

**Order No. 52/18**

**RURAL MUNICIPALITY OF STUARTBURN  
LOCAL IMPROVEMENT DISTRICT NO. 1 VITA WASTEWATER UTILITY  
ACTUAL OPERATING DEFICIT RECOVERY FOR 2016 AND  
ANTICIPATED DEFICIT FOR 2017**

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**April 19, 2018**

**BEFORE: Shawn McCutcheon, Panel Chair  
Carol Hainsworth, C.B.A., Member**

The Public Utilities Board (PUB) issued Order No. 151/08 on November 07, 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 \$10,000 or represents 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 Application

On January 31, 2018 the Board received a deficit application from the Rural Municipality of Stuartburn, Local Improvement District No. 1 Vita Wastewater Utility, for approval of an actual operating deficit 2016 in the amount of \$28,305 and an anticipated deficit for 2017 in the amount of \$26,605.

The application was accompanied by Council Resolution No. 296-17 dated November 09, 2017, requesting that the deficits be recovered by way of transfer from the Utility's surplus account.

The RM stated that the reasons for the deficits were (i) due to a materialization of a mismatch between their last rate increase in 2009 and the subsequent increasing costs of running the utility; (ii) unexpected frozen sewer lines and necessary repairs to several faulty/aging lines; and (iii) the omission of amortization expenses in the calculation of the 2009 approved rates.

## 2.0 Board Findings

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 the deficit and a recovery methodology.

The Board approves the 2016 actual operating deficit of \$28,305 and the 2017 anticipated deficit of \$26,605, to be recovered through the Utility's accumulated surplus account.

The Board notes that rates were last approved in September 2009 in Board Order No. 130/09 and the RM has incurred at least two other deficits in 2012 and 2014. Board Order No. 130/09 highlighted that the "new rates" at that time did not reflect an annual provision for amortization of the plant and equipment. The RM has stated in the current deficit application, that Council will undertake to finalize a rate study for the 2019 tax year and will commence the next review after its budget approval in 2018.

While the Board accepts the recovery methodology provided, the Board is concerned by the Municipality's failure to submit a rate application for revised rates. The rates that the RM is charging will not be sufficient to cover the Utility's expenses, which include amortization, and the Utility will continue to incur deficits.

It has been nine years since the Vita Wastewater Utility has submitted a rate application to the Board. In The Board's view, this is too long a time-period between rate reviews. Regular rate reviews submitted on a timelier three-year period, as per the Board's Guidelines, protect the financial position of the Utility and may mitigate the need for substantial rate increases. In some cases, the additional cost of a rate rider becomes necessary to recover utility deficits.

It is the Utility's responsibility to review the rates and ensure rates are adequate to recover the cost of service being provided to its customers. Customers are generally more tolerant

of regular, smaller increases. The RM needs to be much more diligent in conducting regular reviews of its revenue requirements.

The Board is disappointed that the RM has not adjusted the wastewater rates to include amortization. The RM has had more than enough time to review and adjust its financials to Public Sector Accounting Board (PSAB) rules. The Board urges the RM to review general Board Order Nos. 151/08 and 93/09 (available on the PUB website at [www.pubmanitoba.ca](http://www.pubmanitoba.ca)) to have a better understanding of its reporting responsibilities to the Board.

The Board will require the RM to file a rate application for the Vita Wastewater Utility, by no later than December 31, 2018.

### 3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, for 2016 of \$28,305 incurred in the Rural Municipality of Stuartburn – Vita Wastewater Utility is HEREBY APPROVED to be recovered from the Utility's accumulated surplus, effective the date of this Order.
2. The anticipated deficit, when calculated for regulatory purposes, for 2017 of \$26,605 incurred in the Rural Municipality of Stuartburn – Vita Wastewater Utility is HEREBY APPROVED to be recovered from the Utility's accumulated surplus, effective the date of this Order.
3. The Rural Municipality of Stuartburn – Vita Water Utility provide a copy of their 2017 audited financial statements as soon as they are available.
4. The Rural Municipality of Stuartburn - Vita Wastewater Utility review its wastewater rates for adequacy and file an application for revised rates with the Public Utilities Board, by no later than December 31, 2018.

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](http://www.pubmanitoba.ca).

THE PUBLIC UTILITIES BOARD

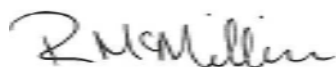
"Shawn McCutcheon"

Panel Chair

"Rachel McMillin, B.Sc."

Acting Secretary

Certified a true copy of Order No. 52/18  
issued by The Public Utilities Board



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Acting Secretary