

Order No. 106/20

**THE RIVERDALE MUNICIPALITY
RIVERS WATER AND WASTEWATER UTILITY
SURCHARGE TO RECOVER DEBENTURE SERVICING COSTS
WATER TREATMENT PLANT and LAGOON UPGRADES
EFFECTIVE OCTOBER 1, 2020**

August 24, 2020

**BEFORE: Carol Hainsworth, C.B.A., Panel Chair
Shawn McCutcheon, Member**

1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves utility surcharges to recover debenture servicing costs, previously approved in-principle in Board Order No. 75/15, for the Riverdale Municipality (Municipality), Rivers Water and Wastewater Utility (Utility) water treatment plant (WTP) upgrade and wastewater lagoon construction projects.

The debentures were used to fund Series B of the WTP Project which consists of lake distribution pumps and the demolition of the old building as well as the lagoon construction project. Series A for the WTP was previously approved in Board Order No. 85/18.

Both surcharges are approved effective October 1, 2020 and are to be in effect for the length of the debentures, a period of 10 years for WTP Series B and 20 years for the lagoon project.

Project	Total Borrowing	Net Annual Debenture Payment	Estimated Annual Usage (1,000 gallons)	Surcharge per 1,000 gallons of consumption	Time Period
WTP Series B	\$96,497.10	\$11,240.36	21,141	\$0.55	10 Years
Lagoon Construction	\$2,769,289.85	\$197,060.58	17,829	\$11.05	20 Years
Previously approved surcharge for WTP					
WTP Series A	\$2,077,260	\$154,545.02	21,152	\$7.31	20 Years

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

2.0 Application

On March 12, 2015, the Municipality applied to the Board for approval in principle of a utility surcharge to fund debenture payments. The debenture was to fund the water treatment plant upgrade as well as the project to upgrade the lagoon.

In Board Order No. 75/15, the Municipality was approved in-principle, to assess a surcharge on utility bills to recover the debenture payments, and was directed to submit the final project amounts to the Board for approval before applying the surcharge.

The surcharge to recover the debenture costs of Series A of the WTP upgrade was finalized in Order No. 85/18. The approved surcharge was \$7.31 per 1,000 gallons effective July 1, 2018 to be collected over a period of 20 years.

Series B – Water Treatment Plant Upgrade Debenture

On February 28, 2020, the Municipality applied to the Board for approval to implement additional surcharge to fund debenture servicing costs associated with Series B of the WTP upgrade project. Council Resolution No. 107-20 was submitted on May 6, 2020 along with a copy of Borrowing By-Law No. 2020-03. The first annual payment is due December 31, 2020 with subsequent annual payments being made in years 2021 to 2029 inclusive.

The Municipality is requesting approval to implement a surcharge in the amount of \$0.55 per 1,000 gallons per account per month for a period of 10 years. This surcharge will apply to the 517 water and wastewater customers as well as the three (3) water only customers of the Utility.

With the approval of this surcharge, the total charges for the WTP Series A and B would be \$7.31 per 1,000 gallons over 20 years (Series A) plus \$0.55 per 1,000 gallons over 10 years (Series B). These charges are in addition to the current water rates.

Wastewater Treatment Lagoon Debenture

On March 16, 2020, the Municipality applied to the Board for approval of another surcharge to fund debenture servicing costs associated with the construction of a wastewater treatment lagoon. The Municipality advised that the project has been completed as of January 30, 2020. Council Resolution No. 106-20 was submitted on May 6, 2020 along with a copy of Borrowing By-Law No. 2020-02. The first annual payment is due December 31, 2020 with subsequent annual payments being made in years 2021 to 2039 inclusive.

The Municipality is requesting approval to implement a surcharge in the amount of \$11.05 per 1,000 gallons per account per month over a period of 20 years. This surcharge will be applied to the 517 water and wastewater customers and the three (3) wastewater only customers of the Utility. This surcharge is in addition to the current wastewater rates. The three (3) wastewater only customers will be charged \$11.05 per month on top the current flat rate that is being charged.

A Public Notice of Intent to Begin Collecting Debenture Surcharges was issued on June 17, 2020 affording customers the opportunity to make comments to both the Board and Municipality respecting the proposed increases. No comments were received by either the Board or the Municipality.

