

**Order No. 108/21**

**THE CITY OF BRANDON  
BRANDON WATER AND WASTEWATER UTILITY  
SURCHARGE TO RECOVER DEBENTURE SERVICING COSTS  
WATER TREATMENT FACILITY  
EFFECTIVE OCTOBER 1, 2021**

---

**October 4, 2021**

**BEFORE: Irene Hamilton, Q.C., Panel Chair  
Shawn McCutcheon, 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. 100/19, for the City of Brandon (City), Brandon Water and Wastewater Utility (Utility) water treatment plant (WTP) upgrade.

Series A surcharge is effective October 1, 2021 and is to be in effect for the length of the debenture which is a period of 20 years.

Project	Total Borrowing	Net Annual Debenture Payment	Estimated Annual Usage (cubic meters)	Surcharge per cubic meter of consumption	Time Period
Water Treatment Plant Upgrade	\$8,000,000	\$543,959	6,567,571	\$0.083	20 years

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

## 2.0 Application

On April 25, 2019, the City applied to the Board for approval in principle of a utility surcharge to fund debenture payments. The debenture was to fund the water treatment plant upgrade.

In Board Order No. 100/19, the City was given approval in principle, to assess a 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.

The total estimated cost of the project is \$20,461,740, with \$2,230,870 funded by the Federal Government's Clean Water and Wastewater Fund, another \$2,230,870 funded from the City's Water Distribution Reserve Fund, and the balance of \$16,000,000 from a debenture over a 20-year period.

The City submitted borrowing By-law No. 7229 read for the first time on February 4, 2019. The Municipal Board approved the By-law on May 3, 2019 per Order No. E-19-051 subject to the Public Utilities Board approval of a debenture surcharge. The first debenture payment was scheduled for June 30, 2020. The surcharge for the project was \$0.18 per cubic meter.

On May 11, 2021, the City advised Board staff that it has elected to issue the debt in series, with the initial debt being \$8,000,000 and the remaining amount will be issued once the project has been completed. The City stated that it has done so to manage cash flow while not taking on more debt than the final project cost as it is expected that it will be below budget.

On July 13, 2021, the City submitted By-Law No. 7288 amending By-Law No. 7229 to provide Series "A" borrowing amount of \$8,000,000 to cover the partial costs of works completed. By-Law No. 7228 was read for the first time on December 7, 2020 and was given third and final reading on February 16, 2021. The surcharge for Series A will be \$0.083 per cubic meter of consumption.

### 3.0 Board Findings

The Board approves Series A debenture surcharge as submitted by the City of Brandon, of \$0.083 per cubic meter, per account, per quarter to be collected over a period of 20 years, effective October 1, 2021.

The City is directed to provide notice of the decisions found in this Order to its customers as soon as possible, with a copy submitted to the Board.

The Board cautions the City that since the debenture surcharge revenues were calculated based on the 2020 budgeted water consumption, the actual revenues that will be collected will not be the exact amount of the annual debenture payments. A shortfall in water sales and usage would generate insufficient revenue to make the annual debenture payment. Alternatively, there is a possibility of revenue in excess of the annual debenture payment should water sales exceed 6,577,571 cubic meters.

The Board directs the City to closely monitor its water sales and submit an application to vary the debenture surcharges if the sales and usage are less than the expected. Water sales and usage greater than expected will result in more revenue than is required for the annual debenture payments. These surplus funds will materialize in the Utility Fund Surplus. These surplus funds should be used to shorten the collection period of the debenture surcharge.

The Board recommends the City work with its auditors for the proper recording of the debenture surcharges and to update the Public Utilities Board Note in its financial statements.

