

Order No. 82/21

**ORDER RESPECTING
THE TOWN OF SNOW LAKE
SNOW LAKE WATER AND WASTEWATER UTILITY
REQUEST TO REVIEW AND VARY BOARD ORDER NO. 164/19
2019 ACTUAL OPERATING DEFICITS**

JULY 26, 2021

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

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) varies the Town of Snow Lake's (Town) request to review and vary Board Order No. 164/19 for the Snow Lake Water and Wastewater Utility (Utility). The Board varies the deficit rate rider to \$0.81 per cubic meter per customer, effective October 1, 2021 for a continued period of 51 months (or a total period of six years from the initial effective date of January 1, 2020) or until the total deficit of \$576,995 has been fully recovered.

The Board approves the 2019 Actual Operating Deficit of \$263,819, to be recovered by a rate rider of \$0.53 per cubic meter per customer per quarter for a period of six years or until the deficit is fully recovered, whichever comes first, effective October 1, 2021.

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

2.0 Background

Please note, this Board Order is best read in conjunction with Board Order No. 164/19.

In Board Order No. 164/19, issued November 12, 2019, the Board approved:

- Revised water and wastewater rates for the Utility, effective January 1, 2020 and January 1, 2021;
- A rate rider of \$1.34 per cubic meter per customer per quarter to address the Town's Working Capital Deficit, for three years or until the Working Capital Deficit has been eliminated, effective January 1, 2020; and
- A rate rider of \$2.31 per customer per cubic meter per quarter to address a three-year Actual Operating Deficit of \$576,995, for a period of three years or until the deficit is fully recovered, whichever comes first, effective January 1, 2020.

3.0 Application

On August 12, 2020, the Board received an Application from the Town to recover a 2019 Actual Operating Deficit \$263,819 incurred by the Utility due to unforeseen wastewater plant maintenance costs. The Town is requesting the deficits be recovered by a six-year rate rider of \$0.53 per cubic meter per customer per quarter.

The Town is also requesting the three-year rate rider of \$2.31 per cubic meter per customer per quarter, effective January 1, 2020, approved in Board Order No. 164/19 be varied/reduced to \$1.01 and the duration of the rate rider recovery be extended to six-years total to mitigate the rate shock to customers resulting from the revised rates effective January 1, 2020.

4.0 Board Findings

The Board has reviewed the Town's request to review and vary Board Order No. 164/19 and the Town's application to recover a 2019 Actual Operating Deficit of \$263,819.

The Board notes utility deficits should be paid by the customer base that existed when the deficits were incurred. The Town, however, did not apply to the Board for revised rates between 2012 and 2018, which lead to the 2019 deficit as well as the 2012, 2017, and 2018 deficits previously approved by the Board.

The Board notes, given the rate increases required due to the length of time between rate applications, rate shock cannot be avoided. The Board also notes Board staff received complaints from Utility customers in July 2021 regarding the magnitude of the increase in water and wastewater utility rates. The Board accepts the Town's request to extend the existing rate rider to six years and approves a six-year rate rider for the 2019 actual operating deficit.

The Board approves the 2019 Actual Operating Deficit of \$263,819 to be recovered by a rate rider of \$0.53 per cubic meter per customer per quarter, effective October 1, 2021 for a period of 6 years or until the deficit is fully recovered.

The Board approves the Town's request to vary the duration of the rate rider approved in Board Order No. 164/19 from three years to six years, however, notes the calculations provided in the Town's Application are incorrect.

The Board varies the Town's revised deficit rate rider calculations and approves a revised rate rider of \$0.81 per cubic meter per customer per quarter, effective October 1, 2021 for a revised/extended period of 51 months (or 4.25 years) or until the deficit is fully recovered. Please see the Appendix to this Order for the calculation of the revised rate rider and recovery period.

The Board notes the Town has the following, Board approved rate riders in effect:

Amount*	Duration**	Rational	Start Date	End Date**
\$1.34	3 Years	Working Capital Deficit	January 1, 2020	December 31, 2022
\$0.81	6 Years***	2012, 2017, and 2018 Deficits	January 1, 2020	December 31, 2025
\$0.53	6 Years	2019 Deficit	October 1, 2021	September 30, 2027

*Per cubic meter per customer per quarter.

**Or until the deficit is fully recovered, whichever comes first.

***Approved in Board Order No. 164/19 as \$2.31 per cubic meter per customer per quarter for three years and varied in this Order, effective October 1, 2021.

The Board reminds the Town, Board Order No. 164/19 ordered the Town to review the water and wastewater rates for the Utility and file a report with the Board, as well as an application for revised rates if required, by no later than December 31, 2021. The Board recommends the Utility review its rates for adequacy as soon as possible and review the state of the Utility's working capital and include a plan to address any remaining deficit in its application to the Board.

5.0 IT IS THEREFORE ORDERED THAT:

1. The 2012 actual operating deficit of \$74,698, 2017 actual operating deficit of \$280,031, and 2018 actual operating deficit of \$221,207 (or total actual operating deficit of \$576,995) when calculated for regulatory purposes, incurred in the Town of Snow Lake, Snow Lake Water and Wastewater Utility, is HEREBY VARIED to be recovered through a rate rider of \$0.81 per cubic meter per customer per quarter, effective October 1, 2021 for a continuing period of 51 months (or a total of six years from the initial effective date of January 1, 2020) or until the total deficit of \$576,995 has been fully recovered, whichever comes first.
2. The request by the Town of Snow Lake to recover a 2019 actual operating deficit, when calculated for regulatory purposes, of \$263,819 BE AND IS HEREBY APPROVED and is to be recovered by a rate rider of \$0.53 per cubic meter per customer per quarter, effective October 1, 2021, for a period of six years or until the deficit is fully recovered, whichever comes first.
3. The Town of Snow Lake review the water and wastewater rates for the Snow Lake Water and Wastewater Utility and file a report with the Public Utilities Board, as well as an application for revised rates if required, by no later than December 31, 2021.

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

"Marilyn Kapitany"

Panel Chair

"Frederick Mykytyshyn"

Assistant Associate Secretary

Certified a true copy of Order No. 82/21 issued
by The Public Utilities Board



Assistant Associate Secretary

APPENDIX – REVISED RATE RIDER CALCULATION

Forecasted Annual Water Consumption	83,382 cubic meters
Previously Approved Deficit -	\$576,995
Rate Rider Revenue Collected to June 30, 2021	<u>272,770</u>
Deficit Remaining to be Recovered	\$304,225
Revised Deficit Period	72 Months (6 Years)
Deficit Period Already Incurred	<u>18 Months (1.5 Years)</u>
Deficit Period Remaining	54 Months (4.5 Years)
Deficit Still to be Collected	\$304,225
Divided by Deficit Period Remaining	<u>54 Months (4.5 Years)</u>
Annual Deficit Recovery Requirement	\$ 67,606
Annual Deficit Recovery Requirement	\$67,606
Divided by Forecasted Annual Water Consumption	<u>83,382</u>
Rate Rider Requirement	\$ 0.81 per cubic meter