

**Order No. 190/19**

**TOWN OF THE PAS  
WATER AND WASTEWATER UTILITY  
2018 ACTUAL OPERATING DEFICIT RECOVERY**

---

**December 17, 2019**

**BEFORE:** Carol Hainsworth, Panel Chair  
Shawn McCutcheon, Panel 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 November 4, 2019, the Board received an application from the Town of the Pas (Town), The Pas Water and Wastewater Utility (Utility), for approval of a 2018 deficit in the amount of \$276,107.

Along with the application, the Town submitted Council Resolution No. 2019 209, requesting the recovery of the deficit through the Utility's Accumulated Surplus. The application stated that the deficit was due to deep well pump failures and mitigating costs.

Rates for the Utility were last set in Board Order No. 34/18.

## 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:

	<b>2018</b>
Utility Fund Accumulated Surplus	\$7,654,777
Deduct Tangible Capital Assets	(\$8,676,990)
Add: Assets Under Construction	\$2,262,693
Add Long Term Debt	\$0
Add Utility Reserves	\$1,302,578
<b>Equals Working Capital Surplus (Deficit)</b>	<b>\$2,543,058</b>
Expenses	\$2,470,666
20% of Expenses (Target)	\$494,133

In its application, the Town made an adjustment to its working capital calculation and removed assets currently under construction in the Tangible Capital Asset amount. Without this adjustment, the Utility's working capital is non-compliant to Board's minimum working capital requirement, of 20% of expenses.

## 2.0 Board findings

The Board notes the Town adjusted Utility's working capital calculation to remove the value of the assets in construction from the total value of tangible capital assets for the Utility. This is not the Board's usual practice. However, the Board will accept this adjustment as this is a timing issue between the financial statements and the completion

of the capital asset. Once these assets are completed, the Board expects that there will be long term debt and/or reserves to offset the tangible capital assets.

The Board approves the 2018 deficit of \$276,107 to be recovered through the Utility's Accumulated Surplus.

### **3.0 IT IS THEREFORE ORDERED THAT:**

1. The actual operating deficit, when calculated for regulatory purposes, of \$276,107 in 2018 incurred in Town of the Pas, The Pas Water and Wastewater Utility, is HEREBY APPROVED to be recovered through the Utility's Accumulated Surplus, 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

"Carol Hainsworth"  
Panel Chair

"Rachel McMillin, BSc."  
Assistant Associate Secretary

Certified a true copy of Order No. 190/19  
issued by The Public Utilities Board

  
Assistant Associate Secretary