

Order No. 95/23

**CITY OF SELKIRK
REVISED WATER AND WASTEWATER RATES
SIMPLIFIED RATE APPLICATION**

August 16, 2023

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

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1.0 Executive Summary

By this Order, the Public Utilities Board grants approval of revised water and wastewater rates effective October 1, 2023, for the City of Selkirk (City), Water and Wastewater Utility (Utility). The approved rates are shown below:

	Oct 1, 2023
Quarterly Service Charge	\$ 29.28
Water (per cubic meter)	\$ 2.59
Wastewater (per cubic meter)	\$ 3.26
Minimum Quarterly Charge*	\$ 111.18
Bulk Water Sales (per cubic meter)	\$ 2.98
<u>Wastewater Receiving Rates</u>	
Quarterly Administrative Fee	\$ 29.28
Volume Dumping (per cubic meter)	\$ 15.79
B.O.D. Surcharge (per kilogram)	\$ 0.54
S.S. Surcharge (per kilogram)	\$ 0.26
Untested Dumping	\$ 27.26

*Based on 14 cubic meters

Details of the rates can be found in the attached Schedule A.

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

2.0 Background

The City of Selkirk operates a water and wastewater utility.

Rates were last set in Board Order No. 173/18, with current rates coming into effect January 1, 2021.

3.0 Board Methodology

Simplified Rate Application Process

The Board issued Board Order Nos. 86/17 and 27/23 establishing and revising the Simplified Rate Application Process (Simplified Process). This process applies to municipally-owned public utilities operating water and/or wastewater systems which meet designated criteria and wish to request Board approval for revised rates.

The following criteria are required in order for a utility to qualify to apply for revised rates using the Simplified Process:

1. The utility must be compliant with all regulatory reporting, including but not limited to:
 - a. The audited financial statements being relied upon for evidence by the Board in the application must be current and prepared in compliance with *The Municipal Act* section 190.
 - b. All outstanding utility deficits should have received approval of the Board.
 - c. All directives from previous Board Orders should have been followed, including submitting copies of all by-laws after third reading, as required.

2. The utility must not be experiencing an operating deficit which is the lower of \$10,000 or 5% of operating expenses, when calculated for regulatory purposes. This includes the appropriate adjustments for capital grants and contributed assets

as outlined in Board Order No. 151/08, available on the PUB website at www.pubmanitoba.ca.

3. The utility must not be experiencing an unexplained annual operating surplus which is in excess of 20% of operating expenses, when calculated for regulatory purposes. This includes the appropriate adjustments for capital grants and contributed assets as outlined in Board Order No. 151/08, available on the PUB website at www.pubmanitoba.ca. An example of an explained surplus would be a utility making an annual contribution to reserves for a planned expenditure; when providing the explanation, all details and supporting documentation about the intended purpose of the reserve should be included.
4. The municipality must have reviewed the utility operations and expects the requested rate will be adequate to meet operating costs for the year. If the revised rates are inadequate, the full application process should be initiated to apply for the necessary rate revisions.
5. The utility must be seeking a rate increase of no more than The Bank of Canada Policy Interest Rate +2%, as indicated at www.bankofcanada.ca on the date of the first reading of the municipal by-law, over the current utility rate. The current utility rate must have been in effect for a minimum of one year from the date of application under the Simplified Process. The revised rate must apply equally to all customers of the utility; however, the utility may request a different revision for the customer service charge, water and/or wastewater rates. For example, a qualified utility may request a 2% rate increase for water, a 1% increase in the customer service charge and no change in wastewater rates, if appropriate. A utility that has domestic and wholesale rates and only wishes to increase one of those rates must apply using the full application process.

6. Requests for multi-year increases will be denied; however utilities may make annual requests for rate increases using the Simplified Process, as long the utility continues to meet the designated criteria.

7. The Simplified Process is at the discretion of the Public Utilities Board, and applicants may be subject to the full application process at any time, and for any reason, without explanation or appeal.

The responsibility for determining whether or not a utility meets the designated criteria lies with the applicant utility. If a utility that clearly does not meet the designated criteria attempts to submit an application using the Simplified Process, the Board will deny the application, and charge a processing fee of \$500.00.

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.

Working Capital

Board Order No. 93/09 established utilities should maintain a minimum working capital surplus, in an amount equal to 20% of annual expenses. The working capital surplus is the Utility fund balance, excluding any capital-related items plus Utility reserves.

4.0 Application

On May 24, 2023, the Board received the City's application for revised water and wastewater rates for the Utility. The Application was submitted using the Simplified Process and accompanied by Amending By-Law No. 5379 (which amends By-Law No.

5309) having received first reading on May 23, 2023. The Bank of Canada Policy Interest Rate as of that date was 4.5%, allowing the City to request increases of up to 6.5% using the Simplified Process.

The application requested increases ranging from 4.0% to 6.5%. The City provided an affidavit certifying the Utility meets all Board requirements for the Simplified Process as set out in Board Order Nos. 86/17 and 27/23.

A Public Notice of Application was issued on June 15, 2023, affording customers the opportunity to comment to both the Board and the City with respect to the proposed rate increases. No responses were received.

The City has applied for revised rates to provide for inflationary cost increases for current and future operations of the Utility, including the net amortization expense from the new wastewater treatment plant. The 2022 utility operating surplus, when calculated for regulatory purposes, was \$924,104, before any transfer to reserves. The rates set in Board Order No. 173/18 included a provision for reserves of \$950,000 per year.

The City's application advised its five year capital plan included utility projects totalling \$16,971,000 from 2024 to 2028, with \$7,067,000 projected to be funded from the Utility Reserve.

