

Order No. 138/17

**RURAL MUNICIPALITY OF WHITEMOUTH
WHITEMOUTH WATER UTILITY
2015 ACTUAL OPERATING DEFICIT RECOVERY**

December 20, 2017

**BEFORE: Carol Hainsworth, C.B.A., Panel Chair
Susan Nemec, FCPA, FCA, Member**

The Public Utilities Board (Board) issued Order No. 151/08 on November 7, 2008 requiring all water and/or sewer 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 Application

On January 19, 2017, the Board received an application from the Rural Municipality of Whitemouth (RM) Whitemouth Water Utility (Utility) for approval of utility operating deficits for 2015 in the amount of \$58,141. Along with the application the RM also submitted council Resolution No. 14/17, which requested the deficits be recovered through a rate rider over a one year period

The RM has 466 customers and all are metered customers. The RM proposed to have a rate rider of \$0.58 per cubic meter.

The application stated that the deficit was the result of inadequacy of rates to cover the amortization expenses. The RM looked at the options for recovering the deficit and have concluded that a rate rider is the best option. The RM's accumulated cash surplus is not sufficient to cover the deficit and the reserves may be required for waterline upgrades. Rates were last set in 2010 in Board Order 140/10 and a rate application was submitted to the Board in May 2016.

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 is defined as the Utility fund balance, excluding any capital related items plus Utility reserves.

As per the 2016 audited financial statements, the most recent information available, the working capital surplus at December 31, 2016 was in a deficient position from the Board's recommended target.

	2016	2015
Utility accumulated fund surplus	\$6,658,671	\$6,811,073
Deduct tangible capital assets	\$6,782,141	\$6,975,882
Add long term debt	\$110,190	\$119,888
Add utility reserves	\$66,632	\$168,472
Equals Working Capital Surplus	\$53,352	\$123,551
Operating costs	\$573,091	\$528,652
20% of operating costs (target)	\$114,618	\$105,730

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 a recovery methodology.

The Board will approve the recovery of the 2015 operating deficit of \$58,141 by a rate rider of \$0.58 per cubic meter based on consumption over 1 year (or until fully recovered, whichever comes first) commencing on January 1, 2018.

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.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, for 2015 of \$58,141.00, incurred in the Rural Municipality of Whitemouth – Whitemouth Water Utility is HEREBY APPROVED to be recovered by a rate rider of \$0.58 per cubic meter. The rate rider will be over one year or until the deficit is paid in full, whichever comes first. The rate rider is effective from January 1, 2018.
2. The Rural Municipality of Whitemouth provide a notice to its customers regarding the decisions made in this Order, with a copy to the Public Utilities Board.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

“Carol Hainsworth, C.B.A.”

Panel Chair

“Rachel McMillin, B.Sc.”

Acting Secretary