

M A N I T O B A) Order No. 14/15
)
THE PUBLIC UTILITIES BOARD ACT) February 3, 2015

BEFORE: Susan Proven, P.H.Ec, Acting Chair
Régis Gosselin, B ès Arts, MBA, CGA, Chair
The Hon. Anita Neville, P.C., B.A. (Hons.), Member

ORDER VARYING BOARD ORDER No. 136/14
FOR
TOWN OF LYNN LAKE
ACTUAL DEFICITS 2012, 2013 AND ANTICIPATED DEFICIT 2014

Summary:

The Town of Lynn Lake (Town) requested that the Public Utilities Board (Board) reconsider the recovery of the 2012, 2013 and 2014 deficits and the due date of the next rate study, as established by Board Order 136/14.

After review, the Public Utilities Board (Board) varies Board Order No. 136/14 as outlined below.

Background:

On December 8, 2014 the Board issued Board Order No. 136/14 setting rate riders for the Town of Lynn Lake to recover deficits from 2012, 2013 and 2014. The recovery was approved over a period of five (5) years, beginning April 1, 2015.

The rate riders for the 2012, 2013 and 2014 deficits approved by Order No. 136/14 are shown below:

	Year 1	Year 2	Year 3	Year 4	Year 5
Rate rider	\$91,423	\$78,473	\$78,473	\$58,473	\$58,473
Total	\$91,423	\$78,473	\$78,473	\$58,473	\$58,473
Per REU	\$236.24	\$202.77	\$202.77	\$151.09	\$151.09
Quarterly	\$ 59.06	\$ 50.69	\$ 50.69	\$ 37.77	\$ 37.77

Board Order No. 136/14 also contained a directive requiring the Town to file a revised rate application on or before June 30, 2015.

Board Order No. 136/14 approved a request to transfer \$100,000 from the general operating fund to assist in the recovery of the deficits. The Board stated:

"The Board feels that the Town does appear to have reached a crisis situation, and will approve a onetime transfer of \$100,000 from the general operating fund to offset a portion of the 2014 deficit. The Town should not take this as a signal that the Board finds this to be an acceptable practice, nor as approval to continue this transfer in years to come."

Request to Review and Vary:

The Town submitted a request on December 15, 2014 to amend Board Order No. 136/14 in the form of a letter from the Mayor and supporting Council resolutions.

In its letter to the Board, the Town requested the following:

1. Due to the uncertainty surrounding the water treatment plant (a private firm is putting together a proposal to operate it, and the Town is also considering shutting it down), the Town will likely not have the operational cost data necessary to complete a rate study that is truly reflective of the utility's situation by June. Council therefore requests an extension on the rate study requirement to at least December 1, 2015.

2. The utility is not viable solely on rate revenue at the moment. Council therefore requests that the PUB authorize a transfer of up to \$50,000 in 2015 from the general operating fund to the utility while the utility's long-term future is sorted out.

3. The rate increase is too high to allow businesses and seniors to remain in the community. Council therefore requests that the PUB extend the rate rider over seven years and/or permit the Town to not recover the 2012 deficit to reduce the dramatic impact this will have on a community that is already struggling economically.

Board Findings:

After considering the information filed and Board Order 136/14, the Board concludes that the Order is to be varied as follows:

The Board will deny the request to extend the due date of the rate application. The Board will require the Town file information regarding revenue requirements for the utility on or before June 30, 2015. The Board urges the Town to confer with Board staff as required in this process. The Board is amenable to the implementation of interim rates for the Town of Lynn Lake, and would like to approve revised rates before the end of 2015.

The Board will defer the decision to allow a transfer of \$50,000 from the general operating fund to the utility fund for 2015. Decisions on transfers of this nature will be dealt with on a case by case basis, and should the Town determine that such a transfer is necessary, a deficit application with proposed method of recovery should be filed with the Board, as required by *The Municipal Act*.

The Board will deny the request by the Town to extend the recovery period from five (5) years to seven (7) years. The Board's recommended methodology allows utilities to recover deficits over a maximum of three (3) years, so the approval of a five (5) year period already represents an exceptional approval.

After much deliberation, the Board will approve the request from the Town to defer the recovery of the 2012 deficit at this time. This approval is made due to the critical situation in Lynn Lake, and to assist in mitigating the impact of rate shock on this community. This is not reflective of the Board's preferred methodology, and should not be taken as a signal that the Board is a proponent of deferring deficit recovery for utilities.

The revised rate riders are effective April 1, 2015 and are shown below:

	Year 1	Year 2	Year 3	Year 4	Year 5
Rate rider	\$61,550	\$48,600	\$48,600	\$28,600	\$28,600
Total	\$61,550	\$48,600	\$48,600	\$28,600	\$28,600
Per REU	\$159.04	\$125.58	\$125.58	\$ 73.90	\$ 73.90
Quarterly	\$ 39.76	\$ 31.40	\$ 31.40	\$ 18.48	\$ 18.48

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 (Rules). The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.

IT IS HEREBY ORDERED THAT:

Public Utilities Board Order No.136/14 **BE AND IS HEREBY VARIED**
as follows:

1. The 2013 and 2014 deficit recovery for the Town of Lynn Lake Water and Sewer Utility Operations, is **HEREBY APPROVED** to be recovered by a rate rider of \$61,550 (\$39.76 per REU at 387 REUs) to be collected on a quarterly basis for four (4) quarters beginning April 1, 2015;
2. The 2013 and 2014 deficit recovery for the Town of Lynn Lake Water and Sewer Utility Operations, is **HEREBY APPROVED** to be recovered by a rate rider of \$97,200 (\$31.40 per REU at 387 REUs) to be collected on a quarterly basis for eight (8) quarters beginning April 1, 2016;
3. The 2013 and 2014 deficit recovery for the Town of Lynn Lake Water and Sewer Utility Operations, is **HEREBY APPROVED** to be recovered by a rate rider of \$57,200 (\$18.48 per REU at 387 REUs) to be collected on a quarterly basis for eight (8) quarters beginning April 1, 2018;

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"Susan Proven, P.H.Ec."
Acting Chair

"Jennifer Dubois, CMA"
Acting Secretary

Certified a true copy of
Order No. 14/15 issued by
The Public Utilities Board

Acting Secretary