

Order No. 18/24

**PRAIRIE VIEW MUNICIPALITY
FOXWARREN WASTEWATER UTILITY
2021 ACTUAL OPERATING DEFICIT RECOVERY**

January 31, 2024

BEFORE: Irene Hamilton, K.C., Panel Chair
Shawn McCutcheon, 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 recovery methodology that the Utility proposes.

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 December 5, 2023, the Board received an application from the Prairie View Municipality (Municipality), Foxwarren Wastewater Utility (Utility) for approval of a 2021 actual operating deficit in the amount of \$4,501, when calculated for regulatory purposes.

Along with the application, the RM submitted Council Resolution # 2023-291, requesting approval for the recovery of the deficit through the Utility's Accumulated Fund Surplus. The application stated the deficit was due to a wastewater line break.

Utility rates were last approved in Board Order No. 20/20, with the most recent rates coming into effect January 1, 2022. Deficits were also approved for the Utility at that time in the amounts of \$2,110 for 2017 (actual), \$1,849 for 2018 (actual), \$6,772 for 2019 (forecasted), \$2,876 for 2020 (forecasted), and \$602 for 2021 (forecasted).

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 Municipality's 2022 Audited Financial Statements, the most recent information available, the working capital surplus for the Utility as at December 31, 2022 was:

	2022
Utility Fund Surplus/Deficit	\$249,288
Deduct: Tangible Capital Assets	(156,174)
Add: Long-Term Debt	-
Add: Utility Reserves	20,183
Equals Working Capital Surplus (Deficit)	\$113,297
Operating Expenses	9,688
20% of Operating Expenses (Target)	\$1,938

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

2.0 Board Findings

The Board has reviewed the Municipality's Deficit Application and notes in Board Order No. 20/20 the Board approved a 2021 forecasted operating deficit of \$1,736 to be recovered from the Utility's Accumulated Fund Surplus. Upon finalization of the 2021 Audited Financial Statements, the actual operating deficit was \$6,237, when calculated for regulatory purposes. The Board notes the deficit applied for by the Municipality is the difference between the forecasted amount previously approved by the Board in Board Order No. 20/20 and the actual operating deficit incurred (or $\$6,237 - \$1,736 = \$4,501$).

The Board grants approval of the 2021 actual operating deficit, when calculated for regulatory purposes, in the amount of \$6,237 to be recovered through the Utility's Accumulated Fund Surplus.

The Board notes Board Order No. 20/20 also approved forecasted operating deficits of \$6,772 for 2019, \$2,876 for 2020, and \$602 for 2022. The Board also notes, as per the Municipality's Audited Financial Statements the actual operating deficit incurred in 2019 was \$3,613, in 2020 was \$910, and in 2022 the Utility had a surplus of \$4,773, when calculated for regulatory purposes. Given the actual operating deficits were less than the amounts approved by the Board or did not materialize, no further action is required by the Municipality.

3.0 IT IS THEREFORE ORDERED THAT:

1. The 2021 actual operating deficit in the amount of \$6,237, when calculated for regulatory purposes, incurred in the Prairie View Municipality, Foxwarren Wastewater Utility, is HEREBY APPROVED to be recovered through the Utility's Accumulated Fund Surplus.

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

"Irene Hamilton"

Panel Chair

"Frederick Mykytyshyn"

Assistant Associate Secretary

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issued by The Public Utilities Board



Assistant Associate Secretary