

M A N I T O B A) Order No. 106/14
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THE PUBLIC UTILITIES BOARD ACT) September 17, 2014

BEFORE: Susan Proven, P.H.Ec., Acting Chair
The Hon. Anita Neville, P.C., B.A. (Hons.), Member

**RURAL MUNICIPALITY OF
LA BROQUERIE SEWER UTILITY
ACTUAL DEFICIT 2013
BUDGETED DEFICIT 2014**

WHEREAS the Public Utilities Board (Board) issued Order No. 151/08 on November 7, 2008 requiring all water and/or sewer utilities to report an actual year-end deficit to the Board if the utility:

1. had not received prior approval for the deficit from the Board and such deficit either exceeds \$10,000 or represents 5% of the utility's operating budget; or
2. had received prior approval for the deficit from the Board and the actual deficit:
 - a. exceeds the previously approved amount by either \$10,000 or 5% of the utility's operating budget; or
 - b. is caused as a result that differs from that upon which said approval was granted;

AND WHEREAS the Rural Municipality of La Broquerie Sewer Utility incurred a deficit of \$50,824 at the end of the 2013 operating year, when calculated for regulatory purposes;

AND WHEREAS the Rural Municipality of La Broquerie Sewer Utility applied for approval of a budgeted deficit of \$79,884 for the 2014 operating year;

AND WHEREAS it is proposed that the reasons for said deficits are significant expenditures related to upgrades to the sewage lift stations;

AND WHEREAS it is proposed that the 2013 and 2014 deficits be recovered by a rate rider calculated per residential equivalency unit (REU) annually for 3 years;

Application

The application from the RM of La Broquerie (RM) for approval of the 2013 and 2014 operating deficits was received May 29, 2014. The application states that the expenditures in question are "lift station upgrades (which) will increase capacity and lifespan of lift stations."

As such, the Board expects that such expenditures would be treated as capital costs, not operational expenses. The Board, in speaking with the RM's consultant put the application on hold until the audit was complete, to see if the expenses were reclassified by the RM's auditor, and capitalized on an annual basis.

The RM submitted the 2013 audited financial statements to the Board for review on June 27, 2014. The auditor did not reclassify the lift station costs, and the final deficit amount was higher than originally applied for. The Board has varied the original deficit application to reflect the audited results and to decrease the period of recovery from three years to two.

The 2013 deficit recovery was calculated as follows:

Net Operation Deficit	-\$ 76,412
Add amortization of capital grants	\$ 25,588
2013 Deficit	-\$ 50,824
Number of REUs	862
Deficit per REU	-\$ 58.96
Deficit per REU, per quarter over two years	-\$ 7.37

The Board will deny the deficit application for 2014, for the reasons noted above with regards to operational and capital costs. If the audited results for 2014 show a deficit, the Board will require the RM to file a new application, should the deficit exceed \$10,000 or 5% of the Utility's operating budget.

Board findings

The Board will vary the Rural Municipality of La Broquerie's (RM) application for approval of the 2013 operating deficit and deny the application for the 2014 operating deficit.

IT IS THEREFORE ORDERED THAT:

1. The 2013 deficit application and proposed recovery for the Rural Municipality of La Broquerie Sewer Utility Operations, is HEREBY APPROVED to be recovered by a rate rider of \$7.37 per REU to be collected on a quarterly basis for eight (8) quarters beginning January 1, 2015;
2. The Rural Municipality of La Broquerie is to provide notice to its customers of the deficit recovery with the October 2014 billing;
3. The 2014 deficit application and proposed recovery for the Rural Municipality of La Broquerie Sewer Utility Operations, is HEREBY DENIED;
4. The Rural Municipality of La Broquerie is to provide the Board with a copy of the audited 2014 financial statements, as soon as they are available.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."
Acting Chair

"JENNIFER DUBOIS, CMA."
Acting Secretary

Certified a true copy of
Order No. 106/14 issued by
The Public Utilities Board

Acting Secretary

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 (Rules). The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.