

M A N I T O B A) Order No. 11/11
)
THE PUBLIC UTILITIES BOARD ACT) January 21, 2011

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

RURAL MUNICIPALITY OF WHITEWATER
 ELGIN 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 Elgin Utility (in the Rural Municipality of Whitewater, RM).

The new rates, which are significantly higher than present 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 \$/cubic meter (m³)	Current	Revised
Water	\$1.70	\$3.13
Sewer	\$0.50	\$0.85
Quarterly Service Charge	\$3.50	\$7.58
Minimum Quarterly*	\$32.10	\$59.32
Bulk Water	\$1.70	\$3.13**
Sewer Only – Quarterly	\$22	\$32.23
Reconnection charge	\$25	\$25

*Includes 13 m³

**Minimum charge of \$6.26

Background

Rates were last reviewed by the Board in 2003, and, since then, operating deficits were incurred in 2007, 2008, 2009, and likely 2010.

Effective January 1, 2009, the Public Sector Accounting Board (PSAB) revised 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 implications of revised PSAB standards have been reflected, based on the application and the record of deficits the Board has determined 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 following 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).

Backlog

Because of the accounting changes, the number of utility rate applications 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 with respect 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 then provide an opportunity for the Utility's ratepayers to express comments and concerns. At that time, the Board will obtain such further details as it deems necessary from the RM, towards ensuring the Board has a full understanding of the utility's revenue requirement.

Application

The RM applied for revised water and sewer rates, as set out in its By-law No. 2010-5 (read the first time on August 11, 2010).

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

	Projected Expenses
General	
Expenses	\$2,000
Less Revenues	-
General Revenue Requirements	\$2,000
Water	
Expenses	\$22,174
Interest on long term debt	-
Amortization	-
Reserves/Contingency	1,000
Minor Capital	-
Less Revenues	-
Water Revenue Requirements	\$23,174
Sewer	
Expenses	\$5,277
Amortization	-
Reserves/Contingency	1,000
Interest on long term debt	
Less Revenues	-
Sewer Revenue Requirements	\$6,277

Board Findings

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

The Board makes this interim decision mindful that without immediate increases, the Elgin utility would be expected to incur further annual operating deficits, and incurring deficits is not in the public interest (as it could result in an even greater "rate shock" when rates are subsequently adjusted to reflect revenue requirements).

While the RM's audited financial statements for 2009 have been filed, the rate application and herein approved rates, do not reflect the PSAB-mandated accounting changes, including, most importantly, the amortization of capital assets. Noting the 2009 deficit, the Board will require preliminary 2010 results to be filed, which may reflect the need for additional changes pursuant to PSAB.

The Board is mindful that there may be other factors that have yet to be considered, towards 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 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, which will set final rates (rates 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 Whitewater By-law 2010-5 BE AND IS HEREBY APPROVED on an interim *ex parte* basis, with the revised rates to be reflected on the next quarterly billing.
2. The Rural Municipality of Whitewater file a copy of By-law 2010-5 (once it has received third and final reading), not later than February 28, 2011.
3. The Rural Municipality of Whitewater 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 Whitewater file a copy of its 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.
11/11 issued by The Public
Utilities Board

Acting Secretary