

Order No. 13/17

**MUNICIPALITY OF RIVERDALE
RIVERS WATER AND WASTEWATER UTILITY
ACTUAL OPERATING DEFICIT for 2014**

February 1, 2017

**BEFORE: The Hon. Anita Neville, P.C., B.A. (Hons.), Acting Chair
Carol Hainsworth, C.B.A., 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;

Application

On December 6, 2016 the Board received an application for approval of the 2014 deficit of \$53,068 for Rivers Utility (Utility) from the Riverdale Municipality (Municipality). The application was accompanied by Council Resolution No.232-16 requesting that the deficit be recovered through the Utility's accumulated surplus account. Rates were last set in 2015 in Board Order No. 75/15.

The application advised that the deficits were a result of an increase in expenses relating to multiple repairs due to long periods of below normal freezing temperatures. Multiple frozen waterlines, a sewer break and a major water main break occurred.

The Municipality advised that due to the Utility having a surplus, this would be the best recovery method. The balance of the Accumulated Surplus as of at the beginning of 2014 was \$681,638.

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 2015 audited financial statements, the most recent information available, the working capital surplus at December 31, 2015 was:

	2015
Accumulated Fund Surplus/Deficit	\$ 796,973
Deduct tangible capital assets	\$ 1,304,313
Add long term debt	\$ -
Add utility reserves	\$ 592,353
Equals Working Capital Surplus	\$ 85,013
Operating costs	\$ 344,585
20% of operating costs (target)	\$ 68,917

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.

The Board will approve the 2014 deficit to be recovered through the Utility's accumulated surplus account.

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.pub.gov.mb.ca.

IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, for 2014 of \$53,068 incurred in the Riverdale Municipality –Rivers water and wastewater utility is HEREBY APPROVED to be recovered from the Utility's Accumulated Surplus.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"The Hon. ANITA NEVILLE, P.C.,B.A. (Hons.)"
Acting Chair

"JENNIFER DUBOIS, CPA, CMA"
Acting Secretary

Certified a true copy of Order No. 13/17
issued by The Public Utilities Board

Acting Secretary