

Order No. 150/19

**RURAL MUNICIPALITY OF WHITEMOUTH
WHITEMOUTH WATER UTILITY
2018 ACTUAL OPERATING DEFICIT RECOVERY**

October 7, 2019

BEFORE: Carol Hainsworth, Panel Chair
Marilyn Kapitany, BSc. (Hon), MSc., Panel 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 September 27, 2019, the Board received an application from the Rural Municipality of Whitemouth (RM), Whitemouth Water Utility (Utility), for approval of a 2018 deficit in the amount of \$97,964.

Along with the application, the RM submitted Council Resolution No. 270/19, requesting the recovery of the deficit through the Utility Reserves. The application stated that the deficit was due to increased costs and insufficient revenue.

The Utility Reserve was \$120,878 as of December 31, 2018.

Rates for the Utility were last set in Board Order No. 56/19.

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
Utility Fund Accumulated Surplus	\$6,421,077
Deduct Tangible Capital Assets	(\$6,520,205)
Add Long Term Debt	\$89,411
Add Utility Reserves	\$120,878
Equals Working Capital Surplus (Deficit)	\$111,161
Expenses	\$574,380
20% of Expenses (Target)	\$114,876

2.0 Board findings

The Board has reviewed the application and finds there is a sufficient reserve amount to recover the deficit. The Board approves the 2018 deficit of \$97,964 to be recovered through a draw-down from the Utility Reserve Fund.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, of \$97,964 in 2018, incurred in Rural Municipality of Whitemouth, Whitemouth Water Utility, is HEREBY APPROVED to be recovered from the Utility Reserve Fund, 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

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Assistant Associate Secretary