

Order No. 124/17

**RURAL MUNICIPALITY OF ALEXANDER
PINE GROVE UTILITY
2016 ACTUAL OPERATING DEFICIT RECOVERY**

November 9, 2017

**BEFORE: Marilyn Kapitany, B.Sc. (Hons.), M.Sc., Panel Chair
Allan Morin, B.A., ICD.D, Member**

The Public Utilities Board (Board) issued Order No. 151/08 on November 7, 2008 requiring all water and/or sewer 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 Application

On April 4, 2017, the Board received an application from the Rural Municipality of Alexander (RM) Pine Grove Utility (Utility) for approval of utility operating deficits for 2016 in the amount of \$3,119.91. Along with the application the RM also submitted council Resolution No. 2017 192, which requested the deficits be recovered through the future surplus based on the Board approving rate increases for 2017, 2018 and 2019.

The application stated that the deficit was a result of an engineering study required to be completed in 2016 by the Province of Manitoba Office of Drinking Water, to comply with provincial requirements. The rate study that was submitted by the RM in September 2015 included an estimated cost of \$6,000. The actual cost for the engineering study was \$6,320. Thus, the rates approved in Board Order No. 114/16 included the said amount in the rate increase.

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 is defined as the Utility fund balance, excluding any capital related items plus Utility reserves.

As per the 2016 audited financial statements, the most recent information available, the working capital surplus at December 31, 2016 was as follows:

	2016
Utility accumulated fund surplus	\$26,359
Deduct tangible capital assets	\$48,030
Add long term debt	\$0
Add utility reserves	\$0
Equals Working Capital Surplus (Deficit)	(\$21,671)
Operating costs	\$39,074
20% of operating costs (target)	\$7,815

Note: There is a utility reserve of \$59,991 per Schedule 6 – Schedule of Change in Reserve Fund Balances. However, the RM has four utilities and the schedule does not specify a specific utility for the reserves. Therefore, the reserves have not been taken into account for the working capital.

2.0 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 a recovery methodology.

In Board Order No. 114/16, the Board in its findings stated that it will require the RM to file for approval of operating deficits for 2015 and 2016 should they materialize.

The Board finds that there will be sufficient funds available in the future to recover the deficit incurred in 2016. The Board therefore approves the 2016 deficit to be recovered through the Utility's future surplus.

The Board recommends that the RM specify in Schedule 6 of the financial statements, the name of the Utility to which the reserves are allotted. This is to allow the Board to consider the reserves for future computation of the working capital.

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.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, for 2016 of \$3,119.91, incurred in the Rural Municipality of Alexander – Pine Grove Utility is **HEREBY APPROVED** to be recovered from the Utility's future surplus.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"MARILYN KAPITANY, B.Sc. (Hons.), M.Sc."
Panel Chair

"RACHEL MCMILLIN, B.Sc."
Acting Secretary

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issued by The Public Utilities Board

Acting Secretary