

Order No. 157/18

**MUNICIPALITY OF STE. ROSE
LOCAL IMPROVEMENT DISTRICT NO. 1 LAURIER UTILITY
ACTUAL OPERATING DEFICIT FOR 2016 RECOVERY**

November 29, 2018

BEFORE: Carol Hainsworth, C. B. A., Panel Chair
Michael Watson, Panel Member

The Public Utilities Board (Board) 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 July 3, 2018, the Board received a deficit application from the Municipality of Ste. Rose (Municipality) – Local Improvement District No. 1 Laurier Utility (Utility), for approval of a utility operating deficit for 2016 in the amount of \$6,352.

A certified Council Resolution dated June 21, 2018 accompanied the application. The Municipality proposes a recovery method through a flat rate rider of \$18.50 per customer, per quarter over 4 billing cycles or 1 year, to be effective July 1, 2020. The total number of customers is 86.

The Municipality stated the reason for the deficit was that rates are inadequate to cover the costs, which include amortization. The Municipality further stated that the Utility had not had a rate increase since 2006, and that new rates were approved in Board Order No. 134/16 in October 2016, effective January 1, 2017 until December 31, 2018 only.

The recovery methodology of a flat rate rider is being proposed because within the Laurier water system, users are residential customers that use similar quantities of water, with no

large industrial or commercial users. As such, the Municipality is of the view that a flat rate option would be easier to relay to the rate payers in terms of the impact to their water bills.

The requested effective date for the rate rider of July 1, 2020 is because the Municipality would like to lessen the financial impact to customers that are currently paying a rate rider that will end around that time. In Board Order No. 50/18, the Municipality was granted approval to recover deficits from 2013 and 2014 totalling \$9,869, over 1.5 years (2018 – 2019), through a rate rider of \$19.16 per quarter, per customer, effective July 1, 2018.

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 accepts the flat rate option presented by the Municipality, as all ratepayers are residential. The Board approves the deficit of \$6,352 incurred in 2016, to be recovered through a flat rate rider of \$18.50 per customer per quarter over 4 billing cycles (1 year), or until the total deficit is fully recovered, whichever comes first. This rate rider is to be effective July 1, 2020.

The Board understands the Municipality wanting to lessen the impact of rate riders in combination with new rates. However, the Board notes the rates the Municipality is charging are not sufficient to cover the Utility's expenses, which include amortization. The Utility has incurred six consecutive deficits (2009-2014) and another deficit in 2016 because the Municipality has not adjusted the rates to include amortization.

The Board notes that the Municipality has submitted a rate study to the Board received November 8, 2018, which is currently being reviewed for adequacy.

3.0 IT IS HEREBY ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, for 2016 totalling \$6,352 incurred in the Municipality of Ste. Rose – Local Improvement District No. 1 Laurier Utility, is HEREBY APPROVED to be recovered through a flat rate rider of \$18.50 per quarter, per customer over 4 billing cycles (1 year) or until the total deficit is recovered in full, whichever comes first. This rate rider is effective July 1, 2020 and a notice is to be provided to all customers with a copy to the Public Utilities Board.
2. The Municipality of Ste. Rose submit the 2017 Audited Financial Statements as soon as they are available.
3. The Municipality of Ste. Rose submit an operating deficit application for 2017 and/or 2018, should a deficit materialize, as soon as it is known.

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.

