

**Order No. 66/18**

**PRAIRIE VIEW MUNICIPALITY  
FOXWARREN WASTEWATER UTILITY  
2016 OPERATING DEFICIT RECOVERY**

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**May 25, 2018**

**BEFORE:** Carol Hainsworth, C.B.A., Panel Chair  
Irene Hamilton, Member

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 Application

On July 7, 2017, the Board received an application from the Prairie View Municipality (Municipality), Foxwarren Wastewater Utility (Utility) for approval of a 2016 operating deficit in the amount of \$7,413.61. Along with the application, the Municipality also submitted Council Resolution No. 2017-308, which requested recovery of the deficit through the Utility's accumulated surplus.

The application stated that the deficit was due to Public Sector Accounting Board (PSAB) requirements of reporting amortization. Rates were last set in July 2010 in Board Order No. 76/10 and Council advised that it is currently working on the review of the Utility as previously directed by the Board in Order 25/17.

## 2.0 Board findings

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 a recovery methodology.

The Board approves the 2016 actual operating deficit of \$7,413.61 to be recovered through the Utility's accumulated surplus.

The deficit for the Utility in 2016, as stated in Order 25/17 for the deficit in 2015, is a result of the Municipality not reviewing their rates in a timely fashion. The Board notes the Municipality has not adjusted the wastewater rates to include amortization. The Municipality has had more than enough time to review and adjust its financials to Public Sector Accounting Board (PSAB) rules. The Municipality is directed to review general Board Order Nos. 151/08 and 93/09 (available on the Public Utilities Board website at [www.pubmanitoba.ca](http://www.pubmanitoba.ca)) to understand its requirements and reporting responsibilities to the Board.

The Municipality's Foxwarren Utility has not submitted a rate application to the Board in eight years. In the Board's view, this is too long a time-period between rate reviews. Regular rate reviews submitted on a timelier three-year period, as per the Board's Guidelines, protect the financial position of the Utility and mitigates the need for substantial rate increases, or in the case of the Foxwarren Utility, deficits. Had the Utility not had an adequate surplus account, these deficits would have to be collected from the ratepayers through a rate rider.

It is the Utility's responsibility to review the rates and ensure rates are adequate to recover the cost of the service provided to its customers. Customers are generally more tolerant of regular, smaller increases. The Municipality needs to be much more diligent in conducting regular reviews of its revenue requirements. Without new rates, the Utility will continue to incur deficits depleting the Utility's working capital.

The Board requires the Municipality to file a rate application for the Foxwarren Wastewater Utility, no later than December 31, 2018.

The Board also notes that the Municipality was ordered, in Board Order 25/17, to submit a rate application before the end of 2017. Since the Board has received no such application or request for extension from the Municipality, the Board finds the Municipality in default of Board Order 25/17.

The items found under the heading, “IT IS THEREFORE ORDERED THAT” are directives, not recommendations, and must be complied with or appealed. Pursuant to *The Public Utilities Board Act*, the Board has available enforcement methods and can apply penalties for non-compliance.

### 3.0 IT IS THEREFORE ORDERED THAT:

1. The actual operating deficit, when calculated for regulatory purposes, for 2016 of \$7,413.61, incurred in the Prairie View Municipality, Foxwarren Wastewater Utility is HEREBY APPROVED to be recovered through a transfer from the Utility's accumulated surplus.
2. The Prairie View Municipality – Foxwarren Wastewater Utility submit an application for revised wastewater rates to the Board no later than December 31, 2018.

Fees payable upon this Order - \$150.00

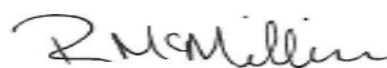
Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure (Rules). The Board's Rules may be viewed on the Board's website at [www.pubmanitoba.ca](http://www.pubmanitoba.ca).

THE PUBLIC UTILITIES BOARD

"Carol Hainsworth, C.B.A."  
Panel Chair

"Rachel McMillin, B.Sc."  
Acting Secretary

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Acting Secretary