

Order No. 121/20

**RURAL MUNICIPALITY OF STUARTBURN
VITA WASTEWATER UTILITY
2019 ACTUAL OPERATING DEFICIT RECOVERY**

October 7, 2020

BEFORE: Shawn McCutcheon, Panel Chair
Irene Hamilton, Q.C., 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 3, 2020, the Board received an application from the Rural Municipality of Stuartburn (RM), Vita Wastewater Utility (Utility) for approval of a 2019 deficit in the amount of \$36,469.

Along with the application, the RM submitted Council Resolution No. 241-20, requesting approval for the recovery of the deficit through a rate rider in the amount of \$56.28 per Residential Equivalent Unit (REU) per year to be collected over a two year period.

The application stated the deficit was due to fulfilling the requirements of its new lagoon licence that resulted in higher than normal expenses to bring the phosphorus level to an acceptable number, and a pump replacement in the Utility's lift station.

Rates for this Utility were last set in Board Order No. 122/19, with rates effective January 1, 2020.

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 2019 audited financial statements for the Utility, the most recent information available, the working capital deficit at December 31, 2019 is as follows:

	2019
Utility Fund Accumulated Surplus	\$753,143
Deduct Tangible Capital Assets	(\$835,655)
Add Long Term Debt	\$0
Add Utility Reserves	\$45,970
Equals Working Capital Surplus/(Deficit)	(\$36,542)
Expenses	\$93,885
20% of Expenses (Target)	\$18,777

The Utility's working capital does not meet the Board's minimum requirement of 20% of its operating expenses.

2.0 Board findings

The Board approves the 2019 actual operating deficit, when calculated for regulatory purposes, in the amount of \$36,469 to be recovered through a Utility rate rider of \$56.28 per REU per year to be collected over a period of two years beginning January 1, 2021.

Although the Utility rates appear as a separate line on the tax bill, it is a separate collection. This rate rider is to be shown under the Utility and not the tax bills.

For clarity purposes, a Utility deficit is not money owed to the Public Utilities Board, but instead required by the Utility to balance the utility financials.

The Board directs the Rural Municipality of Stuartburn to provide a notice of the decisions found in this Order to its customers as soon as possible, with a copy provided to the Public Utilities Board.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, of \$36,469 in 2019 incurred in the Rural Municipality of Stuartburn, Vita Wastewater Utility, is HEREBY APPROVED to be recovered through a rate rider of \$56.28 per REU per year to be collected a period of two years. The rate rider is effective January 1, 2021.
2. The Rural Municipality of Stuartburn is to provide a notice of the decisions found in this Order to its customers as soon as possible, with a copy provided to the Public Utilities Board.

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

"Rachel McMillin, BSc."
Assistant Associate Secretary

Certified a true copy of Order No. 121/20
issued by The Public Utilities Board



Assistant Associate Secretary