

**Order No. 129/23**

**RURAL MUNICIPALITY OF ALEXANDER  
GREAT FALLS WATER AND WASTEWATER UTILITY  
2022 ACTUAL OPERATING DEFICIT RECOVERY**

---

**November 15, 2023**

**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 September 29, 2023, the Board received an application from the Rural Municipality of Alexander (RM), Great Falls Water and Wastewater Utility (Utility) for approval of a 2022 actual operating deficit in the amount of \$107,555, when calculated for regulatory purposes.

Along with the application, the RM submitted Council Resolution # 2023 390, requesting approval for the recovery of the deficit through the Utility's Accumulated Fund Surplus. The application stated the deficit was due to the new treatment plant built with excess capacity to serve an additional 200 customers in the surrounding area who have not yet connected to the system.

Utility rates were last approved in Board Order No. 50/20, with the most recent rates coming into effect January 1, 2020. Deficits were last approved for the Utility in Board Order No. 87/22 in the amounts of \$28,596 for 2021.

On September 8, 2022 the Board approved an extension to June 30 2023 to submit a rate study to the Board. On July 27, 2023, the Board approved an additional extension to January 31, 2024 to file rate study with the Board, due to additional time required to gather relevant reports including consumption, distribution lines, and number of potential connections.

### 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 calculation provided by the RM's Chief Administrative Officer (CAO), the most recent information available, the working capital surplus for the Utility as at December 31, 2022 was:

	2022
Utility Fund Surplus/Deficit	\$5,254,048
Deduct: Tangible Capital Assets	(5,563,963)
Add: Long-Term Debt	358,635
Add: Utility Reserves	64,465
<b>Equals Working Capital Surplus (Deficit)</b>	<b>\$113,185</b>
Operating Expenses	325,712
<b>20% of Operating Expenses (Target)</b>	<b>\$65,142</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 Application and supporting documents/calculations.

The Board notes, Note 8 to the 2022 Audited Financial Statements reports a Utility Fund debenture payable annually (including interest) of \$34,700 that was not properly reported under the Taxation Revenue line item for the Utility. The Board also notes that in Board Order No. 87/22, the Board noted the same error and found the 2021 Audited Financial Statements did not properly record the corresponding property tax revenue of \$34,700 for that year. In addition, the RM has advised Board staff, \$48,858 of revenues for water meters for the St. Georges Water and Wastewater Utility were incorrectly posted to the Great Falls Water and Wastewater Utility.

The Board is concerned by the frequency of errors reported in the RM's Audited Financial Statements and notes that without complete and correct financials, it is difficult for both the RM and the Board to properly evaluate the financial position of the Utility. The Board reiterates its previous direction for the RM to work with its auditor(s) to ensure all Utility financial data is reported completely and correctly in all future audits.

The Board notes the Utility's working capital surplus is sufficient to fully recover the revised 2022 actual operating deficit of \$107,555, however, the recovery will reduce the amount to \$5,630, which is below the Board minimum requirement of \$65,142.

The Board grants approval of the 2022 actual operating deficit, when calculated for regulatory purposes, in the amount of \$107,555 to be recovered through the Utility's Accumulated Fund Surplus and directs the RM to submit a rate study as soon as possible to ensure Utility rates are adequate and no further operating deficits are incurred.

The Board directs the RM to file a deficit application and recovery methodology for any future deficit for which there is either no available Accumulated Fund Surplus funding or if the Accumulated Fund Surplus does not meet the Board minimum requirement.

### 3.0 IT IS THEREFORE ORDERED THAT:

1. The 2022 actual operating deficit, when calculated for regulatory purposes, in the amount of \$107,555 incurred in the Rural Municipality of Alexander, Great Falls Water and Wastewater Utility, is HEREBY APPROVED to be recovered through the Utility's Accumulated Fund Surplus.
2. The Board directs the Rural Municipality Alexander to review the water and wastewater rates for the Great Falls Water and Wastewater Utility for adequacy and file a report with the Public Utilities Board as well as an application for revised rates as soon as possible, but by no later than January 31, 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. 129/23  
issued by The Public Utilities Board

  
Frederick Mykytyshyn  
Assistant Associate Secretary