

Order No. 12/17

**RURAL MUNICIPALITY OF THOMPSON
RURAL WATER UTILITY
ACTUAL OPERATING DEFICITS for 2014 and 2015**

February 1, 2017

**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 March 31, 2016 the Board received an application for approval of the 2014 deficit of \$63,478 for the Rural Utility (Utility) from the Rural Municipality of Thompson (RM). The application was lacking in essential information to process the request.

After several requests, on November 3, 2016 the Board received a submission from the RM which included an application for approval of the 2015 deficit of \$63,616, and Council Resolutions dated October 13, 2016 and October 27, 2016 requesting that the 2014 and 2015 deficits be recovered through the Utility's accumulated surplus account.

Rates were last set in 2007 and amended by "pass through" rates in 2011 in By-law Nos. 11/11 and 7/12.

The application advised that both deficits were a result of water fee revenues/expenses being budgeted incorrectly and amortization costs.

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 2015 audited financial statements, the most recent information available, the working capital surplus at December 31, 2015 was in a surplus position from the Board's recommended target.

	2015	2014
Fund Surplus/Deficit	\$ 1,886,943	\$ 1,954,557
Deduct tangible capital assets	\$ 1,870,958	\$ 1,955,729
Add long term debt	\$ -	\$ 11,658
Add utility reserves	\$ 28,096	\$ 23,380
Equals Working Capital Surplus	\$ 44,081	\$ 33,866
Operating costs	\$ 103,342	\$ 102,416
20% of operating costs (target)	\$ 20,668	\$ 20,483

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 recovery of the 2014 and 2015 deficits from the Utility's accumulated surplus account.

The Board urges the RM to review the Public Utilities Board Act and general Board Order Nos. 151/08 and 93/09 to have a better understanding of their responsibilities in reporting to the Board.

The Board will require the Rural Municipality of Thompson file a rate application for the Rural Water Utility.

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 deficits, when calculated for regulatory purposes, for 2014 of \$63,478 and 2015 of \$63,616 incurred in the Rural Municipality of Thompson-Rural water utility are HEREBY APPROVED to be recovered from the Utility's Accumulated Surplus.
2. The Rural Municipality of Thompson-Rural water utility file their annual audited financial statements as soon as they are available, including deficit applications as required.
3. The Rural Municipality of Thompson review its water rates for adequacy and file an application for revised rates with the Public Utilities Board, by no later than July 31, 2017.

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. 12/17
issued by The Public Utilities Board

Acting Secretary