

Order No. 72/16

**MUNICIPALITY OF WESTLAKE-GLADSTONE
LANGRUTH WATER AND WASTEWATER UTILITY
OPERATING DEFICITS 2013 and 2014**

June 2, 2016

**BEFORE: Susan Proven, P.H.Ec., Acting Chair
The Hon. Anita Neville, P.C., B.A. (Hons.), 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 8, 2015, the Board received deficit applications for 2013 of \$6,906 and 2014 of \$38,168 for Langruth Water and Wastewater Utility (Utility) from the Municipality of Westlake-Gladstone (Municipality). The application was accompanied by Council Resolution No. 6, requesting that the deficit be recovered through the Utility's accumulated surplus account. Rates were last set in 2008.

The application advised that the deficits were a result of the significant increase in water purchase cost in both years, along with an additional increase in water treatment cost in 2014.

The Municipality advised that the current rates are insufficient to cover the Utility's operating cost. An application for revised rates was submitted on October 26, 2015.

Board Order No. 93/09 established that utilities should maintain a minimum working capital surplus, in an amount equal to 20% of annual expenses. The working capital surplus is defined as the Utility fund balance, excluding any capital related items plus Utility reserves.

As per the 2014 audited financial statements, the most recent information available, the working capital surplus at December 31, 2014 was:

	2014
Fund Surplus/Deficit	\$ 952,770
Deduct Tangible Capital Assets	\$ 989,842
Add Long-Term Debt	\$ 67,470
Add Utility Reserves	\$ 23,006
Equals Working Capital Surplus	\$ 53,404
Operating costs	\$ 105,918
20% of operating costs	\$ 21,184

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 2013 and 2014 deficits to be recovered through the Utility's accumulated surplus account.

The 2014 financial statements of the Municipality of Westlake-Gladstone, indicates a working capital surplus of \$53,404, which is in excess of the 20% of operating costs recommended by the panel and can absorb the 2013 and 2014 deficits.

The Board recommends having adequate rates to cover all the Utility's operating expenses.

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 deficits, when calculated for regulatory purposes, are 2013 of \$6,906 and 2014 of \$38,168 incurred in the Municipality of Westlake-Gladstone – Langruth Water and Wastewater Utility are HEREBY APPROVED to be recovered from the Utility's Accumulated Surplus.
2. The Municipality of Westlake-Gladstone – Langruth Water and Wastewater Utility provide copies of their 2015 audited financial statements as soon as they are available, including deficit applications as required.

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. 72/16
issued by The Public Utilities Board

Acting Secretary