

Order No. 68/19

**MUNICIPALITY OF McCREARY
McCREARY URBAN WATER AND WASTEWATER UTILITY
2013, 2014, 2015, and 2016 ACTUAL OPERATING DEFICIT RECOVERY
2018 ANTICIPATED DEFICIT RECOVERY**

May 22, 2019

**BEFORE: Carol Hainsworth, Panel Chair
Mike Watson, 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 January 28, 2019, the Board received an application from the Municipality of McCreary (Municipality), McCreary Urban Water and Wastewater Utility (Utility), for approval of the following deficits:

- 2013 \$62,257
- 2014 \$16,448
- 2015 \$15,521
- 2016 \$14,038
- 2017 \$ 4,619

Along with the application, the Municipality submitted Council Resolution No. 43/2019, which requested the recovery of the deficits through the Utility Accumulated Cash Surplus.

The application stated that the deficits were due to lack of revenue and higher utility costs.

On January 31, 2019, the Municipality submitted an application to recover an anticipated deficit for 2018 in the amount of \$80,213.38. The Municipality also submitted Council Resolution No. 11/2019, which requested the recovery of the deficits through the Utility Accumulated Surplus. The application stated that the anticipated deficit was for the budgeted use of surplus amounts to complete a water meter upgrade project.

Rates were last approved in Board Order No. 166/18 issued in December 2018.

The rate revenue requirements approved in Order 166/18 included the use of reserve funds to offset the expected costs of five capital projects. It stated \$25,000 per year from 2018 to 2021 for the purchase and installation of remote read water meters.

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 2017 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2017 is as follows:

	2017	2016	2015
Utility Fund Accumulated Surplus	\$970,506	\$965,002	\$976,710
Deduct Tangible Capital Assets	(\$759,093)	(\$797,014)	(\$843,321)
Add Long Term Debt	\$0	\$0	\$0
Add Utility Reserves	\$108,746	\$130,284	\$144,974
Equals Working Capital Surplus	\$320,159	\$298,272	\$278,363
Expenses	\$194,530	\$201,821	\$197,591
20% of Expenses (Target)	\$38,906	\$40,364	\$39,518

The Utility currently meets the Board's minimum working capital surplus of 20%.

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 recovery methodology.

The Board has reviewed the application, determining there is sufficient working capital, and approves the 2013 deficit of \$62,257, 2014 deficit of \$16,448, the 2015 deficit of \$15,521, and the 2016 deficit of \$14,038 to be recovered through the Utility Accumulated Surplus Account.

The 2017 deficit of \$4,619 is lesser than \$10,000 or 5% of the operating costs and therefore does not require Board approval.

The Board also approves the recovery of the 2018 anticipated deficit estimated at \$80,213.38 through the Utility Accumulated Surplus Account.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficits, when calculated for regulatory purposes, of \$16,448 in 2014, \$15,521 in 2015, and \$14,038 in 2016 incurred in Municipality of McCreary, McCreary Urban Water and Wastewater Utility, are HEREBY APPROVED to be recovered through the Utility's Accumulated Surplus Account, effective the date of this Order.
2. The anticipated deficit of McCreary Water and Wastewater Utility of the Municipality of McCreary during the year 2018 estimated at the amount of \$80,213.38, BE HEREBY APPROVED to be recovered through the Utility's Accumulated Surplus.
3. If, at the end of the year, the actual amount of the deficits exceeds by \$10,000 or 5% of the Utility's operating budget, or if the cause of the deficit differs from that approved herein, the Municipality of McCreary shall advise the Board by no later than December 31, 2019 and seek the Board's approval for recovery thereof.

Fees payable upon this Order - \$150.00

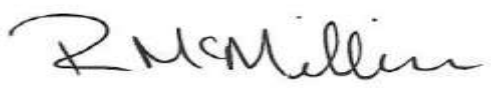
Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure (Rules). The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Carol Hainsworth"
Panel Chair

"Rachel McMillin, B.Sc."
Assistant Associate Secretary

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issued by The Public Utilities Board


Assistant Associate Secretary