

Mr. Chairman, Ladies and Gentlemen

My name is Gerry Barron, Associate Secretary of the Manitoba Public Utilities Board.

The intent of this brief presentation is to provide you with information with respect to the Board's interest in the matter before you, and to highlight issues the Board suggests be considered.

While the Board has no specific comments regarding the PVWC's proposal, other than to indicate general support for regional water utilities, the Board wants the CEC to be aware of:

- a) the role of the Board with respect to municipal utilities;**
- b) the potential for the Board to review future rate proposals of the PVWC;**
and
- c) the actions of the Board in the area of pursuing sustainability at the time of considering municipal rate increases.**

P.U.B.'s Oversight role:

The Board has limited oversight responsibilities for Manitoba water and sewer utilities, excepting for the City of Winnipeg where it has no jurisdiction.

In this capacity, and among other related matters, the Board receives applications for revised water and sewer rates. In assessing and deciding upon these applications, the Board monitors utility financial results considering the broader context.

As the Board understands it, the PVWC's mandate is to build and operate in a sustainable manner a wholesale regional water supply system meeting the requirements of its members. The members or customers of the PVWC are municipal water and sewer utilities, all regulated by the Board.

While to-date, the Board has not involved itself in the affairs of the PVWC, going-forward, it is considering limited involvement as the rates set by the PVWC have and are becoming important factors in the rate applications to the Board filed by the members of the PVWC.

How the Application Affects the Board

The application before you involves the development of a supplemental water supply to member municipalities by means of transporting water significant distances.

Will the draw on the water source affect the availability of a water supply now or in the future for other municipal water utilities? If this is a possibility, the potential impact needs to be carefully considered.

Project costs will likely be significant and could result in higher rates for municipal utility consumers served by the PVWC. The PVWC charges its member utilities a wholesale rate for water, with the costs reflected in the rates of member utilities, rates which are the subject of applications to the Board.

The decision to seek approval to pass on PVWC cost increases through an application to the Board is made by the municipality. To-date, the Board has treated these cost increases as being beyond the control of the individual municipality, and has allowed the increases to be reflected in rates.

The Board has adopted a short formulaic approach to considering pass-through increase applications, and has not required rate studies or looked through to the operations and costs of the PVWC.

That said, the Board requires municipal utilities to provide notice to their ratepayers as to rate changes and their causes.

On pages 4 and 5 of the proposal before you, there is reference to potentially building a water treatment facility and to supplying “water to communities and rural municipalities along the way”. These actions will affect utility rates and require applications to the Board.

Jurisdiction over utilities:

The Board’s jurisdiction is limited to rates charged and the approval of operating deficits, though in the review process qualitative matters are taken into account. That said, the management of water and sewer falls exclusively to the municipalities. Issues of water safety and safe sewer discharge are reviewed by other government agencies, and are not matters the Board directly oversees, though it takes an interest in them as rates, without the context of service, lack substance.

Capital requirements requiring large capital outlays and debentures falls to the jurisdiction of The Municipal Board, though rate increases approved by our Board often are usually required to support such actions.

Sustainable Development Act

Having said all of this, there is another dimension to the Board’s involvement with municipal utilities. In carrying out its mandate concerning rates and service, the Board is mindful of its own and the utilities’ responsibilities under the *Sustainable Development Act*. Accordingly, the Board has of late taken a significant interest in matters of water quality, sewage treatment and sustainability of operation.

The Board shares the desire to ensure the citizens of Manitoba are well served and provided with a safe and adequate supply of water to meet the health and economic needs of all communities.

The Board regularly notes the activities of municipalities, and of the Provincial departments of Water Stewardship and Conservation towards that end, and consults with these departments from time to time.

The Board is aware that to meet its obligations, a utility must have financial resources. In addition, the Board holds that utilities have an obligation to ensure that water is used prudently. Water is a precious commodity and its importance is increasingly being appreciated.

In section 2.10 of the application, it states in part:

“Water conservation measures to be included or used in the system include:

- System metering to monitor unaccounted for water
- Customer metering and pricing
- Public awareness and education (Reference Appendix ‘B’ for Water Conservation Brochure, available in rural and urban user formats)

These are all matters that the Board regularly deals with. At every opportunity, the Board asks municipalities coming before it with rate applications questions related to demand side management.

Municipalities are asked as to whether leaks in the system are being attended to promptly, what the municipality is doing to promote water conservation, either with respect to funding low-flow shower heads or other water saving devices, and as to the distribution of promotional literature.

Utility Sustainability

Municipalities are also asked about their current and future needs, how these needs will be met, about their long term capital plans and financing, whether the current rate structure is appropriate in light of the current capacity of the system.

Economic growth is good for everyone and with growth comes higher demands for an adequate water supply.

The Board is aware of the increasing economic activity in the service area of the PVWC and that this is placing demands for new water supply sources.

Again, though the Board takes no position as to the application before you, it does want the CEC to know of its ongoing actions towards ensuring the prudent use of water.

Conclusion

While the Board recognizes that the Commission's role may not extend to consideration of those factors, the Board believes that the Commission should be aware of them as they are factors in the decision making processes of utilities and the Board that regulates their rates.

Thank you for your attention and for the opportunity to address the Commission on behalf of The Public Utilities Board.