

Order No. 37/17

**TOWN OF SWAN RIVER
WATER AND WASTEWATER UTILITY
ACTUAL OPERATING DEFICITS for 2014 and 2015**

April 7, 2017

**BEFORE: Marilyn Kapitany, B.Sc. (Hons.), M.Sc., Acting Chair
Carol Hainsworth, C.B.A., Member**

The Public Utilities Board (Board) issued Order No. 151/08 on November 7, 2008 requiring all water and/or sewer 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.

Application

On November 29, 2016 and March 28, 2017 the Board received applications from the Town of Swan River for approval of utility operating deficits for 2014, in the amount of \$175,228 and for 2015, in the amount of \$198,096. The Town also submitted council Resolution Nos. 2016-595 and 2017-159 in support of the applications, which requested the deficits be recovered through the Utility's accumulated surplus account.

The applications advised the deficits were a result of the Town experiencing high repair costs for water main breaks, increased connection costs, revenues falling short of projections, and possibly some misallocated expenses. Rates were last set in Board Order No. 149/16 and the Town revised rates effective January 1, 2017. The rate increase should mitigate the deficits. The Town also hired a Chief Financial Officer to assist in proper coding and allocation of expenses.

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 is defined as the Utility fund balance, excluding any capital related items plus Utility reserves.

As per the 2015 audited financial statements, the most recent information available, the working capital surplus at December 31, 2015 was \$573,506.

	2015
Utility accumulated fund surplus	\$11,518,911
Deduct tangible capital assets	\$12,156,361
Add long term debt	\$ 841,614
Add utility reserves	\$ 369,342
Equals Working Capital Surplus	\$ 573,506
Operating costs	\$ 1,261,304
20% of operating costs (target)	\$ 252,261

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 finds that there are sufficient funds available in the Town's working capital surplus to cover its deficits. The Board therefore approves the 2014 and 2015 deficits to be recovered through the Utility's accumulated surplus fund.

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.

IT IS THEREFORE ORDERED THAT:

1. The actual operating deficits, when calculated for regulatory purposes, for 2014 of \$175,228 and 2015 of \$198,096, incurred in the Town of Swan River water and wastewater utility are HEREBY APPROVED to be recovered from the Utility's Accumulated Surplus Fund.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"MARILYN KAPITANY, B.Sc. (Hons.), M.Sc."
Acting Chair

"JENNIFER DUBOIS, CPA, CMA"
Acting Secretary

Certified a true copy of Order No. 37/17
issued by The Public Utilities Board

Acting Secretary