

THE PUB SPOTLIGHT ON WATER & WASTEWATER UTILITY REGULATION



Manitoba is home to over 100,000 lakes and surface water covers approximately 16% of our province. Water is also one of the PUB's largest regulatory portfolios: one-third of our staff is dedicated to managing approximately 240 utilities.

DID YOU KNOW that under *The Public Utilities Board Act*, the PUB regulates the rates charged by water and wastewater utilities, most of which are municipally or cooperative owned. However, *The City of Winnipeg Charter* specifically excludes the PUB from regulating the Winnipeg utility.

In the past, treated water and wastewater services outside of the City of Winnipeg were available only in larger towns and cities, and almost no one living outside of urban areas had access. Over time, with financial and logistical support from federal, provincial and municipal governments along with ratepayer investment, access to water and wastewater services in Manitoba has grown significantly. In many areas, treated pipeline water is available whether you live in or outside of an urban area and many smaller communities now have access to wastewater systems that have replaced septic fields and pump outs. The book value of this infrastructure now exceeds \$1 billion.

Northern Manitoba utilities face their own unique challenges in keeping rates affordable and maintaining infrastructure, and most utilities are located in a few larger urban communities. In addition, it is important to note that the PUB does not have jurisdiction over water and wastewater utilities located on First Nations – they are under the jurisdiction of the federal government.

The PUB helps promote sustainable utilities and fair rates for ratepayers.



The PUB has approximately 240 active water and wastewater utilities, and our focus is mainly on rates and stability.

We do not regulate the day-to-day business operations of any utility or have jurisdiction over drinking water safety.

Maintaining a stable financial footing allows utilities to provide services in a cost effective manner, and it is the utility's responsibility to file rate adequacy reports or rate applications on a regular basis. Regular rate reviews help assess the financial health of the utility and can help catch small issues BEFORE they become big issues. Utilities need to be in a strong financial position to deal with aging or inadequate infrastructure as the costs to replace or expand water and wastewater infrastructure is significant.

What is included in rates? All of the costs to operate a water and/or wastewater utility should be included:

- **The recruitment, training and salaries of utility employees.** This includes water system operators responsible for water quality and safety, wastewater system operators, and the office staff responsible for financial management.
- **The costs associated with treated water,** including any costs for the treatment and/or monitoring of wastewater.
- **Depreciation/amortization costs.** This is a non-cash expense, which allows the utility to expense the cost of a capital asset over its useful life. This is important so current ratepayers are paying for the assets they are using, and to create reserves for future replacement costs.
- **Capital project debenture repayments.** Major capital expenditures are often funded by a combination of federal and provincial grants with the remaining monies provided by the municipality. The municipality borrows this money, and property taxpayers, utility ratepayers (or a combination of the two) repay the debenture (loan).

Municipalities own and operate most of the PUB-regulated utilities. Utilities are a separate entity within a municipality: ratepayers fund the day-to-day operations, and Council is responsible for decisions relating to their operations.

The PUB recommends utilities perform a rate adequacy review at least every three years. If rates are not reviewed regularly, current (and future) customers will carry the burden of any shortfall. Utilities also want to avoid deficits. If a utility gets into a deficit situation, the deficit amount must be recovered and could result in large rate increases for customers or a rate rider being applied to customer bills to recover the deficit amount. Rate riders are collection methods with expiry dates attached to them.

The Simplified Rate Application (SRA). The PUB has a simplified application process for well-managed utilities that meet specific financial criteria. The SRA allows utilities to apply for a one-year rate increase without having to go through the detailed, full rate application. ***The PUB encourages utilities that are eligible to use this process to keep their rates current.***

Other Applications. There are several other applications that utilities can submit to PUB: General Rate Application, Deficit Application, Initial Interim Rates, Debenture Surcharge, Development Charges, Lagoon Tipping Fees, and a Review and Vary (also known as an appeal). All applications (and some frequently asked questions) are located on [our website](#), along with detailed information on supporting documents that are required as part of the application process.

***The PUB operates on the basis of sound, established regulatory principles.
When considering a rate application, the PUB must weigh all the available evidence.***

PUB Processes. Once the PUB receives an application and verifies it is complete, it goes into the application queue. At any given time, there are typically between 25-40 applications in the queue and PUB's goal is to adjudicate them as quickly as possible.

When an application reaches the top of the queue, it is reviewed thoroughly and requests for additional information that may be needed are sent to the applicant. Once we are satisfied the necessary evidence has been received, a final review takes place and a panel of members determines whether a public hearing is in the best interest of the community or if a paper review process will take place.

Q: How would I know if my utility filed an application with the PUB?

A: When the PUB is preparing to review an application for rates, a Notice of Application is issued and the utility is responsible for posting and/or publishing the Notice in the community. The PUB has developed [Guidelines](#) to help utilities meet their responsibilities in the rate setting process, which are posted on our website for easy access.

Q: How does PUB decide if they are having a public hearing or a paper review?

A: Because no two applications are alike, several factors are taken into consideration. The volume of responses received in response to the application, the nature of the responses received, and/or the size of the rate increase requested by the utility are some of the aspects considered by PUB when making its decision.

Q: As a ratepayer, can I participate in the process?

A: Yes! Participation methods change depending on the type of hearing (paper review or public hearing) and instructions on how the public can participate is provided in the Notice of Application. There is also detailed information on the PUB website about [how to participate in the regulatory process](#).

DID YOU KNOW that decisions made by the PUB are communicated to the applicant and the public in a formal Board Order? A Board Order contains the background issues, evidence submitted by the utility in support of their rate request, ratepayer evidence (if available), and PUB findings. The PUB sends the Order to the applicant (both electronically and in hard copy) AND posts them on our [website](#) to be accessible to all Manitobans.
