

Order No. 17/25

**RSR WASTEWATER COOPERATIVE LTD
WASTEWATER UTILITY
DECLARATION OF PUBLIC UTILITY**

February 6, 2025

BEFORE: Shawn McCutcheon, Panel Chair
Irene Hamilton, K.C., Panel Member
Patrick Ireland, MBA, Panel Member

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) declares the RSR Wastewater Cooperative Ltd. (RSR) a public utility. The Board finds RSR is to be regulated using the Board's standard regulatory process, and denies RSR's request to be regulated on a complaint based model.

The Board denies RSR's general request for authorization to charge member municipalities for start up costs. The Board directs RSR to file application and receive Board approval by way of Board Order prior to charging its members any utility rates.

The reasons for the Board's decisions are under Board Findings.

2.0 Background

The Town of Niverville, Rural Municipalities of Hanover, Ritchot and Tache formed the RSR Wastewater Cooperative Ltd to oversee the design, building and operation of a single wastewater treatment facility and all related systems needed to provide wastewater treatment for all of the Municipalities in the Cooperative.

RSR will provide wastewater collection and treatment services to nine existing public utilities with 9,000 customers within the member municipalities.

Wastewater treatment will be provided by a new Wastewater Treatment Facility (WWTF) comprised of a headworks, bioreactors, membrane filtration, rotary drum thickeners, odour control, sludge digestion, waste gas burner, administration building, lagoon modifications and septage receiving pump station. The WWTF will be located approximately 2 miles north of Niverville. Wastewater conveyance will be provided by 9 lift stations and wastewater mains to service RSR member utilities.

Total estimated capital cost for wastewater treatment and conveyance works is \$190 million with \$39.7 million in grant funding. RSR's net capital cost of \$150.3 million will be funded by debt issuance with annual payments funded through utility rates.

3.0 Application

On November 8, 2024, RSR submitted an application with three requests:

1. The Board designate RSR a public utility.
2. The Board regulate RSR on a complaint based model.
3. The Board grant RSR authorization for initial start-up costs to be charged to member municipality utilities with those utilities then increasing utility rates to fund those costs (pass-through rate approval).

The Public Utilities Board Act, Section 2(6) states “The board may declare any system of sewage collection or disposal, including all works, plants, sewage lines and equipment pertaining thereto, to be a public utility; and thereupon that system is a public utility under this Act.”

The nine utilities operated by RSR’s four member municipalities service 9,000 customers, which RSR submits makes it the largest wastewater-only utility in Manitoba. With the size and complexity of this utility, RSR deems it in the public’s best interest for RSR to be designated as a public utility under The Public Utilities Board Act.

RSR submits its only customers will be the nine public utilities in RSR member municipalities. The nine existing utilities in RSR member municipalities are regulated by the Board, and as such subject to Board rate setting methodology requirements. Any rate increases, including pass through rate increases, must be advertised in compliance with Board notice requirements.

RSR proposes that, as a cooperatively owned utility, rate setting be on a complaint basis. The members believe that this is reasonable with RSR board make-up consisting of municipal elected officials with support provided by municipal CAO’s ensuring full disclosure to all RSR customers (nine municipal public utilities). RSR proposes to file an annual information return with the Board and provide notice of intent to revise rates as required.

RSR will provide wastewater treatment and conveyance services to 9,000 customers spread throughout four municipalities comprising nine utilities servicing 11 distinct urban areas. Construction of the estimated \$190 million in capital works is forecast to start in early 2025 with completion in 2028.

RSR anticipates incurring startup costs for engineering, legal, consulting, permanent staffing and support staff. Staffing costs are anticipated to start being incurred in the last quarter of 2024. RSR will be required to hire staff to set up the administrative and financial systems necessary for RSR to operate in advance of commencing wastewater treatment services. From 2025 to 2028 these startup costs will be significant. RSR will have no offsetting billing revenues until actual system startup in 2028.

RSR is concerned that without a funding source for start up operating costs, there will be a substantial operating deficit that will require retroactive billing.

Some RSR municipal member utilities anticipate significant increases in utility billing rates during the transition to RSR assuming wastewater treatment services. It would be beneficial to the operation of RSR and for wastewater customers to be able to increase wastewater rates gradually over the next few years. The alternative is one large increase in 2028 that could create rate shock for customers while leaving RSR underfunded and in a Working Capital deficit position.

RSR proposes to project initial start up costs based on cost estimates and to allocate those costs to members based on the percent of volume and biochemical oxygen demand loading allocated to members. It is proposed that member municipal utilities would then add the initial startup costs to the rates set for each utility.

RSR will provide annual audited financial statements to members and the Board that detail initial startup costs incurred by RSR.

4.0 Board Findings

The Board declares the RSR Wastewater Cooperative Ltd. (RSR) a public utility.

The Board denies RSR's request to be regulated on a complaint-based model. While most cooperatively owned utilities in Manitoba are regulated using the Board's complaint-based model, there are exceptions. The scope of the Utility, both financially and the number of connections involved, is considerable. Typically, the member utilities purchasing services from a regional system like RSR are granted approval to implement pass-through rate increases, which saves the nine member utilities from filing an application with the Board every time the regional utility (in this case, RSR) has a rate increase. If the Board were to grant approval for pass through increases from a utility regulated on a complaint-based model, that would mean the rates would never be subject to a full Board review process. For these reasons, the Board finds RSR shall be regulated using the Board's standard regulatory process.

The Board denies RSR's request for authorization to charge member municipalities for unspecified start up costs. RSR's request was not accompanied by a proposed rate, but rather asks for permission to calculate and charge rates as it sees fit, and subsequently allow the member municipalities to pass-through these charges to end users. The Board recognizes this request was made assuming approval of the request to be regulated under a complaint-based model. Given the Board's denial of RSR's second request, it finds approval of RSR's third request would be a failure on its part to exercise its delegated authority and responsibility to establish Utility rates.

The Board directs RSR to file application and receive Board approval by way of Board Order prior to charging its members any utility rates. The Board encourages RSR to submit an application for initial interim rates as soon as possible and orders a submission no later than December 31, 2025.

5.0 IT IS HEREBY ORDERED THAT:

1. The RSR Wastewater Cooperative Ltd. BE AND IS HEREBY DECLARED a public utility by the Public Utilities Board, effective January 1, 2025.
2. The request by RSR Wastewater Cooperative Ltd. to be regulated on a complaint-based model by the Public Utilities Board BE AND IS HEREBY DENIED.
3. The request by RSR Wastewater Cooperative Ltd. to charge unspecified initial start up costs to its member municipality utilities BE AND IS HEREBY DENIED.
4. RSR Wastewater Cooperative Ltd. submit an application for initial interim rates on or before December 31, 2025.

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 (Rules). The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"

Panel Chair

"Jennifer Dubois, CPA, CMA, CTAJ"

Assistant Associate Secretary

Certified a true copy of Order No. 17/25

issued by The Public Utilities Board



Assistant Associate Secretary