

Order No. 131/19

**MUNICIPALITY OF BIFROST-RIVERTON
RIVERTON WASTEWATER UTILITY
2010, 2011, 2012 and 2016
ACTUAL OPERATING DEFICIT RECOVERY**

September 4, 2019

**BEFORE: Carol Hainsworth, Panel Chair
Irene Hamilton, Q.C., Member**

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 recovery methodology.

The Public Utilities Board (Board) issued Order No. 151/08 on November 7, 2008 requiring all water and/or wastewater 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.

1.0 Deficit Application

On June 30, 2019, the Board received an application from the Municipality of Bifrost-Riverton (Municipality), Riverton Wastewater Utility (Utility), for approval of the following deficits:

- 2010 \$14,135
- 2011 \$ 7,982
- 2012 \$10,205
- 2016 \$20,913

The total deficit amount to be recovered is \$53,235. Along with the application, the Municipality submitted Council Resolution No. 33, requesting the recovery of the deficits through the Utility's Accumulated Surplus.

The application stated that the deficits were due to increase in Utility expenses.

Rates for the Utility were last set in Order 11/19.

Working Capital Calculation

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 2016 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2016 is as follows:

	2016
Utility Fund Accumulated Surplus	\$858,203
Deduct Tangible Capital Assets	(\$952,091)
Add Long Term Debt	\$171,659
Add Utility Reserves	\$39,316
Equals Working Capital Surplus	\$117,087
Expenses	\$72,341
20% of Expenses (Target)	\$14,468

2.0 Board findings

The Board has reviewed the application, determining that the Utility has sufficient working capital, and approves the 2009 deficit of \$14,135, the 2010 deficit of \$7,982, the 2012 deficit of \$10,205, and the 2016 deficit of \$20,913, for a total deficit of \$53,235 to be recovered through the Utility Accumulated Surplus Account.

As of the date of this Order, the Town's 2018 Audited Financial Statement were not available. The most recent statements available were 2016, making it difficult for the Board to assess and determine the current financial position of the utility. When audited financial statements are not current reporting to the Board for the utility is delayed. It is

the responsibility of the municipality to file audited financial statements with the Board no later than June following year end. The Board encourages the Municipality to work with the auditors to ensure timely delivery of the financial statements.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficits, when calculated for regulatory purposes, of \$14,135 in 2010, \$7,982 in 2011, \$10,205 in 2012, and \$20,913 in 2016 incurred in Municipality of Bifrost-Riverton, Riverton Wastewater Utility, are HEREBY APPROVED to be recovered through the Utility's Accumulated Surplus Account, effective the date of this Order.

Fees payable upon this Order - \$150.00

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.

THE PUBLIC UTILITIES BOARD

"Carol Hainsworth"

Panel Chair

"Rachel McMillin, BSc."

Assistant Associate Secretary

Certified a true copy of Order No. 131/19
issued by The Public Utilities Board



Assistant Associate Secretary