

Order No. 13/20

**AN ORDER RESPECTING
THE RURAL MUNICIPALITY OF MINTO-ODANAH
REQUEST TO REVIEW AND VARY
BOARD ORDER NO. 116/19
TOWN OF MINNEDOSA
WATER AND WASTEWATER RATES &
RECOVERY OF 2017 OPERATING DEFICIT**

January 24, 2020

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

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) varies the recovery of the 2017 deficit rate rider previously set in Board Order No. 116/19 in the Town of Minnedosa (Town).

The Board approves the recovery of the 2017 operating deficit through a rate rider of \$0.20 per cubic meter for a period of **three (3) years**. The rate rider is to be collected from all customers excluding Husky Energy Inc. (Husky) and the Rural Municipality of Minto-Odanah (RM), Odanah Water Utility.

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

2.0 Background

This Board Order is best read in conjunction with Board Order No. 116/19.

In Board Order 116/19, issued on August 16, 2019, the Board approved water and wastewater rates for the Minnedosa Water and Wastewater Utility and the recovery of the 2017 operating deficit in the amount of \$133,450 through a rate rider of \$0.20 per cubic meter for a period of two (2) years beginning October 1, 2019. The rate rider was to be collected from all customers excluding Husky Energy Inc.

The Town stated its reason for the 2017 deficit was due to a shortfall in water revenues stemming from a dispute with its largest Utility customer and larger than anticipated expenditures relating to water breaks throughout the Town.

The Town's water treatment plant (WTP) #1 provides water to the Town's customers and the RM, while WTP #2 provides water to Husky. The Town's high unaccounted for water, at approximately 50%, is attributed to the Town's older distribution system that is serviced by WTP #1.

3.0 Application

On December 13, 2019, the RM submitted a request that the Board review its decision and exempt the RM from paying the rate rider. The submission included Council Resolution No. 4/12/19. The RM stated that the 2017 deficit incurred by the Town is in no way caused or contributed to by the RM and that it is unfair that the Minto-Odanah Utility is forced to pay the recovery of the deficit. Additionally, the RM stated that by paying the rate rider and having no means to charge the RM of Oakview – Rapid City Utility, it is in effect subsidizing the Rapid City customers.

The Board asked both parties to provide copies of the water sales agreement and state if there is a dedicated distribution line for water from the Town to the RM.

The following water sales agreements were provided:

1. Agreement between the Town of Minnedosa and the then Rural Municipality of Odanah (Odanah) (expired on March 13, 2017);
2. Agreement between the Town of Minnedosa and the then Rural Municipality of Minto (Minto) (expired on July 1, 2018); and
3. Memorandum of Agreement between the Town of Minnedosa the then Rural Municipality of Saskatchewan (RM of Saskatchewan), the then Town of Rapid City (Rapid City), and the Manitoba Water Service Board (MWSB).

In 2015, the RMs of Odanah and Minto amalgamated to form the Rural Municipality of Minto-Odanah (RM) and the RM of Saskatchewan, Rapid City and the RM of Blanshard amalgamated to form the Rural Municipality of Oakview (Oakview). No water sales agreements were negotiated between the Town and the new RM after the amalgamation, and there has been no renewal of the expired water sales agreements.

Both Odanah's and Minto's water are supplied by the Town's Water Treatment Plant (WTP) #1. The Town indicated that there is no dedicated distribution line from WTP#1 to

the RM of Minto-Odanah, and that the water travels through the Town's distribution system. As per the agreement between the Town and Odanah, Odanah's responsibility for the waterline starts at a delivery point (an intersection in the Town) with a booster station owned by the Town with a water meter at the Odanah's Reservoir.

The RM also provided information that the Minto customers are provided with water from the Town via a line extension from the Town's distribution system that the RM paid for, but the Town owns the meters. As per the agreement between the Town and Minto, Minto's responsibility for the waterline also starts at a designated delivery point. The Town then provides the billing statements to the RM which distributes them to the Minto customers on RM statements, so one cheque can be provided to the Town from the RM for water purchases. There are no additional charges from the RM for Minto customers.

The RM also confirmed that there are no repairs or known leaks from the delivery points where the RM's maintenance and financial responsibility starts.

4.0 Board Findings

The Board has reviewed the submission from the RM, and has made the decision to approve the request for exemption from the Town's deficit rate rider. The Board finds that Odanah customers, and the Town of Rapid City customers, should not be financially burdened for a deficit principally caused by water main breaks and losses in the Town's distribution system.

