

Order No. 147/19

**RURAL MUNICIPALITY OF THOMPSON
MIAMI URBAN WATER AND WASTEWATER UTILITY
2016, 2017 & 2018 ACTUAL OPERATING DEFICIT RECOVERY**

October 2, 2019

**BEFORE: Carol Hainsworth, Panel Chair
Irene Hamilton, Q.C., 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 September 13, 2019, the Board received an application from the Rural Municipality of Thompson (RM), Miami Urban Water and Wastewater Utility (Utility) for approval of the following deficits:

- 2016 \$11,845
- 2017 \$19,177
- 2018 \$ 6,201

The total deficit amount to be recovered is \$37,223. Along with the application, the RM submitted Council Resolution No. 15/09/19, which requested the recovery of the deficits through a rate rider in the amount of \$0.50 per cubic meter per customer per quarter over a period of three (3) years.

The application stated that the deficits were due to increased costs and insufficient revenue.

Rates were last set for the Utility in Board Order No. 25/19.

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 2018 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2018 is as follows:

	2018
Utility Fund Accumulated Surplus	\$311,659
Deduct Tangible Capital Assets	(\$355,383)
Add Long Term Debt	\$0
Add Utility Reserves	\$37,886
Equals Working Capital Surplus/(Deficit)	(\$5,838)
Expenses	\$111,898
20% of Expenses (Target)	\$22,380

The Utility's working capital does not meet the Board's Guidelines. The Utility is forecast to have a working capital surplus of \$39,964 in 2020, as new rates commenced April 1, 2019.

2.0 Board findings

The Board approves the 2016 deficit of \$11,845, the 2017 deficit of \$19,177 and the 2018 deficit of \$6,201 to be recovered through a rate rider of \$0.50 per cubic meter per customer per quarter over a three (3) year period or until the deficit is recovered in full, whichever comes first. The rate rider is effective from April 1, 2020.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficits, when calculated for regulatory purposes, of \$11,845 in 2016, \$19,177 in 2017 and \$6,201 in 2018 incurred in the Rural Municipality of Thompson, Miami Water and Wastewater Utility, are HEREBY APPROVED to be recovered through a rate rider of \$0.50 per cubic meter, per customer over three (3) years or until the deficit is recovered in full, whichever comes first. The rate rider is effective April 1, 2020.

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

"Carol Hainsworth"
Panel Chair

"Rachel McMillin, BSc."
Assistant Associate Secretary

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Assistant Associate Secretary