

**Order No. 63/21**

**MUNICIPALITY OF WESTLAKE-GLADSTONE  
YELLOWHEAD REGIONAL WATER UTILITY  
2017 and 2019 ACTUAL OPERATING DEFICIT RECOVERY**

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**June 10, 2021**

**BEFORE:** Irene Hamilton, Q.C., Panel Chair  
Mike Watson, 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 Deficit Application

On March 22, 2021, the Board received an application from the Municipality of Westlake-Gladstone (Municipality) for approval of 2017 and 2019 deficits incurred in the Yellowhead Regional Water Utility (Utility).

Along with the application, the Municipality submitted Council Resolution No. 2021-054, requesting approval for the recovery of the deficits through Utility's Accumulated Fund Surplus.

On April 20, 2021, after finding discrepancies on the application, Board staff requested a revised deficit application form and PUB Schedule 9.

On May 4, 2021, the Municipality submitted revised deficit application forms with the corresponding PUB Schedule 9s, in the following amounts:

- 2017           \$ 18,364
- 2019           \$ 25,603
- Total       \$ 43,967

The application stated that the deficits were due to capital projects exceeding projected expenditure.

Utility rates were last set in Board Order No. 31/18.

### 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:

	<b>2019</b>
Utility Fund Accumulated Surplus	\$4,842,429
Deduct Tangible Capital Assets	(\$5,760,116)
Add Long Term Debt	\$861,855
Add Utility Reserves	\$304,066
<b>Equals Working Capital Surplus/(Deficit)</b>	<b>\$248,234</b>
Expenses	\$394,997
20% of Expenses (Target)	\$78,999

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

## 2.0 Board findings

The Board approves the actual operating deficits, when calculated for regulatory purposes, of \$18,364 in 2017 and \$25,603 in 2019, to be recovered through the Utility's Accumulated Fund Surplus.

The Board notes that since the last rate review (2016), amortization expense has increased from the 2019 forecast of \$75,159 to \$132,782 in the 2019 audited financial statements. The same is true for water expenses from a 2019 forecast of \$163,851 to \$184,605 2019 actuals. The Board directs the Municipality of Westlake-Gladstone to review water rates in the Yellowhead Regional Water Utility for adequacy and submit a report or a full rate study by no later than June 30, 2022.

The Board also notes that the Utility's audited financial statements include capital grant revenue in 2018 and 2019; however, the PUB Note on the Audited Financial Statements did not include amortization of capital grants. The Board strongly encourages the Municipality to work closely with its auditor(s) to ensure the Public Utilities Board Note to the Consolidated Financial Statements is complete and accurate. If this note is omitted, incomplete, or incorrect, it limits the Board's ability to assess the Utility's financial position, and the Municipality's ability to set appropriate rates to sustain the Utility and its operations.

### 3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficits, when calculated for regulatory purposes, of \$18,364 in 2017 and \$25,603 in 2019 incurred in the Municipality of Westlake-Gladstone, Yellowhead Regional Water Utility, is HEREBY APPROVED to be recovered through the Utility's Accumulated Fund Surplus.
2. The Municipality of Westlake-Gladstone review water rates in the Yellowhead Regional Water Utility and submit a rate adequacy report or a full rate study by no later than June 30, 2022.

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

"Irene Hamilton, Q.C."  
Panel Chair

"Jennifer Dubois, CPA, CMA"  
Assistant Associate Secretary

Certified a true copy of Order No. 63/21  
issued by The Public Utilities Board

  
Assistant Associate Secretary