The Town's failure to mitigate its water losses which have resulted in operating deficits does not justify passing on additional charges to customers of utilities purchasing water from the Town.

The Board does not exempt Minto customers from the recovery of the rate rider. The Minto customers are direct customers of the Town and will pay the rate rider for deficit recovery.

The Board will also vary the recovery period of the \$0.20 per cubic meter rate rider for the Town of Minnedosa's Water and Wastewater Utility, and extend this period from two (2) years to three (3) years. The revenue for the deficit recovery already paid by the RM to the Town for October, November and December 2019 is to be credited to the RM.

The Board directs the Town to monitor the collected rate rider revenues closely. Should the deficit amount of \$133,450 be recovered before September 30, 2022, the Town is to immediately stop the collection of the rate rider.

The Board finds that the RM has failed to set up a utility for the Minto customers and has not properly accounted for the Minto waterline and the costs to service the line. Any water distribution system is a public Utility, as per the *Public Utilities Board Act*, and should be operated as a separate entity from the Municipality's General Fund.

Further, the Board notes the maintenance on the Minto waterline is funded from a Well Reserve Fund. The funds in this reserve are designated for other purposes than waterline

maintenance, and the Board finds the use of this fund for repairs to the Minto waterline inappropriate. Further, the RM taxpayers are subsidizing the repairs for a line they do not all use.

The Board directs the RM to properly account for the Minto waterline and customers, either by creating a new Minto Utility, absorbing the customers and tangible capital assets into the Odanah Utility and/or signing an out of boundary water agreement with the Town.

The Board also notes that the water service agreements with the previous RM's of Minto and Odanah are expired and no new agreement was signed after the RM's amalgamation. The Board recommends that the Town and the RM of Minto-Odanah negotiate a new water sales agreement, which represents the interests of both parties. This is to protect the interest of all parties. The Board recommends the agreement(s) be signed and in place before any rate studies are completed.

It has been seven years since the then RM of Odanah has submitted a rate application to the Board. In the Board's view, this is too long a time period between rate reviews. Regular rate reviews submitted every three years, as per the Board's Guidelines, protect the financial position of the Utility and may reduce the need for substantial rate increases in one year. In some cases, the additional cost of a rate rider becomes necessary to recover utility deficits.

It is a Utility's responsibility to review the rates and ensure rates are adequate to recover the cost of service being provided to its ratepayers, this includes pass-through rate increases and deficit recovery pass-through rate increases. If the RM's cost to purchase water for any reason increases it is the RM's responsibility to proactively seek Board approval and to have the new rate in place in time for the increase.

The Board directs the RM of Minto-Odanah to submit a rate application with rate study for the Odanah Utility, including commentary on the Minto customers and assets, to the Board

by than October 1, 2020. Should the RM decide to create a Minto Utility, a separate rate study is required on or before October 1, 2020.

5.0 IT IS THEREFORE ORDERED THAT:

1. The request of the Rural Municipality of Minto-Odanah, Odanah Water Utility, to be exempt from the Town of Minnedosa's 2017 deficit rate rider BE AND IS HEREBY APPROVED.
2. The recovery of the 2017 actual operating deficit for the Town of Minnedosa Water and Wastewater Utility, when calculated for regulatory purposes, in the amount of \$133,450, IS HEREBY VARIED to be recovered through a rate rider of \$0.20 per cubic meter over a period of three (3) years, or until the deficit is recovered in full, whichever comes first. The rate rider is to be paid by all Utility customers, except for Husky Energy Ltd and the Rural Municipality of Minto-Odanah, Odanah Water Utility.
3. The Town of Minnedosa, Minnedosa Water and Wastewater Utility is to credit or adjust the payment for the deficit rate rider revenue already collected from the Rural Municipality of Minto-Odanah, Odanah Water Utility.
4. The Town of Minnedosa, Minnedosa Water and Wastewater Utility, is to provide notice of the decisions found in this Order to customers.
5. The Town of Minnedosa, Minnedosa Water and Wastewater Utility, is to monitor the deficit revenues and stop the rate rider if recovered in full before September 30, 2022.
6. The Rural Municipality of Minto-Odanah, Odanah Water Utility submit a rate study, including commentary on the Minto customers and assets by no later October 1, 2020.

Fees payable upon this Order – \$150.00 payable by the RM of Minto-Odanah.

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

"Rachel McMillin, B.Sc."

Assistant Associate Secretary

Certified a true copy of Order No. 13/20 issued
by The Public Utilities Board



Assistant Associate Secretary