

**Order No. 3/17**

**RURAL MUNICIPALITY OF THOMPSON  
MIAMI WATER and WASTEWATER UTILITY  
ACTUAL OPERATING DEFICITS for 2013, 2014 and 2015**

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**January 17, 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 applications for approval of the 2013 deficit of \$11,017 and 2014 deficit of \$10,813 for Miami 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 \$13,056, Council Resolutions dated October 13, 2016 and October 27, 2016 requesting that the 2013, 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 the 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 deficient position from the Board's recommended target.

	2015	2014	2013
Fund Surplus/Deficit	\$332,202	\$141,194	\$152,008
Deduct tangible capital assets	\$401,193	\$202,946	\$214,002
Add long term debt	\$ -	\$ -	\$ -
Add utility reserves	\$ 28,824	\$ 23,557	\$ 21,255
<b>Equals Working Capital Surplu/Deficit</b>	<b>-\$ 40,167</b>	<b>-\$ 38,195</b>	<b>-\$ 40,739</b>
Operating costs	\$103,342	\$102,416	\$ 96,118
<b>20% of operating costs (target)</b>	<b>\$ 20,668</b>	<b>\$ 20,483</b>	<b>\$ 19,224</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 will deny the RM's request to recover the deficits from the Accumulated Surplus account.

The Board will order the RM to recover the 2013, 2014 and 2015 deficits by a rate rider over three (3) years (or until fully recovered, whichever comes first) on a per cubic meter basis. The calculation for this is based on the total 3 year deficits of \$34,886 divided by the average consumption over the 2013, 2014 and 2015 years, and then divided by 3 years.

Number of customers	238
<b>Consumption (cubic meters)</b>	
2013 total	25,774
2014 total	27,765
2015 total	24,480
<b>Average cubic meters for 2013-14-15</b>	<b>26,006</b>
<b>Unapproved deficits</b>	
2013 deficit	11,017
2014 deficit	10,813
2015 deficit	13,056
<b>Total deficit amount</b>	<b>\$ 34,886</b>
<b>Allocated by commodity \$/cubic meter over 3 years (annual)</b>	<b>\$ 0.45</b>
$\$34,886 / 26,006 \text{ m}^3 / 3 \text{ years} = 0.45 \text{ per m}^3 \text{ (cubic meter)}$	

The RM will be required to track the amounts recovered and should file a request to review and vary this decision if the projected consumption changes significantly and it appears that .45 per cubic meter is inadequate to recover the deficits over the allowed period of three (3) years.

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 to file a rate application for the Miami water and wastewater 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](http://www.pub.gov.mb.ca).

**IT IS THEREFORE ORDERED THAT:**

1. The actual operating deficits, when calculated for regulatory purposes, for 2013 of \$11,017 and 2014 of \$10,813 and 2015 of \$13,056 incurred in the Rural Municipality of Thompson-Miami water and wastewater utility are HEREBY APPROVED to be recovered by a rate rider of \$0.45 per cubic meter over three (3) years or until the total deficit is paid in full, whichever comes first. The rate rider is effective from April 1, 2017 and notice is to be provided with the March billing.
2. The Rural Municipality of Thompson- Miami water and wastewater utility file their 2016 audited financial statements as soon as they are available, including deficit applications as required.
3. The Rural Municipality of Thompson Miami water and wastewater utility review its water and wastewater 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

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Acting Secretary