

M A N I T O B A) Order No. 52/11
)
THE PUBLIC UTILITIES BOARD ACT) April 4, 2011

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

RURAL MUNICIPALITY OF GREY
GREY REGIONAL WATER AND SEWER 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 utility rates for the Rural Municipality of Grey's (RM) Regional Water and Sewer Utility.

The new rates, which are significantly higher with respect to sewer services, the quarterly service charges and the minimum quarterly bills, are to be effective April 1, 2011 and be reflected on the next quarterly billing (consistent with the RM's rate by-law).

Existing and revised rates:

Commodity Rate \$/1,000 gallons	Current	Revised
Water	\$9.80	\$10.00
Haywood Sewer	\$0.80	\$3.30
Elm Creek Sewer	\$1.15	\$3.25
Quarterly Service Charge	\$5.00	\$20.00
Residential Minimum Quarterly*		
Water Services Only	\$34.40	\$50.00
Elm Creek Customers – water and sewer	\$37.85	\$59.75
Haywood Customers – water and sewer	\$36.80	\$59.90
Bulk Water (plus quarterly service charge)	\$9.80	\$10.00
Hydrant Rental Charge – Annual	\$100	\$100

*Includes 3,000 gallons

Background

Rates were last reviewed by the Board in 2008; since then increases have been implemented to reflect the cost of water purchased from Pembina Valley Water Cooperative.

Effective January 1, 2009, the Public Sector Accounting Board

(PSAB) revised its accounting standards for municipalities; the implications of the accounting change are significant.

While the RM's application has yet to be fully reviewed by the Board, this to ensure the implications of the revised PSAB standards have been fully reflected, the Board has determined that a rate increase is required at this time.

Legislation requires municipal utilities to, at least, break-even annually on utility operational costs. To alleviate the otherwise even higher rates to result from full reflection of the mandated accounting changes, the Board has established regulatory accounting practices that differ (in one respect) from those set by PSAB.

For rate setting purposes, 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, for rate setting purposes, be considered a donation/grant, and be eligible for amortization over the same period of time as the acquired capital asset is amortized.

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 and into 2011 has been much

higher than expected. As the Board has limited staff resources to undertake rate reviews, reviews made more complex by the accounting changes, and to minimize delays and avoid the development of operating deficits, the Board will approve the rates as sought by the RM (on an interim basis).

This approach had been taken for many of the municipal utility rate applications received by the Board since July 1, 2010. For these applications, including the RM's, the Board relies on the submission of the municipality, which included supporting information. Customers are encouraged to attend to the RM office to review the complete application.

This Order will be followed by a more detailed review for which further details will be requested from the RM. The Board will, subsequently, provide an opportunity for ratepayers to express comments and/or concerns.

Application

The RM applied for revised water and sewer rates, as set out in By-law No. 3/2011. The proposed rates were expected by the RM to generate sufficient annual revenue to recover the following projected annual expenses:

	Projected Expenses
General	
Expenses	\$49,523
Less Revenues	-1,550
General Revenue Requirements	\$47,973
Water	

Expenses	\$441,054
Amortization	229,859
Reserves/Contingency	106,240
Interest on Long Term Debt	44,670
Less Revenues	-371,759
Water Revenue Requirements	\$450,063
Sewer	
Expenses	\$10,500
Amortization	27,452
Reserves/Contingency	1,460
Interest on long term debt	5,180
Less Revenues	-24,353
Sewer Revenue Requirements	\$20,239

Board Findings

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

The Board makes this interim decision mindful that without immediate increases the Utility was expected to incur an operating deficit, and incurring deficits is not in the public interest.

The RM has filed only two schedules of its 2009 audited financial statements and will be required to provide the full 2009 statements and preliminary 2010 statements for the Board's review. As previously stated, the Board will conduct a thorough review of the RM's utility revenue requirements and rates in 2011, once additional information, has 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 concerns expressed), the Board will issue a final Order, one that will set final rates (which may vary from those established herein).

The Board understands that the higher rates, now to be implemented on an interim basis, are largely due to increased operating expenses. It also appears to the Board that a more accurate and fair sharing of joint costs between the RM's General Fund and its Utility, that with respect to administrative costs, rather than the recognition of new accounting standards (which require the amortization of capital assets and the recognition of interest costs, though, for rate setting purposes, amended to also reflect the amortization of grants received) is the reason for the significant increase, especially in the quarterly service charge.

The Board also notes the reflection in rates of provisions for contingency and reserve fund contributions. Previously, no provisions were provided or reflected in rates.

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 Grey By-law 3/2011 BE AND IS HEREBY APPROVED on an interim *ex parte* basis, with revised rates to be reflected on the next quarterly billing.
2. The Rural Municipality of Grey file a copy of By-law 3/2011 (once it has received third and final reading), not later than May 31, 2011.
3. The Rural Municipality of Grey provide 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 Rural Municipality of Grey file a copy of its complete 2009 audited financial statements and preliminary 2010 results with the Public Utilities Board as soon as they become available to the RM, and not later than May 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.
52/11 issued by The Public
Utilities Board

Acting Secretary