3.0 Board Findings

The Board approves Series B debenture surcharge as submitted by the Riverdale Municipality, of \$0.55 per 1,000 gallons, per account, per month to be collected over a period of 10 years, effective October 1, 2020. This surcharge will be applied to the 517 water and wastewater customers and the three (3) water only customers of the Utility.

The Board also approves the lagoon debenture surcharge of \$11.05 per 1,000 gallons, per account, per month to be collected over a period of 20 years effective October 1, 2020. This surcharge will be applied to the 517 water and wastewater customers and the three (3) wastewater only customers of the Utility.

These surcharges are in addition to the Series A debenture surcharge of \$7.31 per 1,000 gallons previously approved in Board Order No. 85/18. The Series A surcharge is in effect from July 1, 2018 and is to be collected over a period of 20 years.

The Municipality is directed to provide notice of the decisions found in this Order to its customers as soon as possible, with a copy submitted to the Board.

The Board cautions the Municipality that since the debenture surcharge revenues were calculated based on the 2019 water sales and wastewater service usage, the actual revenues that will be collected will not be the exact amount of the annual debenture payments. A shortfall in water sales and usage would generate insufficient revenue to make the annual debenture payment. Alternatively, there is a possibility of revenue in excess of the annual debenture payment should water sales exceed 21,141,000 gallons and lagoon usage of 17,829,000 gallons.

The Board directs the Municipality to closely monitor its water sales and lagoon usage and submit an application to vary the debenture surcharges if the sales and usage are less than the expected. Water sales and usage greater than expected will result in more revenue than is required for the annual debenture payments. These surplus funds will materialize in the Utility Fund Surplus. These surplus funds should be used to shorten the collection period of the debenture surcharge.

The Board recommends that the Municipality work with its auditors for the proper recording of the debenture surcharges and to update the Public Utilities Board Note in its financial statements.

The Board notes that it appears the Utility incurred a deficit in its 2018 financial statements. The Board directs the Municipality to review the 2018 financial statements and submit a deficit application and PUB Schedule 9, to the Board on or before September 15, 2020.

The Board reminds the Municipality that in Board Order No. 75/15, the Municipality was directed to review its water and wastewater rates for adequacy and file a report with the Board, as well as an application for revised rates if required, by no later than September

1, 2019. To date, the Board has not received a rate adequacy report or a rate application from the Municipality. These current rates were set in 2015, and do not reflect the new upgrades and costs to operations in the Utility.

The Board directs the Municipality to submit a rate adequacy report or rate application by no later than November 2, 2020.

4.0 IT IS THEREFORE ORDERED THAT:

1. The Riverdale Municipality, Rivers Water and Wastewater Utility, Series B debenture surcharge of \$0.55 per 1,000 gallons, per account, per month, BE AND IS HEREBY APPROVED to be collected over a period of 10 years effective October 1, 2020.
2. The Riverdale Municipality, Rivers Water and Wastewater Utility, Wastewater Treatment Lagoon debenture surcharge of \$11.05 per 1,000 gallons, per account, per month, BE AND IS HEREBY APPROVED to be collected over a period of 20 years effective October 1, 2020.
3. The Riverdale Municipality, Rivers Water and Wastewater Utility, is to provide notice of the decisions found in this Order to its customers as soon as possible, with a copy submitted to the Public Utilities Board.
4. The Riverdale Municipality, Rivers Water and Wastewater Utility, is to monitor its consumption closely and submit an application to vary the debenture surcharge, if required.
5. The Riverdale Municipality, Rivers Water and Wastewater Utility, submit a deficit application and PUB Schedule 9 for 2018, on or before September 15, 2020.
6. The Riverdale Municipality, Rivers Water and Wastewater Utility, submit a rate adequacy report as well as a rate application, if required, by no later than November 2, 2020.

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.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Carol Hainsworth, C.B.A."
Panel Chair

"Rachel McMillin, BSc."
Assistant Associate Secretary

Certified a true copy of Order No. 106/20
issued by The Public Utilities Board


Assistant Associate Secretary