

**Order No. 15/22**

**RURAL MUNICIPALITY OF ELLICE-ARCHIE  
MCAULEY WATER AND WASTEWATER UTILITY  
2020 ACTUAL OPERATING DEFICIT RECOVERY**

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**February 15, 2022**

**BEFORE:** Irene Hamilton, Q.C., Panel Chair  
Shawn McCutcheon, Panel Member

By law, Manitoba utilities are not allowed to incur deficits. 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. results from something different from that for which the approval was granted.

In the event that a deficit does occur, a Utility is required to obtain Board approval for the recovery methodology that the Utility proposes.

## **1.0 Deficit Application**

On October 14, 2021, the Board received an application from the Rural Municipality of Ellice-Archie (RM), McAuley Water and Wastewater Utility (Utility) for approval of a 2020 deficit in the amount of \$19,766.

Along with the application, the RM submitted Council Resolution No. 225-21, requesting approval for the recovery of the deficit the Utility's Accumulated Fund Surplus.

The application stated the deficit was due to unexpected repair expenses for the Water Treatment Plant (WTP), including purchase and installation of a new pump, control box, and injection valves; purchase of a new chemical metering pump for the WTP; and contracted camera inspections of multiple issues with sewer lines. The application also noted discovery and repair of a substantial water leak, which has resulted in a significant reduction in unaccounted for water levels.

Utility rates were last approved in Board Order No. 87/19, effective July 1, 2019.

### 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 2020 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2020 is as follows:

	2020
Utility Fund Surplus/Deficit	\$135,795
Deduct: Tangible Capital Assets	(128,824)
Add: Long-Term Debt	-
Add: Utility Reserves	79,089
<b>Equals Working Capital Surplus (Deficit)</b>	<b>\$86,060</b>
Operating Expenses	52,896
<b>20% of Operating Expenses (Target)</b>	<b>\$10,579</b>

The Utility's working capital meets the Board's minimum requirement of 20% of its operating expenses.

## 2.0 Board Findings

The Board has reviewed the application and determined the Utility has adequate working capital surplus to absorb the deficit. The Board grants approval of the 2020 actual operating deficit, when calculated for regulatory purposes, in the amount of \$19,766 to be recovered through the Utility's Accumulated Fund Surplus.

The Board commends the RM on its efforts in reducing the Utility's unaccounted for water levels.

The Board reminds the Utility, Board Order No. 87/19 directed the RM to review the water and water rates for the Utility for adequacy and file either a report confirming the adequacy of the current rates or an application for revised rates, on or before July 31, 2022.

## 3.0 IT IS THEREFORE ORDERED THAT:

1. The 2020 actual operating deficit, when calculated for regulatory purposes, in the amount of \$19,766, incurred in the Rural Municipality of Ellice-Archie, McAuley Water and Wastewater Utility, is HEREBY APPROVED to be recovered through the Utility's Accumulated Fund Surplus.
2. The Rural Municipality of Ellice-Archie – McAuley Utility review its water and wastewater rates for adequacy and file with the Public Utilities Board either a report confirming the adequacy of the rates or an application for revised rates, on or before July 31, 2022.

Fees payable upon this Order - \$150.00

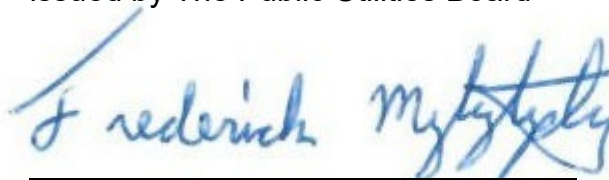
Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure (Rules). The Board's Rules may be viewed on the Board's website at [www.pubmanitoba.ca](http://www.pubmanitoba.ca).

THE PUBLIC UTILITIES BOARD

"Irene Hamilton, Q.C."  
Panel Chair

"Frederick Mykytyshyn"  
Assistant Associate Secretary

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issued by The Public Utilities Board



Assistant Associate Secretary