

Order No. 118/18

**MUNICIPALITY OF GRANDVIEW
G3 WATER AND WASTEWATER UTILITY
ACTUAL OPERATING DEFICIT RECOVERY FOR 2016**

September 4, 2018

BEFORE: Shawn McCutcheon, Panel Chair
Sharon McKay, 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 April 6, 2018, the Board received an application from the Grandview Municipality (Municipality), G3 Water and Wastewater Utility (Utility) for approval of a utility operating deficit for 2016 in the amount of \$67,818. The application includes Council Resolution Number 2018-116, requesting the recovery of the deficit through a utility rate rider.

The application states the deficit is due to increased legal fees associated with the expansion of the Utility, increased maintenance costs, and insufficient rates to operate the Utility. The Municipality has requested the deficit be recovered by means of a rate rider of \$2.21 per 1,000 gallons per customer per quarter for two (2) years (eight billing cycles) or until revenue from the rate rider has reached \$67,818, whichever comes first.

Rates were last approved in March 2011 in Board Order No. 38/11. The Municipality has applied for revised water and wastewater rates, supported by a rate study, which is currently pending Board review.

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 deficit as at December 31, 2016 is as follows:

	2016	2015
Utility accumulated fund surplus	\$2,413,635	\$2,227,635
Deduct tangible capital assets	3,608,244	3,414,901
Add long term debt	935,973	1,035,852
Add utility reserves	23,230	29,009
Equals Working Capital Surplus	\$(235,996)	\$(122,405)
Operating costs	483,930	388,274
20% of operating costs (target)	\$96,786	\$77,655

The above-noted working capital surplus for both 2015 and 2016 are below the Board recommended 20% target and insufficient to be applied to the Utility's 2016 deficit. As a result, there is no surplus available to offset the \$67,818 deficit.

2.0 Board Findings

By law, Manitoba utilities are not allowed to incur deficits. In the event a deficit does occur, a Utility is required to obtain Board approval of the deficit and for a recovery methodology.

The Board approves the 2016 actual operating deficit of \$67,818, to be recovered by a rate rider of \$2.21 per 1,000 gallons per customer per quarter over two (2) years (eight billing cycles) or until the total deficit amount of \$67,818 is reached, whichever comes first. The approved rate rider is effective October 1, 2018 and has been calculated as follows:

$$\frac{\$67,818}{(15,370 \times 2)}$$

The Board reminds the Municipality the Board Guidelines for the preparation and approval of water and wastewater rates recommend utilities review their rate requirements at least every three years to ensure the Utility's base rate is sufficient to meet operational requirements. It is the Utility's responsibility to regularly review the rates and ensure rates are adequate to recover the cost of service being provided to its customers.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual utility operating deficit, when calculated for regulatory purposes, of \$67,818 in 2016 incurred in the Municipality of Grandview, G3 Water and Wastewater Utility, is HEREBY APPROVED to be recovered through a rate rider of \$2.21 per 1,000 gallons per customer per quarter, over two (2) years or until the total deficit amount of \$67,818 has been reached, whichever comes first. The approved rate rider is effective October 1, 2018 and notice is to be provided to all customers accordingly.

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

"Shawn McCutcheon"
Panel Chair

"Frederick Mykytyshyn"
Acting Secretary

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issued by The Public Utilities Board


Frederick Mykytyshyn
Acting Secretary