

**Order No. 52/16**

**MUNICIPALITY OF RUSSELL-BINSCARTH  
TOWN OF RUSSELL WATER AND WASTEWATER UTILITY  
2014 OPERATING DEFICIT**

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**April 21, 2016**

**BEFORE: Susan Proven, P.H.Ec., Acting Chair  
The Hon. Anita Neville, P.C., B.A. (Hons.), 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 March 11, 2016 the Board received a deficit application for the year 2014 in the amount of \$43,408, for the Town of Russell Water and Wastewater Utility (Utility) from the Municipality of Russell-Binscarth (Municipality). The deficit application was accompanied by Council Resolution No. 66/16, requesting that the 2014 deficit be recovered from the Utility's expected 2015 surplus. The Municipality submitted a 2015 PUB Schedule 9 which showed an expected surplus of \$96,571. Rates were last set in 2014 by Board Order No. 69/14.

In January 2015, the Town of Russell; the Rural Municipality of Russell; and the Village of Binscarth, were amalgamated to form the Municipality of Russell-Binscarth.

The application advised that the 2014 operating deficit was a result of the last revised rates being implemented midyear i.e. July 1<sup>st</sup> 2014, resulting in inadequate revenue to cover 2014 operating expenses. The second stated reason is that the long and difficult winter in 2014, led to expensive and unforeseen repairs to the water and wastewater mains.

The Municipality advised the Board that it intends to proceed with a rate study in 2016.

## 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 operating deficit of \$43,408 to be recovered from the Utility's expected 2015 surplus.

The Municipality stated that with the current revised rates, that were effective July 2014, a revenue surplus is projected for 2015 and going forward. The Municipality also stated that the Utility's working capital position is expected to continue improving.

If the 2015 audited statements do not result in a surplus of at least \$43,408, when calculated for regulatory purposes, the Municipality must reapply for approval of the 2014 deficit.

The Board urges the Municipality to continue to monitor its rates to ensure that it covers all its operating expenses. The Board will advise the Municipality to apply for revised rates as soon as the current rates are no longer adequate, also considering the rate application processing time.

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](http://www.pub.gov.mb.ca).

**IT IS THEREFORE ORDERED THAT:**

1. The 2014 actual operating deficit, when calculated for regulatory purposes, of \$43,408 incurred in the Municipality of Russell-Binscarth, Town of Russell Water and Wastewater Utility is HEREBY APPROVED to be recovered by the Utility's expected 2015 Surplus.
2. The Municipality of Russell-Binscarth provide copies of the 2015 audited financial statements as soon as they are available, including deficit applications if required.
3. The Municipality of Russell-Binscarth review its rates for adequacy and submit a statement of rate adequacy or an application for revised rates if required, on or before December 31, 2017.
4. The Municipality of Russell-Binscarth must reapply for the approval of the 2014 deficit, if the 2015 audited statement do not result in a surplus of at least \$43,408, when calculated for regulatory purposes.

Fees payable upon this Order – \$150.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."

Acting Chair

"JENNIFER DUBOIS, CPA, CMA"

Acting Secretary

Certified a true copy of Order No. 52/16  
issued by The Public Utilities Board

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Acting Secretary