

Order No. 107/22

**MUNICIPALITY OF RUSSELL-BINSCARTH
WATER AND WASTEWATER UTILITY
INTERIM *EX PARTE* WHOLESALE WATER RATES**

September 29, 2022

BEFORE: Shawn McCutcheon, Panel Chair
Mike Watson, Panel Member

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) grants approval for the request of the Municipality of Russell-Binscarth (Municipality) for interim *ex parte* basis wholesale water rates for the Russell-Binscarth Water and Wastewater Utility (Utility) effective April 1, 2023.

The revised rates are below:

Wholesale water rate per 1,000 gallons	\$14.42
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Details of other rates can be found in Schedule A.

The reasons for the Board's decisions are under Board Findings.

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.

Operating Deficits

By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, the Utility is required by *The Municipal Act* to obtain Board approval for both the deficit and recovery methodology. The Board is therefore duty bound to approve reasonable rates based on reasonable expense projections.

2.0 Background

The Municipality of Russell-Binscarth was formed by amalgamation on January 1, 2015. The Municipality operated two water and wastewater utilities, one in the former Town of Russell and the other in the former Village of Binscarth.

The Russell water treatment plant (WTP) was constructed in 2018 at a cost of \$12,679,000. In addition, water well supply and well pipelines added an additional \$1,943,000 in capital costs. The Municipality received capital grants in the amount of \$10,172,000 for the WTP, well and pipelines. The WTP began supplying water to Rossburn, Gambler and Angusville in 2018 and 2019. The Binscarth water treatment plant was shut down in 2020 and the Russell WTP began supplying treated water for ratepayers located in the former Village of Binscarth.

The Board approved the amalgamation of the two utilities in Board Order No. 107/20, forming the Russell-Binscarth Water and Wastewater Utility effective January 1, 2021.

Prior to amalgamation, in Board Order No. 18/18, the Board had granted interim *ex parte* approval to the Russell Water and Wastewater Utility for initial bulk water fees, effective April 1, 2018. The bulk water rate approved in Board Order No. 18/18 was \$12.17 per 1,000 gallons.

Board Order No. 107/20 also granted approval for revised water and wastewater rates, including rates for bulk water sales effective January 1, 2022. The bulk water rates approved in Board Order No. 107/20 were a minimum charge of \$6.00 for up to 300 gallons, plus a charge of \$2.50 per 100 gallons on a prorated basis. Board Order No. 107/20 also included a clause continuing the \$12.17 per 1,000 rate for treated water sold to other municipalities, but ordered the Municipality to review the rate and return to the Board after completing the review.

3.0 Application

On June 24, 2022, the Municipality submitted an application for revised rates for the Utility for bulk water sales to other utilities, and requested the Board approve the rates on an interim, *ex parte* basis. The application included a rate study prepared by the Municipality's consultant and By-law No. 81-12-21, having had first reading November 25, 2021. The application requested an effective date of April 1, 2022 and January 1, 2023.

The Board reviewed the application for completeness, and contacted the Municipality on August 8, 2022 with information requests, specifically seeking an explanation of the Municipality's current bulk water rate or rates, and associated systems.

The Municipality's consultant replied to the Board's information requests, and confirmed the utility was in effect charging two different bulk water rates, and the rates related to two separate systems. The rates of \$6.00 for up to 300 gallons, plus a charge of \$2.50 per 100 gallons on a prorated basis, for the purposes of clarity and transparency, is referred to as the bulk water rate. The rate of \$12.17 per 1,000 gallons initially approved in Board Order No. 18/18 is for the sale of treated water to other utilities, and for purposes of clarity and transparency, is referred to as the wholesale water rate.

The Municipality submitted in calculating the wholesale water rate, the 2020 actual operating costs from the Russell and Binscarth WTPs and 2021 budgeted operating costs for the Russell WTP were reviewed and costs were forecast for 2022 and 2023. Amortization expense for the Russell WTP, wells and pipeline along with the applicable capital grant amortization offset were reviewed and included in expense calculations.

Interest costs for the debenture debt representing the net cost of this project being funded by 20 year debenture issued by the Municipality of Russell Binscarth are also included in the calculations.

4.0 Board Findings

The Board grants approval of revised wholesale water rates on an interim *ex parte* basis effective April 1, 2023.

The application had requested rates be approved effective April 1, 2022 and January 1, 2023. It appears there was an administrative error on the part of the Municipality, which delayed the filing of the application by several months. Generally, the Board does not approve retroactive rate increases, as it does not allow ratepayers to mitigate the increases by adjusting their consumption. In the case of a utility selling to another utility, it is important that adequate time be given to the purchasing utility to notify the end users of the services.

For these reasons, the Board will vary the effective date to April 1, 2023 and directs the Municipality to notify its customers of the rate increases as soon as possible.

In Board Order No. 107/20 the Board directed the Municipality to review the Utility's water and wastewater rates for adequacy and file a report or submit an application for revised rates on or before December 31, 2022. The Board will revise this and directs the Municipality to file a rate application, prepared using the Board's guidelines for calculating Two-Step Rates – Domestic and Wholesale, on or before March 31, 2024.

5.0 IT IS HEREBY ORDERED THAT:

1. The Municipality of Russell-Binscarth's application for revised wholesale water rates for the Russell-Binscarth Water and Wastewater Utility on an interim *ex parte* basis, BE AND IS HEREBY VARIED effective April 1, 2023.
2. The Municipality of Russell-Binscarth amend its By-Law No. 81/12/21 to reflect the decisions in this Order and submit a copy to the Public Utilities Board once it has received third and final reading.

3. The Municipality of Russell-Binscarth notify its wholesale water customers of the decisions found in this Order as soon as possible, with a copy provided to the Public Utilities Board.
4. The Municipality of Russell-Binscarth file an application for revised water and wastewater rates, on or before March 31, 2024.

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

"Shawn McCutcheon"
Panel Chair

"Jennifer Dubois, CPA, CMA"
Assistant Associate Secretary

Certified a true copy of Order No. 107/22
issued by The Public Utilities Board



Assistant Associate Secretary

Municipality of Russell Binscarth

By-Law 81/12/21

BEING A BY-LAW OF THE MUNICIPALITY OF RUSSELL BINSKARTH TO ESTABLISH A RATE FOR TREATED BULK WATER SALES TO OTHER UTILITIES.

WHEREAS the Municipality of Russell Binscarth owns and operates a sewer and water facility within the limits of the community of Russell;

AND WHEREAS The Municipal Act S.M. 1996, c58, states in part:

232 (1) A council may pass by-laws for municipal purposes respecting the following matters:

(1) public utilities;

232 (2) Without limiting the generality of subsection (1), a council may in a by-law passed under this Division:

establish fees or other charges for services, activities or things provided or done by the municipality or for the use of property under the ownership, direction, management or control of the municipality."

AND WHEREAS the Municipality of Russell Binscarth has constructed a regional water treatment plant and pipeline;

AND WHEREAS the Municipality of Russell Binscarth will need to establish a bulk treated water rate;

NOW THEREFORE be it and it is hereby passed and enacted as a by-law of the Municipality of Russell Binscarth, in council duly assembled as follows:

(1) THAT consumers shall pay a charge of \$14.42 per 1,000 gallons of consumption for wholesale treated water effective April 1, 2023.

(2) THAT this By-law shall come into force and become effective on, from and after approval from the Public Utilities Board and receipt of third reading thereof by the Council of the Municipality of Russell Binscarth.