

**M A N I T O B A** ) **Order No. 110/15**  
)  
**THE PUBLIC UTILITIES BOARD ACT** ) **October 30, 2015**

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

**RURAL MUNICIPALITY OF PIPESTONE  
RESTON WATER AND WASTEWATER UTILITY**

**ACTUAL DEFICITS 2013 AND 2014**

## **Application**

The Public Utilities Board (Board) issued Order No. 151/08 on November 7, 2008 requiring all water and/or wastewater 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;

On July 20, 2015 the Board received deficit applications for 2013 and 2014 for the Reston water and wastewater utility (Utility) from the Rural Municipality of Pipestone (RM). Rates were last set in Board Order No. 45/12 with rates effective January 1, 2012.

The submission included Council Resolution No. 2015 07 12 that requested the Board allow the deficits to be recovered by transfers from the Reston Utility Reserve and the Utility Accumulated Surplus Fund.

The deficit application included information about the current rates being charged, which included a rate rider of \$0.68 per 1,000 gallons for water and \$0.99 per 1,000 gallons for wastewater. This rate rider was approved in Board Order No. 45/12 to be effective until December 31, 2014, to recover the actual deficits for 2008, 2009 and 2010 totalling \$61,526.

The RM advised the Board that they have not developed a new Utility rate study as the Reston Utility will be changing its source water to the Wallace-Woodworth Water Pipeline system in 2015. A rate study for the Pipestone Municipal Utility is being developed with Reston costs and consumptions included.

**Rate rider**

In Board Order No. 45/12 the Board approved the recovery of the \$61,526 in deficits through a rate rider, which the Utility was ordered to collect for the period of January 1, 2012 to December 31, 2014. The rate rider has also been collected for the first three quarters of 2015 in error. The RM has provided the following consumption data for the reconciliation of the actual amount recovered by the RM:

<b>Year</b>	<b>Total water sold</b>	<b>Rate rider* Water 0.68</b>	<b>Rate rider* Wastewater 0.99</b>	<b>Total recovered per year</b>
2012	10,879,869	\$ 7,398	\$ 10,771	\$ 18,169
2013	10,222,845	\$ 6,952	\$ 10,121	\$ 17,072
2014	9,827,915	\$ 6,683	\$ 9,730	\$ 16,413
2015**	7,827,003	\$ 5,322	\$ 7,749	\$ 13,071
<b>Total recovered</b>		<b>\$ 26,356</b>	<b>\$ 38,371</b>	<b>\$ 64,725</b>
*per 1,000 gallons				
**first three quarters of the year				

The collection of the rate rider also increases the total of the deficits incurred in 2013 and 2014:

	2014	2013
Deficit*	-\$ 76,496	-\$ 13,667
Deduct 2008, 2009 and 2010 deficit recovery	\$ 16,413	\$ 17,072
Deduct capital grant revenue current year	\$ -	\$ 17,164
Add amortization of capital grants	\$ 2,972	\$ 2,793
<b>Total deficit calculated for regulatory purposes</b>	<b>-\$ 89,937</b>	<b>-\$ 45,110</b>
*per Schedule 9 of the audited financial statement		

**Working capital calculation**

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.

The working capital surplus at December 31, 2014 was:

Fund surplus	\$ 1,416,874
Less: Tangible capital assets	\$ 1,325,689
Plus: Long term debt	\$ -
Plus: Reserves	\$ 17,520
<b>Total working capital surplus</b>	<b>\$ 108,705</b>

### **Board Findings**

The Board will approve the recovery of the 2013 and 2014 deficits through the Utility's reserve and accumulated surplus accounts.

The Board will also direct the RM to cease the collection of the rate rider previously approved in Board Order No. 45/12. The RM should have monitored the recovery of the deficits. When the RM realized the period approved, January 1, 2012 to December 31, 2014, was inadequate to recover the full amount of the deficits they should have applied to the Board for approval to extend the recovery past December 31, 2014. The Board accepts that the unauthorized collection of the additional \$3,199 of rate rider surcharge was an oversight and unintentional. Given the 2013 and 2014 deficits being approved on this Order, the Board will not require the RM to refund the fees.

The Board will remind the RM that they are responsible for complying with Board directives and should review their internal processes to ensure this doesn't happen in the future. The Board urges the RM to review the *Public Utilities Board Act* and general Board Order Nos. 151/08 and 93/09 to have a better understanding of their responsibilities in reporting to the Board.

The RM indicated that they are planning to dissolve the Reston Utility and have the customers become part of the Pipestone Municipal Utility. The Board would like to remind the RM of Pipestone that any plans to merge or dissolve utilities must receive Board approval prior to taking effect.

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](http://www.pub.gov.mb.ca).

**IT IS THEREFORE ORDERED THAT:**

1. The 2013 and 2014 actual operating deficits, when calculated for regulatory purposes, of \$89,937 and \$45,110 respectively, incurred in the Rural Municipality of Pipestone, Reston water and wastewater utility are HEREBY APPROVED to be recovered from a draw of \$17,520 from the Reston Utility Reserve and \$117,527 from the Utility Accumulated Surplus Fund.
2. The Rural Municipality of Pipestone, Reston water and wastewater utility must cease the collection of the rate rider of \$0.68 per 1,000 gallons of water and \$0.99 per 1,000 gallons of wastewater, previously approved in Board Order No. 45/12, effective October 1, 2015.
3. The Rural Municipality of Pipestone, Reston water and wastewater utility amend its water and wastewater rate by-law to remove the deficit recovery rate rider and file a copy of that revised by-law with the Public Utilities Board once it has received third and final reading.
4. The Rural Municipality of Pipestone provide copies of their audited financial statements to the Public Utilities Board as soon as they are available, including any deficit applications as required.
5. The Rural Municipality of Pipestone apply to the Public Utilities Board for approval to dissolve and/or merge the Reston Utility with the Municipal Utility.

6. The Rural Municipality of Pipestone file a rate application for revised rates for the Reston and/or Municipal Utilities on or before March 31, 2016.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

“SUSAN PROVEN, P.H.Ec.”

Acting Chair

“JENNIFER DUBOIS, CPA, CMA”

Acting Secretary

Certified a true copy of Order No. 110/15  
issued by The Public Utilities Board

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Acting Secretary