

**Order No. 33/21**

**RURAL MUNICIPALITY OF WALLACE-WOODWORTH  
FORMER KENTON WATER AND WASTEWATER UTILITY  
2019 ACTUAL OPERATING DEFICIT RECOVERY**

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**March 11, 2021**

**BEFORE:** Shawn McCutcheon, Panel Chair  
Marilyn Kapitany, B.Sc. (Hons), M.Sc., 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 a 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 Background

In Board Order No. 81/19, the Board approved the amalgamation of the following utilities in the Rural Municipality of Wallace-Woodworth (RM) into the Wallace-Woodworth Water and Wastewater Utility (Utility):

- Kenton Water and Wastewater Utility (Kenton)
- Rural Pipeline Water (Rural)
- Wallace Water Utility (Wallace)

The amalgamation of the three utilities was effective January 1, 2020. In Board Order No. 81/19, the Board also approved the recovery of previous years' deficits, 2013, 2014, 2015 and 2016, through the Accumulated Fund Surplus of the amalgamated Utility.

In Board Order No. 194/19, the Board approved the recovery of 2017 and 2018 deficits through the Accumulated Funds Surplus of the amalgamated Utility.

## 2.0 Deficit Application

On January 18, 2021, the Board received an application from the RM for approval of a 2019 deficit in the amount of \$21,346 for the previous Kenton Utility.

Along with the application, the RM submitted Council Resolution No. 21/012 requesting the recovery of the deficit through the amalgamated Utility's Accumulated Surplus. The applications stated that the deficits were due to increased costs and lack of revenue.

Rates for the amalgamated Utility were last set in Board Order No. 81/19.

### 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 2019 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2019 is as follows:

2019	Kenton	Rural	Wallace	Total
Accumulated Fund Surplus	\$768,222	\$1,384,302	\$15,244,358	\$17,396,882
Deduct: Tangible Capital Assets	\$1,390,375	\$1,559,650	\$17,660,439	\$20,610,464
Add: Long-Term Debt	\$250,654	\$215,333	\$3,013,994	\$3,479,981
Add: Utility Reserves	\$0	\$0	\$877,058	\$877,058
<b>Equals Working Capital Surplus (Deficit)</b>	<b>(\$371,499)</b>	<b>\$39,985</b>	<b>\$1,474,971</b>	<b>\$1,143,457</b>
Operating Expenses	\$123,041	\$183,073	\$1,583,521	\$1,889,635
20% of Operating Expenses (Target)	\$24,608	\$36,615	\$316,704	\$377,927

The amalgamated Utility's working capital meets the Board's requirement of 20% of operating expenses.

### 3.0 Board findings

The Board approves the 2019 deficit of \$21,346 incurred in the former Kenton Utility to be recovered through the amalgamated Utility's Accumulated Surplus.

### 4.0 IT IS THEREFORE ORDERED THAT:

1. The 2019 actual operating deficit, when calculated for regulatory purposes, of \$21,346 incurred in the Rural Municipality of Wallace-Woodworth, former Kenton Water and Wastewater Utility, is HEREBY APPROVED to be recovered through the Wallace-Woodworth Water and Wastewater 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

"Shawn McCutcheon"

Panel Chair

"Rachel McMillin, B.Sc."

Assistant Associate Secretary

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Assistant Associate Secretary