

Order No. 115 /21

**THE MUNICIPALITY OF GLENELLA-LANSDOWNE
LANSDOWNE WATER AND WASTEWATER UTILITY (ARDEN)
PASS THROUGH AUTHORIZATION**

October 21, 2021

**BEFORE: Shawn M^cCutcheon, Panel Chair
Marilyn Kapitany, B.Sc., (Hon), M.Sc., Member**

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves a pass through rate increase for the Municipality of Glenella-Lansdowne (Municipality), Lansdowne Water and Wastewater Utility (Utility), also referred to as the Arden Utility, of \$1.15 per 1,000 gallons (\$0.25 per cubic meter) effective November 1, 2021. This increase is a direct result of an increase in the Municipality's cost of purchasing water from the Yellowhead Regional Water Co-op (Co-op).

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

2.0 Background

The Municipality owns and operates Glenella Water Utility and Lansdowne Water and Wastewater Utility. Lansdowne Utility purchases water from the Yellowhead Regional Water Co-op (Co-op) while the Glenella Utility has its own well. Prior to the 2015 municipal amalgamations, the Lansdowne Utility was owned and operated by the Rural Municipality of Lansdowne.

The Co-op is run and operated by the Manitoba Water Services Board (MWSB). The Co-op in return purchases water from the City of Portage la Prairie.

Initial Lansdowne Utility rates were set in Board Order No. 106/08.

3.0 Application

On August 13, 2021, the Board received Council Resolution No. 2021/119 from the Municipality requesting Board authorization to pass through rate increases from the Yellowhead Regional Water Co-op.

A copy of a Notice of Increase from the Co-op, dated December 9, 2020, was submitted on September 14, 2021. The Notice indicated that the Co-op received notice from the City of Portage la Prairie that water rates for purchases may increase significantly in 2021, due to a rate study currently before the Board. Effective April 1, 2021, the Co-op's wholesale water rates increased from \$8.85 per thousand gallons to \$10.00 per thousand gallons (\$1.95 per cubic meter to \$2.20 per cubic meter). The increase to the wholesale water rate also reflects increases to utility and maintenance costs.

4.0 Board Findings

Pass Through Rates

The Board approves the pass through rate increase of \$1.15 per 1,000 gallons (\$0.25 per cubic meter) effective November 1, 2021 for the Lansdowne Water and Wastewater Utility. Please note rates are effective November 1, 2021 and are not retroactive.

The Board grants approval of the Municipality's request to allow for pass through rate increases resulting from increases in the wholesale rate set by the MWSB. Pass through rate increases are typically used when a Public Utilities Board regulated utility purchases water from another Board regulated utility.

The Board typically does not allow for pass through rate increases from unregulated utilities because it would not provide ratepayers with the protections afforded by the Board's oversight and notice requirements. For MWSB wholesale rates, as per section 8(2) of *The Manitoba Water Services Board Act*, the purchasing utility (Lansdowne Utility)

has the opportunity to appeal to the Board any rate it believes to be excessive. The MSWB uses rate setting methodology that aligns with the Board's guidelines.

The Board notes the lack of timeliness on this application. Notice from the MWSB was received in December 2020 for rates effective April 2021, and the Board did not receive an application until August 2021. This is a material increase to the Utility and its customers and timeliness is important. These types of delays can lead to deficits being incurred, which could lead to further rate increases through rate rider recovery from the customers. The Board tasks the Utility with reviewing its internal processes to ensure pass through rate increases are assessed and customers are notified as soon as possible.

The Board requires the Utilities to follow the requirements for pass through rate increases as established in Section 3.10 of Board Order No. 124/09, with the addition of a 90 day notice period for ratepayers.

The Board also approves the following process for pass through rates for the Utility with emphasis that the Municipality must strictly adhere to the process outlined below.

