

M A N I T O B A) Order No. 94/15
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THE PUBLIC UTILITIES BOARD ACT) September 30, 2015

BEFORE: Régis Gosselin, B ès Arts, MBA, CPA, CGA, Chair
The Hon. Anita Neville, P.C., B.A. (Hons.), Member

MUNICIPALITY OF RUSSELL BINSARTH
APPROVAL IN PRINCIPLE
TO RECOVER DEBENTURE SERVICING COSTS
FOR A SUPPLY WELL PROJECT FOR THE RUSSELL UTILITY

Summary

By this Order, the Public Utilities Board approves in principle the funding through rates of debenture servicing costs for the supply well project for the Russell Utility. This funding will be in the form of a surcharge on the utility bills for the customers of the Utility. The Municipality of Russell Binscarth will be required to return to the Board for approval of final surcharge amounts once these have been determined.

The projected surcharge is shown below:

Annual cost of borrowing (estimated)	Est. water sale volume (1,000 gallons)	Surcharge per 1,000 gallons
\$ 42,711	34,250	\$ 1.25

Background

On September 3, 2015, the Municipality of Russell Binscarth (Municipality) applied to the Public Utilities Board (Board) for approval in principle of a utility surcharge to fund debenture payments which are anticipated as a result of a supply well project for the Russell Utility (Utility), located in the Municipality.

The Municipality is creating two (2) new supply wells capable of producing 32L/second, which will become the water source for the Town of Russell. These wells will replace the existing supply wells, which are in excess of 30 years old, and are difficult to maintain because of the artesian condition in which they exist;

they also have a limited and diminishing capacity of approximately 10L/second. In addition to building the supply wells, pipeline must be constructed from the new wells to the existing pipeline which takes water to the Russell Water Treatment Plant.

The anticipated cost of the project is \$1 million with \$500,000 being contributed by Manitoba Water Services Board (MWSB). The Municipality anticipates borrowing their portion of the project costs, \$500,000, at a maximum rate of 5.75% for 20 years, resulting in an estimated annual payment of \$42,712.

Operating and maintenance costs for the new wells will be part of the operational costs of the Russell Utility. The new wells are replacing worn out, artesian condition wells that have been expensive to maintain and the Municipality believes the new wells should provide a reduction in maintenance costs to the utility over the life of the wells.

Council has passed a resolution and approved Local Improvement Plan 01/15 regarding the Russell Utility supply well project. A Public Notice regarding Local Improvement Plan 01/15 was published by the Municipality, and pursuant to Section 318 (1) of the Municipal Act a public hearing regarding the Local Improvement Plan has been scheduled for October 6, 2015. The Notice included details about the proposed surcharge for Russell Utility customers.

Once the borrowing has been approved by The Municipal Board, the project has been completed and the final amounts for the project

and debenture are known, the Municipality must apply to the Board for final approval prior to billing the surcharge to the Utility customers. While the municipality expects that current maintenance costs of the existing infrastructure to decrease, rates to support the operating costs of the Russell utility may nonetheless need to be increased; a rate application will need to be submitted to the Board if rates need to be increased.

Board Findings

The Board will approve in principle the concept of adding a surcharge to the utility bill to recover the debenture servicing costs for the supply well project for the Russell Utility.

The Municipality has calculated that the surcharge will be \$1.25/1000g. The Board will not approve the specific surcharge amount at this time, pending the finalization of the debenture servicing cost. At that time, the Municipality must return to the Board with specific information about the final cost of the project, the debenture servicing cost and the calculations for the final surcharge.

The Board's approval in principle is based, in part, on the assumption that the Municipality will secure funding from the MWSB amounting to \$500,000 and approval from the Municipal Board of a borrowing for the remaining \$500,000.

Should the MWSB withdraw its financial support of the project, updated estimates of the financing surcharge should be filed with the Board.

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 Municipality of Russell Binscarth's proposal to assess a surcharge on utility bills to service a debenture in relation to the supply well project for the Russell Utility is HEREBY APPROVED in principle, with the Municipality to return to the Public Utilities Board with final debenture servicing costs and surcharge proposal.
2. The Municipality of Russell Binscarth provides the Public Utilities Board with a copy of the borrowing by-law once it has received third and final reading.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"Régis Gosselin, B ès Arts, MBA, CPA, CGA"
Chair

"Jennifer Dubois, CPA, CMA"
Acting Secretary

Certified a true copy of
Order No. 94/15 issued by The
Public Utilities Board

Acting Secretary