

Order No. 186/19

**RURAL MUNICIPALITY OF ROCKWOOD
BALMORAL WATER AND WASTEWATER UTILITY
2012, 2016, 2017 AND 2018
ACTUAL OPERATING DEFICITS RECOVERY**

December 12, 2019

**BEFORE: Irene Hamilton, Q.C., 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 November 12, 2019, the Board received an application from the Rural Municipality of Rockwood (RM), Balmoral Water and Wastewater Utility (Utility) for approval of the following deficits:

- 2012 \$20,902
- 2016 \$29,406
- 2017 \$28,410
- 2018 \$20,455

The total for the four years of deficits incurred is \$99,173. Along with the application, the RM submitted Council Resolution No. 2019 378, requesting approval for the recovery of the deficits through a rate rider of \$1.11 per cubic meter of consumption over five (5) years. The application stated the deficits were due to amortization expenses.

Rates for this Utility were last set in Board Order No. 101/12.

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	\$3,093,261
Deduct Tangible Capital Assets	(\$3,840,155)
Add Long Term Debt	\$0
Add Utility Reserves	\$59,724
Equals Working Capital Surplus/(Deficit)	(\$687,170)
Expenses	\$203,103
20% of Expenses (Target)	\$40,621

The Utility's working capital does not meet the Board's minimum requirement of 20% of its operating expenses.

2.0 Board findings

The Board approves the 2012 deficit of \$20,902, the 2016 deficit of \$29,406, the 2017 deficit of \$28,410 and the 2018 deficit of \$20,455 to be recovered by a rate rider of \$1.11 per cubic meter per customer per quarter, over a five year period or until the deficit is fully recovered, whichever comes first. This rate rider is effective January 1, 2020.

The Board directs the RM to monitor the collected deficit revenues closely. Should the deficit amount be recovered before the five-year period the RM is to immediately stop the collection of the rate rider.

The Board notes the Utility's working capital is in a large deficit position, and it has been seven years since the Utility has submitted a rate application to the Board. In the Board's view, this is too long a time-period between rate reviews. Regular rate reviews submitted on a timelier three-year period, as per the Board's Guidelines, protect the financial position of the Utility and may mitigate the need for substantial rate increases. In this instance, the additional cost of a rate rider is necessary to recover utility deficits.

It is the Utility's responsibility to review the rates and ensure rates are adequate to recover the cost of service being provided to its customers. Customers are generally more tolerant of regular, smaller increases. The RM needs to be much more diligent in conducting regular reviews of its revenue requirements.

The Board directs the Municipality to file a full rate study and application for revised rates using the Board's Guidelines, with the Board by no later than February 28, 2020.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficits, when calculated for regulatory purposes, of \$20,902 in 2012, \$29,406 in 2016, \$28,410 in 2017 and \$20,455 in 2018 incurred in the Rural Municipality of Rockwood, Balmoral Water and Wastewater Utility, is HEREBY APPROVED to be recovered through a rate rider of \$1.11 per cubic meter, per customer per quarter over five (5) years or until the deficit is recovered in full, whichever comes first. The rate rider is effective January 1, 2020.
2. The Rural Municipality of Rockwood is to provide a notice to its customers, including the decisions found in this Order.
3. The Rural Municipality of Rockwood, Balmoral Water and Wastewater Utility is to monitor the deficit revenues and stop the rate rider if recovered in full before the five-year period.
4. The Rural Municipality of Rockwood, Balmoral Water and Wastewater Utility file a rate study and revised rate application with the Public Utilities Board, by no later than February 28, 2020.

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

"Irene Hamilton, Q.C."
Panel Chair

"Rachel McMillin, BSc."
Assistant Associate Secretary

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issued by The Public Utilities Board


Assistant Associate Secretary