Step 1. The Municipality of Glenella-Lansdowne shall consider the implications of any water rate increase approved by MWSB for Yellowhead Regional Water Co-op, and determine whether or not the increase needs to be passed on to its ratepayers to maintain the adequacy of rates.

Step 2. If the cost increase is to be reflected in the rates of the Lansdowne Utility, and with the one exception that changes in the rate of water losses in the system may also be included, the Municipality need only inform its ratepayers/customers and the Board of the pass through rate change, with a minimum of 90 days notice. This Notice must include information for ratepayers on their ability to respond to the Board regarding the increase.

Step 3. If rates are to change for any other reason other than the exact wholesale increase, the Municipality must make a rate application to the Board. The Board may

decide to proceed to hear the application by way of a paper-based process or by way of a public hearing.

Step 4. Should the Municipality decide to implement the pass through rate changes, the Municipality may only increase the water rate as a dollar amount, without mark-up, and not as a percentage increase. The Municipality must file an amended rate by-law with the Board and provide a notice of the change to its customers. The Board requires a copy of the increase notice that is sent by the Municipality to its customers prior to implementation of the revised rates.

Lansdowne Utility Rates

The Board notes that Lansdowne Utility rates have not been reviewed since the initial rates were set in 2008. In the Board's view, the period between rate reviews is too long. Regular rate reviews submitted every three years, as per the Board's Guidelines, protect the financial position of the Utility and may reduce the need for significant rate increases in one year. In some cases, the additional cost of a rate rider becomes necessary to recover utility deficits.

It is the Utility's responsibility to review the rates and ensure rates are adequate to recover the cost of service being provided to its ratepayers. Ratepayers are generally more tolerant of regular, smaller increases. The Municipality needs to be much more diligent in conducting regular reviews of its revenue requirements.

The Board directs the Municipality to review Lansdowne Utility rates and submit a rate application by no later than January 31, 2022.

Operating Deficits

The Board also notes that the Lansdowne Utility has been incurring deficits since 2010. By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit occurs, the Utility is required by *The Municipal Act* to obtain Board approval for both the deficit and

recovery methodology. To date, the Board has not received an application for the approval and recovery of these deficits for years 2010 to 2019

The Board directs the Municipality to submit an application for the approval and recovery of the actual operating deficits incurred in the Lansdowne Utility by no later than November 15, 2021.

5.0 IT IS THEREFORE ORDERED THAT:

- 1) The pass through rate of \$1.15 per 1,000 gallons or \$0.25 per cubic meter to the water rates for the Municipality of Glenella-Lansdowne, Lansdowne Water and Wastewater Utility is HEREBY APPROVED, effective November 1, 2021.
- 2) The Municipality of Glenella-Lansdowne, BE AND IS HEREBY given authority to pass-through water rate increases from the Yellowhead Regional Water Co-op, must strictly adhere to the pass through process as outlined in this Board Order, and must apply to the Board for any other increases.
- 3) The Municipality of Glenella-Lansdowne, amend its water By-law to reflect changes in this Board Order and submit a copy to the Public Utilities Board.
- 4) The Municipality of Glenella-Lansdowne, Lansdowne Water and Wastewater Utility, provide notice to its customers of the pass through rate increase before November 1, 2021, the reason for the increase (i.e. increases from the Yellowhead Water Co-op), and provide a copy of the notice to the Public Utilities Board.
- 5) The Municipality of Glenella-Lansdowne review Lansdowne Water and Wastewater Utility rates and submit a rate application to the Public Utilities Board by no later than January 31, 2022.
- 6) The Municipality of Glenella-Lansdowne submit an application for approval and recovery of the actual operating deficits incurred in the Lansdowne Water and Wastewater Utility by no later than November 15, 2021.

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

"Shawn M^cCutcheon"

Panel Chair

"Rachel M^cMillin, B.Sc."

A/Associate Secretary

Certified a true copy of Order No. 115/21 issued
by The Public Utilities Board



A/Associate Secretary