

Order No. 139/18

**THE MUNICIPALITY OF PEMBINA
TOWN OF MANITOU WATER AND WASTEWATER UTILITY
PASS-THROUGH RATES EFFECTIVE January 1, 2019 & April 1, 2019**

October 10, 2018

**BEFORE: Irene A. Hamilton, Panel Chair
Shawn M^cCutcheon, Member**

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves pass-through rates for the Municipality of Pembina (Municipality), Manitou Water and Wastewater Utility (Utility), of \$1.80 per thousand gallons effective January 1, 2019 and \$1.00 per thousand gallons effective April 1, 2019. This increase is a direct result of an increase in the Municipality's cost of purchasing water from the South Central District Water Cooperative.

The Board also approves a process whereby the Municipality may continue to pass through increases from increased wholesale water rates for the Utility, on the basis that such rates are passed through without mark-up. The Municipality is to provide notice to the Board before such an increase is implemented, to pass by-laws once the increase occurs and file the same with the Board, and ensure notice of such increases are provided customers of the Utility.

2.0 Background

In 2014, due to extensive repairs and replacement of equipment in both Water Treatment Plants in Pilot Mound and the Town of Manitou, it was decided that the two Municipalities would connect with the South Central District Water Cooperative (Co-op), to improve the potable water system for those living in their communities.

The Co-op is owned and operated by the Manitoba Water Services Board (MWSB), and as such, is not subject to rate approval by the Public Utilities Board.

The Municipality owns and operates the Manitou Water and Wastewater Utility (Utility). The Utility has 397 customers, billed quarterly. Currently, there is no service provided outside of the municipal boundaries.

3.0 Application

On September 24, 2018, the Board received an application from the Municipality for two pass-through rates, as there is an increase to the wholesale water rates from the Co-op, where the Municipality purchases its water.

On November 21, 2017, the Municipality was advised by the Co-op that the price of the wholesale water sold to the Municipality would be increasing to the following:

- Effective April 1, 2018 the base water rate will increase from \$10.20 to \$12.00, an increase of \$1.80 per thousand gallons.
- Effective April 1, 2019 the base water rate will increase from \$12.00 to \$13.00, an increase of \$1.00 per thousand gallons.

Utility rates were last set in 2011 in Board Order No. 113/11 for years 2011 and 2012. The Municipality currently has a rate application before the Board. The application was received on April 4, 2018, for the approval of revised water and wastewater rates for years 2018, 2019 and 2020. The application was accompanied by By-law 3-2018 read for the first time on March 22, 2018.

4.0 Board Findings

The Board accepts that these pass-through rates are necessary to preserve the financial health of the Utility.

The Board approves the pass-through rate to increase the current water rate by \$1.80 per 1,000 gallons, effective January 1, 2019; and by \$1.00 per 1,000 gallons, effective April 1, 2019. The Municipality is required to provide notice to its customers.

The Board notes that the Municipality allowed a significant amount of time to pass before applying to the Board for pass-through rates. Almost six months have elapsed from the

April 1, 2018 increase being implemented by the Co-op and almost 10 months from the Notice of increase.

Given the fact that the Utility has experienced past deficits, and anticipates further deficits, the Municipality should have applied for pass-through rates as soon as the notice from the Co-op was received.

The Board requires the Municipality to file for approval of any operating deficit once the 2018 audited financials are available, should the deficit materialize.

To mitigate any further operating deficits caused by increasing wholesale water rates, the Board will approve the following process for “pass through” rates for the Utility with emphasis that the Municipality strictly follow the process outlined below.

The following “*Process for pass through rates*” was originally set out in Board Order No. 124/09. The Process has been revised to reflect the needs of the Utility:

Step 1. The Municipality shall consider the implication of any increase for the Utility.

Step 2. If the cost of the increase is to be reflected in the water rates, the Municipality need only **inform the Board and its customers** of the “pass through” rate change. The Board requires written notice prior to implementation and a copy of the increase notice from the Co-op.

Step 3. If rates are to change for any other reason, the Municipality must make a full rate application to the Board, which may decide to proceed to hear the application by way of a paper-based process or by way of an oral public hearing.

Step 4. For such “pass-through” rate changes, should the Municipality decide to implement, the Municipality will file an amended rate by-law with the Board and provide a notice of the change to its customers with a copy sent to the Board.

5.0 IT IS THEREFORE ORDERED THAT:

- 1) The pass-through rate of \$1.80 per 1,000 gallons to the water rate for the Municipality of Pembina, Manitou Water and Wastewater Utility, is HEREBY APPROVED, effective January 1, 2019.
- 2) The pass-through rate of \$1.00 per 1,000 gallons to the water rate for the Municipality of Pembina, Manitou Water and Wastewater Utility, is HEREBY APPROVED, effective April 1, 2019.
- 3) The Municipality of Pembina BE AND IS HEREBY given authority to pass-through water rate increases from the Southwest Regional Water Cooperative, must strictly adhere to the pass-through process as outlined in this Board Order, and must apply to the Board for any other increases.
- 4) The Municipality of Pembina amend its water By-law to reflect changes in this Board Order and submit a copy to the Public Utilities Board.
- 5) The Municipality of Pembina, Manitou Water and Wastewater Utility provide notice to its customers of the pass-through rate increases, the reason for the increase (i.e. increases from the Co-op), and provide a copy of the notice to the Public Utilities Board.

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.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"Irene A. Hamilton"
Panel Chair

"Rachel McMillin, B.Sc."
A/Assistant Associate Secretary

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by The Public Utilities Board



Acting Secretary