

Order No. 128/16

**LOCAL GOVERNMENT DISTRICT OF PINAWA
WATER AND WASTEWATER RATES
2016, 2017 and 2018
and 2013 and 2104 ACTUAL DEFICITS**

October 11, 2016

BEFORE: Robert Gabor, Q.C., Chair

Summary

By this Order, the Public Utilities Board (Board or PUB) denies both the application for revised water and wastewater rates and the application for approval of 2013 and 2014 operating deficits for the Local Government District of Pinawa (LGD) water and wastewater utility (Utility).

The rationale for the Board's decisions is found under "Board Findings".

Background

The LGD owns and operates a water and wastewater utility serving 693 customers and 150 fire hydrants. Rates were last set in Board Order No. 145/12.

The LGD first implemented utility rates as a separate charge in January of 2013. Prior to that time both residents and commercial properties had no water meters, and paid for utility costs on property taxes at large. The most recent audited statements on file with the Board are from 2011.

Water- Supply/Distribution

The LGD owns and operates a water treatment plant and the water distribution system.

The LGD receives its raw water from the Winnipeg River.

The water treatment plant was constructed in 1963 and upgraded in 1988 and 2005. The Utility has also installed a continuous monitoring system. This has mitigated the need for costly UV disinfection and allows the utility to comply with regulatory requirements. The water distribution system ranges from 50+ years to new with some sections in need of replacement. The lift station had a major pump replacement and new standby generator installed in 1995 and a new roof constructed in 2014. The operators are duly qualified and budget provisions allow for professional development.

Unaccounted for water

Unaccounted for water is reported at 38%. Water losses for 2014 were reported at approximately 32%, resulting from several major waterline breaks as well as aging infrastructure. Water main renewal is part of the 5 year capital plan. This is being attributed to metering inaccuracies, line flushing and water line breaks. The water main renewal program is expected to see this percentage fall.

Wastewater- Collection/Treatment

The sewage collection system is reported in good condition. The sewage lagoons include one primary and two secondary cells. An upgrade in 2015 will allow the system to meet the capacity needs of the utility for another 20+ years.

Discharges meet the facility's license requirements.

Application

Deficits

On December 8, 2014, the Board received an application for approval of an anticipated deficit of \$50,000. The application was incomplete, and after requesting the necessary information and discussions with the LGD, it was determined that the application was for the 2014 operating year, and the \$50,000 was based on cash flow reporting, not the required Public Sector Accounting Board Standards. The LGD did not provide any supporting calculations for how the amount of \$50,000 had been determined.

On February 3, 2015 the LGD withdrew the deficit application and advised it would resubmit an application for an actual deficit once the 2014 year end was completed.

A revised application for approval of the 2013 and 2014 deficits was received by the PUB on March 19, 2015. The LGD requested that the Board approve recovery of \$28,750 (2013) and \$235,863 (2014) by means of a rate rider of \$1.10 per cubic meter over a period of two years.

On May 22, 2015 the LGD sent a request to the PUB asking for permission to include the recovery of the 2013 and 2014 deficits in the forthcoming rate application, over a three year period. This was followed on June 18, 2015 by a Council resolution which formally amended the deficit application, asking for recovery to be over a three year period, to align with the rate application.

Rates

On July 29, 2015 the LGD applied for revised water and wastewater rates as set out in By-law No.802-15, read for the first time on July 14, 2015. The application was supported by a 2015 rate study dated prepared by the RM's consultant.

A Public Notice of Application was issued on August 25, 2015 affording customers the opportunity to comment to both the Board and LGD with respect to the proposed increases. The Board received no comments.

When reviewing an application, the Board has at its disposal two approaches, either a paper or a public hearing review. After the publication of the Notice of Application, the Board considers the application and stakeholder responses, and determines which method of review is most appropriate.

A public hearing process allows the Utility and stakeholders the opportunity to present their application and any concerns to the Board in person.

The Board may review the application using a paper review process, which saves the cost of a public hearing process. Having received no responses to the Public Notice, the Board decided to process this application with a paper-based review.

Board Findings

The rate application filed by the LGD on July 29, 2015 was incomplete; upon request, the LGD provided the missing pages from the rate study on August 18, 2015. However, the audited financial statements for the utility for the years 2013, 2014 and 2015 are still outstanding.

The Board has requested this information from the LGD since 2014 and was most recently advised in May 2016 that they are still unavailable. Section 190(1) of The Municipal Act requires auditors to submit an audited report to council not later than June 30 in the year following the fiscal year for which the audit is prepared.

The LGD first implemented utility rates as a separate charge in January of 2013. Prior to that time both residents and commercial properties had no water meters, and paid for utility costs on property taxes at large. Until 2013, the audited financial statements did not reflect the utility operations. The last audited financial statements provided to the Board are from 2011.

The LGD has provided the internal, unaudited financial statements. Given that there are no historical audited results for the Utility, the Board is unable to approve rates and deficit recovery based on these figures. The Board cannot process the LGD's application until the audited financial statements are received by the Board.

The Board will work with the LGD to expedite their rate application, once audited financial statements are received, in consideration of the original submission date of the application.

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:

1. The Local Government District of Pinawa's application for revised water and wastewater rates BE AND IS HEREBY DENIED.
2. The Local Government District of Pinawa's application for approval of the 2013 and 2014 operating deficits BE AND IS HEREBY DENIED.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"ROBERT GABOR, Q.C."
Chair

"JENNIFER DUBOIS, CPA, CMA"
Acting Secretary

Certified a true copy of Order No. 128/16
issued by The Public Utilities Board

Acting Secretary