

**Order No. 54/23**

**ORDER RESPECTING  
THE RURAL MUNICIPALITY OF ELLICE-ARCHIE  
MCAULEY WATER AND WASTEWATER UTILITY  
2021 OPERATING DEFICIT  
SUBMISSION OF RATE ADEQUACY**

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**April 27, 2023**

**BEFORE: Shawn McCutcheon, Panel Chair  
Marilyn Kapitany, B.Sc. (Hon), M. Sc., Panel Member**

## 1.0 Executive Summary

By this Order, the Public Utilities Board (Board) grants approval of the RM of Ellice-Archie (RM) - McAuley Water and Wastewater Utility's (Utility) 2021 operating deficit of \$17,736, to be recovered from the Utility's Reserve Account.

The Board denies the RM's submission of rate adequacy and will direct the RM to file a rate application using the full rate application process, on or before December 31, 2023.

The reasons for the Board's decisions are under Board Findings.

## 2.0 Background

The RM of Ellice-Archie owns and operates two utilities, the St. Lazare Water Utility and the McAuley Water and Wastewater Utility. This Board Order relates to the McAuley Utility only.

Board Order No. 23/06 was issued February 9, 2006, granting approval of water and wastewater rates to the former Rural Municipality of Archie – McAuley Water and Wastewater Utility. This is the last time the Utility had a full rate review by the Board.

The Utility has experienced operating deficits in 2016, 2019, 2020 and 2021. The Board has granted approval all of the deficits, except 2021. The deficits were all recovered from the Utility's Accumulated Surplus and the reasons for the deficits were abnormal or unexpected repair expenses, and a substantial water leak that was repaired in August 2021.

Rates were last set in 2019 in Board Order No. 87/19, which was issued following a Simplified Rate Application from the Utility.

### 3.0 Application

In Board Order Nos. 87/19 and 15/22, the Board directed the RM to review its water and wastewater rates for adequacy and file either a report confirming the adequacy of the rates or an application for revised rates, on or before July 31, 2022.

On March 10, 2022, the RM wrote to the Board asking for an extension to February 2023. The RM submitted it had discovered and repaired a substantial water leak in August 2021, and advised the Board the Utility's unaccounted for water had gone from 70% to 13%. The requested extension was to allow the Utility to have additional history with the water leak repaired and properly assess whether its rates were adequate. On April 7, 2022, the Board approved the RM's request and granted an extension to February 28, 2023.

On November 15, 2022, the RM submitted a letter and Council Resolution No. 236-22, stating the utility rates had been reviewed and were determined to be adequate. The submission advised the Utility was projecting a small surplus of approximately \$500 for 2022.

The Board noted a 2021 operating deficit and upon the Board's query, the RM advised it would be submitting a deficit application the week following.

The Board requested the RM send an update after the 2022 year end, which was received January 24, 2023. The RM provided reporting demonstrating the unaccounted for water for 2022 was 15.6%, a significant reduction from 70%, though still above the 10% industry target. The RM also provided the unaudited financial results for 2022, which indicated a surplus of \$2,881. These financial results did not include any provision for amortization expense, which was \$4,345 in 2021, per the audited financial statements.

On February 14, 2023, the RM submitted its 2021 deficit application, including Council Resolution No. 30-23, requesting the \$17,736 for the deficit be recovered from the Utility Reserve.

## 4.0 Board Findings

The Board has reviewed the RM's request and grants approval of the 2021 operating deficit of \$17,736, to be recovered from the Utility Reserve.

The Board has also considered the RM's submission that its current utility rates are adequate. The RM has provided its unaudited financial results for 2022 in support of this submission; however, as the surplus is insufficient to absorb the amortization expense recorded in the 2021 audit, the Board finds it likely that the Utility will experience an operating deficit in 2022 once the financial statements have been audited.

The RM has experienced operating deficits in four of the last six years, claiming the cause of the deficits is abnormal or unexpected repairs. Despite the repair of the significant water leak, the Utility is projected to experience another operating deficit in 2022. The Board finds that given this evidence and the addition of current inflationary pressures, it would be imprudent to allow the current rates to be accepted as adequate. The Board will deny the submission and direct the RM to submit a full rate application on or before December 31, 2023.

## 5.0 IT IS THEREFORE ORDERED THAT:

1. The operating deficit for 2021 of \$17,736, when calculated for regulatory purposes, incurred in the Rural Municipality of Ellice-Archie, McAuley Water and Wastewater Utility, BE AND IS HEREBY APPROVED to be recovered from the McAuley Utility's Reserve Fund.
2. The Rural Municipality of Ellice-Archie file a full rate application for the McAuley Water and Wastewater Utility on or before December 31, 2023.

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. The Board's Rules may be viewed on the Board's website at [www.pubmanitoba.ca](http://www.pubmanitoba.ca).

THE PUBLIC UTILITIES BOARD

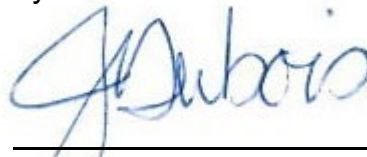
"Shawn McCutcheon"

Panel Chair

"Jennifer Dubois, CPA, CMA"

Assistant Associate Secretary

Certified a true copy of Order No. 54/23 issued  
by The Public Utilities Board



Assistant Associate Secretary