

Order No. 194/19

**RURAL MUNICIPALITY OF WALLACE-WOODWORTH
FORMER UTILITIES OF KENTON WATER AND WASTEWATER UTILITY
and RURAL PIPELINE WATER UTILITY
2017 and 2018 ACTUAL OPERATING DEFICIT RECOVERY**

December 20, 2019

**BEFORE: Shawn McCutcheon, Panel Chair
Marilyn Kapitany, BSc. (Hons), MSc., 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

In Board Order No. 81/19, the Board approved the amalgamation of the following utilities in the Rural Municipality of Wallace-Woodworth (RM) into the Wallace-Woodworth Water and Wastewater Utility (Utility):

- Kenton Water and Wastewater Utility (Kenton)
- Rural Pipeline Water (Rural)
- Wallace Water Utility (Wallace)

On November 21, 2019, the Board received an application from the RM for approval of a 2017 deficit in the amount of \$42,074 for Kenton Utility prior to amalgamation.

On December 16, 2019, the Board received two more applications from the RM for the former utilities, for the approval of a 2018 deficit incurred by the Kenton Utility in the amount of \$62,943 and for the Rural Utility in the amount of \$58,488.

Along with the application, the RM submitted Council Resolution Nos. 19/251, 19/546 and 19/547 requesting the recovery of the deficits through the amalgamated Utility's Accumulated Surplus. The applications stated that the deficits were due to increased costs and lack of revenue.

Rates for the Utility were last set in Board Order No. 81/19.

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 | Kenton | Rural | Wallace | Total |
|---|--------------------|-----------------|--------------------|--------------------|
| Accumulated Fund Surplus | \$804,965 | \$1,407,312 | \$15,372,848 | \$17,585,125 |
| Deduct: Tangible Capital Assets | \$1,415,594 | \$1,605,672 | \$17,944,554 | \$20,965,820 |
| Add: Long-Term Debt | \$271,012 | \$232,821 | \$3,225,730 | \$3,729,563 |
| Add: Utility Reserves | \$0 | \$0 | \$765,833 | \$765,833 |
| Equals Working Capital Surplus (Deficit) | (\$339,617) | \$34,461 | \$1,419,857 | \$1,114,701 |
| Operating Expenses | \$157,828 | \$231,457 | \$1,489,893 | \$1,879,178 |
| 20% of Operating Expenses (Target) | \$31,566 | \$46,291 | \$297,979 | \$375,836 |

The amalgamated Utility's working capital meets the Board's requirement of 20% of operating expenses.

2.0 Board findings

The Board approves the 2017 deficit of \$42,074 and the 2018 deficit of \$62,943 incurred in the former Kenton Utility to be recovered through the new Utility's Accumulated Surplus.

The Board also approves the 2018 deficit of \$58,488 incurred in former Rural Utility to be recovered through the new Utility's Accumulated Surplus.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficits, when calculated for regulatory purposes, of \$42,074 in 2017 and \$62,943 in 2018 incurred in the Rural Municipality of Wallace-Woodworth, former Kenton Water and Wastewater Utility, are HEREBY APPROVED to be recovered through the Wallace-Woodworth Water and Wastewater Utility's Accumulated Surplus, effective the date of this Order.
2. The actual operating deficit, when calculated for regulatory purposes, of \$58,488 in 2018 incurred in the Rural Municipality of Wallace-Woodworth, former Rural Pipeline Water Utility, is HEREBY APPROVED to be recovered through the Wallace-Woodworth Water and Wastewater 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, BSc."
Assistant Associate Secretary

Certified a true copy of Order No. 194/19
issued by The Public Utilities Board


Assistant Associate Secretary