

Order No. 37/18

**RURAL MUNICIPALITY OF ELLICE-ARCHIE
MCAULEY WATER AND WASTEWATER UTILITY
2016 ACTUAL OPERATING DEFICIT RECOVERY**

March 12, 2018

**BEFORE: Carol Hainsworth, C.B.A., Panel Chair
Michael Watson, 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 November 22, 2017, the Board received an application from the Rural Municipality of Ellice-Archie (RM), McAuley Water and Wastewater Utility (Utility), for approval of a utility operating deficit for 2016 in the amount of \$6,904. Along with the application the RM also submitted Council Resolution No. 243-17, which requested the deficit be recovered through the Utility's accumulated surplus.

The application stated that the deficit was due to higher than expected employee training costs. Rates were last set in February 2006 in Board Order No. 23/06.

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 surplus at December 31, 2016 is as follows:

	2016	2015	2014
Utility accumulated fund surplus	\$153,498	\$155,822	\$120,084
Deduct tangible capital assets	\$110,607	\$110,927	\$67,243
Add long term debt	\$0	\$0	\$0
Add utility reserves	\$72,739	\$72,192	\$94,773
Equals Working Capital Surplus	\$115,630	\$117,087	\$147,614
Operating costs	\$40,821	\$37,391	\$27,998
20% of operating costs (target)	\$8,164	\$7,478	\$5,600

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 utility surplus to recover the deficit. The Board will approve the recovery of the 2016 operating deficit of \$6,904 by transfer from the Utility accumulated surplus account.

The rates for the Utility were last reviewed in 2006. The Board will require the RM to review its Utility rates for adequacy and file a rate application for revised rates no later than December 31, 2018. The Board will encourage the RM to review Board Order 86/17 and determine if the Utility meets the criteria for the Simplified Rate Application Process and Revised Minimum Filing Requirements.

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 \$6,904 incurred in the Rural Municipality of Ellice-Archie McAuley Water and Wastewater Utility is HEREBY APPROVED to be recovered through a transfer from the Utility accumulated surplus account.
2. The Rural Municipality of Ellice-Archie, McAuley 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 December 31, 2018.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

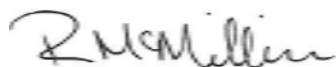
"Carol Hainsworth, C.B.A."

Panel Chair

"Rachel McMillin, B.Sc."

Acting Secretary

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Acting Secretary