

Order No. 76/18

**CITY OF THOMPSON
WATER AND WASTEWATER UTILITY
2014 & 2015 ACTUAL OPERATING DEFICIT RECOVERY**

June 14, 2018

**BEFORE: Irene A. Hamilton, Panel Chair
Michael Watson, Member**

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:
 - a. the actual deficit exceeds the previously approved amount by either \$10,000 or 5% of the utility's operating budget; or
 - b. the cause of the deficit differs from that upon which the approval was granted.

1.0 Application

On August 24, 2015, the Board received an application from the City of Thompson (City), Water and Wastewater Utility (Utility), for approval of a 2014 utility operating deficit in the amount of \$181,396. With the application, The City submitted Council Resolution No. 2015 150, which requested that the deficit be recovered from the Utility's accumulated surplus via a transfer from the General Operating Account.

The application stated that the deficit in 2014 was due to Public Works resources needed by the Utility to repair a large number of waterline breaks. The repairs required additional external services to complete the digging. There were also resources needed for repairs to the wastewater treatment plant, where the outfall for the sewage collapsed and flooding occurred. These repairs required a reallocation of the a surplus of over \$300,000 from the Public Works Labour Budget to fund the deficit in the Utility. The City has requested that the deficit of amount of \$181,396 be recovered from the Utility accumulated surplus, via a transfer from the General Operating.

In addition, on December 13, 2016, the Board received an application from the City for approval of a 2015 Utility operating deficit in the amount of \$295,187. With the application, the RM submitted Council Resolution No. 2016 182, which requested that the deficit be recovered through the Utility's accumulated surplus.

The application stated that the 2015 deficit was due to the variance between expected consumption (1,624,625 cubic meters) and the actual consumption (1,314,926 cubic meters) resulting in a revenue shortfall for 2015.

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 2016 audited financial statements for the Utility, the most recent information available, the working capital deficit at December 31, 2016 is as follows:

	2016	2015	2014
Utility accumulated fund surplus	\$14,467,187	\$12,886,690	\$12,728,474
Deduct tangible capital assets	\$17,848,054	\$15,170,391	\$13,705,887
Add long term debt	\$990,698	\$1,094,318	\$1,428,141
Add utility reserves	\$1,288,342*	\$0**	\$0**
Equals Working Capital Surplus/(Deficit)	(\$1,101,827)	(\$1,189,383)	\$450,728
Operating costs	\$3,810,845	\$3,642,823	\$3,731,653
20% of operating costs (target)	\$762,169	\$728,565	\$746,331

*Transfer from operating fund.

**No Utility Reserve

2.0 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 approves the transfer of \$181,396 from General Operating and recovery of the 2014 deficit of \$181,396 and the 2015 deficit of \$295,187 to be recovered from the Utility Accumulated Surplus.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, of \$181,396 in 2014 incurred in the City of Thompson, Water and Wastewater Utility is HEREBY APPROVED to be recovered through the Utility Accumulated Surplus via transfer from the General Operating.
2. The actual operating deficit, when calculated for regulatory purposes, of \$295,187 in 2015 incurred in the City of Thompson, Water and Wastewater Utility is HEREBY APPROVED to be recovered through a transfer from the Utility Accumulated Surplus.

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

"Irene A. Hamilton."

Acting Chair

"Rachel McMillin, B.Sc."

Acting Secretary

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Acting Secretary