

Order No. 116/18

**RURAL MUNICIPALITY OF RITCHOT
LOCAL IMPROVEMENT DISTRICT NO. 1 ST. ADOLPHE
ST. ADOLPHE WATER AND WASTEWATER UTILITY
ACTUAL OPERATING DEFICIT RECOVERY FOR 2016**

August 29, 2018

**BEFORE: Carol Hainsworth, C.B.A., Panel Chair
Michael Watson, Member**

The Public Utilities Board (PUB) issued Order No. 151/08 on November 07, 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 \$10,000 or represents 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 June 27, 2018 the Board received a deficit application for 2016 in the amount of \$23,035 from the Rural Municipality of Ritchot (RM), St. Adolphe Water & Wastewater Utility (Utility). The application was accompanied by Council Resolution No. 20180199 requesting that the deficit be recovered through the Utility accumulated surplus.

The RM stated that the amortization of donated assets was attributed to the deficit. Water rates were last set in 2002 in Board Order No. 139/02 on an interim basis and wastewater rates were last set in 2003 in Board Order No. 150/03.

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 2016 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2016 is as follows:

| | 2016 | 2015 |
|---|------------------|------------------|
| Utility accumulated fund surplus | \$3,217,367 | \$3,211,952 |
| Deduct tangible capital assets | \$3,000,866 | \$3,035,702 |
| Add long term debt | \$120,100 | \$135,927 |
| Add utility reserves | \$280,007 | \$268,220 |
| Equals Working Capital Surplus/(Deficit) | \$616,608 | \$580,397 |
| | | |
| Operating costs | \$269,150 | \$253,973 |
| 20% of operating costs (target) | \$53,830 | \$50,795 |

The above-noted working capital surplus for both 2015 and 2016 are above the Board's recommended 20% target. Therefore, the surplus is sufficient to recover the 2016 deficit.

2.0 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 both Board approval of the deficit and a recovery methodology.

The Board approves the 2016 deficit of \$23,035 to be recovered through the Utility's accumulated surplus account.

The Board notes that the RM St. Adolphe Utility has not submitted a rate application to the Board in over 15 years. In the Board's view, this is too long a time-period between rate reviews. Regular rate reviews submitted on a timelier three-year period, as per the Board's Guidelines, protect the financial position of the Utility and mitigates the need for

substantial rate increases, or in the case of the Ste. Adolph Utility, deficits. Had the Utility not had an adequate working capital surplus, these deficits would have to be collected from the ratepayers through a rate rider.

The Board requires the Rural Municipality of Ritchot, to file a rate application for the St. Adolphe Water and Wastewater Utility, no later than January 31, 2019.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, for 2016 of \$23,035, incurred in the Rural Municipality of Ritchot - St. Adolphe Water & Wastewater Utility, is HEREBY APPROVED to be recovered from the Utility's accumulated surplus, effective the date of this Order.
2. The Rural Municipality of Ritchot - St. Adolphe Water & Wastewater Utility, review and file an application for revised rates with the Public Utilities Board on or before January 31, 2019.

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.pub.manitoba.ca.

THE PUBLIC UTILITIES BOARD

“Carol Hainsworth, C.B.A.”
Panel Chair

“Rachel McMillin, B.Sc.”
Acting Secretary

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issued by The Public Utilities Board



Acting Secretary