Working Capital Surplus

As per the 2022 Audited Financial Statements, the working capital surplus at December 31, 2022:

	2022
Accumulated Fund Surplus	\$66,257,218
Deduct tangible capital assets	\$75,891,303
Add long term debt	\$13,794,781
Add utility reserve	\$4,232,066
Equals Working Capital Surplus/Deficit	\$8,392,762
Total expenses	\$6,357,287
20% of total expenses(target)	\$1,271,457

The Utility currently meets the Board minimum working capital surplus of 20%.

5.0 Board Findings

Considering the City's filing and noting there was no public response to the Notice of Application, the Board has chosen a paper review process.

The Board finds the City meets the required criteria, as set out in Board Order Nos. 86/17 and 27/23, to apply for revised rates using the Simplified Process and grants approval for the rates as applied for, effective October 1, 2023.

In reviewing the City's application and the Financial Plans on file with the Province of Manitoba, the Board notes that although the Utility currently has reserves in excess of \$4 million in its reserve and plans to continue add \$950,000 to its reserves annually, the City has significant capital plans which account for these funds. To put the reserves into perspective, the Board compared it to the Utility's tangible capital assets (TCA). TCA is nearly \$76 million, which puts the current reserves at 5.3% of total TCA.

The Board finds the City's current and five year capital plans represent a material change in the Utility. When the Board introduced the Simplified Process in Board Order No. 86/17, it stated one of its objectives with the process was to allow utilities to keep up with rising operating costs using minimal resources. Given the impact of the capital projects, both those completed and those planned, the Board finds the City's next rate application should be prepared using the Full Rate Application Process.

The Board requires the City to review its water and wastewater rates for adequacy and file a report with the Public Utilities Board, as well as a full rate application for revised rates if required, by no later than June 30, 2025.

The Board directs the City to prepare a Notice for its ratepayers, informing them of the decisions in this Order. The City is also directed to provide the Board a copy of this Notice and an amended rate By-law, having had third reading.

6.0 IT IS THEREFORE ORDERED THAT:

1. Revised water and wastewater rates for the City of Selkirk Water and Wastewater Utility BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective October 1, 2023.
2. The City of Selkirk submit a copy of its utility by-law to the Board once it has received third and final reading.
3. The City of Selkirk is to provide notice to its customers as soon as possible of all decisions found in this Order.
4. The City of Selkirk review water and wastewater rates for adequacy and file a report with the Public Utilities Board, as well as a full rate application for revised rates, if required, by no later than June 30, 2025.

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

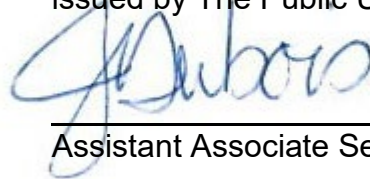
"Shawn M^cCutcheon"

Panel Chair

"Jennifer Dubois, CPA, CMA"

Assistant Associate Secretary

Certified a true copy of Order No. 95/23
issued by The Public Utilities Board



Assistant Associate Secretary

City of Selkirk

Schedule "A" To By-law No. 5379

WATER & WASTEWATER RATES

SCHEDULE OF QUARTERLY RATES

October 1, 2023

1. Rates per Cubic Meter

Cubic Meter per quarter

	Water	Wastewater	Total Water & Wastewater
	\$2.59	\$3.26	\$5.85
<u>Quarterly Service Charge</u>	\$29.28		

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges set out below, which includes the water allowance as listed.

a. Water & Wastewater Customers

Meter Size	Water Included Cubic Meters	Customer	Water	Wastewater	Water &	Water	Wastewater
		Service	Commodity	Commodity	Wastewater	Only	Only
		Charge	Charge	Charge	Total Quarterly Minimum	Quarterly Minimum	Quarterly Minimum
5/8 inch	14	\$29.28	\$36.26	\$45.64	\$111.18	\$65.54	\$74.92
3/4 inch	28	\$29.28	\$72.52	\$91.28	\$193.08	\$101.80	\$120.56
1 inch	56	\$29.28	\$145.04	\$182.56	\$356.88	\$174.32	\$211.84
1 ½ inch	140	\$29.28	\$362.60	\$456.40	\$848.28	\$391.88	\$485.68
2 inch	350	\$29.28	\$906.50	\$1,141.00	\$2,076.78	\$935.78	\$1,170.28
3 inch	630	\$29.28	\$1,631.70	\$2,053.80	\$3,714.78	\$1,660.98	\$2,083.08
4 inch	1,260	\$29.28	\$3,263.40	\$4,107.60	\$7,400.28	\$3,292.68	\$4,136.88
6 inch	2,380	\$29.28	\$6,164.20	\$7,758.80	\$13,952.28	\$6,193.48	\$7,788.08

b. Metered Water Only Customers

Quarterly minimum charge will be the same for each meter size as shown in table above.

c. Wastewater Only Customers

The water from the customers private service shall be metered at the customer’s cost. The charge will be based upon consumption as shown above with the water charge excluded.

d. Bulk Water Sales

All water sold in bulk by the City of Selkirk will be charged at the rate of \$2.98 per cubic meter.

3. Sewage Receiving Rates

The City shall charge the following rates to the users for the sewage receiving station:

Administration fee:	\$29.28 per quarterly billing
Volume dumping:	\$15.79 per Cubic Meter
B.O.D. Surcharge:	\$0.54 per kilogram
S.S. Surcharge:	\$0.26 per kilogram
Untested Dumping:	\$27.26 per Cubic Meter