

Order No. 45/24

**RURAL MUNICIPALITY OF WHITEMOUTH
WHITEMOUTH WASTEWATER UTILITY
2018 ACTUAL OPERATING DEFICIT RECOVERY AND RATE ADEQUACY**

April 17, 2024

**BEFORE: Marilyn Kapitany, B.Sc. (Hon), Panel Chair
Susan Boulter, 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 July 21, 2023, the Board received an application from the Rural Municipality of Whitemouth (RM), Whitemouth Water and Wastewater (Utility) for approval of a 2018 actual operating deficit in the amount of \$4,774, when calculated for regulatory purposes.

Along with the application, the RM submitted Council Resolution No. 198/23, requesting approval for the recovery of the deficit through the Utility's Accumulated Fund Surplus. The application stated the deficit was due to a lag in the approval of rates. Rates were approved effective July 1, 2019, but had not been approved since January 1, 2011 prior to that approval.

Utility rates were last approved in Board Order No. 55/19, with the most recent rates coming into effect July 1, 2023. Deficits were also approved for the Utility at that time in the amounts of \$12,093 for 2016 and \$43,293 for 2017.

Statement of Rate Adequacy

The RM has submitted a statement of rate adequacy, prepared by the RM's consultant, forecasting the Utility's rates and Working Capital Surplus are adequate for 2024 and 2025.

On March 20, 2024, Board staff requested a Council Resolution from the RM to support the Utility's Statement of Rate Adequacy for 2024 and 2025.

On April 10, 2024, the RM submitted Council Resolution No. 83/24 supporting the Utility's Statement of Rate Adequacy of 2024 and 2025.

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 RM's 2022 Audited Financial Statements, the most recent information available, the working capital surplus for the Utility as at December 31, 2022 was:

	2022
Utility Fund Surplus/Deficit	\$252,756
Deduct: Tangible Capital Assets	(286,769)
Add: Long-Term Debt	-
Add: Utility Reserves	65,050
Equals Working Capital Surplus (Deficit)	\$31,037
Operating Expenses	19,478
20% of Operating Expenses (Target)	\$3,896

The Utility's working capital meets the Board's minimum requirement of 20% of its operating expenses.

2.0 Board Findings

The Board has reviewed the RM's Deficit Application and notes the Working Capital Surplus is sufficient to fully provide for the deficit.

The Board grants approval of the 2018 actual operating deficit, when calculated for regulatory purposes, in the amount of \$4,774 to be recovered through the Utility's Accumulated Fund Surplus.

The Board has also reviewed the RM's Statement of Rate Adequacy and notes the RM is forecasting an operating surplus of \$26,757 for 2024 and \$35,646 for 2025. The Board also notes, included in the RM's forecast is \$3.0 million budgeted in 2024 for a new lagoon to be funded by a \$1.0 million debenture to be funded by taxes and \$2.0 million in grants.

The Board directs the RM to review the Utility 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 September 1, 2025.

The Board directs the RM to return to the Board as soon as possible to request revised Utility rates if the forecasted rate requirements are insufficient to provide for Utility expenses for 2024 or 2025.

The Board directs the RM to ensure it plans accordingly in its forecasting methodology and rate requirements to account for the expiration of the taxation revenue used to fund the \$1.0 million new lagoon debenture.

3.0 IT IS THEREFORE ORDERED THAT:

1. The 2018 actual operating deficit in the amount of \$4,774, when calculated for regulatory purposes, incurred in the Rural Municipality of Whitemouth, Whitemouth Wastewater Utility, is HEREBY APPROVED to be recovered through the Utility's Accumulated Fund Surplus.
2. The Rural Municipality of Whitemouth review the wastewater rates for adequacy for the Whitemouth Wastewater Utility and file a report with the Board, as well as an application for revised rates if required, by no later than September 1, 2025.

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

"Marilyn Kapitany"

Panel Chair

"Frederick Mykytyshyn"

Assistant Associate Secretary

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issued by The Public Utilities Board



Assistant Associate Secretary