

Order No. 123/22

**RURAL MUNICIPALITY OF THOMPSON
MIAMI WATER AND WASTEWATER UTILITY
2019 ACTUAL OPERATING DEFICIT RECOVERY**

November 22, 2022

BEFORE: Shawn McCutcheon, Panel Chair

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 that the Utility proposes.

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 January 14, 2022, the Board received an application from the Rural Municipality of Thompson (RM), Miami Water and Wastewater Utility (Utility) for approval of a 2019 actual operating deficit in the amount of \$17,256, when calculated for regulatory purposes.

Along with the application, the RM submitted Council Resolution # 2022-01-08, requesting approval for the recovery of the deficit through the Utility's Accumulated Fund Surplus. The application stated the deficit was due to increased costs partially due to the timing of rate increases occurring part way through the year effective April 1, 2019.

Utility rates were last approved in Board Order No. 25/19, with the most recent rates coming into effect January 1, 2021. Deficits were last approved for the Utility in Board order No. 147/19 in the amounts of \$11,845 for 2016, \$19,177 for 2017, and \$6,201 for 2018 (or a total three-year deficit of \$37,233).

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 2021 Audited Financial Statements, the most recent information available, the working capital surplus for the Utility as at December 31, 2021 was:

	2021	2020
Utility Fund Surplus/Deficit	\$344,001	\$305,784
Deduct: Tangible Capital Assets	(371,022)	(381,816)
Add: Long-Term Debt	-	-
Add: Utility Reserves	36,618	30,997
Equals Working Capital Surplus (Deficit)	\$9,597	\$(45,035)
Operating Expenses	101,995	134,997
20% of Operating Expenses (Target)	\$20,399	\$26,999

The Utility's working capital does not meet the Board's minimum requirement of 20% of its operating expenses.

2.0 Board Findings

At the time the Application was received from the RM on January 14, 2022, the Utility's working capital did not meet the Board's minimum requirement of 20% of operating expenses as per the 2020 Audited Financial Statements (see table above), the most recent information available at that time. The Utility therefore could not recover the applied for actual operating deficit from the Utility Accumulated Surplus Fund. The Application was subsequently placed on hold, pending receipt of the 2021 Audited Financial Statements and updated analysis from the RM's consultant.

On October 21, 2022, the RM submitted its 2021 Audited financial Statements. On October 25, 2022 the RM's consultant updated the RM's Deficit Application and advised the Board, given the improvement in the Working Capital Accumulated Fund Surplus from 2020 to 2021 (see table above) and the RM was forecasting the 2022 Working Capital Accumulated Fund Surplus would reasonably exceed the Board's required funding level, the RM was requesting the 2019 actual operating deficit be recovered from future Working Capital Accumulated Fund Surplus.

The Board has reviewed the RM's Deficit Application and finds the RM's updated forecast and calculations to be reasonable and grants approval of the 2019 actual operating deficit, when calculated for regulatory purposes, in the amount of \$17,256 to be recovered through the Utility's future Accumulated Fund Surplus.

The Board notes, Board Order No. 25/19 directed the RM to review the Utility water and wastewater rates for adequacy and file a report with the Board, as well as an application for revised rates (if applicable), on or before December 31, 2021. The Board also notes, on January 14, 2022 the Board received a rate application using the Simplified Process, that did not qualify at that time due to the 2019 actual operating deficit the Utility was experiencing approved in this Order.

The Board directs the RM to review the Utility water and wastewater rates for adequacy and file a report with the Board, as well as an application for revised rates (if applicable), on or before March 31, 2023.

3.0 IT IS THEREFORE ORDERED THAT:

1. The 2019 actual operating deficit, when calculated for regulatory purposes, in the amount of \$17,256, incurred in the Rural Municipality of Thompson, Miami Water and Wastewater Utility, are HEREBY APPROVED to be recovered through the Utility's future Accumulated Fund Surplus.
2. The Rural Municipality of Thompson review the Miami Water and Wastewater Utility water and wastewater rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (if applicable), on or before March 31, 2023.

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

"Shawn McCutcheon"

Panel Chair

"Frederick Mykytyshyn"

Assistant Associate Secretary

Certified a true copy of Order No. 123/22
issued by The Public Utilities Board



Assistant Associate Secretary