

Order No. 133/23

**RURAL MUNICIPALITY OF ALEXANDER
ST. GEORGES/CAP DORE WATER AND WASTEWATER UTILITY
2021 AND 2022 ACTUAL OPERATING DEFICIT RECOVERY**

November 21, 2022

BEFORE: Irene Hamilton, K.C., Panel Chair
Susan Boulter, 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 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 September 29, 2023, the Board received an application from the Rural Municipality of Alexander (RM), St. Georges/Cap Dore Water and Wastewater Utility (Utility) for approval of a 2021 actual operating deficit in the amount of \$1,847 and a 2022 actual operating deficit in the amount of \$3,650 (or a total two-year deficit of \$5,497), when calculated for regulatory purposes.

Along with the application, the RM submitted Council Resolution # 2023 389, requesting approval for the recovery of the deficit through the Utility's Accumulated Fund Surplus. The application stated the deficit was due to unforeseen wastewater main repairs.

Utility rates were last approved in Board Order No. 59/12, with the most recent rates coming into effect January 1, 2014. Deficits were last approved for the Utility in Board Order No. 63/13 in the amounts of \$14,418 for 2012.

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 RM's 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	\$294,355
Deduct: Tangible Capital Assets	(192,899)
Add: Long-Term Debt	-
Add: Utility Reserves	-
Equals Working Capital Surplus (Deficit)	\$101,456
Operating Expenses	16,718
20% of Operating Expenses (Target)	\$3,344

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

2.0 Board Findings

The Board has reviewed the RM's Deficit Application and grants approval of the 2022 actual operating deficit, when calculated for regulatory purposes, in the amount of \$3,650 for 2022 and \$1,847 for 2021 (or a total two-year deficit of \$5,497) to be recovered through the Utility's Accumulated Fund Surplus.

The Board notes that it has been over twelve years since the RM has filed a rate application for the Utility and directs the RM to review the water and wastewater rates for the Utility for adequacy and file a report with the Board as well as an application for revised rates or statement of rate adequacy by April 30, 2024.

3.0 IT IS THEREFORE ORDERED THAT:

1. The 2022 actual operating deficit in the amount of \$3,650 and 2021 actual operating deficit in the amount of \$1,847 (or two-year deficit of \$5,497), when calculated for regulatory purposes, incurred in the Rural Municipality of Alexander, St. Georges/Cap Dore Water and Wastewater Utility, is HEREBY APPROVED to be recovered through the Utility's Accumulated Fund Surplus.
2. The Board directs the Rural Municipality Alexander to review the water and wastewater rates for the St. Georges/Cap Dore Water and Wastewater Utility for adequacy and file a report with the Public Utilities Board as well as an application for revised rates or statement of rate adequacy as soon as possible, but 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 (Rules). The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Irene Hamilton"

Panel Chair

"Frederick Mykytyshyn"

Assistant Associate Secretary

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issued by The Public Utilities Board



Assistant Associate Secretary