

M A N I T O B A) Order No. 36/10
)
THE PUBLIC UTILITIES BOARD ACT) April 12, 2010

BEFORE: Graham Lane, CA, Chairman
Monica Girouard, CGA, Member

TOWN OF MINNEDOSA
INTERIM WATER AND SEWER RATES

Executive Summary

By this Order, the Public Utilities Board (Board) approves on an interim *ex parte* basis new rates for the Town of Minnedosa (Town).

The interim rates, representing an approximate 25% increase to water and sewer commodity rates, are effective immediately and are to be reflected in the billing scheduled for April 2010.

Rates were last set by Order 93/07, then too on an interim basis.

Rates are as follows:

Per m ³	Existing Interim Rates			Revised Interim Rates		
	Water	Sewer	Total	Water	Sewer	Total
First 100	\$0.79	\$0.46	\$1.25	\$0.99	\$0.58	\$1.57
Next 350	\$0.65	\$0.46	\$1.11	\$0.81	\$0.58	\$1.27
Next 1,800	\$0.51	\$0.21	\$0.71	\$0.64	\$0.26	\$0.90
Special > 2,275	\$0.42	\$0.20	\$0.62	\$0.53	\$0.25	\$0.78
Bulk Rate			\$1.15			\$1.44

The Board's interim approval of these rates is provided on a conditional basis (and without prior public notice), due to the inadequate financial position of the Town's utility and an urgent need for higher revenue.

By this Order, the Town is also required to file a revised rate study with the Board by May 31, 2010. The rate study shall review the now-revised interim rates, provide a view on whether these new rates are appropriate, and also provide such additional information

as may be deemed necessary to address various issues outlined in this order, past orders of the Board and previously circulated correspondence to the Town.

Background

The Town is a community of approximately 2,500 that operates a utility which includes two water treatment plants (WTP), a water distribution system and a sewage collection and disposal system.

The Town receives its water supply from four wells and sewage is treated in an aerated two-cell stabilization pond. With varying elevations throughout the Town, booster stations and water main looping has assisted in providing a stable and reliable water system with consistent pressure. Seven lift stations are required to maintain wastewater collection.

As at October 2009 there were 1,069 customers of the utility (1,032 in 2007), 15 of which were water only, with two customers unmetered.

The majority of the original system was installed in the 1950's and 1960's however the Town has undertaken many capital upgrades to the system, including:

- WTP #1 - major upgrade and expansion in 1998; 2007/2008 new piping, distribution pumps and dry chemical treatment process.
- WTP #2 - major upgrade and expansion in 2007.
- Distribution System - ongoing water main renewal program where a portion of older cast iron and ductile iron mains are replaced annually with PVC pipe.

The Board last approved rates for the Town in 2007. The application from the Town was based on many assumptions including the final costs of the upgrades to the WTP #2 and the anticipated water sales to Husky. In addition, the Town experienced unforeseen failure of WTP #1 supply wells, and failure of the sewage force main to the lagoon. The compounding effect of these events led to utility deficits of \$157,181 in 2007 and \$304,101 in 2008; additionally the Town sought approval from the Board to budget a \$370,043 deficit in 2009.

Applications for Recovery of Deficits

In 2008, the Town advised of a 2007 deficit in the utility of \$157,181 and sought approval from the Board to recover this deficit from utility reserves. The Board approved the Town's application as submitted with conditions as noted in Order 33/08. The conditions included the Town's compliance with the filing requirements of Order 93/07 and submitting reports by July 1, 2008.

All orders of the Board are available on its website; please refer to them for more details.

In March 2009, the Town submitted an application to the Board for recovery of the 2008 deficit in the amount of \$304,101, seeking to recover same from the utility reserve, which if approved would reduce the reserve fund to about \$112,000. In April 2009, the Town then submitted an application for approval to include in its 2009 budget a \$370,043 deficit, proposing to recover this deficit from future rates.

Approval for both the 2008 actual deficit and the 2009 budgeted deficit were granted by Order 65/09, again with conditions. The Town was required to submit a rate study to the Board by no later than September 30, 2009.

With approval for extensions requested, and subsequently provided, the Town submitted its rate study October 30, 2009. At the request of the Town, the Board agreed to suspend its review until further information has been provided the Board.

