

Order No. 51/20

**RURAL MUNICIPALITY OF ROCKWOOD
BALMORAL WATER AND WASTEWATER UTILITY
REQUEST FOR INTERIM *EX PARTE* RATES**

April 3, 2020

BEFORE: Irene A. Hamilton, Q.C., Panel Chair
Mike Watson, Panel Member

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) denies the request of the Rural Municipality of Rockwood (RM) for interim *ex parte* basis water and wastewater rates for the Balmoral Water and Wastewater Utility (Utility).

Rationale for the Board's decisions may be found under the heading Board Findings.

2.0 Board Methodology

Review Process

When reviewing an application, the Board has at its disposal two approaches, a paper review process or a public hearing. After the publication of the Notice of Application, the Board considers the application and responses, if any, and determines which method of review is most appropriate. Whenever reasonable, the Board can review the application using a paper review process, which saves the cost of a public hearing.

Where there is an urgent need for initial or revised rates and the Board determines it to be in the best interest of all parties, the Board may establish interim *ex parte* rates.

Interim *ex parte* Approval

Interim *ex parte* rates are typically approved as applied for and are then subject to a standard Board review process, including a Public Notice of Application, before being confirmed as final by Board Order.

Since this process allows a municipality to charge ratepayers revised rates in advance of the Board's comprehensive review, it is reserved for instances where a municipality can show a compelling argument to allow it.

3.0 Application

The RM submitted an application for revised water and wastewater rates for the Utility in February 2020. The application included a rate study prepared by the RM and By-law No. 03-2020, having had first reading on January 20, 2020.

A cover letter dated February 24, 2020 was included with the application and requested that an interim rate be approved as soon as possible. The RM's rationale for requesting interim rates was Utility has had a deficit in the past, which will continue to happen without a change in rates.

4.0 Board Findings

The Board denies the approval of revised water and wastewater rates on an interim *ex parte* basis. The RM's request for interim *ex parte* rates states the RM is concerned about operating deficits; however the Board has concerns with the RM's audited financial statements, specifically inconsistencies found in the Public Utilities Board Notes for the years 2011 to 2018. This Note deals with capital grants received by the Utility and indicates the annual amount of amortization. This capital grant amortization amount has the effect of offsetting amortization expense, and results in a decrease in revenue requirements for the Utility. In reviewing the Notes for years 2011-2018, the Board finds the stated value of "Amortization During Year" requires further explanation and adjustment.

The Board also noted in a brief review of the Rate Study that the calculation of the revenue requirements for revised rates does not include any amortization of capital grants, a material error that will affect the indicated rates for the Utility.

The RM's application also included a request for a rate specific to the Gunton Utility. Such a rate may be considered discriminatory. The Board therefore finds it imprudent to grant interim *ex parte* rates without fully reviewing the RM's application and rationale for establishing such a rate.

The Board finds there is no urgent need for revised Utility rates, and the application will remain in the queue for regular processing.

5.0 IT IS HEREBY ORDERED THAT:

1. The Rural Municipality of Rockwood's application for revised water and wastewater rates for the Balmoral Water and Wastewater Utility on an interim *ex parte* basis, BE AND IS HEREBY DENIED.

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.pubmanitoba.ca.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"Irene A. Hamilton, Q.C."
Panel Chair

"Jennifer Dubois, CPA, CMA"
Assistant Associate Secretary

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issued by The Public Utilities Board



Assistant Associate Secretary