

Order No. 82/22

**MUNICIPALITY OF McCREARY
McCREARY WATER AND WASTEWATER UTILITY
2019 ACTUAL OPERATING DEFICIT RECOVERY**

July 27, 2022

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

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 recovery methodology that the Utility proposes.

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 Deficit Application

On December 10, 2021, the Board received an application from the Municipality of McCreary (Municipality), McCreary Water and Wastewater Utility (Utility) for approval of a 2019 actual operating deficit in the amount of \$49,730, when calculated for regulatory purposes.

Along with the application, the Municipality submitted Council Resolution #443/2021, requesting approval for the recovery of the deficit through the Utility's Accumulated Fund Surplus.

The application stated the deficit was due to higher than normal water transmission costs resulting from large leaks caused by aging infrastructure.

Utility rates were last approved in Board Order No. 166/18, with the most recent rates effective March 1, 2022. Utility actual operating deficits incurred from 2013 to 2016 (totalling \$108,264) and an anticipated deficit for 2018 (\$80,213.38) were approved in Board Order No. 68/19.

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 deficit at December 31, 2020 is as follows:

	2020
Utility Fund Surplus/Deficit	\$925,654
Deduct Tangible Capital Assets	(740,271)
Add Long-Term Debt	-
Add Utility Reserves	120,695
Equals Working Capital Surplus (Deficit)	\$306,078
Operating Expenses	224,424
20% of Operating Expenses (Target)	\$44,885

The Utility's working capital meets the Board's minimum requirement of 20% of its operating expenses and is sufficient to recovery the applied for deficit.

2.0 Board Findings

The Board grants approval of the 2019 actual operating deficit, when calculated for regulatory purposes, in the amount of \$49,730 to be recovered through the Utility's Accumulated Fund Surplus.

The Board reminds the Municipality, Board Order No. 166/18 directed the Municipality to review its water and wastewater rates for and file a report with the Board, as well as an application for reviewed rates if required, on or before December 31, 2022.

3.0 IT IS THEREFORE ORDERED THAT:

1. The 2019 actual operating deficit, when calculated for regulatory purposes, in the amount of 49,730, incurred in the Municipality of McCreary, McCreary Water and Wastewater Utility, is HEREBY APPROVED to be recovered through the Utility's Accumulated Fund Surplus.
2. The Municipality of McCreary review its 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, on or before December 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.

THE PUBLIC UTILITIES BOARD

"Marilyn Kapitany"
Panel Chair

"Frederick Mykytyshyn"
Assistant Associate Secretary

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issued by The Public Utilities Board


Assistant Associate Secretary