

M A N I T O B A) Order No. 178/09
)
THE PUBLIC UTILITIES BOARD ACT) December 31, 2009

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

THE TOWN OF THE PAS
REVISED AND INTERIM WATER AND SEWER RATES
AND ACTUAL DEFICIT 2008

Executive Summary

By this Order, the Public Utilities Board (Board) approves both an interim *ex parte* utility rate increase for the Town of The Pas (Town) and the recovery of the utility's 2008 operating deficit (\$193,127.47) from the utility reserve fund.

The revised rates, as set out in Schedule "A" attached hereto, take effect with respect to all consumption after January 1, 2010.

Below is a summary of the increases (subject to variances, depending on usage and meter size):

Commodity \$/1000 gallons	Existing Water	Existing Sewer	Combined	Interim Water	Interim Sewer	Interim Combined	% Inc
First 18,000	\$ 7.25	\$2.75	\$ 10.00	\$ 8.80	\$3.20	\$ 12.00	20.0
Next 82,000	\$ 4.75	\$2.75	\$ 7.50	\$ 6.80	\$3.20	\$ 10.00	33.0
Over 100,000	\$ 2.70	\$2.75	\$ 5.45	\$ 4.30	\$3.20	\$ 7.50	38.0
Bulk	\$ 8.00	-	-	\$10.00	-	-	25.0
Service Charges	-	-	\$ 11.00	-	-	\$ 11.00	0
Minimum Quarterly ⁽¹⁾	-	-	\$ 51.00	-	-	\$ 59.00	16.0
Average household ⁽²⁾	-	-	\$ 174.00	-	-	\$ 206.60	19.0
Large Volume User ⁽³⁾	-	-	\$2,061.71	-	-	\$2,775.04	34.6

Notes: ⁽¹⁾Includes 4,000 gallons
⁽²⁾Using 16,300 gallons per quarter
⁽³⁾Using ~ 330,405 gallons per quarter

Application

On August 21, 2009, the Town applied to the Board for approval to recover its 2008 utility operating deficit by way of a transfer of \$193,127.47 from its utility reserve fund (balance at December 31, 2008, \$452,669.57).

The Town reported that the main factors causing the 2008 operating deficit were:

- A reduction in water sales, due to the loss of businesses downtown (\$55,729.02);
- The Public Sector Accounting Board (PSAB) requirement to record accrued vacation pay in its utility accounts (\$19,473.21); and
- Increased expenses due to water breaks, increased chemical costs, installation of bleeders, etc. (\$136,398.45).

The rates currently charged by the Town were approved by Order 163/08, which provided a 15% increase to rates that had last been amended in 2002.

A condition of the Board's then-approval of the 15% increase was that the Town files a rate application no later than March 31, 2009. Due to staffing issues, an extension was sought by the Town and granted by the Board; the application was filed on September 10, 2009.

In a Notice of Application and Public Hearing dated October 19, 2009, the Board scheduled a public hearing for November 30, 2009 (with respect to the Town's proposed rates as noted below):

Commodity \$/1000 gallons	Existing Water	Existing Sewer	Combined	Proposed Water	Proposed Sewer	Proposed Combined	% Inc
First 18,000	\$ 7.25	\$2.75	\$ 10.00	\$8.35	\$3.15	\$ 11.50	15.0
Next 82,000 ⁽¹⁾	\$ 4.75	\$2.75	\$ 7.50	-	-	-	76.0
Over 100,000 ⁽¹⁾	\$ 2.70	\$2.75	\$ 5.45	-	-	-	209.0
Bulk	\$ 8.00	-	-	\$9.53	-	-	19.0
Service Charges	-	-	\$ 11.00	-	-	\$ 11.00	0
Minimum Quarterly ⁽²⁾	-	-	\$ 51.00	-	-	\$ 57.00	12.0
Average household ⁽³⁾	-	-	\$ 174.00	-	-	\$ 198.45	14.1
Large Volume User ⁽⁴⁾	-	-	\$2,061.71	-	-	\$3,810.66	84.8

- Notes: ⁽¹⁾ % Increase reflects the effects of collapsing the rates for high-volume users
⁽²⁾ Includes 4,000 gallons
⁽³⁾ Using 16,300 gallons per quarter (average family of 4)
⁽⁴⁾ Using ~ 330,405 gallons per quarter

Unfortunately, due to circumstances beyond the control of the Town, the hearing was required to be postponed; the new date has yet to be set but it is to occur in 2010, at which time the interim rates set herein will be reviewed, and be subject to either revision or finalization. (The Town is currently unable to confirm when it would be in a position to proceed with the public hearing.)

