

Order No. 127/19

**RURAL MUNICIPALITY OF ROSEDALE
KELWOOD WATER UTILITY
REQUEST FOR INTERIM *EX PARTE* WATER RATES**

September 3, 2019

**BEFORE: Marilyn Kapitany, B.Sc. (Hon), M. Sc., Panel Chair
Mike Watson, Panel Member**

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) denies the request of the Rural Municipality of Rosedale (RM) for interim *ex parte* basis water rates for the Kelwood Water Utility (Utility).

Rationale for the Board's decisions may be found under the heading Board Findings.

2.0 Application

The RM submitted an application for revised water rates for the Utility in February 2019. The application included a rate study prepared by the RM and By-law No. 11-2018, having had first reading September 14, 2018.

The application was reviewed for completeness, and the Board contacted the RM on March 4, 2019 with a list of deficiencies in the application. The RM responded and resubmitted the application April 2019. On May 31, 2019, the Board once again contacted the RM with a list of questions required to process the application. The RM submitted its application a third time June 5, 2019 and a fourth and final time July 19, 2019.

The April 2019 application included Council Resolution No. 19/99 requesting approval of interim *ex parte* rates. The resolution stated the Utility has an urgent need for interim rates, having incurred a deficit during 2012, 2014, 2016 and 2017.

When reviewing an application the Board can either: hold a public hearing at which the applicant can present its case and customers can present their concerns; or where it is deemed to be in the best interests of a utility and its customers, the Board can review the application using a paper review process without holding a public hearing.

If a public hearing is not held when making its decision, the Board proceeds with a detailed paper review process which includes consideration of all comments and concerns received and may include additional information requests to the utility's application.

Where there is an urgent need for a rate increase and the Board determines it to be in the best interest of all parties, the Board may also establish interim *ex parte* rates. Interim rates are typically approved as applied for, and are then subject to a Public Notice of Application and the Board's review using one of the processes outlined above, before being confirmed as final by Board Order.

The use of interim rates is reserved for instances where an RM can show there is a compelling argument to allow it. This is typically done by showing the Board that the utility is experiencing operating deficits and will continue to do so if revised rates are not approved in an expedited manner.

Working Capital Surplus/Deficit

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/deficit is defined as the Utility fund balance, excluding any capital related items plus Utility reserves.

As per the 2018 audited financial statements, the most recent information available, the working capital surplus at December 31, 2018 was:

	2018
Accumulated Fund Surplus	\$ 393,378
Deduct tangible capital assets	\$ 150,180
Add long term debt	\$ -
Add utility reserves	\$ -
Equals Working Capital Surplus	\$ 243,198
Utility operating costs	\$ 32,545
20% of utility operating costs (target)	\$ 6,509

The Utility currently meets the Board minimum target working capital surplus of 20%.

3.0 Board Findings

The Board denies the approval of revised water rates on an interim *ex parte* basis. The RM's request for interim *ex parte* rates states the need is urgent; however, the Utility has substantial working capital surplus to absorb any losses incurred while the rate application goes through the Board's usual process and detailed review. The 2018 financial statements indicate the Utility has experienced operating surpluses in both 2017 and 2018, contrary to the RM's request.

The Board finds there is no urgent need for revised Utility rates, and the application will remain in the queue for regular processing.

4.0 IT IS HEREBY ORDERED THAT:

1. The Rural Municipality of Rosedale's application for revised water rates for the Kelwood Water Utility on an interim *ex parte* basis, BE AND IS HEREBY DENIED.

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.pubmanitoba.ca.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"Marilyn Kapitany, B.Sc. (Hon), M. Sc."
Panel Chair

"Jennifer Dubois, CPA, CMA"
Assistant Associate Secretary

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Assistant Associate Secretary