

**Order No. 43/16**

**MUNICIPALITY OF HANOVER  
BLUMENORT WASTEWATER UTILITY  
OPERATING DEFICITS 2013 and 2014**

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**March 29, 2016**

BEFORE: Susan Proven, P.H.Ec., Acting Chair  
The Hon. Anita Neville, P.C., B.A. (Hons.), 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 January 7, 2016 the Board received a deficit application for the years 2013 and 2014 in the amount of \$19,906 and \$11,308, for the Blumenort Utility (Utility) from the Municipality of Hanover. The deficit application was accompanied by Council Resolution No. 2015-490 requesting the deficits be recovered from the Utility's accumulated surplus fund.

The application advised that 2013 and 2014 deficits were as a result of the inadequacy of the current rates, which were last set in 2003. The Municipality stated that the rates established in 2003 did not contemplate the full impact of the annual amortized cost of assets, particularly donated assets from developers. It also stated that the community continues to grow and it is therefore reasonable to assume that deficits could continue until revised rates are approved.

The Municipality advised the Board that it has committed to producing a rate study and applying for revised rates, by July 2016.

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:

Working capital surplus	Blumenort
	2014
Fund Surplus/Deficit	\$ 4,686,569
Deduct TCA	\$ 4,747,321
Add Long-Term Debt	\$ -
Add Utility Reserves	\$ 347,143
<b>Equals Working Capital Surplus</b>	<b>\$ 286,391</b>
Operating costs	\$ 355,735
<b>20% of operating costs</b>	<b>\$ 71,147</b>

## 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 approves the 2013 and 2014 deficits to be recovered from the Utility's accumulated surplus fund.

The 2014 financial statements of the Municipality of Hanover, indicates a working capital surplus in excess of the 20% of operating costs recommended by the panel. The Board recommends having adequate rates to cover all the Utility's operating expenses. A constantly growing community may also mean these deficit figures could increase, if rates are not revised soon.

The Board will advise the Municipality not to delay in submitting a rate application on or before the date stated in its deficit application, considering the waiting period for reviewing rate applications.

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](http://www.pub.gov.mb.ca).

**IT IS THEREFORE ORDERED THAT:**

1. The actual operating deficits, when calculated for regulatory purposes, for 2013 of \$19,906 and 2014 of \$11,308 incurred in the Municipality of Hanover wastewater utility are HEREBY APPROVED to be recovered from the Utility Accumulated Surplus.
2. The Municipality of Hanover – Blumenort wastewater utility file copies of the 2015 audited financial statements as soon as they are available, including deficit applications if required.
3. The Municipality of Hanover – Blumenort wastewater utility file an application for revised rates on or before July 31, 2016.

Fees payable upon this Order – \$150.00

THE PUBLIC UTILITIES BOARD

“SUSAN PROVEN, P.H.Ec.”

Acting Chair

“JENNIFER DUBOIS, CPA, CMA”

Acting Secretary

Certified a true copy of Order No. 43/16  
issued by The Public Utilities Board

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Acting Secretary