

Order No. 31/20

**RURAL MUNICIPALITY OF PRAIRIE LAKES
BELMONT WATER AND WASTEWATER UTILITY
2018 ACTUAL OPERATING DEFICIT RECOVERY**

February 25, 2020

**BEFORE: Carol Hainsworth, C.B.A., Panel Chair
Mike Watson, 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.

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 August 21, 2019, the Board received an application from the Rural Municipality of Prairie Lakes (RM), Belmont Water and Wastewater Utility (Utility), for approval of a 2018 deficit in the amount of \$10,590.

Along with the application, the RM submitted Council Resolution No. 195/2019, requesting the recovery of the deficit through the Utility's future revenues. The application stated that the deficit was due to insufficient rates.

Rates for the Utility were last set in Board Order No. 86/19 with rates effective August 1, 2019.

On September 16, 2019, Board staff requested the RM to re-submit the application with a revised recovery methodology, as Board Order No. 86/19, stated "...it is likely the Utility will experience operating deficits in 2018 and 2019. The Utility must apply to the Board for approval of these deficits, and will likely require a rate rider to recover them."

On January 22, 2020, the RM requested the Board to reconsider that RM's proposal to recover the 2018 deficit through the Utility's Accumulated Surplus. The RM indicated that its staff and utility operator have been working hard to increase efficiencies and improve the operations of the Utility. These include new found revenue through enforcement of effluent dumping fees and a yearly transfer of \$5,000 per year to the Utility Reserve Fund.

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 2018 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2018 is as follows:

	2018
Utility Fund Accumulated Surplus	\$1,362,514
Deduct Tangible Capital Assets	(\$1,703,067)
Add Long Term Debt	\$286,935
Add Utility Reserves	\$16,908
Equals Working Capital Surplus (Deficit)	(\$36,710)
Expenses	\$141,498
20% of Expenses (Target)	\$28,300

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 2018 actual operating deficit, when calculated for regulatory purposes, in the amount of \$10,589. The Board, however, denies the RM's application to recover the deficit through its future Accumulated Surplus.

The Board has reviewed the application and determined the Utility's working capital is deficient and will not be able to absorb the 2018 actual operating deficit.

The Board directs the RM to recover the deficit through a rate rider of \$2.47 per 1,000 gallons over a period of two (2) years. The rate rider is effective May 1, 2020.

The Board also directs the RM to monitor the collected deficit recovery revenues closely. Should the deficit amount be recovered before April 30, 2022, the RM is to immediately cease the collection of the rate rider.

The Board directs the RM to notify its customers of the decisions found in this Order and submit a copy of the notice to the Board.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, of \$10,589 for 2018 incurred in the Rural Municipality of Prairie Lakes, Belmont Water and Wastewater Utility, is HEREBY APPROVED to be recovered through a rate rider of \$2.47 per 1,000 gallons to be collected over two (2) years or until the deficit is recovered in full, whichever comes first. The rate rider is effective May 1, 2020.
2. The Rural Municipality of Prairie Lakes is to provide notice of the decisions found in this Order to its customers as soon as possible, with a copy submitted to the Public Utilities Board.

3. The Rural Municipality of Prairie Lakes is to monitor the collected deficit recovery revenues closely. Should the deficit amount be recovered before April 30, 2022, the RM is to immediately cease the collection of the rate rider.

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

"Carol Hainsworth, CBA"
Panel Chair

"Rachel McMillin, BSc."
Assistant Associate Secretary

Certified a true copy of Order No. 31/20
issued by The Public Utilities Board


Assistant Associate Secretary