

Order No. 16/22

**RURAL MUNICIPALITY OF PORTAGE LA PRAIRIE
OAKVILLE WATER AND WASTEWATER UTILITY
2020 ACTUAL OPERATING DEFICIT RECOVERY**

February 15, 2022

BEFORE: Shawn McCutcheon, Panel Chair
Marilyn Kapitany, B.Sc. (Hon), M.Sc., 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 July 13, 2021, the Board received an application from the Rural Municipality of Portage la Prairie (RM), Oakville Water and Wastewater Utility (Utility) for approval of a 2020 deficit in the amount of \$73,791.

Along with the application, the RM submitted Council Resolution # 2021-156, requesting approval for the recovery of the 2020 actual operating deficit through the Utility's Accumulated Fund Surplus.

The application stated the deficit was due to the increase in the additional costs for the lagoon, three new pumps for the lift stations, the addition of curb-stops to aid in leak detection, and less than the forecasted connections from the new development.

Utility rates were last approved in Board Order No. 23/21. The Oakville Water and Wastewater Utility amalgamated with the Portage la Prairie Regional Water and Wastewater Utility effective January 1, 2021.

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 2020 audited financial statements for the Utility, the most recent information available, the working capital surplus at December 31, 2020 is as follows:

	2020	2019
Utility Fund Surplus/Deficit	\$1,089,052	\$1,169,420
Deduct: Tangible Capital Assets	(1,237,584)	(1,301,006)
Add: Long-Term Debt	180,070	198,414
Add: Utility Reserves	44,535	36,456
Equals Working Capital Surplus (Deficit)	\$76,073	\$103,284
Operating Expenses	333,702	276,959
20% of Operating Expenses (Target)	\$66,740	\$55,392

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

2.0 Board Findings

The Board has reviewed the application and notes the 2020 deficit amount on the Deficit Application of \$73,791 does not match the 2020 Net Operating Deficit amount of \$51,610 on the PUB Schedule 9 submitted by the RM. The Board has also performed the required deficit calculations and finds the 2020 actual operating deficit for the Utility, when calculated for regulatory purposes, is \$51,611. The Board therefore varies the RM's requested 2020 actual operating deficit to be \$51,611.

The Board finds the Utility has sufficient working capital surplus to absorb the revised 2020 actual operating deficit. The Board approves the 2020 actual operating deficit, when calculated for regulatory purposes, of \$51,611 to be recovered from the Utility's Accumulated Fund Surplus.

3.0 IT IS THEREFORE ORDERED THAT:

1. The 2020 actual operating deficit, when calculated for regulatory purposes, in the amount of \$51,611, incurred in the Rural Municipality of Portage la Prairie, Oakville Water and Wastewater Utility, is HEREBY VARIED 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

"Shawn McCutcheon"
Panel Chair

"Frederick Mykytyshyn"
Assistant Associate Secretary

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issued by The Public Utilities Board



Assistant Associate Secretary