

**Order No. 33/20**

**TOWN OF LAC DU BONNET  
TOWN OF LAC DU BONNET WATER AND WASTEWATER UTILITY  
REQUEST FOR INTERIM RATES**

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**February 27, 2020**

**BEFORE: Shawn McCutcheon, Panel Chair  
Carol Hainsworth, C.B.A., Panel Member**

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## 1.0 Executive Summary

By this Order, the Public Utilities Board (Board) denies the request for interim *ex parte* rates, as applied for by the Town of Lac du Bonnet (Town), for the Town of Lac du Bonnet Water and Wastewater Utility (Utility).

The Board approves the Town's request for an extension of the due date to comply with the discrepancies found in the Town's rate application to April 6, 2020.

Rationale for the Board's decisions may be found under the Board Findings section below.

## 2.0 Background

In Board Order No. 7/16, the Board ordered the Town to review its water and wastewater rates for adequacy and file a report with the Board, as well as an application for revised rates if required, by no later than June 30, 2019.

On December 5, 2019, the Board sent a letter to the Town to follow-up regarding compliance to the above-noted order. The Board also requested information regarding the Utility's financial operations. The Town was given until December 20, 2019 to provide its responses.

On December 26, 2019, the Board received a rate study from the Town. The rate study did not include the following information:

- A proposed By-Law.
- Excel worksheets to support the rate application
- A completed Minimum Filing Requirements Checklist
- Rates calculated using Board Guidelines and/or supporting rationale for the Town's rate calculation methodology
- The requested information regarding the Utility's financial operations from the letter dated December 5, 2019.

On February 5, 2020, the Town submitted a copy of By-Law No. 14-20, having received first reading on January 8, 2020.

On February 14, 2020, the Town sent a letter to Board staff requesting its application be considered for interim rates.

Upon review of the Town's application, Board staff deemed the application incomplete. On February 20, 2020, Board staff sent a letter to the Town outlining the deficiencies found in the rate application and requesting additional information and explanations regarding the Utility's Audited Financial Statements. The Town was given until March 6, 2020 to submit the required documents, requests for additional information, and explanations.

On February 21, 2020, the Town sent an e-mail to Board staff requesting an extension to April 6, 2020 to respond to Board Staff's letter.

### **3.0 Board Methodology**

#### **Review Process**

When reviewing an application the Board can either: hold a public hearing at which the applicant can present its case and customers can present their concerns; or where it is deemed to be in the best interests of a utility and its customers, the Board can review the application using a paper review process without holding a public hearing. The paper review process considers all written materials submitted by the Utility and the public, as well as any information requests and responses between the Board and the Utility. This process may reduce regulatory costs to the Utility.

A public hearing process allows the Utility and the public the opportunity to review the application and address any concerns with the Board present.

Whenever reasonable, the Board will review the application using a paper review process, which saves the cost of a public hearing process.

## **Interim *ex parte* Approval**

Where there is an urgent need for initial or revised rates and the Board determines it to be in the best interest of all parties, the Board may establish interim *ex parte* rates.

Interim rates are typically approved as applied for and are then subject to a standard Board review process, including a Public Notice of Application, before being confirmed as final by Board Order.

Since this process allows a town to obtain rates without the Board's review in full, it is reserved for instances where a municipality can show a compelling argument to allow it. For example, this may occur where the Utility demonstrates to the Board that it is experiencing operating deficits and will continue to do so if revised rates are not approved in an expedited manner.

## **Contingency Allowance and Utility Reserves**

The Board's Water and Wastewater Rate Application Guidelines recommend an annual contingency allowance equal to 10% of the variable operating costs.

## **Working Capital**

Board Order No. 93/09 established utilities should maintain a minimum working capital surplus, in an amount equal to 20% of annual expenses. The working capital surplus is the Utility fund balance, excluding any capital-related items plus Utility reserves.

## **Operating Deficits**

By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, the Utility is required by *The Municipal Act* to obtain Board approval for both the deficit and recovery methodology. The Board is therefore duty bound to approve reasonable rates based on reasonable expense projections.

## **Guidelines**

The Board provides a set of guidelines for use by utilities in preparing rate applications on its website.

### **4.0 Application**

On February 19, 2020, the Board received a letter dated February 14, 2020 from the Town requesting interim water, wastewater, and bulk water rates. The Town also submitted Council Resolution # 2020-040 to support the request.

The Council Resolution stated the reason for the request is “because the Town may not get approval for the new rates for 2019-2022 in a reasonable amount of time”. The Town also indicated in its rate study and in the Council Resolution that it has upcoming expenses for the replacement of cast iron water and wastewater lines.

The Town also requested for an extension to April 6, 2020 of the due date to comply with the deficiencies noted by Board staff.

#### **Contingency Allowance and Utility Reserves**

The Town has included a contingency allowance of \$35,000 (\$25,000 for water and \$10,000 for wastewater) a year in its rate calculations.

The Town has also included a yearly contribution to Utility reserves of \$175,000 (\$100,000 for water and \$75,000 for wastewater).

## Working Capital

As per the 2018 Audited Financial Statements, the working capital surplus as at December 31, 2018 was:

	2018	2017
Utility Fund Surplus/Deficit	\$5,002,848	5,041,513
Deduct: Tangible Capital Assets	(5,568,630)	(5,720,481)
Add: Long-Term Debt	1,756,968	1,845,031
Add: Utility Reserves	618,943	372,806
<b>Equals Working Capital Surplus (Deficit)</b>	<b>\$1,810,129</b>	<b>\$1,538,869</b>
Operating Expenses	574,591	500,211
<b>20% of Operating Expenses (Target)</b>	<b>\$114,918</b>	<b>\$100,042</b>

The Utility's working capital exceeds the Board's guidelines.

## Operating Deficits

The Utility last incurred an operating deficit in 2012. No approval from the Board was required for the deficit nor a recovery methodology, as the small deficit did not meet the deficit requirements for Board approval.

## 5.0 Board Findings

The Board has reviewed the Town's request for approval of revised water and wastewater rates including bulk water fees on an interim *ex parte* basis. The Board Finds Utility has a substantial working capital surplus of \$1,810,129 as of 2018 to absorb any potential losses incurred while the Town's rate application undergoes the Board's review process.

The Board therefore finds there is no urgent need for revised Utility rates and denies the Town's request for interim *ex parte* water and wastewater rates.

The Board approves the Town's request for an extension of the due date to comply with the discrepancies found in the Town's rate application to April 6, 2020. The Board notes the Town's application for revised water and wastewater rates will not be added to the application processing queue until all missing information, documents, and minimum filing requirements are provided and the application is deemed complete and correct by Board staff.

## 6.0 IT IS THEREFORE ORDERED THAT:

1. The Town of Lac du Bonnet's application for revised water and wastewater rates for the Town of Lac du Bonnet Water and Wastewater Utility on an interim *ex parte* basis, BE AND IS HEREBY DENIED.
2. The Town of Lac du Bonnet's request for an extension of the due date to comply with the discrepancies found in the rate application to April 6, 2020 is HEREBY APPROVED.

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.

Fees payable upon this Order – \$150.00

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"

Panel Chair

"Frederick Mykytyshyn"

Assistant Associate Secretary

Certified a true copy of Order No. 33/20 issued  
by The Public Utilities Board



Assistant Associate Secretary