

Order No. 173/19

**CITY OF PORTAGE LA PRAIRIE
PORTAGE LA PRAIRIE WATER AND WASTEWATER UTILITY
REVISED WATER AND WASTEWATER RATES EFFECTIVE JANUARY 1, 2020
SIMPLIFIED RATE APPLICATION**

November 27, 2019

**BEFORE: Shawn McCutcheon, Panel Chair
Mike Watson, Panel Member**

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1.0 Executive Summary

By this Order, the Public Utilities Board approves the revised water and wastewater rates to be effective January 1, 2020, for the City of Portage la Prairie, Portage la Prairie Water and Wastewater Utility. The approved rates for 2020 are shown below:

	Current Rates	January 1, 2020
Water (per m ³) – Level 1 – up to 227.3 m ³	\$1.33	\$1.37
Water (per m ³) – Level 2 – 227.3 m ³ to 2,273.04 m ³	\$1.11	\$1.14
Water (per m ³) – Level 3 – 2,273.05 m ³ to 18,184.30 m ³	\$1.05	\$1.08
Water (per m ³) – Level 4 – over 18,184.30 m ³	\$0.45	\$0.46
Wastewater (per m ³) – Level 1 – up to 227.3 m ³	\$2.00	\$2.06
Wastewater (per m ³) – Level 2 – 227.3 m ³ to 2,273.04 m ³	\$2.02	\$2.08
Wastewater (per m ³) – Level 3 – 2,273.05 m ³ to 18,184.30 m ³	\$1.50	\$1.55
Wastewater (per m ³) – Level 4 – over 18,184.30 m ³	\$1.50	\$1.55
Quarterly Service Charge	\$21.34	\$21.97
Minimum Quarterly Charge*	\$66.79	\$68.79
Water Only Minimum Quarterly Charge	\$39.49	\$40.67
Bulk Water (per gallon)	\$9.00	\$9.00

*Based on 13.65 m³

Details of the rates may be found in the attached Schedule A.

The rationale for the Board's decisions may be found under the Board Findings section below.

2.0 Background

The City of Portage la Prairie (City) owns and operates a public water and wastewater system, serving approximately 5,085 customers. 4,976 are water and wastewater customers, 107 are water-only customers, and two are wastewater-only customers.

Water service is extended to the Rural Municipality of Portage la Prairie, for the Cartier Regional Water System and the Yellowhead Regional Water System.

The Utility uses a four-step declining block rate structure for charging its customers. The breakdown of the steps are as follows:

- Level 1 – Domestic – up to 227.30 m³ per quarter
- Level 2 – Intermediate – 227.31 to 2,273.04 m³ per quarter
- Level 3 – Wholesale – 2,273.05 to 18,184.30 m³ per quarter
- Level 4 – Special/Large Industry – over 18,184.30 m³ per quarter

3.0 Application

On September 11, 2019, the City applied to the Board for revised water and wastewater rates for the Portage la Prairie Water and Wastewater Utility (Utility). The Application was submitted using the Simplified Rate Application Process and accompanied by By-Law No. 19/8699 having received first reading on July 1, 2019. The City has also provided an Affidavit certifying: the City meets all Board requirements for the Simplified Filing Process; the City is not experiencing any operating deficits; and the requested water and wastewater rates are expected to be adequate to meet operating costs for the 2020 calendar year. Rates were last set on November 7, 2018 in Board Order No. 151/18, for 2019.

A Public Notice of Application was issued on September 16, 2019, affording customers the opportunity to comment to both the Board and the City with respect to the proposed rate increases. No responses were received.

When reviewing an application the Board can either: hold a public hearing at which the applicant can present its case and customers can present their concerns; or where it is deemed to be in the best interests of a utility and its customers, the Board can review the application using a paper review process without holding a public hearing. The paper review process considers all written materials submitted by the Utility and the public, as well as any information requests and responses between the Board and the Utility. This process may reduce regulatory costs to the Utility.

A public hearing process allows the Utility and the public the opportunity to review the application and address any concerns with the Board present.

Whenever reasonable, the Board will review the application using a paper review process, which saves the cost of a public hearing process. The Board has chosen this option for this application.

The City has applied for revised rates to provide for cost increases anticipated for 2020.

As per the City's 2018 Audited Financial Statements, the City's net operating surplus for 2018 is \$27,866,318. As per the designated criteria to qualify for the Simplified Filing Process, a utility may not be experiencing an unexplained annual operating surplus which is 20% in excess of operating expenses, when calculated for regulatory purposes. This includes the appropriate adjustments for capital grants and contributed assets as outlined in Board Order No. 151/08.

The City has provided the following explanations for the 2018 net operating surplus:

Explanation	Amount
Government transfers for capital projects	\$22,518,815
Transfers to reserve funds for future, planned capital projects and the Nutrient Removal Special Reserve Fund	\$2,665,618
Roquette capacity build costs/Simplot revenue reductions	\$992,000
Chemical cost increase	\$594,000
Manitoba Hydro cost adjustments	\$88,000
Machine repairs and maintenance	\$32,000
Total Value of Explanations Provided	\$26,890,443
2018 Net Operating Surplus	\$27,866,318
Less: Total Value of Explanations Provided	\$26,890,443
Unexplained Operating Surplus	\$975,885

The 2018 Operating Expenses for the Utility are \$7,043,341 and the 20% Board requirement for net operating surplus is \$1,408,668. Based on the above table, the City has provided explanations of operating surplus funds to meet the Board required level.

