

**M A N I T O B A** ) **Order No. 132/15**  
)  
**THE PUBLIC UTILITIES BOARD ACT** ) **December 1, 2015**

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

**RURAL MUNICIPALITY OF VICTORIA**  
**HOLLAND WATER AND WASTEWATER UTILITY**  
**OPERATING DEFICIT 2014**

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**

On October 19, 2015 the Board received a deficit application for 2014 for the Holland Utility (Utility) from the Rural Municipality of Victoria (RM).

The deficit application was accompanied by Council Resolution No. 225/2015 requesting the 2014 deficit be recovered through a rate rider over two years.

### **Deficit**

	<b>2014</b>
Per audited financial statements	-26,537
Less: Deficit recovery (Order No. 47/15)	-
Less: Deficit recovery (Order No. 52/13)	- 9,697
Less: Deficit recovery (Order No. 134/12)	- 3,504
Add: Capital grant amortization	-
<b>Deficit for regulatory purposes</b>	<b>-39,738</b>

The application advised that the deficit was primarily as a result of increased water treatment and purification cost. The RM stated that operating cost for monitoring the chlorine dioxide generator was significantly higher than anticipated and the RM is in discussions with the Manitoba Water Services Board to arrive at a more cost effective option for providing treated water to Holland.

### Working capital surplus

	2014
Fund Surplus/Deficit	304,713
Deduct Tangible Capital Assets	793,578
Add Long-Term Debt	166,579
Add Utility Reserves	43,793
<b>Equals Working Capital Surplus</b>	<b>-278,493</b>
Operating costs	169,977
20% of operating costs	33,995
<b>Working capital deficiency:</b>	<b>312,488</b>

The RM indicated that though the 2014 financial statements indicate a working capital deficiency of \$278,493, this is a result of a timing issue. A waterline extension project was completed in 2014 with \$285,223 added to the tangible capital asset listing. Funding for the project was not recorded until 2015; the project was paid by property owners hooking up to the system, Manitoba Water Services Board grants and from the RM's general reserve fund.

According to the RM, the net result of this timing difference would mean a working capital surplus of \$6,729, which is still below the Board recommended surplus of 20% of operating expenses.

Rates were last set in 2012, in Board Order No. 134/12. The Board previously approved the 2011, 2012 and 2013 operating deficits in Board Order No. 47/15. This Order also included a directive requiring the RM to file a statement of rate adequacy as well as an application for revised rates if required, on or before January 1, 2016.

The 2014 deficit application advised the Board that they have contracted a consultant to prepare a rate study and plan to submit a rate application. The RM gave no notification of when the Board would receive the submission.

## 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 will approve the recovery of the 2014 deficit through a rate rider over a period of two years (eight quarters), beginning January 1, 2016.

2014 deficit to be recovered	39,738
Total number of customers	219
Total to be recovered per customer	\$181.45
Quarterly charge per customer	\$ 22.68

In Board Order No. 47/15 the RM was directed to file a statement of rate adequacy as well as an application for revised rates if required, on or before January 1, 2016. The Board is still very concerned about the deficits being experienced by the Holland Utility and expects to receive the revised rate application, on or before the stated due date. The RM has not advised the Board as to whether a deficit is anticipated for 2015.

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 2014 actual operating deficit, when calculated for regulatory purposes, of \$39,738 incurred in the Rural Municipality of Victoria - Holland water and wastewater utility is HEREBY APPROVED to be recovered through a rate rider of \$22.68 per customer, per quarter over two years (eight quarters) effective January 1, 2016 to December 31, 2017.
2. The Rural Municipality of Victoria - Holland water and wastewater utility file an application for revised rates on or before January 1, 2016.
3. The Rural Municipality of Victoria - Holland water and wastewater utility provide a copy of the audited 2015 financial statements to the Public Utilities Board as soon as they are available, with deficit application if required.
4. The Rural Municipality of Victoria - Holland water and wastewater utility inform all ratepayers of the rate rider by no later than the next billing with a copy provided to the Board.

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. 132/15  
issued by The Public Utilities Board

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Acting Secretary