

Order No. 25/17

**PRAIRIE VIEW MUNICIPALITY
FOXWARREN WASTEWATER UTILITY
ACTUAL OPERATING DEFICIT for 2015**

February 22, 2017

BEFORE: The Hon. Anita Neville, P.C., B.A. (Hons.), Acting Chair

Susan Nemec, FCPA, FCA, 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 December 20, 2016 the Municipality of Prairie View (Municipality) applied to the Board for approval of the 2015 operating deficit of \$7,118 for the Foxwarren wastewater utility (Utility). The application was accompanied by Council Resolution No.2016-518, requesting that the deficit be recovered through the Utility's accumulated surplus account. Rates were last set in 2010.

The cover letter for the deficit application advised that the utility has been consistently running a deficit; however it has been solely from amortization. The 2015 deficit was the first year the deficit exceeded amortization expense, and was a result of amortization costs and repair costs that were not budgeted for.

The Municipality advised the Board that rates are adequate, and it is planning a rate review in 2018.

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 will approve the 2015 deficit to be recovered through the Utility's accumulated surplus account.

Utility rates are to be set using Public Sector Accounting Board (PSAB) standards, which means that even though the municipal budget does not allow for amortization, rate setting principles approved by the PUB do allow for it. Furthermore, a review of Board Order No. 76/10 shows that the revenue requirements used to calculate the current rates does indeed include a provision for amortization expense.

The deficit is a result of the Municipality not reviewing their rates in a timely fashion, and therefore the PUB will direct the Municipality to file an application for revised rates before the end of 2017. The Board is hopeful that with the changes brought on by amalgamation in 2015, the Municipality's administration will be more conscientious in monitoring the financial health of the Utility, both in applying for deficit recovery and revised rates as necessary.

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.pub.gov.mb.ca.

IT IS THEREFORE ORDERED THAT:

1. The 2015 actual operating deficit, when calculated for regulatory purposes, of \$7,118 incurred in the Municipality of Prairie View - Foxwarren wastewater utility is HEREBY APPROVED to be recovered from the Utility's Accumulated Surplus.
2. The Municipality of Prairie View - Foxwarren wastewater utility review its wastewater rates for adequacy and file an application for revised rates with the Public Utilities Board on or before December 31, 2017.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"The Hon. ANITA NEVILLE, P.C., B.A. (Hons.)"
Acting Chair

"JENNIFER DUBOIS, CPA, CMA"
Acting Secretary

Certified a true copy of Order No. 25/17
issued by The Public Utilities Board

Acting Secretary