

**Order No. 43/24**

**RURAL MUNICIPALITY OF VICTORIA BEACH  
VICTORIA BEACH WATER UTILITY  
2019, 2020, 2021, and 2022 ACTUAL OPERATING DEFICITS RECOVERY AND  
2023 FORECASTED DEFICIT RECOVERY AND RATE RIDER  
EFFECTIVE APRIL 30, 2024**

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**April 11, 2024**

**BEFORE: Shawn McCutcheon, Panel Chair  
Irene Hamilton, K.C., 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 November 24, 2023, the Board received an application from the Rural Municipality of Victoria Beach (RM), Victoria Beach Water Utility (Utility) for approval of a 2023 forecasted operating deficit in the amount of \$49,651 and actual operating deficits of \$76,963 for 2019, \$22,537 for 2020, \$49,414 for 2021, and \$36,064 for 2022 (or a five-year total actual and forecasted operating deficit of \$234,629), when calculated for regulatory purposes.

Along with the application, the RM submitted Council Resolution 2024/008, requesting approval for the recovery of the 2023 anticipated operating deficit through a rate rider of \$47.15 per residential equivalency unit (REU). The application stated the deficit was due to overbudget general administrative expenses and insufficient budgeted amortization expenses.

Where a system has no meters, including systems with wastewater service only, volume of water used and/or volume of effluent returned to the wastewater system are based on REUs; one unit being the volume of water estimated to be used by the average single-family residence.

The RM also submitted Council Resolution 2023/226, requesting approval for the recovery of the 2019 and 2020 actual operating deficits through the Utility's Accumulated Surplus Fund; and Council Resolution 2023/214, requesting approval for the 2021 and 2022 actual operating deficits through the Utility's Accumulated Surplus Fund. The applications stated the deficits were due to overbudget expenses and a budgeted transfer of reserve funds that did not occur.

Utility rates were last approved in Board Order No. 121/19, with the most recent rates coming into effect January 1, 2021. Deficits were also approved for the Utility at that time in the amount of \$254,396 for 2018.

### 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 RM'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	\$1,854,249
Deduct: Tangible Capital Assets	(1,879,070)
Add: Long-Term Debt	-
Add: Utility Reserves	139,347
<b>Equals Working Capital Surplus (Deficit)</b>	<b>\$114,526</b>
Operating Expenses	354,792
<b>20% of Operating Expenses (Target)</b>	<b>\$70,958</b>

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 RM's Deficit Applications and notes in Board Order No. 189/19 the Board approved a 2019 forecasted operating deficit of \$54,733 to be recovered from the Utility's Accumulated Fund Surplus. Upon finalization of the 2021 Audited Financial Statements, the actual operating deficit was \$76,963, when calculated for regulatory purposes. The Board notes the deficit applied for by the RM is the total 2019 deficit of \$76,963.

The Board grants approval of the 2019 actual operating deficit of \$76,963, 2020 actual operating deficit of \$22,537, the 2021 actual operating deficit of \$49,414, and the 2022 actual operating deficit of \$36,064 (or a total four-year actual operating deficit of \$184,978), when calculated for regulatory purposes, to be recovered through the Utility's Accumulated Fund Surplus.

The Board notes, the 2020 deficit recovery includes a transfer of \$23,828.17 from the Federal Safe Restart Operating Grant. The Grant is a stimulus package provided to subsidize operating costs for all municipalities.

The Board also grants approval of the 2023 forecasted operating deficit of \$49,654 to be recovered by a rate rider of \$47.15 per REU, effective April 30, 2024.

The Board notes that Board Order No. 121/19 directed the RM to review the water rates for the Utility and file a report with the Board, as well as an application for revised rates if required, by no later than July 31, 2021. Had the RM been more diligent in reviewing its rates, some of the deficits incurred by the Utility may have been reduced and/or avoided entirely. Regular rate reviews submitted every three years, as per the Board's Guidelines, protect the financial position of the Utility and may reduce the need for significant rate increases in one year. It is the Utility's responsibility to review the rates and ensure rates are adequate to recover the cost of the service being provided to its ratepayers.

The Board also notes that all items found under the heading, "IT IS THEREFORE ORDERED THAT:" are directives, not recommendations, and must be complied with or appealed as outlined below. Pursuant to *The Public Utilities Board Act*, the Board can apply penalties for non-compliance.

The Board notes the RM has filed an application for revised rates for the Utility that is under review for completeness to be accepted into the Board's Application Queue if the application is deemed complete and correct.

### **3.0 IT IS THEREFORE ORDERED THAT:**

1. The actual operating deficits in the amounts of \$76,963 for 2019, \$22,537 for 2020, \$49,414 for 2021, and \$36,064 for 2022 (or a total four-year actual operating deficit of \$184,978), when calculated for regulatory purposes, incurred in the Rural Municipality of Victoria Beach, Victoria Beach Water Utility, is HEREBY APPROVED to be recovered through the Utility's Accumulated Fund Surplus.
2. The forecasted operating deficit in the amount of \$49,654 for 2023, when calculated for regulatory purposes, incurred in Rural Municipality of Victoria Beach, Victoria Beach Water Utility, is HEREBY APPROVED to be recovered by a rate rider of \$47.15 per REU, effective April 30, 2024.

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](http://www.pubmanitoba.ca).

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"

Panel Chair

"Frederick Mykytyshyn"

Assistant Associate Secretary

Certified a true copy of Order No. 43/24  
issued by The Public Utilities Board



Assistant Associate Secretary