

Order No. 127/16

**AN ORDER RESPECTING THE MUNICIPALITY OF RUSSELL BINSARTH
APPROVAL IN PRINCIPLE
TO RECOVER DEBENTURE SERVICING COSTS
FOR A REGIONAL WATER TREATMENT PLANT AND PIPELINE PROJECT**

October 5, 2016

BEFORE: The Hon. Anita Neville, P.C., B.A. (Hons.), Acting Chair

Carol Hainsworth, C.B.A., Member

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board or PUB) approves, in principle, the partial funding through utility rates of debenture servicing costs for the regional water treatment plant and pipeline project for the Municipality of Russell Binscarth (Municipality).

The projected surcharge is shown below (all figures estimated):

Annual cost of borrowing to be recovered through utility rates	Annual water sales volume (1,000 gallons)	Surcharge per 1,000 gallons
\$ 125,000	38,500	\$ 3.25

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

2.0 Application

On September 19, 2016 the Municipality applied to the PUB for approval in principle of a utility surcharge to partially fund debenture payments, which are anticipated as a result of a regional water treatment plant and pipeline project.

The Municipality has submitted that it plans to recover 50% of the debenture servicing costs through utility rates and 50% through taxation. The annual payment is estimated to be \$249,847.

The project is planned to service customers of the Russell and Binscarth utilities, with other potential partners identified but not yet committed to the project. The Municipality has applied for a surcharge calculated using the “worst case scenario” of having no additional partners to share the cost of the regional water treatment plant and pipeline, though the likelihood of having partners sign on is very high. This conservative estimate provides assurances the ratepayers are aware of the maximum charges they may be responsible for, and the Municipality will have an adequate surcharge to collect the amount of money needed to service the debenture debt.

The anticipated cost of the project is \$13,000,000 with \$9,750,000 being contributed by Infrastructure Canada’s Clean Water and Wastewater Fund (CWWF). The Municipality anticipates borrowing their portion of the project costs, \$3,250,000, at a maximum rate of 4.5% for 20 years, resulting in an estimated annual payment of \$249,847.

Operating and maintenance costs for the new water treatment plant and pipeline will be recovered through rates for the new regional water utility.

Council has passed a resolution and approved Local Improvement Plan 01/16 regarding the regional water treatment plant and pipeline project. A Public Notice regarding Local Improvement Plan 01/16 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 18, 2016. The Notice included details about the proposed surcharge for customers in the Municipality.

3.0 Board Findings

The PUB will approve, in principle, the concept of adding a surcharge to the utility bill to recover half of the debenture servicing costs for the regional water treatment plant and pipeline project.

The Municipality has calculated that the surcharge will be \$3.25 per 1,000 gallons of consumption. The PUB will not approve the specific surcharge amount at this time, pending the finalization of the debenture servicing cost as well as the estimated consumption used to calculate the surcharge, as the addition of any partners/customers to the regional utility may have a material impact.

The PUB's approval in principle is based, in part, on the assumption that the Municipality will secure funding from the CWWF amounting to \$9,750,000 and approval from The Municipal Board of a borrowing for the remaining \$3,250,000.

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

Once the borrowing has been approved by The Municipal Board, the project has been completed, partnership agreements have been signed, and the final amounts for the project and debenture are known, the Municipality must apply to the PUB for final approval prior to billing the surcharge to utility customers.

The Municipality will have to file an application for initial interim rates with the PUB a minimum of three months in advance of providing service to customers to allow for approval of the rates in time to charge customers when service begins.

4.0 IT IS THEREFORE ORDERED THAT:

- 1) The Municipality of Russell Binscarth's proposal to assess a surcharge on utility bills to service half of a debenture in relation to the regional waterline and pipeline project is HEREBY APPROVED in principle, with the Municipality required 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.
- 3) The Municipality of Russell Binscarth files an application for approval of initial interim rates for the regional water utility at least three (3) months prior to supplying services to ratepayers.

Fees payable upon this Order - \$150.00

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. The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.

THE PUBLIC UTILITIES BOARD

"THE HON. ANITA NEVILLE, P.C., B.A(Hons.)"
Acting Chair

"JENNIFER DUBOIS, CPA, CMA"
Acting Secretary

Certified a true copy of Order No. 127/16 issued
by The Public Utilities Board

Acting Secretary