

M A N I T O B A) **Order No. 18/16**
)
THE PUBLIC UTILITIES BOARD ACT) **February 1, 2016**

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

RURAL MUNICIPALITY OF ROLAND
WATER AND WASTEWATER UTILITY
OPERATING DEFICITS 2010, 2012 and 2013

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 November 6, 2014 the Board received the financial statements for 2012 and 2013 for the Roland Utility (Utility) from the Rural Municipality of Roland (RM). The financial statements showed deficits of \$76,451, \$49,978 and \$13,476 for years' 2013, 2012 and 2010 respectively. Rates were last revised in By-law No. 8-2011, effective January 1, 2012.

There was no deficit application accompanying the submitted financial statements. The Utility is required to make a deficit application to Board for deficits incurred, if such deficit either exceeds \$10,000 or 5% of the Utility's operating budget. The RM has failed to meet this requirement and has been unresponsive to several requests from the Board.

On November 12, 2014 the Board sent a letter including a set of information requests to the RM regarding the 2012 and 2013 financial statements. The RM responded to the letter on March 2, 2015. The Board requested further clarification on August 18, 2015, to which no response has been made.

The RM's March 2, 2015 response advised that the RM was working on a rate study and it should be submitted by the end of the month. The Board has not received any rate application to date.

The Utility's rates were last revised in By-law 8-2011, to be effective January 1, 2012. This was as a result of a "pass through" increase from the Pembina Valley Water Co-operative (PVWC), from which the Utility buys its water. Since the 2% rate increase by Pembina Valley Water Co-operative in 2012, PVWC has implemented the following rate increases:

Order No.	Rate*	Increase	Effective date	Revised rate*
124/09	\$ 6.52	\$ 0.13	01/01/2012	\$ 6.65
103/15	\$ 6.65	\$ 0.81	03/01/2014	\$ 7.46
	\$ 7.46	\$ 0.23	01/01/2015	\$ 7.69
	\$ 7.69	\$ 0.15	01/01/2016	\$ 7.84

* Rate per 1,000 gallons

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 RM was asked to provide deficit applications, but no response was received. However, the Board will issue its findings without the benefit of a deficit application or explanation and will direct the RM to submit a rate application on or before March 31, 2016, in an attempt to try to mitigate further utility deficits.

The Board will approve the 2010, 2012 and 2013 deficits, to be recovered through the Utility's accumulated surplus account. When PVWC increased its rates, the RM had the option of implementing "pass through" rate increases, as they did in 2012, to cover the Utility's increasing cost of purchasing water and mitigate the significant deficits experienced, but no action was taken.

The Board urges the RM and Council to review their internal processes to determine how these matters were handled. Pursuant to the *Public Utilities Board Act*, the Board has available enforcement methods and can apply penalties. The Board will consider utilizing the means at its disposal if the RM fails to comply with this Order.

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 operating deficits, when calculated for regulatory purposes, for 2010 of \$13,476; 2012 of \$49,978 and 2013 of \$76,451 incurred in the Rural Municipality of Roland - Roland water and wastewater utility are HEREBY APPROVED to be recovered from the Utility's accumulated surplus fund.
2. The Rural Municipality of Roland- Roland water and wastewater utility file an application for revised rates on or before March 31, 2016.
3. The Rural Municipality of Roland– Roland water and wastewater utility provide a copy of the 2014 and 2015 audited financial statements 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. 18/16
issued by The Public Utilities Board

Acting Secretary