

MANITOBA) Order No. 17/11
)
THE PUBLIC UTILITIES BOARD ACT) January 24, 2011

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

TOWN OF MANITOU
WATER AND SEWER RATES

Summary

By this Order, the Public Utilities Board (Board) approves on an *ex parte* basis revised and interim, and significantly higher, water and sewer utility rates for the Town of Manitou (Town).

The new rates are to be reflected on the next quarterly billing, consistent with the Town's rate by-law.

Existing and revised rates:

Commodity Rate \$/1,000 gallons	Current	Revised
Water	\$7.90	\$12.60
Sewer	\$3.10	\$5.80
Quarterly Service Charge	\$5.25	\$9.00
Residential Minimum Quarterly*	\$38.25	\$64.20
Bulk Water	\$9.50	\$15.75
Hydrant Rental Charge – Annual	\$100	\$100
Reconnection charge	\$50	\$50

*Includes 3,000 gallons

Background

Rates were last reviewed by the Board in 2007, since then the Utility incurred a deficit in 2007 and budgeted for a deficit in 2010. However, effective January 1, 2009, the Public Sector Accounting Board (PSAB) revised accounting standards for municipalities, and the implications of the changes are significant.

While the Town's application has yet to be fully reviewed by the Board, this to ensure all implications of the revised PSAB standards have been reflected, the Board has already determined that 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 from a full reflection of the mandated accounting changes, the Board has established regulatory accounting practices that differ (in one significant 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 so as to avoid the development of operating deficits, the Board will approve the rates as sought by the Town, albeit on an interim basis.

This approach is being applied to municipal utility rate applications received by the Board between July 1 and December

31, 2010. For these applications, including the Town`s, the Board relies on the submissions of the municipalities, which include supporting information, and will, in this case, approve the rates as requested (on an interim *ex parte* basis, *ex parte* means without public input).

Customers are encouraged to attend to the Town office to review its complete application.

This Order will be followed by a more detailed review (by the Board) of the Town`s application and its Utility`s situation in 2011; the Board will provide an opportunity for the Utility`s ratepayers to express comments and concerns.

Further details will be requested from the Town, towards ensuring the Board has a full understanding of the utility revenue requirement.

Application

The Town applied for revised water and sewer rates, as set out in its By-law No. 10/2010 (read the first time on November 15, 2010). The Town`s application requested the rates to be phased in over a two-year period.

The first increase proposed by the Town is approved herein, with approval of the second proposed increase held in abeyance until the Board`s review is complete.

Commodity Rate \$/1,000 gallons	2011	2012
Water	\$12.60	\$14.90
Sewer	\$5.80	\$7.15
Quarterly Service Charge	\$9.00	\$10.85

Residential Minimum Quarterly*	\$64.20	\$77.00
Bulk Water	\$15.75	\$15.75

*Includes 3,000 gallons

The 2012 proposed rates were expected by the Town to generate sufficient annual revenue to recover the following projected annual expenses:

	Projected Expenses
General	
Expenses	\$16,974
Deficit Recovery	13,333
Equity Surcharge	8,852
Less Revenues	-500
General Revenue Requirements	\$38,659
Water	
Expenses	\$172,726
Interest on long term debt	3,016
Amortization	14,426
Reserves/Contingency	6,300
Minor Capital	7,500
Less Revenues	-18,377
Water Revenue Requirements	\$185,591
Sewer	
Expenses	\$55,809
Amortization	13,363
Reserves/Contingency	6,300
Interest on long term debt	-
Minor Capital	7,500
Less Revenues	-700
Sewer Revenue Requirements	\$82,272

Because of the phased in rates, the utility will likely end the year with a deficit.

Board Findings

The Board will, on an *ex parte* basis, approve interim 2011 water and sewer rates as applied for by the Town. Proposed rates for 2012 will not be approved and the application will be held in abeyance until the Board has had an opportunity to fully assess the application and the Utility's situation and prospects.

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

The Town's audited financial statements for 2009 and preliminary 2010 results have yet to be filed with the Board. The Board is also attentive to the potential that there may be other factors that have yet to be considered that may affect what should represent "just and reasonable rates".

As previously stated, the Board will conduct a thorough review of the Town's utility revenue requirements and rates in 2011, once initial 2010 financial information and 2009 statements have been filed and reviewed. 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, one that will set final rates for both 2011 and 2012 (which may vary from those established herein for 2011 and as proposed by the Town for 2012).

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 Town of Manitou By-law 10/2010 BE AND IS HEREBY APPROVED as amended with respect to the proposed rates for 2011, this on an interim *ex parte* basis, with revised 2011 rates to be reflected on the next quarterly billing.
2. The Town of Manitou file a copy of By-law 10/2010 (once it has received third and final reading), not later than February 28, 2011.
3. The Town of Manitou provides notice to its customers, with a copy to the Board, of the interim rate increases and the rationale for same as soon as possible.
4. The Town of Manitou file a copy of both 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.
17/11 issued by The Public
Utilities Board

Acting Secretary