

Order No. 8/24

**MUNICIPALITY OF OAKLAND-WAWANESA
WAWANESA WATER AND WASTEWATER UTILITY
ACTUAL 2021 AND 2022 OPERATING DEFICITS**

JANUARY 11, 2024

**BEFORE: Shawn McCutcheon, Panel Chair
Jack Winram, B.A. (Econ), Panel Member**

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1.0 Executive Summary

By law, Manitoba utilities are not allowed to incur deficits. 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.

In the event that a deficit does occur, a Utility is required to obtain Board approval for a recovery methodology that the Utility proposes.

The reasons for the Board's decisions are under Board Findings.

2.0 Application

On September 18, 2023 the Board received an application from the Municipality of Oakland-Wawanesa (Municipality), Wawanesa Water and Wastewater Utility (Utility) for approval of operating deficits for the years 2021 and 2022, totalling \$87,830 (see table below) for both years combined, when calculated for regulatory purposes.

2021 Actual Operating Deficit	\$	23,611
2022 Actual Operating Deficit	\$	64,219
Total		<u>\$ 87,830</u>

Along with the application, the Municipality submitted Council Resolution No 367. The Municipality's application proposed recovery of \$15,849 by way of a deficit rate rider, with the remaining balance of \$71,981 recovered from the Utility's fund surplus account. The

submission showed this was calculated to maintain the Working Capital Surplus Target of 20% of utility expenses.

The Municipality proposed the rate rider be \$1.86 per 1,000 gallons of water sold, charged over a period of one year. The Municipality has advised water sales were 8,260,247 gallons in 2022 and 9,577,997 gallons in 2021.

The Municipality's application advised the deficits were a result of lower than required revenue as rate increases were phased in and increased costs in 2022 due to water leaks. The Municipality also advised the Board that the Utility's 2023 financial results showed significantly lower costs than 2022, as of August 2023.

Utility rates were last approved in Board Order No. 101/22, which approved rate increases effective January 1, 2023, 2024 and 2025. The Municipality will review rates for adequacy on or before December 31, 2025, in accordance with the directive from Board Order No. 101/22.

Working Capital

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 2022 audited financial statements, the working capital surplus at December 31, 2022 was:

	2022
Accumulated Fund Surplus/Deficit	\$2,515,839
Deduct tangible capital assets	(\$3,344,408)
Add long term debt	\$846,801
Add utility reserves	\$46,152
Equals Working Capital Surplus/Deficit	\$64,384
Utility Expenses	\$401,165
20% of Utility Expenses (target)	\$80,233

3.0 Board Findings

The Board has reviewed the Municipality's application and the information provided subsequently in response to Board information requests.

The Board grants approval of the 2021 and 2022 operating deficits but varies the method of recovery proposed by the Municipality. The Board grants approval of the full amount of \$87,830 to be recovered from the Utility's Accumulated Surplus and no additional rate rider. The Board has considered the Utility's Working Capital, as well as the current and future approved rates in making its decision. The Board finds the rates approved in Board Order No. 101/22, combined with the current Working Capital Surplus, are adequate to allow for the absorption of the 2021 and 2022 deficits in a timely fashion.

The Board reaffirms its directive from Board Order No. 101/22 and directs the Municipality to review its water and wastewater rates for adequacy and file a report with the Board, as well as an application for revised rates if required, by no later than December 31, 2025.

The Board reminds the Municipality regular reviews are important for a financially sound utility and encourages the Municipality to review Board Order Nos. 27/23 and 86/17 for future rate applications. The Orders outline the Simplified Rate Application Process for municipally owned public utilities. If, after its rate review, the Municipality finds it meets the designated criteria for a Simplified Rate Application, it should apply for future rates using the Simplified Rate Application Process.

4.0 IT IS THEREFORE ORDERED THAT:

1. The 2021 (\$23,611) and 2022 (\$64,219) actual utility operating deficits, when calculated for regulatory purposes, incurred in the Municipality of Oakland-Wawanesa – Wawanesa Water and Wastewater Utility, BE AND ARE HEREBY APPROVED to be recovered from the Utility's Accumulated Fund Surplus in the amount of \$87,830.
2. The Municipality of Oakland-Wawanesa review the Wawanesa Water and Wastewater Utility rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (if applicable), on or before December 31, 2025.

Fees payable upon this Order - \$150.00

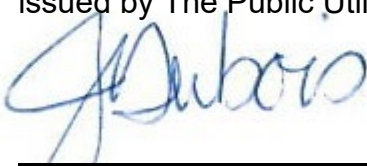
Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"
Panel Chair

"Jennifer Dubois, CPA, CMA"
Assistant Associate Secretary

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issued by The Public Utilities Board



Assistant Associate Secretary