

**Order No. 140/18**

**TOWN OF THE PAS  
WATER AND WASTEWATER UTILITY  
2014 and 2015 ACTUAL OPERATING DEFICIT RECOVERY**

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**October 15, 2018**

**BEFORE:** Shawn McCutcheon, Panel Chair  
Marilyn Kapitany, B.Sc. (Hon), M. Sc., 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 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 October 1, 2018, the Board received an application from the Town of The Pas (Town), Water and Wastewater Utility (Utility), for approval of a 2014 deficit in the amount of \$464,555 and 2015 deficit in the amount of \$125,866. Along with the application, the Town submitted Council Resolution No. 2018 181, which requested the recovery of the deficits through the Utility Surplus.

The application advised that the deficits were due to insufficient revenues collected in years 2014, 2015 and 2016, and that the budget was exceeded in 2014 for transmission and distribution costs (water breaks, chemicals, heating etc.).

Rates were last approved in Board Order No. 34/18 issued in March 2018.

### **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 surplus at December 31, 2016 is as follows:

	2016	2015	2014
Utility accumulated fund surplus	\$7,600,085	\$7,883,137	\$8,346,379
Deduct tangible capital assets	(\$7,408,858)	(\$7,797,739)	(\$8,239,011)
Add long term debt	-	-	-
Add utility reserves	\$1,482,848	\$1,257,073	\$1,072,250
<b>Equals Working Capital Surplus</b>	<b>\$1,674,075</b>	<b>\$1,342,471</b>	<b>\$1,179,618</b>
Expenses	\$2,225,068	\$2,198,899	\$2,673,222
20% of Expenses (Target)	\$445,014	\$439,780	\$534,644

The Utility currently meets the Board's minimum working capital surplus of 20%.

## 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 recovery methodology.

The Board has reviewed the application, determining there is sufficient working capital, and approves the 2014 deficit of \$464,555 and the 2015 deficit of \$125,866 to be recovered through the Utility Surplus Account.

### 3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficits, when calculated for regulatory purposes, of \$464,555 in 2014 and \$125,866 in 2015 incurred in The Town of The Pas, Water and Wastewater Utility, is HEREBY APPROVED to be recovered through the Utility's Accumulated Surplus Account, effective the date of this Order.

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](http://www.pubmanitoba.ca).

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"

Panel Chair

"Rachel McMillin, B.Sc."

Acting Secretary

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by The Public Utilities Board



Acting Secretary