

M A N I T O B A) Order No. 10/15
)
THE PUBLIC UTILITIES BOARD ACT) January 27, 2015

BEFORE: Susan Proven, P.H.Ec., Acting Chair
The Hon. Anita Neville, P.C., B.A. (Hons.), Member

TOWN OF CHURCHILL
ACTUAL DEFICIT 2013

WHEREAS 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;

AND WHEREAS the Town of Churchill Water and Sewer Utility incurred a deficit of \$339,508 at the end of the 2013 operating year, when calculated for regulatory purposes;

AND WHEREAS it is proposed that the reasons for said deficit are insufficient consumer water rates, declining and seasonal population, excessive and inefficient water consumption through the use of spills required to prevent freezing of lines during the winter months;

AND WHEREAS it is proposed that the 2013 deficit be recovered through the accumulated surplus;

Application

The Board received a deficit application for 2013 from the Town of Churchill October 31, 2014. The deficit indicated on the application was \$653,508. The application did not include a Council resolution approving the deficit application, which was necessary to process the application. The resolution was received by the Board on December 22, 2014.

Upon review of the audited financial statements and consultation with the Town, the Board determined that the deficit of \$653,508 did not take into account interest earned on Hydro bonds held in reserves by the Town. The interest earned in 2013 was \$314,000, leaving an actual deficit of \$339,508 to recover.

The Town indicated to the Board that the Hydro bonds account for approximately \$3.4 million of the \$5 million held in reserves by the Town, and that the Hydro bond funds relate to the Churchill River Diversion Project. These bonds are expected to mature in 2020, and until that time the Utility will continue to realize annual revenue from the interest earned on the bonds.

Board findings

The Hydro bond revenue has a very significant and positive impact on the Utility operations; however it only alleviates approximately half the revenue shortfall and the bonds are nearing maturity.

The Board will require the Town to submit a detailed plan for dealing with the current shortfall in rates, and the longer term issue that will present itself when the Hydro bonds mature.

In Board Order No. 107/14, the Board directed the Town to submit a rate study, and application if required, on or before January 31, 2015. To date, the Board has not received either the rate study or an extension request from the Town.

The Board has concerns about the significant deficits being experienced by the Town annually, and the fact that the current rates have been in effect since 2005. The Board is aware that the Town has contracted a consultant to aid in the preparation of the rate study and has communicated with the Board throughout the process. Because of these factors, the Board will approve the recovery of the 2013 deficit from the accumulated surplus.

IT IS THEREFORE ORDERED THAT:

1. The 2013 operational deficit of \$339,508 for the Town of Churchill Utility is HEREBY APPROVED to be recovered through the accumulated surplus;
2. The Town of Churchill will provide the Public Utilities Board with a detailed plan to resolve the current deficit situation, along with the long term deficit issue posed by the pending maturity of the Hydro bonds currently held in reserve;

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."
Acting Chair

"JENNIFER DUBOIS, CMA."
Acting Secretary

Certified a true copy of
Order No. 10/15 issued by The
Public Utilities Board

Acting Secretary

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.