

M A N I T O B A) **Order No. 121/15**
)
THE PUBLIC UTILITIES BOARD ACT) **November 23, 2015**

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

MUNICIPALITY OF LOUISE
TOWN OF PILOT MOUND WATER AND WASTEWATER UTILITY
OPERATING DEFICITS 2011 and 2012

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;

Application

In August 2014 the Board received deficit applications for 2011 and 2012 for the Pilot Mound Utility (Utility). Prior to amalgamation on January 1, 2015 the Utility was part of the Town of Pilot Mound, after amalgamation the Utility became part of the newly formed Municipality of Louise (Municipality). Rates were last set and approved in Board Order No. 46/12, with rates effective January 1, 2012.

The August 2014 submission did not contain all the information required by the Board to process the applications. A letter was sent November 3, 2014 requesting additional information. The Municipality re-submitted deficit applications for 2011 and 2012 on September 23, 2015.

The September 2015 submission included a copy of the Municipality's Council Resolution No. 2015.8.17. The Resolution acknowledges the following deficits and requests that they be recovered through the Utility's accumulated surplus fund:

2011 - \$110,045

2012 - \$37,227

The application advised that deficits were as a result of: insufficient revenue due to the 1998 rate study still in use; amortization expenses were not budgeted; and the escalating costs of chemicals for treating water in the old water treatment plant (WTP).

The Municipality has advised the Board that the old WTP is no longer in use and the Utility now purchases all of its treated water from South Central District Water Cooperative, which is operated by Manitoba Water Services Board.

Board findings

By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, a Utility is required to obtain Board approval for a recovery methodology. The Board approves the 2011 and 2012 deficits to be recovered through the Utility's accumulated surplus account.

In Board Order No. 46/12 the Utility was directed to file an application for revised rates or a statement of rate adequacy on or before June 30, 2014.

On July 24, 2014, a letter and Council resolution were received by the Board, stating that the Utility's rates were adequate. The Board notes, however, that revised rates from Order No. 46/12 were in effect January 1, 2012, and the Utility still experienced an operating deficit in that year.

In the letter dated November 3, 2014 from the Board to the former Town of Pilot Mound, the Board requested the following information:

- The details of a 2012 transfer from the general reserve surplus of \$31,275 to the utility fund.
- An explanation for the assertion that its rates are adequate given the 2012 deficit. Given the limited information provided to the Board with the 2011/2012 deficit applications, the Board does not accept the statement of rate adequacy presented.

- The Board agreed to allow an extension to the directive given in Board Order No. 46/12 and requested that a rate application be filed on or before March 31, 2015.
- Advise if any operating deficit was recorded for 2013 and if an operating deficit was anticipated for 2014, along with any necessary deficit applications.

To date, the requested information stated above, has not been submitted.

The Board understands that amalgamation has presented many challenges for the affected communities in Manitoba and has led to resource constraints. However, the Municipality remains 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 Municipality 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.

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.

IT IS THEREFORE ORDERED THAT:

1. The actual operating deficits, when calculated for regulatory purposes, for 2011 of \$110,045 and 2012 of \$37,227 incurred in the Municipality of Louise – Town of Pilot Mound water and wastewater utility are HEREBY APPROVED to be recovered from the Utility Surplus.
2. The Municipality of Louise – Town of Pilot Mound water and wastewater utility file an application for revised rates with the Public Utilities Board, no later than March 31, 2016.
3. The Municipality of Louise – Town of Pilot Mound water and wastewater utility provide a copy of the audited financial statements for 2013 and 2014, including any necessary deficit applications, 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, CPA, CMA”

Acting Secretary

Certified a true copy of Order No. 121/15
issued by The Public Utilities Board

Acting Secretary