

M A N I T O B A) Order No. 55/07
)
THE MUNICIPAL ACT) April 20, 2007

BEFORE: Graham Lane, C.A., Chairman
 Monica Girouard, C.G.A., Member
 Susan Proven, P.H.Ec., Member

**THE RURAL MUNICIPALITY OF HARRISON
LOCAL IMPROVEMENT DISTRICT NO. 2 (SANDY LAKE)
WATER AND SEWER UTILITY
REVENUE DEFICIT 2006**

Application

On March 13, 2007, the Rural Municipality of Harrison (R.M.) applied to the Public Utilities Board (Board) for approval of its 2006 operating deficit of \$14,565.25 for the Sandy Lake Utility (Utility). The R.M. advised the Board that as of December 31, 2006 the Utility's accumulated surplus was \$18.25, and its utility reserve, \$6,391.47.

The R.M. advised it would prepare a rate review in 2007.

As the R.M.'s General Reserve is separate from the Utility operating accounts the Board requested the R.M. recover the deficit from future rates, noting that the last rate review was in 1995.

On April 4, 2007, the R.M. advised the Board that due to time and resource constraints, it preferred to recover the 2006 deficit from the General Reserve, as it applied for.

The R.M. further advised as to the causes of the 2006 operating deficit, those being:

1. the regular operator retired, resulting in the engagement of an experienced operator at a higher wage;
2. costs of obtaining certification of the new employee; and
3. unforeseen repairs at both the water plant and the lift stations.

The 2006 deficit approximated 14% of total 2006 operating costs.

Board Findings

To meet the timing requirements of the R.M., the Board will approve the R.M.'s recovery of the 2006 deficit from the General Reserve.

However, the Board is of the view that utility operating funds should be self-sustaining, and that subsidies from the General Reserve distort the intended user-pay approach to utility funding. Utility ratepayers are not identical to the roster of taxpayers, and it is the latter who contribute to the General Fund.

The Board expects the R.M. to make an application for rate change in 2007, and to provide a rate study in support of the application.

IT IS THEREFORE ORDERED THAT:

1. The 2006 operating deficit of \$14,565.25 of the water and sewer Utility be approved and recovered from General Reserves.
2. The Rural Municipality of Harrison file a rate application for Sandy Lake no later than October 2007, this to enable any revised rates that may arise to take effect January 1, 2008.
3. Within its application, The Rural Municipality of Harrison consider proposing the repayment of the \$14,565.25 to the General Reserve from rates over 1, 2 or 3 years.

Fees payable upon this Order - \$150.00.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, C.A."
Chairman

"G. O. BARRON"
Acting Secretary

Certified a true copy of
Order No. 55/07 issued by The
Public Utilities Board

Acting Secretary