

Order No. 2/24

**RURAL MUNICIPALITY OF ROCKWOOD
BALMORAL WATER AND WASTEWATER UTILITY
ACTUAL OPERATING DEFICITS
2019, 2020 and 2021**

January 2, 2024

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

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1.0 Executive Summary

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.

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

2.0 Application

On October 11, 2023 the Board received an application from the Rural Municipality of Rockwood (RM), Balmoral Water and Wastewater Utility (Utility) for approval of operating deficits for the years 2019, 2020 and 2021, totalling \$147,097 (see table below) for all years combined, when calculated for regulatory purposes.

2019 Actual Operating Deficit	\$42,547
2020 Actual Operating Deficit	\$19,648
2021 Actual Operating Deficit	\$84,902
Total	\$147,097

Along with the applications, the RM submitted Council Resolution No 2023-351, requesting the Board approve all deficits to be recovered from the Utility's fund surplus account.

Utility rates were last approved in Board Order No. 101/12, with the most recent rates coming into effective January 1, 2014. The RM advised a rate study was being prepared, the Board has subsequently received a rate application from the RM and it is currently in the queue for processing.

Working Capital

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 working capital surplus at December 31, 2022 was:

	2022
Accumulated Fund Surplus/Deficit	\$3,824,900
Deduct tangible capital assets	(\$3,580,020)
Add long term debt	\$0
Add utility reserves	\$43,204
Equals Working Capital Surplus/Deficit	\$288,084
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Total Utility Expenses	\$332,879
20% of Total Utility Expenses (target)	\$66,576

3.0 Board Findings

The Board has reviewed the RM's applications, and grants approval of the 2019, 2020 and 2021 operating deficits, to be recovered from the Utility's Accumulated Surplus.

The Board reminds the Municipality regular reviews are important for a financially sound utility and encourages the Municipality to review Board Order Nos. 27/23 and 86/17 for future rate applications. The Orders outline the Simplified Rate Application Process for municipally owned public utilities. If, after its rate review, the Municipality finds it meets the designated criteria for a Simplified Rate Application, it should apply for future rates using the Simplified Rate Application Process.

4.0 IT IS THEREFORE ORDERED THAT:

1. The operating deficits for the 2019 (\$42,547), 2020 (\$19,648) and 2021 (\$84,902), for a total of \$147,097 when calculated for regulatory purposes, incurred in the Municipality of Rockwood – Balmoral Water and Wastewater Utility, BE AND ARE HEREBY APPROVED to be recovered from the Utility's accumulated fund surplus.

Fees payable upon this Order - \$150.00

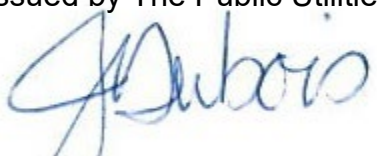
Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

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

"Jennifer Dubois, CPA, CMA"
Assistant Associate Secretary

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Assistant Associate Secretary