

**Order No. 96/18**

**RURAL MUNICIPALITY OF RIDING MOUNTAIN WEST  
LUD ANGUSVILLE WATER AND WASTEWATER UTILITY  
2014, 2015 AND 2016 ACTUAL OPERATING DEFICIT RECOVERY and  
APPROVAL TO WITHDRAW RATE APPLICATION**

---

**July 23, 2018**

**BEFORE: Irene Hamilton, Panel Chair  
Shawn McCutcheon, Member**

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 March 29, 2018, the Board received an application from the Rural Municipality of Riding Mountain West (RM), Local Urban Development (LUD) Angusville Water and Wastewater Utility (Utility), for approval of the 2014 (\$42,244), 2015 (\$24,964) and 2016 (\$5,638) utility operating deficits totalling \$72,846. Along with the application, the RM also submitted Council Resolution #18-131, which requested the recovery of the deficits through a rate rider.

The application advised that the deficits were due to insufficient revenues collected in years 2014, 2015 and 2016. The RM has requested the deficits be recovered through a rate rider of \$11.19/1,000 gallons for five (5) years or until the deficits are recovered.

Rates were last set in Board Order No. 127/15 on an interim basis and set as final in Board Order No. 99/16. Board Order No. 99/16 also approved the withdrawal of the RMs previous rate study and directed the RM to submit a deficit application for 2014 on or before September 1, 2016.

## 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 2016 audited financial statements for the Utility, the most recent information available, the working capital deficit at December 31, 2016 is as follows:

	2016	2015	2014
Utility accumulated fund surplus	\$347,289	\$353,547	\$379,131
Deduct tangible capital assets	(\$549,274)	(\$565,947)	(\$582,619)
Add long term debt	\$67,274	\$72,228	\$76,921
Add utility reserves	\$16,521	\$16,457	\$16,425
<b>Equals Working Capital Deficit</b>	<b>(\$118,190)</b>	<b>(\$123,715)</b>	<b>(\$110,142)</b>
Expenses	\$73,199	\$81,601	\$90,534
20% of Expenses (Target)	\$14,640	\$16,320	\$18,107

## 2.0 Withdrawal of Rate Application

On February 23, 2017, the Rural Municipality of Riding Mountain West (RM) applied to the Board for revised water and wastewater rates for the Utility. Accompanying the application were a rate study, prepared by the RM's consultant, and By-law #2017-06 having had first reading on February 8, 2017. No Public Notice of Application was issued for the application.

On September 13, 2017, the RM formally requested withdrawal of the rate application and submitted Council Resolution 17-366. The RM's decision to withdraw the rate application was prompted by the Council's plan to connect the Utility to a different water source, making the information in the rate study inapplicable. The RM advised that a new

rate application and rate study would be submitted in the next few months. To date, the Board has not received the new rate application.

### 3.0 Board findings

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.

The Board approves the 2014 deficit of \$42,244, the 2015 deficit of \$24,964 and the 2016 deficit of \$5,638 to be recovered by a rate rider of \$11.19 per 1,000 gallons over 5 years, or until the amount of \$72,846 is fully recovered whichever comes first. This rate rider is effective October 1, 2018. The computation of the rate rider is as follows:

Total deficit amount \$72,846 divided by average water consumption sales of \$1,302,446 divided 5 years = \$11.19 per 1,000 gallons per customer.

The Board also approves the RM's request to withdraw the rate application as it finds the rationale reasonable. However, the Board is concerned with the inadequacy of the rates, which were last set in 2015, and the deficits incurred as a result.

The RM has submitted two rate applications and rate studies since 2014 and requested a withdrawal of both applications. The interim rates set in 2015 are stated to be inadequate in the RM's deficit application. It is the Utility's responsibility to review the rates and ensure rates are adequate to recover the cost of the service provided to its customers. Without new rates, the Utility will continue to incur deficits and more rate riders will have to be added to customer accounts.

The Board also notes that the RM was ordered, in Board Order No. 99/16, to submit an application for the approval of the 2014 operating deficit, on or before September 1, 2016. The Board received this deficit application on May 1, 2017, then a revised application March 29, 2018.

The items found under the heading, “IT IS THEREFORE ORDERED THAT” are directives, not recommendations, and must be complied with or appealed. Pursuant to *The Public Utilities Board Act*, the Board has available enforcement methods and can apply penalties for non-compliance.

The Board directs the RM to submit an application with rate study for revised rates for the LUD of Angusville Water and Wastewater Utility, no later than December 31, 2018.

#### 4.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficits, when calculated for regulatory purposes, of \$42,244 in 2014, \$24,964 in 2015 and \$5,638 in 2016, incurred in the Rural Municipality of Riding Mountain West, Local Urban District of Angusville Water and Wastewater Utility, are HEREBY APPROVED to be recovered through a rate rider of \$11.19 per 1,000 gallons per customer, over five (5) years or until the total deficit is paid in full, whichever comes first. The rate rider is effective October 1, 2018 and notice is to be provided to all customers.
2. The Rural Municipality of Riding Mountain West's request for withdrawal of the application for revised water and wastewater rates for the Local Urban District of Angusville Water and Wastewater Utility is HEREBY APPROVED.
3. The Rural Municipality of Riding Mountain West, Local Urban District of Angusville Water and Wastewater Utility submit an application for revised rates with rate study to the Board no later than December 31, 2018.

Fees payable upon this Order - \$150.00

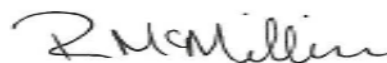
Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure (Rules). The Board's Rules may be viewed on the Board's website at [www.pubmanitoba.ca](http://www.pubmanitoba.ca).

THE PUBLIC UTILITIES BOARD

"Irene A. Hamilton"  
Panel Chair

"Rachel McMillin, B.Sc."  
Acting Secretary

Certified a true copy of Order No. 96/18 issued  
by The Public Utilities Board



\_\_\_\_\_  
Acting Secretary