

Order No. 4/18

**RURAL MUNICIPALITY OF WEST ST. PAUL
RIVER'S EDGE WASTEWATER UTILITY
2014 ACTUAL OPERATING DEFICIT RECOVERY**

January 8, 2018

**BEFORE: Carol Hainsworth, C.B.A., Panel Chair
Susan Nemec, FCPA, FCA, Member**

The Public Utilities Board (Board) issued Order No. 151/08 on November 7, 2008 requiring all water and/or sewer 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 8, 2017, the Board received an application from the Rural Municipality of West St. Paul (RM) River's Edge Wastewater Utility (Utility) for approval of a utility operating deficit for 2014 in the amount of \$8,840. Along with the application the RM also submitted Council Resolution No. 2017-138, which requested the deficit be recovered through the Utility's Reserve Fund.

The application stated that capital expenditures were charged to the operating accounts instead of being funded from the Utility reserves resulting in the deficit. Rates were last set in October 2011 in Board Order No. 135/11 and a rate application was submitted to the Board in December 2016.

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 2015 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2015 is as follows:

	2015	2014
Utility accumulated fund surplus	\$462,240	\$484,886
Deduct tangible capital assets	\$472,350	\$494,995
Add long term debt	\$0	\$0
Add utility reserves	\$224,942	\$218,867
Equals Working Capital Surplus	\$214,832	\$208,758
Operating costs	\$85,422	\$97,106
20% of operating costs (target)	\$17,084	\$19,421

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 Board approval for a recovery methodology.

The Board is satisfied that the RM has adequate reserves at this time and will approve the recovery of the 2014 operating deficit in the amount of \$8,840 by transfer from the Utility's Reserve Fund.

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.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, for 2014 of \$8,840, incurred in the Rural Municipality of West St. Paul River's Edge Wastewater Utility is HEREBY APPROVED to be recovered through a transfer from the Utility's Reserve Fund.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"Carol Hainsworth, C.B.A."

Panel Chair

"Rachel McMillin, B.Sc."

Acting Secretary

Certified a true copy of Order No. 4/18 issued
by The Public Utilities Board



Acting Secretary