

M A N I T O B A) **Order No. 5/16**
)
THE PUBLIC UTILITIES BOARD ACT) **January 12, 2016**

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

RURAL MUNICIPALITY OF VICTORIA BEACH
VICTORIA BEACH WATER UTILITY
OPERATING DEFICIT 2012

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 22, 2015 the Board received a deficit application for 2012 for Victoria Beach water utility (Utility) from the Rural Municipality of Victoria Beach (RM). The submission was accompanied by Council Resolution No. 2015/224, requesting the 2012 operating deficit of \$34,206 be recovered from the Utility's accumulated surplus.

The application stated that the shoreline where the water treatment plant is situated was eroding and the 2012 deficit was as a result of the purchase of an armour rock installed to stabilize the land below the water treatment plant. The RM stated that this was recorded as an expense, not a tangible capital asset, which resulted in the operating deficit. The RM advised that the current rates are adequate, and provided the 2013 and 2014 statements in March and July 2015 to support this.

On March 30, 2012, the RM submitted an application for approval of the 2011 deficit of \$15,757. The deficit figure was based on the RM's estimate of 2011 results, as the 2011 audited financial statements were not yet available. The Board accepted the RM's estimate and approved the 2011 deficit to be recovered through a rate rider over a three year period: 2013, 2014, and 2015. The Board approved the rate rider and revised water rates in Board Order Nos. 124/12 and 143/12.

Board findings

The Board approves the 2012 deficit to be recovered from the Utility's accumulated surplus.

On December 29, 2014, the Board received the Utility's audited financial statements for 2011 and 2012. A review of the statements showed that the Utility's actual deficit for 2011 was \$1,275 which was significantly less than the estimated amount and did not reflect the earlier proposed reasons provided by the RM, for the 2011 deficit. The funds collected through the rate rider would have gone into the utility accumulated surplus.

The Board notes that the Utility experienced surpluses in excess of \$50,000 for 2013 and 2014; however, this includes annual taxation revenues in the amount of \$184,189. The audited financial statements indicate that this debenture is maturing as of December 31, 2017, which will reduce the Utility revenues by approximately \$150,000 per year, leading to large operating deficits. Therefore, the Board will direct the Utility to file a rate application, or statement of rate adequacy with rationale, on or before June 30, 2017.

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 2012 of \$34,206 incurred in the Rural Municipality of Victoria Beach – Victoria Beach Water Utility is HEREBY APPROVED to be recovered from the Utility's accumulated surplus.
2. The Rural Municipality of Victoria Beach confirm in writing to the Public Utilities Board, on or before January 31, 2016, that the rate rider approved in Board Order No. 124/12 has been discontinued effective December 31, 2015.
3. The Rural Municipality of Victoria Beach provide an explanation in writing to the Public Utilities Board, on or before January 31, 2016, for the \$55,555 transferred from the operating fund to the utility fund in 2012.
4. The Rural Municipality of Victoria Beach - Victoria Beach Water Utility review its water rates for adequacy and file an application for revised rates by no later than June 30, 2017.

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. 5/16
issued by The Public Utilities Board

Acting Secretary