

Order No. 83/22

**THE CITY OF BRANDON
BRANDON WATER AND WASTEWATER UTILITY
SURCHARGE TO RECOVER DEBENTURE SERVICING COSTS
WATER TREATMENT FACILITY
EFFECTIVE OCTOBER 1, 2022**

July 27, 2022

**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 B surcharge is effective October 1, 2022 and is to be in effect for a period of 20 years as follows:

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	\$583,453.33	6,541,891	\$0.089	20 years

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

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 a 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.

At that time, the total estimated cost of the project was \$20,461,740. \$2,230,870 to be funded by the Federal Government's Clean Water and Wastewater Fund, \$2,230,870 to be funded from the City's Water Distribution Reserve Fund, and \$16,000,000 to be funded from a 20-year debenture.

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

On May 11, 2021, the City advised Board staff it has elected to issue the debt in series. The initial debt is to be \$8,000,000 and the remaining \$8,000,000 will be issued once the project has been completed. The City advised it has done so to manage cash flow while not taking on more debt than the final project cost in case the total project cost is under 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" is \$0.083 per customer per cubic meter of consumption.

In Board Order No. 108/21, the Board approved Series "A" debenture surcharge of \$0.083 per cubic meter of consumption to be collected over a period of 20 years, effective October 1, 2021.

On April 22, 2022, the City submitted By-Law No. 7325 to provide Series "B" borrowing amount of \$8,000,000 being the final cost of works completed under the authority of By-Law No. 7229. By-Law No. 7325 was read for the first time on February 22, 2022 and was given third and final reading on April 19, 2022. The debenture is payable on February 1 in each of the years from 2023 to 2042 inclusive. The surcharge for Series "B" will be \$0.089 per customer per cubic meter of consumption.

On June 7, 2022, Board staff asked the City for a project completion date and if there is a possibility the City's share of project costs will exceed the approved \$16,000,000 at that time.

On June 22, 2022, the City confirmed substantial completion of the project is estimated to be in September 2022 and the estimated final costs for the project are \$17,300,000. The City also advised, any project costs over the approved \$16,000,000 will be covered by the City's reserve funds.

3.0 Board Findings

The Board approves the Series "B" debenture surcharge of \$0.089 per cubic meter, per account, per quarter to be collected over a period of 20 years as requested by the City of Brandon, effective October 1, 2022.

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

The Board cautions the City, since the debenture surcharge revenues were calculated based on forecasted water consumption of 6,541,891 cubic meters, the actual revenues collected may not be equal to the exact amount of annual debenture payment requirements. A shortfall in water sales and/or consumption would therefore generate insufficient revenue to make the annual debenture payment. Alternatively, there is a possibility of revenue collected in excess of the annual debenture payment should water sales exceed the forecasted 6,541,891 cubic meters.

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

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

4.0 IT IS THEREFORE ORDERED THAT:

1. The City of Brandon, Brandon Water and Wastewater Utility, Series “B” debenture surcharge of \$0.089 per cubic meter, per account, per quarter, BE AND IS HEREBY APPROVED to be collected over a period of 20 years, effective October 1, 2022.
2. The City of Brandon, Brandon Water and Wastewater Utility, is to provide notice of the decisions found in this Order to its customers as soon as possible, with a copy submitted to the Public Utilities Board.
3. The City of Brandon is to monitor its water sales/consumption closely and submit an application to vary the debenture surcharge, if required.

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

"Irene Hamilton, Q.C"
Panel Chair

"Frederick Mykytyshyn"
Assistant Associate Secretary

Certified a true copy of Order No. 83/22
issued by The Public Utilities Board


Frederick Mykytyshyn
Assistant Associate Secretary