

Order No. 120/22

**RURAL MUNICIPALITY OF ROSEDALE
KELWOOD WATER UTILITY
2020 ACTUAL OPERATING DEFICIT RECOVERY**

November 15, 2022

BEFORE: Marilyn Kapitany, B.Sc. (Hon), M. Sc., Panel Chair

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 that the Utility proposes.

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 April 1, 2022, the Board received an application from the Rural Municipality of Rosedale (RM), Kelwood Water Utility (Utility) for approval of a 2020 actual operating deficit in the amount of \$15,175. Along with the application, the RM submitted Council Resolution No.22/43, requesting approval for the recovery of the deficit through the Utility's Accumulated Fund Surplus and the Utility's 2021 and 2022 Financial Plans.

The application stated the deficit was primarily due to billing errors incurred while upgrading the Utility's water meters. At the time meters were replaced, meter readings were not accurately recorded by the RM's Water Treatment Operator which resulted in insufficient billing. The RM subsequently advised Board staff on October 27, 2022, all meters have now been upgraded, a new Water Treatment Operator is in place, and therefore the RM does not anticipate any further discrepancies.

Utility rates were last approved in Board Order No. 24/20, with the most recent rates effective April 1, 2022.

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 2021 Audited Financial Statements for the Utility, the most recent information available, the working capital deficit at December 31, 2021 is as follows:

	2021	2020
Utility Fund Surplus/Deficit	\$497,757	\$473,457
Deduct Tangible Capital Assets	(274,062)	(282,446)
Add Long-Term Debt	-	-
Add Utility Reserves	-	-
Equals Working Capital Surplus (Deficit)	\$223,695	\$191,011
Operating Expenses	33,462	48,557
20% of Operating Expenses (Target)	\$6,692	\$9,711

The Utility's working capital meets the Board's minimum requirement of 20% of its operating expenses and is sufficient to recover the applied for deficit.

2.0 Board Findings

The Board has reviewed the RM's Deficit Application to recover a 2020 deficit of \$15,175 and notes the RM neglected to deduct the amortization of capital grants amount of \$1,233 reported in Public Utility Board – Note 20 to the 2020 Audited Financial Statements. Board staff confirmed this oversight with the RM's Chief Administrative Officer on October 27, 2022.

The Board therefore varies the Utility's 2020 actual operating deficit amount to \$13,942 (\$15,175 less \$1,233), when calculated for regulatory purposes, and approves the amount to be recovered through the Utility's Accumulated Fund Surplus.

Board order No. 24/20 directed the RM to review water rates for adequacy for the Utility and file reports with the Board on or before July 31, 2020, July 31, 2021, and July 31, 2022. The Board notes it has not received the reports from the RM. The Board has, however, reviewed the 2021 Audited Financial Statements for the Utility and notes no deficit was reported for the Utility for 2021.

The Board reminds the RM that all items found under the Board Order heading, "**IT IS THEREFORE ORDERED THAT:**" are directives, not recommendations, and must be complied with or appealed. Pursuant to *The Public Utilities Board Act*, the Board may apply penalties for non-compliance.

The Board finds that the report for 2022 is overdue and directs the RM to review its water rates for the Utility for adequacy and file a report with the Board or submit an application for revised rates, by March 31, 2023.

3.0 IT IS THEREFORE ORDERED THAT:

1. The 2020 actual operating deficit, when calculated for regulatory purposes, in the amount of \$13,942, incurred in the Rural Municipality of Rosedale, Kelwood Water Utility, is HEREBY VARIED and is to be recovered through the Utility's Accumulated Fund Surplus.
2. The Rural Municipality of Rosedale review its water rates for the Kelwood Water Utility for adequacy and file a report with the Public Utilities Board or submit an application for revised rates, by no later than March 31, 2023.

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

"Marilyn Kapitany"
Panel Chair

"Frederick Mykytyshyn"
Assistant Associate Secretary

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issued by The Public Utilities Board


Assistant Associate Secretary