

Order No. 24/22

**RURAL MUNICIPALITY OF ARGYLE
LOCAL IMPROVEMENT DISTRICT OF BALDUR
BALDUR WATER AND WASTEWATER UTILITY
2020 ACTUAL OPERATING DEFICIT RECOVERY**

March 1, 2022

**BEFORE: Shawn McCutcheon, Panel Chair
Marilyn Kapitany, B.Sc., (Hon), Panel Member**

By law, Manitoba utilities are not allowed to incur deficits. 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.

In the event that a deficit does occur, a Utility is required to obtain Board approval for a recovery methodology that the Utility proposes.

1.0 Deficit Application

On July 20, 2021, the Board received an application from the Rural Municipality of Argyle (RM), Baldur Water and Wastewater Utility (Utility), for approval of a 2020 deficit in the amount of \$18,066.

Along with the application, the RM submitted Council Resolution No. 2021-124, requesting the recovery of the deficits through the Utility's Accumulated Surplus.

The application stated that the deficit was due to increased costs and lack of revenue.

Rates for the Utility were last set in Board Order No. 20/19 with rates effective April 1, 2019, January 1, 2020 and January 1, 2021. The RM submitted an application for revised rates using the Board's Simplified Filing Process, which will be reviewed by the Board.

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 2020 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2020 is as follows:

	2020
Utility Fund Accumulated Surplus	\$2,192,545
Deduct Tangible Capital Assets	(\$2,285,982)
Add Long Term Debt	\$85,441
Add Utility Reserves	\$78,496
Equals Working Capital Surplus (Deficit)	\$70,500
Expenses	\$233,031
20% of Expenses (Target)	\$46,606

2.0 Board findings

The Board approves the 2020 actual operating deficit, when calculated for regulatory purposes, in the amount of \$18,066 to be recovered through the Utility's Accumulated Fund Surplus.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, of \$18,066 in 2020, incurred in Rural Municipality of Argyle, Baldur Water and Wastewater Utility, is 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.

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"

Panel Chair

"Jennifer Dubois, CPA, CMA"

Assistant Associate Secretary

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issued by The Public Utilities Board



Assistant Associate Secretary