

Order No. 15/19

**RURAL MUNICIPALITY OF LA BROQUERIE
LA BROQUERIE WASTEWATER UTILITY
RECOVERY OF ANTICIPATED 2017 DEFICIT**

January 28, 2019

**BEFORE: Shawn McCutcheon, Panel Chair
Carol Hainsworth, Panel Member**

The Public Utilities Board (PUB) issued Order No. 151/08 on November 07, 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 \$10,000 or represents 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 Application

On December 18, 2018, the Board received an application from the Rural Municipality of La Broquerie (RM), La Broquerie Wastewater Utility (Utility), for approval of an anticipated 2018 deficit in the amount of \$17,000. Along with the application, the RM submitted Council Resolution No. 2018-385, which requested the recovery of the deficits through a rate rider of \$1.65 per Residential Equivalency Units (REU) over a three (3) year period.

The application advised that the primary reason for the deficit was that the wastewater rates were implemented a year later than requested in the last rate application.

The RM advises that the number of REUs assigned is 868, one REU being the volume of wastewater estimated to be produced by the average single-family residence. Units allocated to other customers are based on estimated consumption, as compared with a residence. REUs are used in communities with unmetered distribution and collection systems, where information regarding actual consumption is unavailable.

The rate rider was calculated by dividing the deficit of \$17,000 by the number of REUs of 868 divided by three (3) years.

2018 Anticipated Deficit **17,000.00**

# of REUs in 2019 and forward	868
Quarterly Rate Rider (3-Year Term)	\$ 1.63
Quarterly Rate Rider (2-Year Term)	\$ 2.45
Quarterly Rate Rider (1-Year Term)	\$ 4.90

On April 12, 2017, the RM applied for revised wastewater rates to be effective January 1, 2018, 2019 and 2020. On November 7, 2018, Board Order No. 152/18 was issued revising the wastewater rates to be effective January 1, 2019, 2020 and 2021.

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 2017 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2017 is as follows:

	2017	2016
Utility accumulated fund surplus	\$4,337,384	\$2,446,739
Deduct tangible capital assets	7,140,570	2,832,198
Add long term debt	2,769,569	330,907
Add utility reserves	1,269,857	704,080
Equals Working Capital Surplus	\$1,236,240	\$649,528
Operating costs	\$340,899	\$230,398
20% of operating costs (target)	\$68,180	\$46,080

The above-noted Working Capital calculation for the Utility is well above the Board recommended 20% of operating expenses.

2.0 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 of the deficit and for a recovery methodology.

The Board approves the 2018 anticipated deficit of \$17,000, however, the Board varies the recovery methodology. The Board directs the RM to recover the deficit of \$17,000 through the Utility's accumulated Surplus. The Board notes that the working capital position is well above the Board recommended 20% and has the capacity to cover the deficit therefore lessening the impact to rate payers.

This deficit is anticipated for the RM based on unaudited financials. Should the actual deficit for 2018 based on audited financials be more than the anticipated amount of \$17,000, the Board directs the RM to apply to the Board to adjust the recovery.

The Board commends the RM for maintaining a fiscally responsible utility.

3.0 IT IS THEREFORE ORDERED THAT:

1. The anticipated 2018 utility operating deficit of \$17,000 incurred in the Rural Municipality of La Broquerie, La Broquerie Wastewater Utility, is HEREBY APPROVED.
2. The proposed recovery methodology through a rate rider of \$1.65 per REU by the Rural Municipality of La Broquerie, La Broquerie Wastewater Utility, is VARIED to be recovered through the Utility's accumulated Surplus, effective the date of this Order.
3. The Rural Municipality of La Broquerie, La Broquerie Wastewater Utility provide a copy of their 2018 audited financial statements as soon as they are available.
4. The Rural Municipality of La Broquerie, La Broquerie Wastewater Utility is to apply to the Board should the actual deficit for 2018, based on audited financials, be more than the anticipated amount of \$17,000.

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

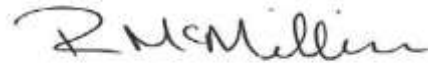
"Shawn McCutcheon"

Panel Chair

Rachel McMillin, B. Sc.

Assistant Associate Secretary

Certified a true copy of Order No. 15/19
issued by The Public Utilities Board



Assistant Associate Secretary