

Order No. 49/19

**RURAL MUNICIPALITY OF ELLICE-ARCHIE
ST. LAZARE WATER AND WASTEWATER UTILITY
2017 ACTUAL OPERATING DEFICIT RECOVERY**

April 23, 2019

**BEFORE: Shawn McCutcheon, Panel Chair
Carol Hainsworth, C.B.A., Panel 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 Application

On March 21, 2019, the Board received an application from the Rural Municipality of Ellice-Archie (RM), St. Lazare Water and Wastewater Utility (Utility), for approval of a deficit in the amount of \$17,906 in 2017. The application includes Council Resolution No. 74-19, requesting the recovery of the deficits through the Utility's accumulated surplus.

The application advised that the primary reason for the deficits was due to the construction of a new water treatment plant without a plan to adjust the flat utility rate to properly provide for the increased costs required to provide for the new plant. The RM also advises costs have increased due to unforeseen annual repairs of aging infrastructure, adding to the deficits and raising concern deficits may continue if the RM does not address this issue.

Rates were last approved in February 2017 in Board Order No. 18/17 and finalized in March 2018 in Board Order No. 38/18.

Working Capital Calculation

Board Order No. 93/09 established 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 as at December 31, 2017 is as follows:

	2017	2016
Utility Accumulated Fund Surplus	\$936,451	\$944,577
Deduct: Tangible Capital assets	938,254	939,393
Add: Long-Term Debt	89,095	110,100
Add: Utility Reserves	11,555	11,555
Equals Working Capital Surplus	\$98,847	\$126,839
Expenses	101,335	102,327
20% of Expenses (Target)	\$20,267	\$20,465

The above-noted working capital calculation for both 2016 and 2017 is above the Board's recommended 20% target and therefore is sufficient to recover the Utility's 2017 deficit of \$17,906.

2.0 Board findings

By law, Manitoba utilities are not allowed to incur deficits. In the event a deficit does occur, a Utility is required to obtain Board approval of the deficit and for a recovery methodology.

The Board approves the 2017 actual operating deficit of \$17,906 to be recovered through the Utility's accumulated surplus.

The Board reminds the RM the Board Guidelines for the preparation and approval of water and wastewater rates recommend utilities review their rate requirements at least every three years to ensure the Utility's base rate is sufficient to meet operational requirements. It is the Utility's responsibility to regularly review the rates and ensure rates are adequate to recover the cost of service provided to its customers.

Pursuant to the above, the Board reminds the RM that Board Order No. 38/18 ordered the RM to review the St. Lazare Water and Wastewater Utility's 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, 2020.

The Board recommends the RM work to develop a replacement and/or repair plan for the Utility's aging infrastructure and present it, along with a capital plan, within the next rate application.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficits, when calculated for regulatory purposes, of \$17,906 in 2017, incurred by the Rural Municipality of Ellice-Archie, St. Lazare Water and Wastewater Utility are HEREBY APPROVED to be recovered from the Utility's accumulated surplus, effective the date of this Order.

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

"Shawn McCutcheon"

Panel Chair

"Frederick Mykytyshyn"

Assistant Associate Secretary

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issued by The Public Utilities Board



Acting Secretary