

Order No. 84/19

**THE RURAL MUNICIPALITY OF MOUNTAIN
LOCAL URBAN DISTRICT OF MAFEKING
2017 ACTUAL OPERATING DEFICIT RECOVERY**

June 20, 2019

BEFORE: Shawn McCutcheon, Panel Chair
Bob Vandewater, 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 September 28, 2018, the Board received an application from the Rural Municipality of Mountain (RM), Local Urban District (LUD) of Mafeking Water Utility (Utility) for approval of a 2017 deficit in the amount of \$8,332. Along with the application, the RM submitted Council Resolution No. 380/18, which requested the recovery of the deficit through a rate rider in the amount of \$10.52 per customer per quarter over a period of three (3) years.

On May 23, 2019, the RM submitted a revised deficit application to adjust for the amortization of capital grants. The 2017 actual operating deficit, when calculated for regulatory purposes, is \$2,668. Along with the application, the RM submitted Council Resolution No. 2019/208, requesting the recovery of the deficit through a rate rider of \$10.11 per customer per quarter over a period of one (1) year.

The application stated that the deficit was due to inadequate rates. The rates were last set on an interim basis in 2016 approving rates on a Residential Equivalency Unit (REU) basis and a consumption basis once water meters were installed. Water meters have not

been installed and the rates granted in 2016, on an Residential Equivalency Unit (REU) basis, are still being charged to customers.

Interim rates were finalized in Board Order No. 110/17 in October 16, 2017.

The RM has indicated that the Council has decided not to proceed with the installation of water meters and that a consultant was hired to complete a rate study based on flat rates before July 31, 2019.

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 2017 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2017 is as follows:

	2017	2016
Utility Fund Accumulated Surplus	\$355,145	\$363,477
Deduct Tangible Capital Assets	(\$327,455)	(\$340,528)
Add Long Term Debt	\$0	\$0
Add Utility Reserves	\$50,110	\$45,577
Equals Working Capital Surplus	\$77,800	\$68,526
Expenses	\$51,981	\$45,382
20% of Expenses (Target)	\$10,396	\$9,076

The Utility currently meets the Board's minimum working capital surplus of 20%.

2.0 Board findings

The Board approves the recovery of the 2017 actual operating deficit in the amount of \$2,668 and varies the recovery method from a rate rider of \$10.11 per customer per quarter over a one (1) year period to a transfer from the Utility's accumulated surplus.

The Utility's accumulated surplus has capacity to recover the 2017 actual operating deficit. The Utility's working capital is at \$77,800 in 2017, above the Board's target (20% of expenses) of \$10,396.

The Board reminds the RM that per Order 110/17, the Utility is to review its rates for adequacy and submit an application by December 31, 2019. With the recent information that the RM do not intend to proceed with the installation of water meters, the Board directs the RM to submit a rate study based on Residential Equivalent Unit (REU) on or before December 31, 2019.

3.0 IT IS THEREFORE ORDERED THAT:

1. The recovery of the 2017 operating deficit in the amount of \$2,668 through a rate rider of \$10.11 per customer per quarter over one (1) year as applied for by the Rural Municipality of Mountain, BE AND IS HEREBY DENIED.
2. The 2017 actual operating deficit, when calculated for regulatory purposes, of \$2,668 incurred in the Rural Municipality of Mountain, Local Urban District of Mafeking, is HEREBY APPROVED to be recovered from the Utility's accumulated surplus.
3. The Rural Municipality of Mountain is to submit a rate application based on Residential Equivalent Units on or before December 31, 2019.

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

"Jennifer Dubois, CPA, CMA"

Assistant Associate Secretary

Certified a true copy of Order No. 84/19 issued
by The Public Utilities Board



Assistant Associate Secretary