

**Order No. 13/18**

**TOWN OF CARMAN  
WATER AND WASTEWATER UTILITY  
2015 and 2016 ACTUAL OPERATING DEFICIT RECOVERY**

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**January 16, 2018**

**BEFORE: Carol Hainsworth, C.B.A., Panel Chair  
Michael Watson, 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.

## 1.0 Application

On August 11, 2017, the Board received an application from the Town of Carman (Town) Water and Wastewater Utility (Utility) for approval of a utility operating deficit for 2015 in the amount of \$55,675 and 2016 in the amount of \$18,709. Along with the application the RM also submitted Council Resolution Nos. 138 and 139, which requested the deficits be recovered through the Utility's accumulated surplus.

The application stated that the deficit was due to amortization. Rates were last set in July 2016 in Board Order No. 94/16. In the Order, the Town was also directed to file an application for approval of the 2015 utility deficit.

## 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
Utility accumulated fund surplus	\$2,781,149	\$2,693,053
Deduct tangible capital assets	\$3,384,079	\$3,364,193
Add long term debt	\$757,425	\$823,921
Add utility reserves	-\$21,864	\$11,705
<b>Equals Working Capital Surplus</b>	<b>\$132,631</b>	<b>\$164,486</b>
Operating costs	\$954,033	\$885,240
<b>20% of operating costs (target)</b>	<b>\$190,806</b>	<b>\$177,048</b>

The working capital surplus for both 2015 and 2016 are below the Board recommended target. The rates approved in Board Order No. 94/16 include a provision to rebuild the working capital surplus, which will bring the Town to compliance with Board recommendations

## 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.

Utility rates are to be set using Public Sector Accounting Board (PSAB) standards, which means that even though the Town's budget does not allow for amortization, rate setting principles approved by the PUB do allow for it. Furthermore, a review of Board Order No. 94/16 shows that the revenue requirements used to calculate the current rates does indeed include a provision for amortization expense.

The Board finds that there are sufficient funds available in the RM's utility surplus to recover these deficits. The Board will approve the recovery of the 2015 operating deficit of \$55,675 and 2016 operating deficit of \$18,709 by transfer from the accumulated surplus account of the Utility.

The Board will also require the RM to review its Utility rates for adequacy and file a rate application for revised rates no later than June 30, 2019.

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).

### 3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, for 2015 of \$55,675 and for 2016 of 18,709, incurred in the Town of Carman Water and Wastewater Utility is HEREBY APPROVED to be recovered through a transfer from the accumulated surplus account of the Utility.
2. The Town of Carman Water and Wastewater Utility review its water and wastewater rates for adequacy and file a report with the Public Utilities board, as well as an application for revised rates if required, by no later than June 30, 2019.

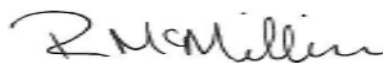
Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"Carol Hainsworth, C.B.A."  
Panel Chair

"Rachel McMillin, B.Sc."  
Acting Secretary

Certified a true copy of Order No. 13/18  
issued by The Public Utilities Board



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Acting Secretary