

**Order No. 39/21**

**RURAL MUNICIPALITY OF DE SALABERRY  
ST. MALO WATER AND WASTEWATER UTILITY  
2014 and 2019 ACTUAL OPERATING DEFICIT RECOVERY**

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**March 25, 2021**

**BEFORE:** Shawn McCutcheon, Panel Chair  
Marilyn Kapitany, B.Sc. (Hon), M. Sc., 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 that the Utility proposes.

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 February 1, 2021, the Board received an application from the Rural Municipality of De Salaberry (RM), St. Malo Water and Wastewater Utility (Utility) for approval of the following deficits:

• 2014	\$72,766
• 2019	<u>\$13,243</u>
Total	\$86,009

Along with the application, the RM submitted Council Resolution No. 2021-026, requesting approval for the recovery of the deficits through the following:

- 2014 deficit through a rate rider of \$0.28 per cubic meter per customer to be collected over a period of three years
- 2019 deficit through a rate rider of \$0.16 per cubic meter per customer to be collected over a period of one year

The application stated the 2014 deficit was mostly due to extraordinary expenditures related to the Water Treatment Plant and a higher than average repairs to wastewater lines and lift station.

The application also stated the 2019 deficit was due to higher than average water line breaks and not having utility rates since 2014.

Board Order No. 126/20 last set rates effective January 1, 2021 and denied a previous application for the 2014 deficit. Prior to that, rates were last set effective January 1, 2014 in Board Order No. 83/12.

### 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 deficit at December 31, 2019 is as follows:

	<b>2019</b>
Utility Fund Accumulated Surplus	\$1,992,115
Deduct Tangible Capital Assets	(\$3,650,585)
Add Long Term Debt	\$1,271,393
Add Utility Reserves	\$1,167
<b>Equals Working Capital Surplus/(Deficit)</b>	<b>(\$385,910)</b>
Expenses	\$465,855
20% of Expenses (Target)	\$93,171

The Utility's working capital does not meet the Board's minimum requirement of 20% of its operating expenses.

## 2.0 Board findings

The Board approves the 2014 actual operating deficit, when calculated for regulatory purposes, in the amount of \$72,766 to be recovered through a Utility rate rider of \$0.28 per cubic meter per customer to be collected over a period of three years beginning July 1, 2021, or until fully recovered, whichever comes first.

The Board approves the 2019 actual operating deficit, when calculated for regulatory purposes, in the amount of \$13,243 to be recovered through a Utility rate rider of \$0.16 per cubic meter per customer to be collected over a period of one year beginning July 1, 2021, or until fully recovered, whichever comes first.

The Board directs the Rural Municipality of De Salaberry to provide a notice of the decisions found in this Order to its customers as soon as possible, with a copy provided to the Public Utilities Board.

The Board has requested the inclusion of a Deficit Recovery Revenue line in Schedule 9 of the Municipal Audited Financial Statement template to monitor deficit rate rider revenues. The Board recommends that the RM talk to its Municipal Auditors regarding the intent of the "Deficit Recovery Revenue" line item and ensure that appropriate presentation is used.

## 3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, of \$72,766 in 2014 incurred in the Rural Municipality of De Salaberry, St. Malo Water and Wastewater Utility, is HEREBY APPROVED to be recovered through a rate rider of \$0.28 per cubic meter to be collected July 1, 2021 to June 30, 2024 or until fully recovered, whichever comes first.

2. The actual operating deficit, when calculated for regulatory purposes, of \$13,243 in 2019 incurred in the Rural Municipality of De Salaberry, St. Malo Water and Wastewater Utility, is HEREBY APPROVED to be recovered through a rate rider of \$0.16 per cubic meter to be collected July 1, 2021 to June 30, 2022 or until fully recovered, whichever comes first.
3. The Rural Municipality of De Salaberry is to provide a notice of the decisions found in this Order to its customers as soon as possible, with a copy provided to the Public Utilities Board.

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](http://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. 39/21  
issued by The Public Utilities Board



Assistant Associate Secretary