

Order No. 39/17

**MUNICIPALITY OF PEMBINA
WATER AND WASTEWATER UTILITY
BUDGETED OPERATING DEFICIT for 2017**

April 18, 2017

BEFORE: The Hon. Anita Neville, P.C., B.A. (Hons.), Acting Chair
Carol Hainsworth, C.B.A., 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;

Application

On March 28, 2017 the Board received an application for approval of a budgeted deficit for 2017 of \$39,000 from the Municipality of Pembina (Municipality) for the Manitou water and wastewater utility (Utility). The application was accompanied by Council Resolution No. 74/2017 requesting that the deficit be recovered through the Utility's accumulated surplus account.

The application reported that the budgeted deficit was due to ageing utility infrastructure that requires replacement. The Municipality has estimated capital costs of approximately \$160,000, which will largely be funded through the Utility reserve. The difference of approximately \$47,000 is to be funded through the Utility. Based on the current utility rates and estimated operating expenses for 2017, the Municipality is budgeting a shortfall of approximately \$39,000, which it has requested PUB approval to recover from the Utility's accumulated surplus fund.

The Municipality's most recent rate increase was in 2011 and the Municipality has advised the PUB it will be completing a rate study in 2017.

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 budgeted 2017 deficit to be recovered through the Utility's accumulated surplus account.

Once the audited results for 2017 are available, if the actual deficit exceeds the previously approved amount by either \$10,000 or 5% of the utility's operating budget or is caused as a result that differs from that upon which said approval was granted the Municipality must apply for approval again.

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.

IT IS THEREFORE ORDERED THAT:

1. The budgeted operating deficit, when calculated for regulatory purposes, of \$39,000 for 2017 incurred in the Municipality of Pembina, Manitou water and wastewater utility is HEREBY APPROVED to be recovered from the Utility's Accumulated Surplus Fund.
2. Once audited results are reviewed and **should the actual deficit exceed the previously approved amount by either \$10,000 or 5% of the utility's operating budget or is caused as a result that differs from that upon which said approval was granted**, the Municipality must apply to the Public Utilities Board for approval again.
3. The Municipality of Pembina submit a rate application for the Manitou water and wastewater utility on or before December 31, 2017.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"The Hon. ANITA NEVILLE, P.C., B.A. (Hons.)"
Acting Chair

"JENNIFER DUBOIS, CPA, CMA"
Acting Secretary

Certified a true copy of Order No. 39/17
issued by The Public Utilities Board

Acting Secretary