

Order No. 36/21

**TOWN OF THE PAS
THE PAS WATER AND WASTEWATER UTILITY
2019 ACTUAL OPERATING DEFICIT RECOVERY**

March 17, 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 1, 2021, the Board received a deficit application from the Town of the Pas (Town), The Pas Water and Wastewater Utility (Utility), for approval of a 2019 deficit in the amount of \$29,502

Along with the application, the RM submitted Council Resolution No. 2021 041, requesting the recovery of the deficit through the Utility's Accumulated Surplus. The application stated that the deficit was due to unexpected work on a deep well, work on plant equipment, water breaks and lower revenues.

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 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 | \$7,132,180 |
| Deduct Tangible Capital Assets | (\$8,135,492) |
| Add Long Term Debt | \$0 |
| Add Utility Reserves | \$1,616,738 |
| Equals Working Capital Surplus (Deficit) | \$613,426 |
| | |
| Expenses | \$2,570,512 |
| 20% of Expenses (Target) | \$514,102 |

2.0 Board findings

The Board has reviewed the application and determined the Utility has adequate working capital surplus to absorb the deficit. The Board approves the 2019 deficit of \$29,502 to be recovered through the Utility's Accumulated Surplus.

The Board notes that in the Town's response to the Boards information requests the Town stated "While any deficit is not ideal.....a variance of \$29,502 is immaterial/insignificant." Regardless of the Town's view of the significance, or immateriality of the deficit, the legislation makes it quite clear that municipal utilities may not run a deficit.

The Board notes that Schedule 9 of the Audited Financial Statements include a recovery revenue in the amount of \$148,472. As confirmed by the Town, this amount was the recovery of the 2017 deficit approved in Board Order No. 18/19.

The Board recommends that the Town talk to its Municipal Auditors regarding the intent of the "Deficit Recovery Revenue" line item in Schedule 9 of the Audited Financial Statements. The Board has requested the inclusion of a Deficit Recovery Revenue line to monitor deficit rate rider revenues. The Board approved the recovery of the 2017 deficit through the Utility's Accumulated Surplus and therefore should not be reflected in Schedule 9.

The Board expects to see a rate adequacy or full rate application on June 30, 2021 as directed in Board Order 34/18.

3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, of \$29,502 for 2019 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.

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"

Panel Chair

"Rachel McMillin, B.Sc."

Assistant Associate Secretary

Certified a true copy of Order No. 36/21
issued by The Public Utilities Board



Assistant Associate Secretary