

Order No. 156/16

**RURAL MUNICIPALITY OF ROSEDALE
KELWOOD WATER UTILITY
ACTUAL OPERATING DEFICIT for 2014**

December 9, 2016

BEFORE: Marilyn Kapitany, B.Sc. (Hons.), M.Sc., Acting Chair
Allan Morin, B.A., ICD.D, Member
Rheal Teffaine, Q.C., Member

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 20, 2016 the Board received a deficit application for 2014 of \$4,434 and Kelwood Water Utility (Utility) from the Rural Municipality of Rosedale (RM). The application was accompanied by draft financial statements and Council Resolution No.16/210, requesting that the deficit be recovered through the Utility's accumulated surplus account.

Rates were last set in 2012 in Board Order No. 84/12.

The application advised that the deficits were a result of unexpected repair and amortization costs.

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 2014 deficit to be recovered through the Utility's accumulated surplus account.

The RM should review general Board Order Nos. 151/08 and 93/09 (available on the PUB website at www.pub.gov.mb.ca) to get a better understanding of the reporting responsibilities of the utility. The RM indicated that the two reasons for the utility deficit were expenditures of more than \$10,000 on curb stop repairs and amortization expense; however, the rates were last revised by the Board in 2012 and included amortization expense and the financial statements provided don't indicate that 2014 water expenses were unusually high.

A comparison of the projected expenses used to revise the rates in Board Order No. 84/12 and the 2014 draft audited statements provided indicates that the deficit is likely a result of lower than anticipated water sales and higher than projected administration costs. It also shows that these costs appear to be stable, which indicates that the utility likely also experienced similar deficits in 2015 and 2016, and will likely continue to experience deficits until the rates are revised.

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 deficit, when calculated for regulatory purposes, for 2014 of \$4,434 incurred in the Rural Municipality of Rosedale – Kelwood water utility is HEREBY APPROVED to be recovered from the Utility's accumulated surplus.
2. The Rural Municipality of Rosedale – Kelwood water utility file provide copies of their 2015 and 2016 audited financial statements as soon as they are available, including deficit applications as required.
3. The Rural Municipality of Rosedale – Kelwood review its water 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 June 30, 2017.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"Marilyn Kapitany, B.Sc. (Hons.), M.Sc."
Acting Chair

"JENNIFER DUBOIS, CPA, CMA"
Acting Secretary

Certified a true copy of Order No. 156/16
issued by The Public Utilities Board

Acting Secretary