

Order No. 126/23

**ORDER RESPECTING
THE RURAL MUNICIPALITY OF MOUNTAIN
MAFEKING WATER UTILITY
2018 AND 2020 ACTUAL OPERATING DEFICIT RECOVERIES
SUBMISSION OF RATE ADEQUACY**

November 6, 2023

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

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves the actual operating deficits in the amounts of \$8,824 for 2018 and \$6,273 for 2020 (or a total two-year deficit of \$15,097), when calculated for regulatory purposes, incurred in the Rural Municipality of Mountain (RM), Mafeking Water Utility (Utility) to be recovered from the Utility's Accumulated Surplus funds.

The Board accepts the RM's submission of rate adequacy for 2022 and will direct the RM to review the water rates for the Utility for adequacy and file a report with the Board, as well as an application for revised rates if required, by no later than April 1, 2024.

The reasons for the Board's decisions are under Board Findings.

2.0 Background

The RM owns and operates the Utility. Rates were last approved the Utility in 2020 in Board Order No. 30/20, with the most recent rates coming into effect January 1, 2022.

Deficits

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 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.

3.0 Application

In Board Order No. 30/20, the Board directed the RM to review its water rates for adequacy and file either a report confirming the adequacy of the rates or an application for revised rates, by no later than December 31, 2022.

On March 10, 2022, the RM wrote to the Board requesting an extension to submit an application for revised rates to December 31, 2023. The request was accompanied by Council Resolution # 2022/036 and a statement of rate adequacy, based on the 2021 Audited Financial Statements it was determined the Utility rates were sufficient to cover utility expenses.

The RM also filed Deficit Applications for 2018 of \$8,824, accompanied by Council Resolution # 419/18 and for 2020 of \$6,273, accompanied by Council Resolution # 2020/154 and Council resolution # 2022/219 (or a total two-year deficit of \$15,097) to be recovered from the Utility's Accumulated Surplus funds. The Applications advised the 2018 deficit was due to unexpected repairs to the Mafeking well and the 2020 deficit was due to a loss on disposal of water meters.

On October 26, Board staff requested an update regarding the status of rate adequacy with respect to the RM's 2022 Audited Financial Statements for the Utility. The RM submitted an updated Schedule 9 and advised the Utility rates were adequate for 2022, but may have a small deficit in 2023 due to unplanned repairs to the truck fill station of \$11,640 and requested an extension to April 30, 2024 to file a rate study and application for revised rates. The RM also advised they would file a deficit application for 2023 once a draft of the 2023 Audited Financial Statements are available if an actual operating deficit occurs.

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 2022 Audited Financial Statements, the most recent information available, the working capital surplus for the Utility as at December 31, 2022 was:

	2022
Utility Fund Surplus/Deficit	\$465,062
Deduct: Tangible Capital Assets	(369,055)
Add: Long-Term Debt	-
Add: Utility Reserves	70,464
Equals Working Capital Surplus (Deficit)	\$166,471
Operating Expenses	63,020
20% of Operating Expenses (Target)	\$12,604

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

4.0 Board Findings

The Board has reviewed the RM's deficit applications and grants approval of the 2018 actual operating deficit of \$8,824 and 2020 actual operating deficit of \$6,273 (or a total two-year deficit of \$15,097), to be recovered from the Utility Accumulated Fund Surplus.

The Board notes the RM has advised the Utility may incur a 2023 deficit of \$11,640 due to unplanned repairs to the truck fill station and directs the RM to file a deficit application and recovery methodology as soon as possible if a deficit materializes for 2023 once it has been confirmed by the 2023 Audited Financial Statements.

The Board has also considered the RM's submission that its current utility rates are adequate. At the time the RM provided its statement of rate adequacy, the RM included the audited financial results for 2021 in support of this submission; however, since that time the 2022 Audit was completed and the RM's forecast for 2023 now includes an anticipated deficit of \$11,640.

The Board accepts the RM's statement of rate adequacy for 2022 and directs the RM to file a rate application with the Board for the Utility by no later than April 30, 2024.

5.0 IT IS THEREFORE ORDERED THAT:

1. The 2018 actual operating deficit, when calculated for regulatory purposes, of \$8,824, and the 2020 actual operating deficit, when calculated for regulatory purposes of \$6,273 (or total two-year deficit of \$15,097), incurred in the Rural Municipality Mountain, Mafeking Water Utility, BE AND IS HEREBY APPROVED to be recovered from the Utility's Accumulated Fund Surplus.
2. The Rural Municipality Mountain submit a 2023 Deficit Application and recovery methodology for the Mafeking Water Utility if a 2023 deficit materializes.

3. The Rural Municipality of Mountain submit an application for revised rates for the Mafeking Water Utility by no later than April 30, 2024.

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. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"

Panel Chair

"Frederick Mykytyshyn"

Assistant Associate Secretary

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by The Public Utilities Board



Assistant Associate Secretary