

Order No. 119/18

**MUNICIPALITY OF GRANDVIEW
SUGARLOAF WATER UTILITY
ACTUAL OPERATING DEFICIT RECOVERY FOR 2014, 2015, AND 2016 &
ADJUSTED ACTUAL OPERATING DEFICIT RECOVERY FOR 2013**

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 Municipality of Grandview (Municipality), Sugarloaf Water Utility (Utility) for approval of a utility operating deficit for 2015 in the amount of \$54,736 and 2016 in the amount of \$54,840. The application includes Council Resolution Number 2018-115, requesting the recovery of the deficit through the Utility accumulated surplus.

On June 29, 2018, the Board also received an application from the Municipality for approval of a utility operating deficit for 2014 in the amount of \$29,760 and an amendment to the 2013 deficit approved in Board Order Number 121/16. The amendment is a result of a miscalculation of the actual deficit by the Municipality, increasing the deficit from the original application from \$14,435 to \$60,580 (or an increase of \$46,435). The application includes Council Resolution Number 118-228, requesting recovery of the deficit through the Utility accumulated surplus.

The application states the deficits are due to increased maintenance costs and insufficient utility rates, which were last revised in July 21, 2006 in Board Order Number 114/16. The Municipality has applied for revised water and wastewater rates, supported by a rate study, which is currently before the Board.

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	2014	2013
Utility accumulated fund surplus	\$2,605,167	\$2,717,366	\$2,820,710	\$2,901,966
Deduct tangible capital assets	2,626,432	2,709,701	2,792,970	2,873,011
Add long term debt	-	-	-	-
Add utility reserves	365,896	365,392	373,584	370,574
Equals Working Capital Surplus	\$344,631	\$373,057	\$401,324	\$399,529
Operating costs	191,070	190,763	154,106	203,262
20% of operating costs (target)	\$38,214	\$38,153	\$30,821	\$40,652

The above-noted working capital surplus for 2016 is above the Board recommended 20% target and is therefore sufficient to recover the Utility's revised 2013 actual deficit and 2014, 2015, and 2016 actual deficits totalling \$185,481.

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 adjusted 2013 actual operating deficit of \$60,580 and appreciates the Municipality's effort to ensure errors in applications or amounts for standing Board Orders be properly corrected and approved by the Board.

The Board approves the 2014 actual operating deficit of \$29,760, the 2015 actual operating deficit of \$54,736, and the 2016 actual operating deficit of \$54,840, to be recovered through the Utility's accumulated surplus.

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 \$60,580 in 2013 incurred in the Municipality of Grandview, Sugarloaf Water Utility, is HEREBY APPROVED to be recovered from the Utility's accumulated surplus, effective the date of this Order.
2. The actual utility operating deficit, when calculated for regulatory purposes, of \$29,760 in 2014, of \$54,736 for 2015, and of \$54,840 for 2016 incurred in the Municipality of Grandview, Sugarloaf Water Utility, is HEREBY APPROVED to be recovered from the Utility's accumulated surplus effective the date of this Order.

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.gov.mb.ca.

THE PUBLIC UTILITIES BOARD

“Shawn McCutcheon”
Panel Chair

“Frederick Mykytyshyn”
Acting Secretary

Certified a true copy of Order No. 119/18
issued by The Public Utilities Board



Acting Secretary