

**Order No. 102/20**

**MUNICIPALITY OF BIFROST-RIVERTON  
RIVERTON WASTEWATER UTILITY  
2017 & 2018 ACTUAL OPERATING DEFICITS RECOVERY**

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**August 12, 2020**

**BEFORE:** Carol Hainsworth, Panel Chair  
Irene Hamilton, Q.C., 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 July 27, 2020, the Board received an application from the Municipality of Bifrost-Riverton (Municipality), Riverton Wastewater Utility (Utility), for approval of the following deficits:

• 2017	\$34,529
• 2018	<u>\$26,755</u>
Total	<u>\$61,284</u>

Along with the application, the Municipality submitted Council Resolution No. 2, requesting the recovery of the deficits through the Utility's Accumulated Fund Surplus.

The application stated that the deficit was due to increased costs.

Rates for the Utility were last set in Board Order No. 131/19 with rates effective April 1, 2020.

### 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:

	<b>2018</b>
Utility Fund Accumulated Surplus	\$778,450
Deduct Tangible Capital Assets (TCA)	(\$934,419)
Add Long Term Debt	\$145,694
Add Utility Reserves	\$42,701
<b>Equals Working Capital Surplus (Deficit)</b>	<b>\$32,426</b>
Expenses	\$79,897
20% of Expenses (Target)	\$15,979

## 2.0 Board findings

The Board has reviewed the application and determined the Utility has adequate working capital surplus to absorb the deficits. The Board approves the 2017 deficit of \$34,529 and the 2018 deficit of \$26,755 to be recovered through the Utility's Accumulated Surplus.

Although the deficits may have been due to increased costs, the Utility has not been diligent in conducting regular reviews of its rates and corresponding revenue requirements. There was a 28-year gap between the last rate review and the rates approved in Board Order No. 11/19. The Board reminds the Municipality that it is the Utility's responsibility to review the rates and ensure that rates are adequate to recover the cost of service being provided to its ratepayers.

### 3.0 IT IS THEREFORE ORDERED THAT:

1. The 2017 and 2018 actual operating deficits , when calculated for regulatory purposes, in the amounts of \$34,529 and \$26,755 incurred in Municipality of Bifrost-Riverton, Riverton Wastewater Utility, are HEREBY APPROVED to be recovered through the Utility's Accumulated Surplus, 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](http://www.pubmanitoba.ca).

THE PUBLIC UTILITIES BOARD

"Carol Hainsworth"  
Panel Chair

"Rachel McMillin, BSc."  
Assistant Associate Secretary

Certified a true copy of Order No. 102/20  
issued by The Public Utilities Board

  
Assistant Associate Secretary