

Order No. 99/24

**MOSSEY RIVER MUNICIPALITY
VILLAGE OF WINNIPEGOSIS WATER AND WASTEWATER UTILITY
2019, 2021, AND 2022 ACTUAL OPERATING DEFICITS
RECOVERY FROM WORKING CAPITAL SURPLUS**

August 16, 2024

**BEFORE: Marilyn Kapitany, B.Sc. (Hon), M. Sc., Panel Chair
Irene Hamilton, K.C., Panel Member**

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves the Mossey River Municipality (Municipality) Village of Winnipegosis Water and Wastewater Utility's (Utility) 2019 (\$12,150), 2021 (\$13,384), and 2022 (\$27,620) actual operating deficit totalling \$53,154 when calculated for regulatory purposes.

The Board approves the Municipality's request to recover the actual operating deficits from the Utility's Accumulated Surplus.

The Board directs the Municipality to review its water and wastewater rates for the Utility for adequacy and file a report with the Board, as well as an application for revised rates or a Statement of Rate Adequacy, on or before February 3, 2025.

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

2.0 Board Methodology

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.

3.0 Application

On June 19, 2024, the Board received an application from the Municipality for approval of actual operating deficits for the Utility for 2019 in the amount of \$12,150, 2021 in the amount of \$13,384, and 2022 in the amount of \$27,620 (or a total deficit of \$53,154), when calculated for regulatory purposes. The Municipality's application noted the deficits were due to increased administration costs and revenue shortfalls in 2019, increased repair costs to the wastewater lift station due to pump failures and increased training and utility costs in 2021, and less than forecasted rate revenue and unanticipated maintenance/repair costs and wastewater flushing in 2022.

With the application, the Municipality submitted Council Resolution # 2024-102, requesting the Board approve the deficit to be recovered by the Utility's Accumulated Surplus.

Utility rates were last approved in 2010 in Board Order No. 25/10.

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
Fund Surplus	\$1,339,758
Deduct: Tangible Capital Assets	(1,060,950)
Add: Long-Term Debt	-
Add: Utility Reserve	84,648
Equals Working Capital Surplus	\$363,456
Operating Expenses	224,728
20% of operating expenses (Target)	\$44,946

The Utility meets the Board required minimum.

4.0 Board Findings

Deficit Application

The Board has reviewed the Municipality's application and notes the Audited Financial Statements revised the Utility's 2019 Net Deficit in 2020 by \$3 (from \$18,266 to \$18,263) and the Utility's 2021 Net Deficit in 2022 by \$1 (from \$19,498 to \$19,497).

The Board approves the Utility's 2019, 2021, and 2022 actual operating deficits totalling \$53,154, to be recovered from the Utility's Accumulated Surplus.

The Board notes, the actual operating deficits each include capital grant amortization of \$6,113 that was not reported in any of the Municipality's Audited Financial Statements, Public Utilities Board Note section. The Board strongly encourages the Municipality to work closely with its auditor(s) to ensure the Public Utilities Board Note to the Consolidated Financial Statements is complete and accurate. If this note is omitted, incomplete, or incorrect, it limits the Board's ability to assess the Utility's financial position, and the Municipality's ability to set appropriate rates to sustain the Utility and its operations.

The Board also notes the Municipality has not submitted its 2023 Audited Financial Statements and reminds the Municipality audited financial statements are to be reported to the Board no later than June 30 of the following year. The Board directs the Municipality to submit its 2023 Audited Financial Statements as soon as they are available.

Utility Rates

The Board notes Utility rates were last approved by the Board in 2010. The Utility has not submitted a rate application to the Board in 14 years. In the Board's view the period between rate applications is too long. 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. In some cases, the additional cost of a rate rider becomes necessary to recover utility deficits.

It is the Utility's responsibility to review the rates and ensure rates are adequate to recover the cost of service being provided to its ratepayers. Regularly resetting consumers' rates is an important regulatory procedure to avoid sudden, sharp, and unexpected required rate increases that may amount to consumer 'rate shock'. Ratepayers are generally more tolerant of regular, smaller increases. The Municipality needs to be much more diligent in conducting regular reviews of its revenue requirements.

The Board directs the Municipality to review its water and wastewater rates for the Utility for adequacy and file a report with the Board, as well as an application for revised rates or a Statement of Rate Adequacy, on or before February 3, 2025.

5.0 IT IS THEREFORE ORDERED THAT:

1. The 2019 actual operating deficit of \$12,150, the 2021 actual operating deficit of \$13,384), and 2022 actual operating deficit of \$27,620 (or the total actual operating deficit of \$53,154), when calculated for regulatory purposes, incurred in the Mossey River Municipality, Village of Winnipegosis Water and Wastewater Utility, BE AND ARE HERBY APPROVED to be recovered by the Utility's Accumulated Fund Surplus.
2. The Mossey River Municipality submit its 2023 Audited Financial Statements as soon as they are available.
3. The Mossey River Municipality review its water and wastewater rates for the Village of Winnipegosis Water and Wastewater Utility for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates or a Statement of Rate Adequacy, by no later than February 3, 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

"Marilyn Kapitany"

Panel Chair

"Frederick Mykytyshyn"

Assistant Associate Secretary

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issued by The Public Utilities Board



Assistant Associate Secretary