Working Capital Surplus

Board Order No. 93/09 established that utilities should maintain a minimum working capital surplus, in an amount equal to 20% of annual expenses. The working capital surplus is defined as the Utility fund balance, excluding any capital-related items plus Utility reserves.

As per the 2018 Audited Financial Statements, the working capital surplus at December 31, 2018:

2018	
Fund Surplus	\$44,656,100
Deduct: Tangible Capital Assets	(\$41,168,626)
Add: Long-Term Debt	-
Add: Utility Replacement Reserve	\$9,498,902
Add: Nutrient Removal Reserve	\$12,110,171
Equals Working Capital Surplus	\$25,096,547
Operating Expenses	\$7,043,318
20% of operating expenses (Target)	\$1,408,664

The Utility currently meets the Board minimum working capital surplus of 20%.

4.0 Board Findings

The Board has reviewed the City's Application, and notes the City's Application exceeds the Net Operating Surplus by more than the 20% allowable amount as set forth in the criteria required to qualify for the Simplified Filing Process. The Board finds that the explanations provided by the City regarding the Net Operating Surplus are satisfactory to make a one-time exception and allow the City to use the Simplified Filing Process.

The Board approves the water and wastewater rates as applied for by the City.

The Board finds the significant Net Operating Surplus indicates a full rate study is required for the Utility's next Rate Application to provide a clear picture of the utility's financial position to the Board and to the Utility's ratepayers. This can only be achieved through the completion of a full rate study in a timely manner.

The Board directs the City to file a full rate study and Rate Application with the Board by no later than June 30, 2020.

The Board notes it no longer requires annual progress reports with respect to the Nutrient Removal Project and directs the City to provide an update on the Project in its next rate study.

5.0 IT IS THEREFORE ORDERED THAT:

1. Revised water and wastewater rates for the City of Portage la Prairie BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective January 1, 2020.
2. The City of Portage la Prairie amend its water and wastewater rate by-law to reflect the decisions in this Board Order and submit a copy to the Board once it has received third and final reading.
3. The City of Portage la Prairie is to provide a notice to its customers as soon as possible, including all decisions found in this Order.
4. The City of Portage la Prairie review its water and wastewater rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates, by no later than June 30, 2020.
5. The City of Portage la Prairie provide an update on the Nutrient Removal Project in its next rate study.

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 M^cCutcheon"
Panel Chair

"Frederick Mykytyshyn"
Assistant Associate Secretary

Certified a true copy of Order No. 173/19 issued
by The Public Utilities Board



Assistant Associate Secretary

SCHEDULE A
CITY OF PORTAGE LA PRAIRIE
WATER AND WASTEWATER RATES BY-LAW NO. 19-8699

2020 Schedule of Quarterly Rates

In Cubic Meters – Water and Wastewater Customers:

Customer Type	Cubic Meters per Quarter		2020 Rate (per cubic meter)		
	Min	Max	Water	Wastewater	Total
Level 1	-	227.30	\$1.37	\$2.06	\$3.43
Level 2	227.31	2,273.04	\$1.14	\$2.08	\$3.22
Level 3	2,273.05	18,184.30	\$1.08	\$1.55	\$2.63
Level 4	18,184.31		\$0.46	\$1.55	\$2.01
Bulk Wales - Water			\$9.00		

Bulk water sales are purchased in increments of 250 gallons and the self-serve payment device takes cash in increments of 25 cents. Conversion to Cubic Meters is excluded for bulk water sales.

2020 Minimum Charges per Quarter

In Cubic Meters – Water and Wastewater Customers:

Meter Size	Water Included (cubic meters)	2020 Charges				
		Customer Service Charge	Water Commodity	Total No Wastewater	Water Commodity	Total
5/8"	13.65	\$21.97	\$18.70	\$40.67	\$28.12	\$68.79
3/4"	27.30	\$21.97	\$37.40	\$59.37	\$56.24	\$115.61
1"	54.60	\$21.97	\$74.80	\$96.77	\$112.48	\$209.25
1 1/2"	136.50	\$21.97	\$187.01	\$208.98	\$281.19	\$490.17
2"	341.25	\$21.97	\$441.30	\$463.27	\$705.25	\$1,168.52
3"	614.25	\$21.97	\$752.52	\$774.49	\$1,273.10	\$2,047.59
4"	1,228.50	\$21.97	\$1,452.77	\$1,474.74	\$2,550.73	\$4,025.47
6"	2,320.50	\$21.97	\$2,719.62	\$2,719.62	\$4,822.09	\$7,541.71

For "water only" customers: charged the minimum customer and water commodity charges for applicable meter size. There are no wastewater commodity charges.