

Order No. 68/21

**TOWN OF CARBERRY
CARBERRY WASTEWATER UTILITY
2019 ACTUAL OPERATING DEFICIT RECOVERY**

June 24, 2021

BEFORE: Shawn McCutcheon, Panel Chair
Carol Hainsworth, C.B.A., 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 a 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 March 31, 2021, the Board received an application from the Town of Carberry (Town) for approval of a 2019 deficit incurred in the Carberry Wastewater Utility (Utility).

Along with the application, the Town submitted Council Resolution No. 08-21, requesting approval for the recovery of the deficit through Utility's Accumulated Fund Surplus.

On April 29, 2021, after finding discrepancies between the audited financial statements and the Town's application, Board staff requested a revised deficit application and Council Resolution to be submitted.

On May 13, 2021, the Town submitted a revised deficit application with the correct deficit amount of \$32,033, and supporting Council Resolution.

The application stated the reason for the deficit was due in part to the large expense of flushing of the whole communities' lines at once, which is normally done in sections each year, and due to a payment required to cover the Quarry Hills project from 2018.

Utility rates were last set in Board Order No. 63/18.

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 2019 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2019 is as follows:

	2019
Utility Fund Accumulated Surplus	\$1,120,922
Deduct Tangible Capital Assets	(\$721,302)
Add Long Term Debt	\$0
Add Utility Reserves	\$140,252
Equals Working Capital Surplus/(Deficit)	\$529,872
Expenses	\$170,763
20% of Expenses (Target)	\$34,152

The Utility's working capital meets the Board's minimum requirement of 20% of its operating expenses.

