

M A N I T O B A) Order No. 14/11
)
THE PUBLIC UTILITIES BOARD ACT) January 24, 2011

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

RURAL MUNICIPALITY OF MINIOTA
LUD of MINIOTA
SEWER RATES

Summary

By this Order, the Public Utilities Board (Board) approves on an *ex parte* basis revised and interim sewer rates for the Local Urban District of Miniota Sewer Utility (in the Rural Municipality of Miniota, RM).

The new rates are to be reflected on the 2011 annual tax statement, this consistent with the RM's rate by-law.

Existing and revised rates:

Residential (R.E.U.)	Equivalency	Units	<u>Existing</u> (2007)		Revised ¹	
			R.E.U.	Annual Bill	R.E.U.	Annual Bills
Customer						
Single family residences; Churches; Small commercial; Halls up to 250 seats		1	1	\$90.67	1	\$97.16
Beauty Salon, with 1 suite; Halls with 251-350 seats		1.5	1.5	\$130.15	1.5	\$138.17
Miniota C-Store, with coffee Shop, Convenience Store & Gas Bar; Rinks; Garage, with 1 wash rack		2	2	\$169.62	2	\$179.17
Miniota School (5 rooms @ 1.0 unit)		5	5	\$406.47	5	\$425.20
Parkissimo Lodge (8 single rooms @ 1/2 unit each, 2 double rooms @ 1.0 unit each) ³		6	6	\$485.42	6	\$507.21
Miniota Inn (7 guest rooms, 94 restaurant Seats, 40 beverage room seats		11	11	\$880.17	11	\$917.26

¹The annual bill consists of a service charge of \$15.15 plus an R.E.U. charge of \$82.01 per R.E.U.

The Board also approves a \$10.00 per 1,500 gallons fee to be charged to septic haulers (disposing liquid waste collected from ratepayers not connected to the sewer system).

Background

Rates were last reviewed by the Board in 2007, and, since then an operating deficit was incurred in 2009, a result of revised accounting standards. The deficit triggered a rate review, which the RM filed in September 2010.

Effective January 1, 2009, the Public Sector Accounting Board (PSAB) revised accounting standards for municipalities; the implications of the accounting change are significant.

While the RM's application has not yet been fully reviewed to ensure all the implications of the revised PSAB standards have been reflected, based on the application and the RM's 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 sought by the RM.

This approach is being taken with respect to municipal utility rate applications received by the Board between July 1 and December 31, 2010.

For these applications, including the RM's, the Board relies on the submissions of the municipalities, including supporting information, and, in this case, 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 in 2011, and the Board will then provide an opportunity for the Utility's ratepayers to express comments and concerns. 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 sewer rates, as set out in its By-law No. 9/2010 (read the first time on September 14, 2010). The RM's application sought additional increases to take effect in 2012 and 2013.

The proposed 2011 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
Sewer	
Expenses	\$11,550
Amortization	12,358
Reserves/Contingency	1,000
Interest on long term debt	4,604
Less Revenues	-16,718
Sewer Revenue Requirements	\$12,794

Board Findings

The Board will, on an *ex parte* basis, approve interim revised sewer rates (as applied for by the RM), but for 2011 only. The RM will need to amend the bylaw to remove the proposed 2012 and 2013 increases, pending further review by the Board of the RM's application.

The Board makes this interim decision mindful that without an immediate increase in revenue, the Miniota 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).

The RM's audited financial statements for 2009 have yet to be filed, and the Board also requires preliminary 2010 results, which may reflect a need for additional increases (pursuant to the PSAB accounting changes). The Board is mindful that there may be other factors that should 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 and the 2009 audited statements have been filed. 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 Miniota By-law 9/2010 BE AND IS HEREBY APPROVED (as amended) on an interim *ex parte* basis, with the revised rates to be reflected on the 2011 annual tax statements, on the condition that it be treated separate and distinct from taxes and not be offset by the Manitoba Education Property Tax Credit.
2. The Rural Municipality of Miniota file a copy of By-law 9/2010 (once it has received third and final reading), not later than February 28, 2011.
3. The Rural Municipality of Miniota 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 Miniota file a copy of its 2009 audited financial statements and 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. 14/11 issued by The Public
Utilities Board

Acting Secretary