

Order No. 145/19

**RURAL MUNICIPALITY OF ARGYLE
LOCAL IMPROVEMENT DISTRICT OF BALDUR
BALDUR WATER AND WASTEWATER UTILITY
2018 ACTUAL OPERATING DEFICIT RECOVERY**

October 1, 2019

**BEFORE: Shawn McCutcheon, Panel Chair
Marilyn Kapitany, B.Sc., (Hon), 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 14, 2019, the Board received an application from the Rural Municipality of Argyle (RM), Baldur Water and Wastewater Utility (Utility), for approval of a 2018 deficit in the amount of \$57,543.

Along with the application, the RM submitted Council Resolution No. 2019-152, requesting the recovery of the deficits through the Utility's Accumulated Surplus.

The application stated that the deficit was due to an increase in Utility expenses.

Rates for the Utility were last set in Board Order No. 20/19.

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	\$1,710,527
Deduct Tangible Capital Assets	(\$2,206,076)
Add Long Term Debt	\$0
Add Utility Reserves	\$107,635
Equals Working Capital Surplus (Deficit)	(\$387,914)
Expenses	\$210,743
20% of Expenses (Target)	\$42,149

When the working capital calculation is completed, the Utility shows to be in a deficit position. However, this is due to a timing difference for recording financial information of a capital expenditure of \$872,100 and a grant from Manitoba Water Services Board of \$436,050 in 2018, and the RM's portion of the funding in the amount of \$436,050 to be recorded in 2019.

Adding the timing difference amount of \$436,050, the adjusted working capital calculation is \$48,136, which meets the Board's Guidelines.

Working Capital Surplus (Deficit)	(\$387,914)
Add: Timing Difference for Funding of Capital Project	\$436,050
Equals: Adjusted Working Capital	\$48,136

2.0 Board findings

The Board has reviewed the application, determining that the Utility has sufficient working capital after funding adjustments, and approves the 2018 deficit of \$57,543 to be recovered through the Utility Accumulated Surplus.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, of \$57,543 in 2018, incurred in Rural Municipality of Argyle, Baldur Water and Wastewater Utility, is HEREBY APPROVED to be recovered through the Utility's Accumulated Surplus, effective the date of this Order.

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"

Assistant Associate Secretary

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issued by The Public Utilities Board



Assistant Associate Secretary