

Order No. 121/16

**GRANDVIEW MUNICIPALITY
SUGARLOAF WATER UTILITY
OPERATING DEFICIT for 2013**

September 21, 2016

BEFORE: The Hon. Anita Neville, P.C., B.A. (Hons.), Acting 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 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;

Application

On July 29, 2016 the Board received a deficit application for 2013 of \$14,435 for Sugarloaf Water Utility (Utility) from the Grandview Municipality (Municipality). The application was accompanied by Council Resolution No. 2016-216, requesting that the deficit be recovered through the Utility's accumulated surplus account.

The application advised that the deficit was a result of the cost of a water rate study and additional material costs, likely due to two new connections in 2013.

The Municipality advised that the current rates are insufficient to cover the Utility's operating costs. Rates were last set in 2006. The Municipality reported that they are currently in the process of preparing a revised water rate application with hopes to have an interim rate in place for October 1, 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 is defined as the Utility fund balance, excluding any capital related items plus Utility reserves.

As per the 2014 audited financial statements, the most recent information available, the working capital surplus at December 31, 2014 was:

	2014
Fund Surplus/Deficit	\$ 2,820,710
Deduct TCA	\$ 2,792,970
Add Long-Term Debt	\$ -
Add Utility Reserves	\$ 373,584
Equals Working Capital Surplus	\$ 401,324
last year's operating costs	\$ 203,262
20% of last years operating costs	\$ 40,652

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 will approve the 2013 deficit to be recovered through the Utility's accumulated surplus account.

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.

IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, for 2013 of \$14,435 incurred in the Grandview Municipality – Sugarloaf Water Utility is HEREBY APPROVED to be recovered from the Utility's Accumulated Surplus.
2. The Grandview Municipality will submit the revised water rate application on or by no later than December 31, 2016.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"The Hon. ANITA NEVILLE, P.C.,B.A. (Hons.)"
Acting Chair

"JENNIFER DUBOIS, CPA, CMA"
Acting Secretary

Certified a true copy of Order No. 121/16
issued by The Public Utilities Board

Acting Secretary