

Order No. 142/17

**RURAL MUNICIPALITY OF YELLOWHEAD
SHOAL LAKE WATER AND WASTEWATER UTILITY
2014 ACTUAL OPERATING DEFICIT RECOVERY**

December 27, 2017

**BEFORE: Carol Hainsworth, C.B.A., Panel Chair
Susan Nemec, FCPA, FCA, 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 May 29, 2017, the Board received an application from the Rural Municipality of Yellowhead (RM) Shoal Lake Water and Wastewater Utility (Utility) for approval of a utility operating deficit for 2014 in the amount of \$32,477. Along with the application the RM also submitted Council Resolution No. 173/17, which requested the deficits be recovered through the Utility's accumulated surplus.

The application stated that the deficit was due to the depreciation of its assets. Rates were last set in August 2012 in Board Order No. 106/12 and Council advised that it is planning to prepare a rate study in 2018/2019 once all operational costs for the new water plant are determined.

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 2015 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2015 is as follows:

| | 2015 | 2014 |
|--|-----------------|-----------------|
| Utility accumulated fund surplus | \$2,232,900 | \$2,297,846 |
| Deduct tangible capital assets | \$2,676,472 | \$2,760,658 |
| Add long term debt | \$454,345 | \$500,858 |
| Add utility reserves | \$0 | \$15,412 |
| Equals Working Capital Surplus | \$10,773 | \$53,458 |
| | | |
| Operating costs | \$350,450 | \$304,943 |
| 20% of operating costs (target) | \$70,090 | \$60,989 |

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.

The Board finds that there are sufficient funds available in the RM's working capital surplus to recover this deficit. The Board will approve the recovery of the 2014 operating deficit of \$32,477 by transfer from the accumulated surplus account of the Utility.

The Board will also require the RM to review its Utility rates for adequacy and file a rate application for revised rates no later than June 30, 2018.

The Board notes that the Utility's Working Capital does not meet the target of 20% of operating expenses. Should there be a deficit for 2015, the Board requires the RM to file a deficit recovery application using other methods (other than surplus), as soon as it is known.

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 2014 of \$32,477.00, incurred in the Rural Municipality of Yellowhead, Shoal Lake Water and Wastewater Utility is HEREBY APPROVED to be recovered through a transfer from the accumulated surplus account of the Utility.
2. The Rural Municipality of Yellowhead, Shoal Lake Water and Wastewater Utility review its water and wastewater rates for adequacy and file a report with the Public Utilities board, as well as an application for revised rates if required, by no later than June 30, 2018.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"Carol Hainsworth, C.B.A."

Panel Chair

"Rachel McMillin, B.Sc."

Acting Secretary

Certified a true copy of Order No. 142/17
issued by The Public Utilities Board

"original signed by"

Acting Secretary