

Order No. 160/16

**AN ORDER RESPECTING THE CITY OF SELKIRK
APPROVAL IN PRINCIPLE
TO RECOVER DEBENTURE SERVICING COSTS
FOR A WASTEWATER TREATMENT PLANT UPGRADE PROJECT**

December 13, 2016

BEFORE: Robert Gabor, Q.C., Chair
Carol Hainsworth, C.B.A., Member
Shawn M. McCutcheon, Member

1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board or PUB) approves, in principle only, the funding through utility rates of debenture servicing costs for the wastewater treatment plant upgrade project for the City of Selkirk (City).

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

Estimated debenture debt funding	\$ 11,781,202
Annual expenses:	
Debenture interest expense - est 5.84%	\$ 688,022
Net amortization expense	\$ 265,525
Elimination of annual Nutrient Reserve provision	-\$ 150,000
Net increase in utility expenses for project:	\$ 803,547
2015 water consumer sales volume in cubic meters	998,855
Rate increase required per cubic meter	\$ 0.80

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

2.0 Application

On November 23, 2016 the City of Selkirk applied to the PUB for approval in principle of a utility surcharge to fund debenture interest and amortization costs, which are anticipated as a result of a wastewater treatment plant (WWTP) upgrades project.

The anticipated cost of the project is \$36,870,173 with \$23,669,007 being contributed by Canada/Manitoba Infrastructure. The City's portion is estimated at \$13,241,167.

The municipal funding required for this project will be provided from the City's Nutrient Removal Reserve, Water and Sewer Reserve and the issuance of debenture debt.

Council passed Resolution No. 340/16 stating that the City requests approval in principle of the estimated Utility surcharge of \$.80 per cubic meter to fund the debenture interest payments and amortization costs anticipated as a result of construction of the proposed new wastewater treatment plant.

The City proposes to issue a 25 year debenture in the amount of \$11,780,191, which includes the estimated short term financing costs at an anticipated interest rate of 5.84%. The annual amortization expense for the WWTP, net of capital grant amortization, is estimated at \$264,823 and the interest payment on the debenture debt is estimated at \$687,963. The City also advises that, in calculating the \$.80 per cubic meter, the annual provision of \$150,000 for the nutrient removal reserve would be eliminated. This resulted in net revenue requirements of \$803,547, which the City then divided by the 2015 water sales volume of 998,855 cubic meters, to come to the proposed \$.80 per cubic meter charge.

The City advised in its submission that the debenture interest payments and net amortization costs would be incorporated in the City's next utility rate study and application, scheduled to be submitted to the Board in early 2017.

3.0 Board Findings

The PUB approves, in principle, the concept of including the surcharge to recover the debenture interest payments and net amortization costs, less the \$150,000 reserve provision currently included in utility rates, anticipated as a result of the proposed new wastewater treatment plant.

The City has calculated that the estimated impact of this recovery will be \$0.80 per cubic meters of consumption. The PUB's approval in principle is based, in part, on the assumption that the City will secure funding from the Canada/Manitoba Infrastructure amounting to \$23,669,007 and approval from The Municipal Board of a borrowing for the remaining \$11,780,191.

Typically, municipalities that wish to recover debenture payments through utility rates do so as a surcharge to the regular utility rates. The City has indicated that it wishes to apply for revised overall rates, and include the debenture recovery in the calculation of the overall rates. The Board accepts this methodology; however the City of Selkirk will be responsible for filing an amendment or review and vary of the final Board Order, if there are any material changes to the capital project, in either costs or timing.

The City's submission also indicated a desire to "phase in" the rate increases required, but did not provide any information regarding how it plans to fund the shortfall in the first two rate years. A more thorough explanation should be provided in the rate study.

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.

4.0 IT IS THEREFORE ORDERED THAT:

- 1) The City of Selkirk's proposal to recover the debenture interest payments and net amortization costs resulting from the construction of the proposed new wastewater treatment plant through utility rates is HEREBY APPROVED in principle, with the City required to file a rate study and application including these charges, on or before June 30, 2017.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"ROBERT GABOR, Q.C."

Chair

"JENNIFER DUBOIS, CPA, CMA"

Acting Secretary

Certified a true copy of Order No. 160/16
issued by The Public Utilities Board

Acting Secretary