

Order No. 27/23

**AN ORDER REVISING WATER AND/OR WASTEWATER UTILITIES
SIMPLIFIED RATE APPLICATION PROCESS
MAXIMUM ALLOWABLE RATE INCREASE
FOR MUNICIPALLY OWNED PUBLIC UTILITIES
REVIEW AND VARY BOARD ORDER NO. 86/17**

March 2, 2023

BEFORE: Shawn McCutcheon, Panel Chair
Robert Gabor, K.C., Board Chair
Marilyn Kapitany, B.Sc. (Hon), M.Sc., Panel Member
Irene Hamilton, K.C., Panel Member
Susan Boulter, Panel Member
Jack Winram, B.A. (Econ), Panel Member

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) grants approval of a revised, maximum allowable rate increase under the Simplified Rate Application Process (Simplified Process). The maximum rate increase allowed shall be The Bank of Canada Policy Interest Rate, as indicated on the Bank of Canada's website (www.bankofcanada.ca), plus 2%. This rate replaces the rate of 3% previously approved under the Simplified Process in Board Order No. 86/17. The Simplified Process continues to apply to municipally owned public utilities operating water and/or wastewater systems (utility), which meet the designated criteria as established by Board Order No. 86/17, and wish to request Board approval for revised rates. Those utilities that do not meet the designated criteria are still required to continue using the current Full Rate Application Process (Full Process) to request Board approval for revised rates.

Board Order No. 86/17 describes in detail the designated criteria, procedures, and Minimum Filing Requirements for rate applications using the Simplified Process (MFRSP), which continue to apply for all Simplified Rate Applications.

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

2.0 Background

This Board Order is best read in conjunction with Board Order No. 86/17.

The Board has rate and other regulatory responsibilities for all Manitoba water and/or wastewater utilities, with the exception of the City of Winnipeg.

Prior to the Board's implementation of a Simplified Filing Process, the Board required that all municipally owned public utilities file a full rate application based on the Minimum Filing Requirements for preparing rate applications. Given the process can be quite lengthy in the preparation by the applicant and the review by the Board, the Board found that many municipalities would delay preparing rate applications until many years of deficits had occurred and the financial position of the utility became vulnerable. Based on discussions with the Manitoba Municipal Administrators (MMA) and its members, MMA advised the Board that delays in preparing rate applications were largely due to the considerable municipal resources and/or consulting fees required in preparing the rate application for the Board.

In response to the issue, the Board sought to find a way to accommodate utilities with a new application process that:

1. Allowed utilities to keep up with rising operating costs using minimal resources;
2. Provided an incentive for municipalities to remain compliant and current;
3. Provided an incentive to utilities to introduce smaller rate increases on a regular basis (which is generally preferred by ratepayers);
4. Decreased the backlog of rate and deficit applications with the Board; and
5. Allowed the Board to focus its resources on the utilities that require the most assistance.

Board Order No. 86/17 established a new, Simplified Process that outlined designated criteria that utilities must meet in order to be eligible to apply. The utilities must demonstrate they comply with all regulatory reporting requirements and all Board directives, and be in good financial standing in order to qualify to apply. The designated criteria also ensured non-compliant utilities could not circumvent the Board's application processes established to apply for revised rates. The Simplified Process also established reduced minimum filing requirements and a less burdensome application process compared to the Full Process.

3.0 Board Findings

Board Order No. 86/17 established, as part of the designated criteria to qualify for the Simplified Process, that a utility must be seeking a rate increase of no more than 3% over the current utility rate. At the time, the Board approved a maximum allowable rate increase of no more than 3%, as a reasonable representation of annual operating cost increases.

As a result of rising interest rates, the Board finds the previously approved maximum allowable rate increase of 3% may no longer be sufficient to provide for annual operating cost increases for utilities.

The Board has considered numerous ways of revising the maximum allowable rate increase permitted under the Simplified Process to reflect increases to annual operating costs of utilities. The Board finds that The Bank of Canada Policy Interest Rate +2% is a reasonable maximum allowable rate increase at this time.

The Board therefore varies the maximum allowable rate increase under the Simplified Process in Clause 5 of the previously approved criteria required in order for a utility to qualify to apply for revised rates using the Simplified Process in Schedule "A" of Board Order No. 86/17 as follows:

The utility must be seeking a rate increase of no more than The Bank of Canada Policy Interest Rate +2%, as indicated at www.bankofcanada.ca on the date of the first reading of the municipal by-law, over the current utility rate. The current utility rate must have been in effect for a minimum of one year from the date of application under the Simplified Process. The revised rate must apply equally to all customers of the utility; however, the utility may request a lower rate that includes the customer service charge, water and/or wastewater rates. For example, a qualified utility may request a 2% rate increase for water, a 1% increase in the customer service charge, and no change in wastewater rates. A utility that has domestic and wholesale rates and only wishes to increase one of those rates must apply using the full application process.

The remainder of Board Order No. 86/17 remains in effect. Those utilities that do not meet the designated criteria are still required to continue using the Full Process to request Board approval for revised rates.

4.0 IT IS THEREFORE ORDERED THAT:

- 1) Effective the date of this Order, the maximum allowable rate increase over the current utility rate permitted under the Simplified Rate Application Process IS HEREBY VARIED to be The Bank of Canada Policy Interest Rate +2% as indicated at www.bankofcanada.ca, as at the date of the first reading of the municipal by-law.
- 2) The remainder of Board Order No. 86/17 remains in effect.

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

"Frederick Mykytyshyn"

Assistant Associate Secretary

Certified a true copy of Order No. 27/23
issued by The Public Utilities Board



Assistant Associate Secretary