

**Order No. 113/18**

**MUNICIPALITY OF HAMIOTA  
WATER AND WASTEWATER UTILITY  
ACTUAL OPERATING DEFICIT RECOVERY FOR 2016**

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**August 21, 2018**

**BEFORE: Irene A. Hamilton, Panel Chair  
Carol Hainsworth, C.B.A., 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 August 2, 2018, the Board received an application from the Municipality of Hamiota (Municipality), Water and Wastewater Utility (Utility) for approval of a utility operating deficit for 2016 in the amount of \$37,975. The application includes Council Resolution Number 6, requesting the recovery of the deficit through a utility rate rider.

The application outlines the deficit is due to outdated rates, last set May 22, 1992 in Board Order No. 88/92, and capital project wastewater system repairs of \$47,157. The Municipality has requested the deficit be recovered by means of a rate rider of \$1.79 per 1,000 gallons per quarter for one (1) year.

## 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
Utility accumulated fund surplus	\$1,503,947	\$1,568,238
Deduct tangible capital assets	1,635,719	1,697,103
Add long term debt	0	0
Add utility reserves	26,230	26,203
<b>Equals Working Capital Surplus</b>	<b>\$(105,540)</b>	<b>\$(102,662)</b>
Operating costs	277,600	200,757
<b>20% of operating costs (target)</b>	<b>\$55,520</b>	<b>\$40,151</b>

The above-noted working capital surplus for both 2015 and 2016 are below the Board recommended 20% target and insufficient to be applied to the Utility's 2016 deficit. As a result, there is no surplus available to offset the \$37,975 deficit.

## 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 2016 actual operating deficit of \$37,975, to be recovered by a rate rider of \$1.79 per 1,000 gallons per quarter over one (1) year. The approved rate rider is effective September 16, 2018 and has been calculated as follows:

Total 2016 deficit \$37,975, divided by 2016 billed water consumption 21,251,063 gallons divided by 1,000, equals \$1.79 per 1,000 gallons per customer per quarter.

The Board notes rates were last approved in May 1992 in Board Order No. 88/92 and the new rates at that time did not reflect an annual provision for amortization. The Municipality has stated in the current deficit application, a rate study is to be completed and submitted to the Board in 2019.

The Board also notes it has been twenty-six (26) years since the Municipality of Hamiota Water and Wastewater Utility has submitted a rate application to the Board. Regular rate reviews submitted on a timelier basis protect the financial position of the Utility and assist in mitigating the need for substantial rate increases.

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.

The Board requires the Municipality of Hamiota to file a rate application for the Municipality of Hamiota Water and Wastewater Utility no later than January 31, 2019.

### 3.0 IT IS THEREFORE ORDERED THAT:

1. The actual utility operating deficit, when calculated for regulatory purposes, of \$37,975 in 2016 incurred in the Municipality of Hamiota Water and Wastewater Utility, is HEREBY APPROVED to be recovered through a rate rider of \$1.79 per 1,000 gallons per customer per quarter, over one (1) year. The approved rate rider is effective September 16, 2018 and notice is to be provided to all customers accordingly.
2. The Municipality of Hamiota Water and Wastewater Utility submit an application for revised rates, with a rate study, to the Board no later than January 31, 2019.

Fees payable upon this Order - \$150.00

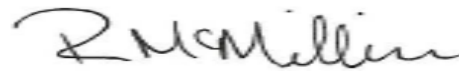
Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure (Rules). The Board's Rules may be viewed on the Board's website at [www.pub.gov.mb.ca](http://www.pub.gov.mb.ca).

THE PUBLIC UTILITIES BOARD

"Irene A. Hamilton"  
Panel Chair

"Rachel McMillin, B.Sc."  
Acting Secretary

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Acting Secretary