

Order No. 143/19

**RURAL MUNICIPALITY OF PORTAGE LA PRAIRIE
OAKVILLE WATER AND WASTEWATER UTILITY
2018 ACTUAL OPERATING DEFICIT RECOVERY**

October 1, 2019

**BEFORE: Shawn McCutcheon, 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 August 15, 2019, the Board received an application from the Rural Municipality of Portage la Prairie (RM), Oakville Water and Wastewater Utility (Utility), for approval of a 2018 deficit in the amount of \$26,462.

Along with the application, the RM submitted Council Resolution No. 2019-203, requesting the recovery of the deficit through the Utility's Accumulated Surplus.

The application stated that the deficit was due to the increase in amortization expense due to the expanded lagoon. There is also a shortfall in revenue due to the new development that is not yet occupied with residents and hookups to contribute to the revenue to offset the amortization expense.

Rates for the Utility were last set in Board Order No. 118/15. Pass-through rates were approved in Board Order No. 19/19.

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 2018 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2018 is as follows:

	2018	2017
Utility Fund Accumulated Surplus	\$ 1,180,109	\$ 1,119,682
Deduct: Tangible Capital Assets	\$ 1,351,005	\$ 1,309,422
Add: Long Term Debt	\$ 215,856	\$ 187,246
Add: Utility Reserves	\$ 3,752	\$ 11,752
Equals Working Capital Surplus	\$ 48,712	\$ 9,258
Expenses	\$ 273,352	\$ 248,852
20% of Expenses (Target)	\$ 54,670	\$ 49,770

2.0 Board findings

The Board has reviewed the application, determining that the Utility has sufficient working capital, and approves the 2018 deficit of \$26,462, to be recovered through the Utility's Accumulated Surplus.

The Board notes, with the absorption of this deficit, the working capital surplus is slightly below the Board's minimum requirements; therefore, a plan to rebuild the Utility's working capital should be made. The Board requires the RM to review its water and wastewater rates and submit a rate application by no later than November 30, 2019.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficits, when calculated for regulatory purposes, of \$26,462 in 2018 incurred in Rural Municipality of Portage la Prairie, Oakville Water and Wastewater Utility, is HEREBY APPROVED to be recovered through the Utility's Accumulated Surplus Account, effective the date of this Order.
2. The Rural Municipality of Portage la Prairie review its water and wastewater rates and submit a rate application by no later November 30, 2019.

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

"Shawn McCutcheon"

Panel Chair

"Rachel McMillin"

Assistant Associate Secretary

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issued by The Public Utilities Board



Assistant Associate Secretary