

Order No. 21/25

**CITY OF PORTAGE LA PRAIRIE
PORTAGE LA PRAIRIE WATER AND WASTEWATER UTILITY
APPROVAL IN PRINCIPLE
TO RECOVER DEBENTURE SERVICING COSTS
WATER TREATMENT PLANT UPGRADE AND EXPANSION**

February 14, 2025

**BEFORE: Shawn McCutcheon, Panel Chair
Irene Hamilton, K.C., Panel Member
Jim Hrichishen, B.A. (Hon), M.A., Panel Member**

1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves, *in principle*, funding of debenture servicing costs through utility rate surcharges of \$0.53 to \$1.58 per cubic meter for the City of Portage la Prairie (City), Portage la Prairie Water and Wastewater Utility (Utility) water treatment plant (WTP) upgrade and expansion project.

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

2.0 Application

On December 24, 2024, the City applied to the Board for approval in principle to implement utility surcharges to fund the construction of WTP upgrade and expansion project.

The project includes a new raw water intake, a second ballasted flocculation system for redundancy, and four trains of dual stage Ultrafiltration-Reverse Osmosis membrane treatment system to both increase the plant capacity and water quality. The project also includes upgrades to the existing facility for repairs that cannot be completed until after the membrane system is operational.

Based on Opinion of Probable costs provided by Stantec, the project's projected cost as of September 24, 2024 is \$96,000,000 which includes a 15% contingency allowance and 6% inflation allowance.

The City added additional contingency allowance of 4% to the estimated project cost due to recent significant increases in infrastructure construction costs bringing the estimated capital cost to \$100,464,000.

Manitoba Water Services Board (MSWB) provided grant funding of \$40,250,000. The MSWB grant was provided up front and interest estimated at \$3,260,000 will also be direct to fund the project. The City intends to fund \$1,750,000 of the project from Utility Reserves and the remaining amount is to be funded by debt.

The required increase in water rates is calculated as follows:

Total Cost	\$	100,464,000	
Less: Manitoba Water Services Board Funding	\$	40,250,000	
Less: Interest on Provincial Grant	\$	3,260,000	
Total City Funding	\$	56,954,000	
Less: City Utility Reserve	\$	1,750,000	
Equals: City Debenture Debt	\$	55,204,000	
<u>Increase in Water Rates required</u>			
Amortization expense (\$/year) over 30 years	\$	1,898,467	
Interest expenses - Year 1 @7%	\$	3,864,280	
1st Year Cost increase for WTP Upgrade	\$	5,762,747	
<u>Water costs included in current rates</u>			
1st Year Cost increase for WTP Upgrade	\$	5,762,747	
% Increase in water rates required to fund project			60%

The proposed increase in rates required to fund the project are as follows:

Water Rate Steps	2025 Rates (\$/cubic meter)	Debenture Surcharge (60% Increase to current rates)	Rates with Debenture Surcharge
Step 1 - 0 to 227 cubic meters	\$ 2.64	\$ 1.58	\$ 4.22
Step 2 - 228 to 2,273 cubic meters	\$ 2.19	\$ 1.31	\$ 3.50
Step 3 - 2,274 to 18,184 cubic meters	\$ 2.07	\$ 1.24	\$ 3.31
Step 4 - over 18,184 cubic meters	\$ 0.89	\$ 0.53	\$ 1.42

Construction is set to start May 2026 and the anticipated project completion date is September 2028.

3.0 Board Findings

The Board approves, in principle, the addition of surcharges of \$0.53 to \$1.58 per cubic meter (see table above) to the water rates to recover the debenture servicing costs for the WTP expansion project.

The Board directs the City to apply for final approval prior to billing the surcharge to Utility customers, once the final debenture amount and the annual payment has been determined.

The Board also directs the City to submit a copy of debt authorization By-Law once it has received third and final reading.

The Board will also advise the City that should there be changes in the proposed funding model, it should immediately notify the Public Utilities Board.

4.0 IT IS THEREFORE ORDERED THAT:

1. The City of Portage la Prairie's proposal to recover the debenture servicing costs for the expansion of the water treatment plant through water rate surcharges of \$0.53 to \$1.58 per cubic meter is HEREBY APPROVED in principle.
2. The City of Portage la Prairie, Portage la Prairie Water and Wastewater Utility, is required to return to the Public Utilities Board with the final debenture servicing costs (including the annual payment) and surcharge proposal prior to billing customers.
3. The City of Portage la Prairie provide the Public Utilities Board with a copy of the borrowing By-Law once it has received third and final reading.

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

"Shawn McCutcheon" _____

Panel Chair

"Jennifer Dubois, CPA, CMA, CTAJ" _____

Assistant Associate Secretary

Certified a true copy of Order No. 21/25 issued by
The Public Utilities Board



Assistant Associate Secretary