

Order No. 5/24

**RURAL MUNICIPALITY OF ROSEDALE
KELWOOD WATER UTILITY
2022 ACTUAL OPERATING DEFICIT**

January 3, 2024

**BEFORE: Irene Hamilton, K.C., Panel Chair
Jack Winram, B.A. (Econ), Panel Member**

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1.0 Executive Summary

By law, Manitoba utilities are not allowed to incur deficits. 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.

In the event that a deficit does occur, a Utility is required to obtain Board approval for a recovery methodology that the Utility proposes.

The reasons for the Board's decisions are under Board Findings.

2.0 Application

On July 26, 2023 the Board received an application from the Rural Municipality of Rosedale (RM), Kelwood Water Utility (Utility) for approval of an operating deficit for the year 2022 in the amount of \$14,943, when calculated for regulatory purposes.

Along with the application, the RM submitted Council Resolution No 23/181, requesting the Board approve the deficit to be recovered from the Utility's fund surplus account.

Utility rates were last approved in Board Order No. 24/20, with the most recent rates coming into effective April 1, 2022. The RM advised it expects to submit a rate application to the Board in 2024.

Working Capital

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 2022 audited financial statements, the working capital surplus at December 31, 2022 was:

	2022
Accumulated Fund Surplus/Deficit	\$481,581
Deduct tangible capital assets	(\$265,677)
Add long term debt	\$0
Add utility reserves	\$0
Equals Working Capital Surplus/Deficit	\$215,904
Total Utility Expenses	\$77,146
20% of Total Utility Expenses (target)	\$15,429

3.0 Board Findings

The Board has reviewed the RM's application, and grants approval of the 2022 operating deficit, to be recovered from the Utility's Accumulated Surplus.

The Board considered the RM's stated intention to file a rate application in 2024 and directs the RM to file a rate application on or before June 30, 2024.

The Board reminds the Municipality regular reviews are important for a financially sound utility and encourages the Municipality to review Board Order Nos. 27/23 and 86/17 for future rate applications. The Orders outline the Simplified Rate Application Process for municipally owned public utilities. If, after its rate review, the Municipality finds it meets the designated criteria for a Simplified Rate Application, it should apply for future rates using the Simplified Rate Application Process.

4.0 IT IS THEREFORE ORDERED THAT:

1. The 2022 operating deficit of \$14,943 when calculated for regulatory purposes, incurred in the Municipality of Rosedale – Kelwood Water Utility, BE AND ARE HEREBY APPROVED to be recovered from the Utility's accumulated fund surplus.
2. The Municipality of Rosedale review the Kelwood Water Utility rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (if applicable), on or before June 30, 2024.

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

"Irene Hamilton, K.C."

Panel Chair

"Jennifer Dubois, CPA, CMA"

Assistant Associate Secretary

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Assistant Associate Secretary