

**M A N I T O B A** ) **Order No. 3/16**  
 )  
**THE PUBLIC UTILITIES BOARD ACT** ) **January 7, 2016**

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

**MUNICIPALITY OF HARRISON PARK**  
**NEWDALE WASTEWATER UTILITY**  
**OPERATING DEFICIT 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 December 15, 2015 the Board received an application for approval of the 2013 operating deficit of \$3,538 for Newdale Wastewater Utility (Utility) from the Municipality of Harrison Park (Municipality). The deficit application was accompanied by Council Resolution No. 354/2015 requesting the 2013 deficit be recovered from the Utility's reserve fund. The Municipality has indicated that the current balance in the reserve is \$11,800.

Rates were last set in 2012, in Board Order No. 146/12. This Order also included a deficit surcharge for recovery of a total of \$50,388 in operating deficits experienced between 2005 and 2011. The surcharge is in effect for a five year period which began in 2012 and will terminate in 2016. The Utility charges ratepayers on an annual basis.

The application advised that the 2013 deficit was as a result of the amortization cost of a previous feasibility study.

## **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 2013 deficit to be recovered from the Utility's reserve fund.

The rates approved in Order No. 146/12 included a reserve fund allocation of only \$1,000 per year. The reserve balance as of the December 31, 2013 audited financials was \$3,305 and the Municipality now has a balance of \$11,800. It appears that the deficit recovery surcharge is being transferred to the reserve and then being used to recover new deficits, though the Board is unable to properly assess the financial state of the Utility, given the lack of current audited financial statements. Using the deficit recovery surcharge to mitigate ongoing deficits does not support the Utility rebuilding its working capital position, and indicates that the current rates are inadequate and need revising.

On August 14, 2014, the Board sent a letter to the Municipality, regarding their submitted statement of rate adequacy. It stated that based on the 2011 deficit recovery surcharge, the Utility is expected to have a minimum surplus of \$10,079.64 ( $\$110.16 \times 91.5$  REUs). The Board stated that if the Utility does not meet the minimum surplus, they are required to submit an application for revised rates immediately.

Based on the 2013 audited financial statements submitted October 14, 2015, the required minimum surplus was not met. In a letter dated October 19, 2015 the Board requested that the Municipality submit an application for revised rates, no later than June 1, 2016 so as to mitigate any further deficits from causing hardship on the utility's customers.

Given the information available and Newdale's history of not addressing required Utility increases for significant periods of time, the Board feels that there is an urgent need to increase the rates for the Newdale Utility, and therefore no extensions will be granted beyond the June 1, 2016 deadline.

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 Municipality fails to comply with this Order and does not submit the rate application on or before June 1, 2016.

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 actual operating deficits, when calculated for regulatory purposes, for 2013 of \$3,538 incurred in the Municipality of Harrison Park – Newdale Wastewater Utility are HEREBY APPROVED to be recovered from the Utility’s Reserve Fund.
2. The Municipality of Harrison Park - Newdale Wastewater Utility file an application for revised rates with the Public Utilities Board, no later than June 1, 2016.
3. The Municipality of Harrison Park - Newdale Wastewater Utility provide a copy of the audited financial statements for 2014 and 2015, 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. 3/16  
issued by The Public Utilities Board

\_\_\_\_\_  
Acting Secretary