

Order No. 142/20

**MUNICIPALITY OF NORFOLK TREHERNE
LAVENHAM WATER UTILITY
2017 ACTUAL OPERATING DEFICIT RECOVERY**

December 2, 2020

**BEFORE: Shawn McCutcheon, Panel Chair
Mike Watson, 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 a 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 October 13, 2020, the Board received an application from the Municipality of Norfolk Treherne (Municipality), Lavenham Water Utility (Utility) for approval of a 2017 deficit in the amount of \$2,028.

Along with the application, the Municipality submitted Council Resolution No. 20 1320, requesting the recovery of the deficit through the Utility's Accumulated Surplus.

The application stated that the deficit was due increased costs and lack of revenue.

Rates for the Utility were last set in Board Order No. 103/20.

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 2019 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2019 is as follows:

	2019
Utility Fund Accumulated Surplus	\$31,381
Deduct Tangible Capital Assets	(\$25,103)
Add Long Term Debt	\$0
Add Utility Reserves	\$478
Equals Working Capital Surplus/(Deficit)	\$6,756
Expenses	\$9,091
20% of Expenses (Target)	\$1,818

2.0 Board findings

The Board has reviewed the application and determined the Utility has adequate working capital surplus to absorb the deficit. The Board approves the 2017 deficit of \$2,028 to be recovered through the Utility's Accumulated Surplus.

3.0 IT IS THEREFORE ORDERED THAT:

1. The 2017 actual operating deficit, when calculated for regulatory purposes, in the amount of \$2,028 incurred in Municipality of Norfolk Treherne, Lavenham Water Utility, are 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. 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, B.Sc."

Assistant Associate Secretary

Certified a true copy of Order No. 142/20
issued by The Public Utilities Board



Assistant Associate Secretary