The Town advised that it had become aware of information that affects the rates proposed in its October 2009 application. The additional information included impending retirements, capital projects, and the inclusion of now required Public Sector Accounting Board (PSAB) standards such as including amortization as an annual expense.

Additional Information

In a letter dated January 18, 2010, the Town requested the Board consider its submission for approval of an interim rate increase of 25% to be effective in the April 2010 billing. No rate study or revised rate schedule was submitted. Under a separate letter of the same date, the Town also requested approval from the Board of the 2009 utility deficit; however no supporting information was included with the filing including the final amount of the deficit.

The Town's original proposal and as noted in their By-law No. 2501 proposed rates to increase 30 to 46% for residential and smaller volume users and 1.4% to 17% for larger volume users. The Town's

January 18th letter projected that a revised rate study when prepared would likely indicate a need for the average residential water bills to increase by 65%, and 26% for Husky.

The Town also advised that it believes that a revised rate structure should meet the following five principal goals:

- A safe water supply;
- Environmental standards and public awareness of conservation;
- Financial self sufficiency;
- Capital works funding; and
- Rate competitiveness with other jurisdictions.

Board Findings

The Board is concerned with the amount of time taken by the Town to address large and continuing utility financial revenue shortfalls.

With the past deficits experienced and the Board's reminders to the Town to review rates on a regular basis, the Board is disappointed that an application has not been submitted sooner.

However, the Board finds sufficient support for an immediate increase in utility revenue, and accordingly, provides on an interim *ex parte* basis the 25% increase to commodity rates noted herein.

The Board requires the Town to prepare a water and sewer rate by-law to agree with the provisions of this Order, and provide notice to its customers as soon as possible of the immediate increase in

rates, with reasons.

The increases affect both water and sewer commodity rates, while service charges and other fees will not change.

The Board will address the request for approval of the 2009 deficit upon receipt of an application with supporting information and filing of the final rate study, that study to include a review of rate adequacy and fairness, and a proposal for future deficit recovery.

The Town is to ensure all required accounting changes have been included in its 2009 financial year end calculations as required by PSAB and this Board.

The application for final revised rates should include:

- Utility financial statements for the year ended December 31, 2009;
- A revised and updated rate study including effects of now required accounting standards as outlined in Board Order No. 93/09;
- A review of outstanding and ongoing capital expenditure projects, including proposed funding arrangements;
- A report considering an amended rate structure, so as to provide for increased rates for higher volumes of consumption for at least some rate categories;
- A review of the 'big picture' of the Town providing discounted rates to Husky, and an assessment of all benefits to the Town, to include:

- Industrial developments in the Town and the application of special rates;
- Long range plans to address water quality issues;
- Follow up comments on the river study; and
- General comments on the increased economic development in the area as a result of Husky;
- An updated report on water quality including colour and taste;
- The inclusion and support for rates applied to the RM of Odanah as a separate customer, establishing a monthly billing process to include a monthly service charge and information related to the surcharge rate applied to the RM of Odanah;
- Comments on the appropriateness of placing the full terms of the agreement between the Town and Husky on the public record; and
- Any other filings as noted in the Board's Minimum Filing Requirements.

The Board encourages the Town to review all prior recommendations and requirements of previously issued orders and letters of the Board, and to provide responses in its submission to the Board no later than May 31, 2010.

Following receipt of that study and the Town's plans, the Board intends to review the application and establish reasonable rates sufficient to provide for future break-even operations. The Board also will then require the Town to issue a public notice to allow ratepayers an opportunity to address interim and proposed 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 (Rules). 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 Minnedosa is hereby directed to prepare a water and sewer rate by-law to agree with this Order for interim *ex parte* rates to be effective immediately and reflected in the April 2010 billing.
2. The Town of Minnedosa shall submit a certified copy of the by-law required in Directive 1 with the Public Utilities Board upon having received third and final reading.
3. The Town of Minnedosa provide notice to its customers of this interim increase, such notice to be vetted by the Public Utilities Board.
4. Approval of interim *ex parte* increases contained herein is conditional on the Town of Minnedosa:
 - a. completing its revised rate study and
 - b. filing a rate application with the Board including information as outlined in this order by no later than May 31, 2010.

Fees payable upon this Order - \$500.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"KRISTINE SHIELDS"

Acting Secretary

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Certified a true copy of Order No.
36/10 issued by The Public
Utilities Board

Secretary