

M A N I T O B A ) Order No. 47/15  
)  
THE PUBLIC UTILITIES BOARD ACT ) April 30, 2015

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

**RURAL MUNICIPALITY OF VICTORIA  
HOLLAND UTILITY SYSTEM  
WATER AND SEWER UTILITY  
ACTUAL DEFICITS 2011, 2012 and 2013**

**WHEREAS** the Public Utilities 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 Victoria - Holland** Water and Sewer Utility incurred an operating deficit at the end of the 2011 operating year of \$18,158, when calculated for regulatory purposes;

**AND WHEREAS** the **Rural Municipality of Victoria - Holland** Water and Sewer Utility incurred an operating deficit in the 2012 operating year that exceeds the amount previously approved in Board Order No. 52/13 by \$19,581, when calculated for regulatory purposes;

**AND WHEREAS** the **Rural Municipality of Victoria - Holland** Water and Sewer Utility incurred an operating deficit at the end of the 2013 operating year of \$21,409, when calculated for regulatory purposes;

**AND WHEREAS** it is proposed that the reason for said deficits are a result of significant increases in water purification and treatment costs;

**AND WHEREAS** it is proposed that the deficits be recovered by a rate rider for a period of two (2) years (eight (8) quarters);

## **Application**

The RM of Victoria (RM) applied to the Public Utilities Board (Board) for approval of deficits for 2011, 2012 and 2013. The RM has previously been granted approval for the 2012 deficit in Order No. 52/13; however, the difference between the amount approved and the final audited result was greater than \$10,000.

The RM of Victoria presented the Board with three deficit recovery options, and requested that the deficits be recovered over a period of eight (8) quarters:

1. Base the deficit recovery on the working capital shortfall at the end of 2013. This would require \$14,196 to be recovered to bring the Utility into compliance with PUB working capital requirements.
2. Base the deficit recovery on the amount the actual deficits for 2011, 2012 and 2013 (\$81,102) exceeded what was anticipated for 2011 and 2012 in the Utility Rate Study (\$40,816) and less the 2012 deficit and rate rider approved by Order No. 52/13 (\$19,387). This would result in a rate rider of \$20,899.
3. Base the deficit recovery on the annual deficit for 2011, 2012 and 2013 (\$81,102) less what was the 2012 deficit and rate rider approved by Order No. 52/13 (\$19,387). This would result in a rate rider of \$61,715.

**Deficits**

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Per audited financial statements	-18,158	-35,969	-10,057
2012 Deficit approved on Order No. 52/13	-	19,388	
Less: Transfers to reserve	-	- 3,000	- 3,000
Less: Deficit recovery (Order No. 52/13)	-	-	- 4,848
Less: Deficit recovery (Order No. 134/12)	-	-	- 3,504
Add: Capital grant amortization	-	-	-
<b>Deficit for regulatory purposes</b>	<b>-18,158</b>	<b>-19,581</b>	<b>-21,409</b>

**Working capital surplus**

	<u>2013</u>
Fund Surplus/Deficit	331,092
Deduct TCA	536,804
Add Long-Term Debt	180,085
Add Utility Reserves	43,078
<b>Equals Working Capital Surplus</b>	<b>17,451</b>
Operating costs	158,243
20% of operating costs	31,649
<b>Working capital deficiency:</b>	<b>14,198</b>

**Board findings**

The Board will vary the application of the RM of Victoria for the Holland Utility.

The 2011 deficit of \$18,158 will be absorbed by the accumulated surplus. The 2012 deficit of \$19,581 and the 2013 deficit of \$21,409 will be recovered through a rate rider over a period of eight (8) quarters.

2012 deficit	19,581
2013 deficit	21,409
Total to be recovered:	40,990
Total number of customers	219
Total to be recovered per customer	\$ 187.17
Quarterly charge per customer	\$ 23.40

The Board is also very concerned about the deficits being experienced by the Holland Utility. Revised rates were approved effective December 1, 2012 and the Utility still experienced a significant deficit in 2013.

The RM has not advised the Board as to whether a deficit is anticipated for 2014; however, based on the assertion that the recent deficits were caused by higher than anticipated operating costs, it stands to reason that the Utility will experience deficits in 2014 and beyond with the existing rates. Therefore, the Board will direct the RM to file a new rate application for the Holland Utility.

**IT IS THEREFORE ORDERED THAT:**

1. The actual 2011 operating deficit, when calculated for regulatory purposes, of \$18,158 incurred in the **Rural Municipality of Victoria - Holland** Water and Sewer Utility is HEREBY APPROVED to be recovered by the accumulated surplus;
2. The actual 2012 and 2013 operating deficits, net of the amount previously approved in Board Order No. 52/13, when calculated for regulatory purposes, of \$40,990 incurred in the **Rural Municipality of Victoria - Holland** Water and Sewer Utility is HEREBY APPROVED to be recovered by a rate rider of \$23.40 per quarter, per ratepayer for a period of two (2) years or eight (8) quarters;
3. The **Rural Municipality of Victoria** review its water and sewer rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates if required, by no later than January 1, 2016.
4. The **Rural Municipality of Victoria** provide a copy of the audited 2014 financial statements to the Public Utilities Board as soon as they are available, with deficit application if required.

5. The **Rural Municipality of Victoria** 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, CMA"  
Acting Secretary

Certified a true copy of  
Order No. 47/15 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](http://www.pub.gov.mb.ca).