

M A N I T O B A) Order No. 167/09
)
THE PUBLIC UTILITIES BOARD ACT) December 10, 2009

BEFORE: Graham F. J. Lane, C.A., Chairman
Monica Girouard, CGA, Member
Susan Proven, P.H.Ec., Member

TOWN OF LYNN LAKE
WATER AND SEWER UTILITY
INTERIM RATES
AND
2008 REVENUE DEFICIT

Amended December 11, 2009

Executive Summary

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, new rates for the Town of Lynn Lake (Town).

The interim rates are effective immediately and are to be reflected in the next billing, now scheduled for January 2010.

Existing and interim rates are as follows:

		REU*	Existing	Interim 25% increase
Flat Rate	Commodity Charge per quarter		\$64.00	\$80.00
Administration	Service Charge per quarter		\$20.00	\$25.00
Bulk Water Sales	per 100 gallons		\$1.25	\$1.56
Single Family, Small Commercial otherwise not listed		1	\$84.00	\$105.00
Commercial**	Pharmacy, Bus Lines, Arena, Hall, Esso, Car dealer, etc.	2	\$148.00	\$185.00
	Bank, Northern Stores, Curling, Store and Suites	3	\$212.00	\$265.00
	Community Club, RCMP, Laundry, Motel	4	\$276.00	\$345.00
	NW Dev Corp, Legion, Offices/Suites	5	\$340.00	\$425.00
	Hostel	7	\$468.00	\$585.00
	Plaza	9	\$596.00	\$745.00
	Hotel/Restaurant/Bar	12	\$788.00	\$985.00
	Hospital	37	\$2,388.00	\$2,985.00
	School	38	\$2,452.00	\$3,065.00

* REU - Residential Equivalency Unit

**The Board recognizes that some of the businesses noted may no longer be operating.

The Board's interim approval of these rates is provided on a conditional basis, and without prior public notice, due to the weak financial position of the Town's utility and a resultant urgent need for higher revenue.

The Board also conditionally approves the 2008 utility deficit of

\$149,123.14, although the Board withholds a decision on how the deficit is to be recovered pending the Town filing a rate study and an application for revised rates, to be filed no later than June 30, 2010.

Background

Application for Recovery of Deficits

In a November 12, 2009 application to the Board for recovery of a 2008 utility deficit of \$149,123.14, the Town indicated that:

- The utility has experienced prior years' deficits in:
 - 2003 - \$154,823.15
 - 2004 - \$ 74,524.07
 - 2005 - \$ 88,300.00
 - 2006 - \$ 64,316.99
 - 2007 - \$ 89,100.34
- As at December 31, 2008;
 - Accumulated deficit balance was (\$648,058.17)
 - Utility reserve fund balance was \$182,402.38
- Last rate review occurred in 1991.

The application requested approval to recover the 2008 deficit from rates over the next three years, noting that an application has also been made to the Province for access to the Mining Community Reserve.

The Town attributed the deficit to the mine closure of 2000; the mine previously covered significant utility expenses.

The Town further advised of reluctance to increase rates at a time when water quality is not meeting expectations. The Town further advised that a new water treatment plant is currently being constructed, anticipating that it would be operational in

early 2010.

Board Findings

There is a need for an immediate increase in utility revenue, and, accordingly, the Board will provide, on an interim *ex parte* basis, the increases noted herein.

The Board requires the Town to amend its water and sewer rate by-law to agree with the provisions of this Order, and provide notice to its customers as soon as possible of the immediate increase in rates. The increases amount to 25%. The amended by-law is to include provision for disconnection of service and penalties as note in Schedule "A" to this Order. The disconnection clause is required to be included in all municipal bylaws as per Order 127/08, amended by Order 39/09. Please refer to those orders for details, available on the Board's website.

Upon further review of the Town's utility file, the Board notes that the last approved deficit by the Board was for \$25,430 in 2000. Additional deficits were incurred in 2001 (\$101,179) and in 2002 (\$130,780), providing added support to the immediate need of an increase. While the Board was aware of the deficits and the economic challenges with the mine closure, the Board reminds the Town that applications for deficits are required as per *The Municipal Act* and Board Order 151/08, which includes filing deadlines.

The Board will also approve the 2008 deficit, but will not approve the method of recovery of actual shortfalls until such

time as the Town files its rate study. Therefore, in preparing its rate study and application for revised rates, the Town should consider:

- a long range plan to address all prior years' deficits;
- future capital plans, for the next five year period, including any general recommended improvements identified in the Waterworks System Engineering Assessment, prepared by Pinter and Associates Ltd., and dated February 23, 2009 (the Board received a copy of this report from Manitoba Water Stewardship); and
- future operating costs for the water and sewer utility.

Following receipt of that rate study and the Town's proposed plans, the Board intends to review the application and establish reasonable rates sufficient to provide for future breakeven operations. The Board will also require the Town to issue a public notice to allow ratepayers an opportunity to address current, interim and proposed rates.

The Board encourages the Town to continue its appeals to access funds from the Mining Community Reserve. The Board notes from section 44(3) of *The Mining Tax Act* that the Reserve was intended "for the welfare and employment of persons residing in a mining community which may be adversely affected by the total or partial suspension, or the closing down, of mining operations attributable to the depletion of ore deposits".

The utility's prior years' deficits clearly identifies a need that funds are necessary to strengthen the financial health of the utility.

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 THEREFORE ORDERED THAT:

1. The Town of Lynn Lake prepare a water and sewer rates by-law to agree with this Order and Schedule "A", attached hereto, for revised rates to be effective immediately.
2. The Town of Lynn Lake provide notice to its customers of this immediate increase, such notice to be approved in advance by the Public Utilities Board.
3. Confirmation of interim *ex parte* increases is conditional on the Town of Lynn Lake conducting a rate study and filing a rate application with the Board no later than June 30, 2010.
4. The Town of Lynn Lake's 2008 water and sewer utility deficit of \$149,123.14 is hereby approved.

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. -
167/09 issued by the Public
Utilities Board

Acting Secretary

Schedule "A"
 to
 Board Order No. 167/09

Town of Lynn Lake

		REU*	Interim Rate
Flat Rate	Commodity Charge per quarter		\$80.00
Administration	Service Charge per quarter		\$25.00
Bulk Water Sales	per 100 gallons		\$1.56
Single Family, Small Commercial**	Commercial otherwise not listed	1	\$105.00
	Pharmacy, Bus Lines, Arena, Hall, Esso, Car dealer, etc.	2	\$185.00
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Billings and Penalties

A late payment charge of one and one quarter percent (1 1/4%) per month shall be charged on the dollar amount owing after the billing due date. The due date will be the last day of the month of billing.

Disconnection

The Public Utilities Board has approved the 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 Municipality's office.