

**Order No. 115/18**

**TOWN OF STONEWALL  
WATER AND WASTEWATER UTILITY  
ACTUAL OPERATING DEFICIT RECOVERY FOR 2017 &  
VARY OF BOARD ORDER No. 47/18 FOR  
ACTUAL OPERATING DEFICIT FOR 2016**

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**August 22, 2018**

**BEFORE: Shawn McCutcheon, Panel Chair  
Carol Hainsworth, C.B.A, Member**

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 June 29, 2018, the Board received an application from the Town of Stonewall (Town), Water and Wastewater Utility (Utility), for approval of a 2017 deficit in the amount of \$15,980 and an amendment to the 2016 deficit approved in Board Order No. 47/18. The amendment is a result of the 2016 Financial Statements being restated and the deficit was reduced from the original application amount of \$142,641 to \$101,701. Along with the application, the Town also submitted Council Resolution # 2018/180, which requested the recovery of the deficits through a rate rider.

The Town's deficit application stated the deficits have been incurred as rates were too low. New rates were set in Board Order No. 47/18 for years 2018, 2019, 2020 and 2021. The 2016 deficit required an adjustment as grants and donated assets that were not factored in when the Town previously applied. This application requests that the Board review and vary Board Order 47/18 to account for the 2016 adjusted deficit and include the 2017 deficit in the rate rider.

The Town requested that the totalled deficit amounts of \$361,856, which includes the 2015 of \$244,175 deficit (approved in Board Order No. 47/18), the 2016 adjusted deficit

of \$101,701 and the 2017 deficit of \$15,980, to be recovered through rate rider over four years. The Town proposed the rate rider to be recovered per customer per quarter as a flat rate as shown below:

	2018	2019	2020	2021
Total amount of deficit recovery per year	\$96,704	\$128,939	\$128,939	\$7,274
Total Rate Rider charge per Quarter	\$18.35*	\$18.16	\$17.91	\$3.99
No. Customers	1757	1775	1800	1825

\*As approved in Board Order No. 47/18

### 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 2017 audited financial statements for the Utility, the most recent information available, the working capital deficit at December 31, 2017 is as follows:

	2017	2016
Utility accumulated fund surplus	\$11,372,544	\$8,806,780
Deduct tangible capital assets	(\$14,072,736)	(\$11,541,316)
Add long term debt	\$1,342,913	\$1,456,313
Add utility reserves	\$17,942	\$17,940
<b>Equals Working Capital Deficit</b>	<b>(\$1,339,337)</b>	<b>(\$1,980,283)</b>
Expenses	\$943,437	\$835,908
20% of Expenses (Target)	\$188,687	\$167,182

## 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 recovery methodology.

The Town applied for a flat rate surcharge for deficit recovery for 2015 and 2016 deficits. The Board varied this recovery methodology in Board order No. 47/18 to be recovered through a rate rider on a per cubic meter basis. As stated in Board Order No. 47/18, the Board supports the principle of user-pay utility rates; this principle also applies to rate riders/surcharges. It is only when rates are set on a user pay basis they send the right signal to ratepayers and allow ratepayers to make decisions about their use of the services.

The Board maintains that the user-pay principle is best for this recovery method and again varies the recovery methodology as applied for by the Town. The Town has metered water services and therefore should be recovering the deficit based on consumption.

The Board approves the adjusted 2016 operating deficit of \$101,701 and the 2017 operating deficit of \$15,980 and varies the recovery methodology as outlined below.

As stated in Board Order No. 47/18 the rate rider of \$18.35 per customer per quarter (effective April 1, 2018) will remain in effect until December 31, 2018. The Board varies the rate rider set out in Board Order No. 47/18 to account for the adjusted 2016 operating deficit and include the 2017 operating deficit, to \$0.31 per cubic meter over two years, or until the amount of \$361,856 is fully recovered or whichever comes first. This rate rider is effective January 1, 2019. The calculation is as follows:

Total deficit amount (including 2015 deficit) = \$361,856 - \$96,704 amount collected as flat rate rider (April 1, 2018 to December 31, 2018) = \$265,152 / 2 (number of years to collect deficit) / 431,248 cubic meters (average consumption) = \$0.31.

### 3.0 IT IS THEREFORE ORDERED THAT:

1. The 2016 deficit and recovery method approved in Board Order No. 47/18 is HEREBY VARIED to the approved amount and recovery method stated in the below directive.
2. The actual 2016 operating deficit of \$101,701 and 2017 deficit of \$15,980, when calculated for regulatory purposes, incurred in the Town of Stonewall, Water and Wastewater Utility, is HEREBY APPROVED to be recovered through a rate rider of \$0.31 per cubic meter per customer per quarter, over two (2) years or until the total deficit is paid in full, whichever comes first. The rate rider is effective January 1, 2019 and notice is to be provided to all customers.

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

"Shawn McCutcheon"  
Panel Chair

"Rachel McMillin, B.Sc."  
Acting Secretary

Certified a true copy of Order No. 115/18 issued  
by The Public Utilities Board



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Acting Secretary