

Order No. 84/18

**RIVERDALE MUNICIPALITY
RURAL WATER LINE UTILITY
2016 ACTUAL OPERATING DEFICIT RECOVERY**

July 3, 2018

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

On June 1, 2018, the Board received an application from the Riverdale Municipality (Municipality), Rural Water Line Utility (Utility) for approval of a \$7,646 utility operating deficit for 2016.

The application states that following extensive repair work resulting in a 2015 utility operating deficit additional repairs were completed resulting in a revenue deficit of \$461. Amortization expenses in 2016 were \$7,185 creating a total operating deficit of \$7,646. The Municipality has requested the 2016 deficit be recovered by a drawn down from the accumulated cash surplus.

The Municipality indicated that the RM of Daly used the RM of Woodworth rate application when billing out the customers. A proper rate application has not been made since 2004. Rates for the utility were last reviewed in Board Order 3/04. The current rates do not reflect repairs, maintenance, nor administrative costs.

A rate application was to be submitted in March of 2017 but was not completed due to time constraints within the Utility. The Municipality advises a rate application will be submitted in June 2018.

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 at December 31, 2016 is as follows:

	2016
Utility accumulated fund surplus	\$197,072
Deduct tangible capital assets	\$245,006
Add long term debt	\$0
Add utility reserves	\$15,264
Equals Working Capital Surplus (Deficit)	(\$32,670)
Operating costs	\$34,597
20% of operating costs (target)	\$6,919

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 Board finds that there are no sufficient funds available in the Municipality's working capital surplus to recover this deficit, as indicated in Board Order No. 33/18. The utility's working capital was already in a deficit position in 2015 and the draw down from reserves is making the working capital position worse.

As the Utility is in a deficit position, the proposed draw down from the 2016 cash surplus is not an option.

The Board will deny the Municipality’s request to recover the deficit from the accumulated cash surplus. The Board Orders the Municipality to recover the 2016 operating deficit of \$7,646 by a rate rider over three years, or until the amount is fully recovered, whichever comes first, on a per gallon basis of \$1.27 per 1,000 gallons.

The computation is as follows:

2016 Deficit	\$ 7,646.00		
	\$ 7,646.00		
Divided by 3 years	\$ 2,548.67		
Divided by 2M Gallons purchased	\$ 1.27	per 1,000 gallons	

The Board reminds the Municipality of the directive in Board Order No. 33/18 that the Board requires the Municipality to review its Utility rates for adequacy and file a rate application for revised rates no later than June 30, 2018.

3.0 IT IS THEREFORE ORDERED THAT:

1. The 2016 actual operating deficit of \$7,646 proposed recovery method by the Riverdale Municipality, Rural Water Line Utility, is HEREBY DENIED.
2. The actual operating deficit, when calculated for regulatory purposes, for 2016 of \$7,646, incurred in the Riverdale Municipality, Rural Water Line Utility is HEREBY APPROVED to be recovered by a rate rider of \$1.27 per 1,000 gallons over three (3) years or until the total deficit is paid in full, whichever comes first. The rate rider is effective July 1, 2018 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.

THE PUBLIC UTILITIES BOARD

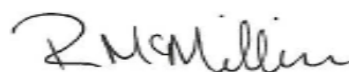
"Carol Hainsworth, C.B.A."

Panel Chair

"Rachel McMillin, B.Sc."

Acting Secretary

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by The Public Utilities Board



Acting Secretary