

Order No. 126/19

**GRANDVIEW MUNICIPALITY
GRANDVIEW URBAN “G3” WATER AND WASTEWATER UTILITY
2017 ACTUAL OPERATING DEFICIT RECOVERY**

September 3, 2019

**BEFORE: Shawn McCutcheon, Panel Chair
Robert Vandewater, Member**

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 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 Deficit Application

On June 14, 2019, the Board received an application from the Grandview Municipality (Municipality), Grandview Urban "G3" Water and Wastewater Utility (Utility) for approval of a 2017 actual operating deficit in the amount of \$36,539.

Along with the application, the Municipality submitted Council Resolution No. 2019-211, requesting the recovery of the deficit through a rate rider of \$0.98 per 1,000 gallons per customer per quarter over a period of three (3) years. The application stated that the deficit was due to increased costs and lack of revenue.

In Board Order No. 118/18, the Board approved the recovery of the 2016 actual operating deficit in the amount of \$67,818 through a rate rider of \$2.21 per 1,000 gallons per customer per quarter, over two (2) years. The rate rider took effect in October 1, 2018 and is in effect until October 2020 or until the amount of the deficit has been recovered, whichever comes first.

Rates for the Utility were last set in Board Order 138/18.

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 2017 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2017 is as follows:

	2017
Utility Fund Accumulated Surplus	\$2,386,621
Deduct Tangible Capital Assets	(\$3,553,132)
Add Long Term Debt	\$835,092
Add Utility Reserves	\$23,524
Equals Working Capital Surplus/(Deficit)	(\$307,985)
Expenses	\$408,008
20% of Expenses (Target)	\$81,602

The Utility's working capital does not meet the Board requirement of 20% of operating. In the Utility's last rate study, the Utility was forecast to be in a deficit position of \$220,219 in 2020.

2.0 Board findings

The Board approves the recovery of the 2017 actual operating deficit in the amount of \$36,539 through a rate rider, but varies the recovery to one and a half (1.5) years period. The Board approves a rate rider in the amount of \$1.97 per 1,000 gallons per customer per quarter over one and a half (1.5) years or until the deficit is recovered in full, whichever comes first. The rate rider is effective from October 1, 2019. The Board has varied the

recovery from three (3) years to one and a half (1.5) years to put the Utility in a better financial position and to account for the likelihood of a deficit for 2018, as revised rates were not yet in place.

3.0 IT IS THEREFORE ORDERED THAT:

1. The 2017 actual operating deficit, when calculated for regulatory purposes, of \$36,539 incurred in the Grandview Municipality, Grandview Urban "G3" Water and Wastewater Utility, is HEREBY APPROVED to be recovered through a rate rider of \$1.97 per 1,000 gallons, per customer for one and a half (1.5) years or until the deficit is recovered in full, whichever comes first. The rate rider is effective October 1, 2019.

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

"Rachel McMillin, BSc."
Assistant Associate Secretary

Certified a true copy of Order No. 126/19 issued
by The Public Utilities Board


Assistant Associate Secretary