The Town advised its ratepayers of the postponement in the November 25 and 27, 2009 editions of the local newspaper and posted notice of the postponement throughout the Town.

Noting the 2008 deficit and indications that further deficits were probable if rates were not amended, the Board then invited the Town to comment on proposed interim rates. Such rates would be set to allow the utility to increase its revenues to help offset higher costs.

The Town replied that they would appreciate interim rates so as to reduce the risk of further large utility deficits. The Town reported that of the commercial customers the following would be

most significantly and negatively affected: restaurants, apartments, Manitoba Hydro, hotel/motel, the hospital, car wash and the cleaners.

Board Findings

In an effort to restrain rate levels, the Board will approve recovery of the 2008 utility operating deficit from the Utility Reserve Fund.

While the Board is reluctant to provide another interim rate increase, absent a public review, the need for an increase is evident and without an increase further large deficits would be expected. By law, municipal utilities are to operate on no worse than a break-even level, and, in the case of deficits, either utility customers or property owners, through taxes, would be obliged to pay. The Town and the Board prefer a "user pay" approach, and that favours a rate increase.

Although the Board notes that the Town's application proposed to collapse the current three-step rate structure to one rate, the Board is not prepared to consider one commodity rate for all water consumption until such time as the public has the opportunity to provide input.

The Town will be required to provide Notice to its ratepayers of the approved revised and interim rates as soon as possible, and such rates will take effect on consumption after January 1, 2010.

The Town is to continue to work with the Board to determine a

date for a public hearing. Due to conflicting schedules, the Board recognizes that the hearing may not occur until either May or June 2010.

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. 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 The Pas amend its current rate by-law to agree with the rates attached on Schedule "A" which rates to take effect on consumption on or after January 1, 2010.
2. The Town of The Pas provide notice to its ratepayers of the decision of the Public Utilities Board and the rate increase, such notice to be approved by the Public Utilities Board.
3. The deficit of the water and sewer utility of the Town of The Pas for the year 2008 in the amount of \$193,127.47, for the reasons set out herein, BE AND THE SAME IS HEREBY APPROVED to be recovered by a transfer from the utility reserve.

Fees payable upon this Order - \$250.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SHIELDS"

Acting Secretary

Certified a true copy of Order No.
178/09 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
 TO BOARD ORDER NO. 178/09
 THE TOWN OF THE PAS
 WATER AND SEWER RATES

Schedule of Quarterly Rates:

1. Commodity Rates per M.G.

	<u>Water Only</u>	<u>Sewer Only</u>	<u>Sewer & Water</u>
First 18,000 gallons per quarter	\$8.80	\$3.20	\$12.00
Next 82,000 gallons per quarter	\$6.80	\$3.20	\$10.00
All over 100,000 gallons per quarter	\$4.30	\$3.20	\$ 7.50

2. Minimum Quarterly Charges

Notwithstanding the commodity rates set forth in Paragraph 1 hereof, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated;

(a) Water and Sewer Customers

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
				Water	Sewer	
5/8"	1	4,000	\$11.00	\$ 35.20	\$ 12.80	\$ 59.00
¾"	2	8,000	\$11.00	\$ 70.40	\$ 25.60	\$ 107.00
1"	4	16,000	\$11.00	\$ 140.80	\$ 51.20	\$ 203.00
1 ½"	10	40,000	\$11.00			
		18,000		\$ 158.40		
		22,000	\$11.00	\$ 149.60	\$ 128.00	\$ 447.00
2"	25	100,000				
		18,000		\$ 158.40		
		82,000	\$11.00	\$ 557.60	\$ 320.00	\$1,047.00
3"	45	180,000				
		18,000		\$ 158.40		
		82,000		\$ 557.60		
		80,000	\$11.00	\$ 344.00	\$ 576.00	\$1,647.00
4"	90	360,000				
		18,000		\$ 158.40		
		82,000		\$ 557.60		
		260,000	\$11.00	\$1,118.00	\$1,152.00	\$2,997.00

(b) Water Only Customers

Minimum charge will be the same for each meter size as shown above, but, the Sewer Commodity Charge will be excluded.

(c) Sewer Only Customers

Minimum charge will be the same as shown above, but, the Water Commodity Charge will be excluded.

3. Bulk Water Rate

All water sold in bulk by the Town of The Pas shall be charged for at the rate of \$10.00 per thousand gallons.