

Order No. 80/23

**AN ORDER RESPECTING THE TOWN OF THE PAS
THE PAS WATER AND WASTEWATER UTILITY
SURCHARGE TO RECOVER DEBENTURE SERVICING COSTS
LAGOON UPGRADE
EFFECTIVE JULY 1, 2023**

July 11, 2023

**BEFORE: Shawn McCutcheon, Panel Chair
Marilyn Kapitany, B.Sc. (Hon), M.Sc., Panel Member**

1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves utility surcharges to recover a portion of the debenture servicing costs, previously approved in principle in Board Order No. 148/20, for the Town of The Pas (Town), The Pas Water and Wastewater Utility (Utility) lagoon upgrade project, effective July 1, 2023 until June 30, 2048 or until the debenture is fully recovered, whichever comes first.

The project surcharge is effective July 1, 2023 as follows:

Project	Total Borrowing	Net Annual Debenture Payment	Estimated Annual Water Sales (1,000 gallons)	Approved Surcharge per 1,000 gallons of Wastewater	Time Period
Lagoon Upgrade	\$4,800,000	\$299,192.11	122,446.9	\$2.43	25 years

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

2.0 Background

On November 27, 2020, the Town applied to the Board for approval in principle of a utility surcharge to fund debenture payments. The debenture was to fund a lagoon upgrade.

The lagoon upgrade project was designed to bring it into compliance with federal and provincial regulations in terms of ammonia, phosphorus and disinfectant/dischlorination concentrations as well as increasing lagoon holding times. It was anticipated the project would be completed substantially in 2021.

At that time, the total estimated cost of the project was \$17,400,000. \$10,480,000 to be funded by a grant from Manitoba Water Services Board (MWSB), Manitoba Restart Program and \$6,920,000 from the Utility. The Manitoba Restart Program is a \$500,000,000 government stimulus package, announced in 2020 and designed to help Manitoba's economy forward through the Coronavirus Disease 2019 (COVID-19) pandemic.

The Utility advised it would fund its share through a transfer from the Utility Reserves in the amount of \$2,120,000 and an issuance of \$4,800,000 in debenture debt, which assumed a 5% interest rate per year at that time.

Along with the application, the Town submitted Borrowing By-Law No. 4607, which was given first reading on November 23, 2020. The Town also provided copies of Public Notices dated November 3, 2020 and November 10, 2020 regarding a Public Hearing scheduled on November 23, 2020, to present the proposal to borrow \$4,800,000. The Town also submitted Council Resolution No. 2020-191 requesting approval from the Board to recover the debenture payments through a utility surcharge in the amount of \$2.43 per 1,000 gallons of wastewater per account over a period of 25 years.

In Board Order No. 148/20, the Town was given approval in principle to assess the requested 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.

3.0 Application

On June 13, 2023, the Town applied to the Board for final approval for a utility surcharge to fund debenture payments for the lagoon upgrade project, as approved in principle in Board order No. 148-20. The project was completed in December 2022.

With the application, the Town submitted borrowing By-Law No. 4626, read for the third time on February 14, 2022. The Municipal Board approved the By-Law in Municipal Board order No. E-22-006 subject to the Public Utilities Board approval of the debenture surcharge. The Town also submitted Council Resolution Number: 2023 115 in support of the Town's application.

The borrowing By-Law was revised from the By-Law No. 4607, included in the Town's initial application for approval in principle of the debenture, to a reduced interest rate of 3.75% per year (down from 5.0%). The first debenture payment was scheduled to be made December 30, 2022 for a period of 25 years until December 30, 2046.

The Town's application noted the revised calculation of the debenture surcharge had changed slightly from the \$2.43 amount approved in principle in Board Order No. 148/20 to \$2.44 due to the variation in the interest rate and a reduced level of water sold. On July 5, 2023, Board staff confirmed with the Town they wished to proceed with the rate approved in principle of \$2.43 per account per 1,000 gallons of wastewater versus the indicated rate.

4.0 Board Findings

The Board approves the debenture surcharge of \$2.43 per 1,000 gallons per account per quarter to be collected over a period of 25 years as requested by the Town, effective July 1, 2023 until June 30, 2048 or until the debenture is fully recovered, whichever comes first.

The Board directs the Town to provide notice of the decisions found in this Order to its customers as soon as possible, with a copy submitted to the Board thereafter.

The Board cautions the Town, since the debenture surcharge revenues were calculated based on the 2022 volume of water sold of 122,446,900 gallons, the actual revenues collected may not be equal to the exact amount of annual debenture payment requirements. A shortfall in water sales and/or consumption would therefore generate insufficient revenue to make the annual debenture payment. Alternatively, there is a possibility of revenue collected in excess of the annual debenture payment should water sales exceed the forecast.

The Board directs the Town to closely monitor its water sales/consumption and submit an application to vary the debenture surcharges if the sales/consumption are less than the forecasted debenture payment requirements. If water sales/consumption is greater than forecasted, it will result in more revenue than is required for the annual debenture payments. These surplus funds will materialize in the Utility Fund Surplus and should be used to shorten the collection period of the debenture surcharge or be added to the Utility Reserve Fund if the debenture does not allow for increased payments.

The Board recommends the Town work with its auditors to ensure the proper recording and reporting of the debenture surcharges and to update the Public Utilities Board Note in its financial statements accordingly.

5.0 IT IS THEREFORE ORDERED THAT:

1. The Town of The Pas, The Pas Water and Wastewater Utility, debenture surcharge of \$2.43 per 1,000 gallons per account per quarter BE AND IS HEREBY APPROVED to be collected over a period of 25 years, effective July 1, 2023 until June 30, 2048 or until the debenture is fully recovered, whichever comes first.
2. The Town of the Pas, The Pas 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.
3. The Town of The Pas is to monitor its water sales/consumption closely and submit an application to vary the debenture surcharge, if required.

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

"Shawn McCutcheon"

Panel Chair

"Frederick Mykytyshyn"

Assistant Associate Secretary

Certified a true copy of Order No. 80/23
issued by The Public Utilities Board



Assistant Associate Secretary