application.

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

The Board plans to obtain such further details as it deems necessary from the RM, towards ensuring the Board has a full understanding of the Belmont utility revenue requirement.

## Application

The RM applied for revised water and sewer rates, as set out in its By-law No. 16, 2010 (read the first time on June 9, 2010).

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

	<b>Projected Expenses</b>
<b>General</b>	
Expenses	\$7,212
Less Revenues	- 1,250
<b>General Revenue Requirements</b>	<b>\$5,962</b>
<b>Water</b>	
Expenses	\$38,221
Interest on long term debt	1,559
Amortization	18,787
Reserves/Contingency	3,000
Minor Capital	25,000
Less Revenues	-16,122
<b>Water Revenue Requirements</b>	<b>\$70,445</b>
<b>Sewer</b>	
Expenses	\$13,424
Amortization	28,392
Reserves/Contingency	3,000
Interest on long term debt	16,127
Less Revenues	-41,814
<b>Sewer Revenue Requirements</b>	<b>\$19,129</b>

## **Board Findings**

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

The Board will require one amendment to Schedule A of the RM's by-law, that to allow the by-law to be consistent with approved wording with respect to the provision of services to customers located outside the Belmont utility's boundaries.

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, but require the RM to include the following clause:

### 4. Service for Connecting Customers Outside the LID Limits

The Council of the RM of Strathcona may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Unincorporated Village of Belmont. Such agreements shall provide for payment of the appropriate rates set out in this Schedule, as well as a surcharge, set by resolution of Council, which shall be the equivalent to the frontage levy, general taxes, and special taxes for utility purposes in effect at the time, or which may be in effect from time to time, and which would be levied on the property concerned if it were within these boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

The Board makes this interim decision mindful that without immediate increases, the Belmont utility would be expected to incur a further annual 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).

As previously noted, neither the RM's audited financial statements for 2009 nor its preliminary 2010 Utility results have been filed with the Board, and the Board 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 RM'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 Rural Municipality of Strathcona By-law 16, 2010 BE AND IS HEREBY APPROVED (as amended on an interim *ex parte* basis), with the revised rates to be reflected on the next quarterly billing.
2. The Rural Municipality of Strathcona file a copy of By-law 16, 2010 (once it has received third and final reading), not later than February 28, 2011.
3. The Rural Municipality of Strathcona provide notice to its customers, with a copy to the Board, of the interim rate increases and the rationale, as soon as possible.
4. The Rural Municipality of Strathcona 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.  
9/11 issued by The Public  
Utilities Board

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Acting Secretary