

Order No. 1/25

**MUNICIPALITY OF NORTH CYPRESS-LANGFORD
LANGFORD WATER UTILITY
2019 AND 2020 ACTUAL OPERATING DEFICITS
RECOVERY FROM WORKING CAPITAL SURPLUS
RATE ADEQUACY REPORT 2025**

January 3, 2025

**BEFORE: Irene Hamilton, K.C., Panel Chair
Patrick Ireland, MBA, Panel Member**

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves the Municipality of North Cypress-Langford (Municipality), Langford Water Utility's (Utility) 2019 actual operating deficit of \$20,150 and 2020 actual operating deficit of \$7,988 (or two-year total actual operating deficit of \$28,138) when calculated for regulatory purposes.

The Board approves the Municipality's request to recover the deficit from the Utility's Accumulated Surplus.

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 November 8, 2024, the Board received an application from the Municipality for approval of an actual operating deficit for the Utility for 2019 in the amount of \$20,150 and 2020 in the amount of \$7,988, when calculated for regulatory purposes. The deficits were the result of inadequate rates at the time the deficits were incurred.

With the application, the Municipality submitted Council Resolution #231 - 2024, requesting the Board approve the deficit to be recovered by the Utility's Accumulated Surplus.

Utility rates were last approved in Board Order No. 196/19, with the most recent rates coming into effective January 1, 2022.

With the application, the Municipality also submitted a Rate Adequacy Report, completed by the Municipality's consultant, stating that based on the 2021 Audited Financial Statements, 2022 and 2023 expenditures, the Municipality's 2024 budget, and a 2025 expenditure forecast, current rates are adequate for 2025 for currently budgeted expenditures and planned capital projects. The Municipality also submitted Council Resolution #319 – 2024 in support of the Rate Adequacy Report.

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 2021 Audited Financial Statements, the working capital surplus as at December 31, 2021 was:

	2021
Fund Surplus	\$932,989
Deduct: Tangible Capital Assets	(926,804)
Add: Long-Term Debt	-
Add: Utility Reserve	181,649
Equals Working Capital Surplus	\$187,834
Operating Expenses	306,109
20% of operating expenses (Target)	\$61,222

The Utility meets the Board required minimum.

4.0 Board Findings

Deficit Application

The Board has reviewed the Municipality's application and the information provided subsequently in response to Board information requests. The Board approves the Municipality's 2019 actual operating deficit in the amount \$20,150 and 2020 actual operating deficit in the amount of \$7,988, to be recovered from the Utility's Accumulated Surplus.

The Board notes the Municipality has not submitted its 2022 and 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 2022 and 2023 Audited Financial Statements as soon as they are available.

The Board notes, the Municipality's 2019 and 2020 audits were filed in 2021. Board Order No. 151/08 states:

"Unless prior approval has been obtained, an owner of a public utility shall report to the Board the actual operating deficit in its utility where such deficit either exceeds \$10,000 or represents 5% of the utility's operating budget, and shall advise the Board of the proposed method to recover the deficit, using Board approved forms. Municipalities shall file the report not later than April 1 in the year following the operating deficit. For other regulated utilities, the report must be filed within 90 days following the year of the operating deficit."

The Board reminds the Municipality all future actual operating deficits must be filed in accordance with Board Order No. 151/08 and recommends all future actual operating deficits are applied for as soon as they are known.

Rate Adequacy Report

The Board has reviewed the Municipality's Rate Adequacy Report. The Board notes, Board Order No. 86/17 requires municipalities to use the prior year's utility audited financial statements to file an application for revised rates (or in this case, rate adequacy) with the Board. Audited financial statements are to be reported to the Board no later than June 30 of the following year. At the time the Board received the Municipality's Rate Adequacy Report on November 8, 2024, the Municipality's Rate Adequacy Report was prepared using the 2021 Audited Financial Statements and not the required 2023 Audited Financial Statements.

The Board also notes, rates for the Utility were last approved in Board Order No. 196/19. In the Order, the Board directed the Municipality to review its rates for the Utility 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, 2022.

The Board notes, 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 accepts the Municipality's Rate Adequacy Report, but directs the Municipality to review its rates for the Utility for adequacy and file a report with the Board, as well as an application for revised rates if required, by no later than August 29, 2025.

The Board also notes, if upon finalization and review of the 2022 and 2023 Audited Financial Statements it is determined rates will not be adequate for the Utility, the Board directs the Municipality to file an application for revised rates as soon as possible.

5.0 IT IS THEREFORE ORDERED THAT:

1. The 2019 actual operating deficit of \$20,150 and 2020 actual operating deficit of \$7,988 (or a total two-year actual operating deficit of \$28,138), when calculated for

regulatory purposes, incurred in the Municipality of North Cypress-Langford, Langford Water Utility, BE AND ARE HEREBY APPROVED to be recovered by the Utility's Accumulated Fund Surplus.

2. The Rate Adequacy Report submitted by the Municipality of North Cypress-Langford, Langford Water Utility, BE AND HIS HEREBY ACCEPTED.
3. The Municipality of North Cypress-Langford review its water rates for the Langford Water Utility for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates if required, by no later than August 29, 2025.
4. The Municipality of North Cypress-Langford submit its 2022 and 2023 Audited Financial Statements as soon as they are available.

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

"Irene Hamilton, K.C."
Panel Chair

"Frederick Mykytyshyn"
Assistant Associate Secretary

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issued by The Public Utilities Board


Assistant Associate Secretary