

Order No. 189/19

**RURAL MUNICIPALITY OF VICTORIA BEACH
VICTORIA BEACH WATER UTILITY
2019 ANTICIPATED DEFICIT**

December 16, 2019

BEFORE: Shawn McCutcheon, 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 4, 2019, the Board received an application from the Rural Municipality of Victoria Beach (RM), Victoria Beach Water Utility (Utility) for approval of a 2019 anticipated deficit in the amount of \$54,773. Along with the application, the Municipality submitted Council Resolution No. 2019/245, requesting approval for the recovery of the deficit through a transfer from the Utility's Accumulated Fund Surplus. The Utility's revenue is not sufficient to cover its operating expenses.

Rates for this Utility were last set in Board Order No. 121/19 effective September 1, 2019.

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	\$1,979,335
Deduct Tangible Capital Assets	(\$2,080,065)
Add Long Term Debt	\$0
Add Utility Reserves	\$132,414
Equals Working Capital Surplus/(Deficit)	\$31,684
Expenses	\$405,010
20% of Expenses (Target)	\$81,002

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 recovery of the 2019 anticipated deficit in the amount of \$54,773 through the Utility's Accumulated Fund Surplus.

The Board notes that although the Utility did not meet the Board's working capital surplus requirement in 2018, of 20% of operating expenses, the working capital position is expected to improve with the new rates approved in Board Order No. 121/19.

This deficit is anticipated for the Utility based on unaudited financials. Should the deficit amount based on 2019 audited financials be greater than the anticipated amount of \$54,773, the Board directs the RM to apply to adjust for the recovery.

3.0 IT IS THEREFORE ORDERED THAT:

1. The anticipated 2019 utility operating deficit of \$54,773 incurred in the Rural Municipality of Victoria Beach, Victoria Beach Water Utility, is HEREBY APPROVED to be recovered through the Utility's Accumulated Fund Surplus.
2. The Rural Municipality of Victoria Beach, Victoria Beach Water Utility is to apply to the Board should the actual deficit for 2019, based on audited financials, be more than the anticipated amount of \$54,773.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"

Panel Chair

"Rachel McMillin, BSc."

Assistant Associate Secretary

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issued by The Public Utilities Board



Assistant Associate Secretary