

Order No. 66/25

**MUNICIPALITY OF NORFOLK-TREHERNE
TREHERNE WATER AND WASTEWATER UTILITY
ACTUAL 2023 OPERATING DEFICIT
RECOVERY THROUGH A RATE RIDER**

May 6, 2025

**BEFORE: Shawn McCutcheon, Panel Chair
Kim Sharman, Panel Member**

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) grants approval of the Municipality of Norfolk Treherne (Municipality), Treherne Water and Wastewater Utility's (Utility) 2023 actual operating deficit of \$129,620, when calculated for regulatory purposes.

The Board varies the method of recovery and directs the Utility to recover the deficit by rate rider of \$2.36 per 1,000 gallons for a period of 4.75 years, effective July 1, 2025 to March 31, 2030 or until the deficit is fully recovered, whichever comes first.

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 Background

The Municipality of Norfolk Treherne owns and operates three utilities, the Rathwell Water Utility, the Lavenham Water Utility and the Treherne Water and Wastewater Utility. This Board Order relates to the Treherne Water and Wastewater Utility only.

Water and wastewater rates were most recently approved in Board Order No. 34/25. The Board Order granted approval of Utility operating deficits for 2014 to 2022 totalling \$407,573, with recovery of \$207,531 in deficits by a rate rider of \$3.59 per 1,000 gallons for a five year period from April 1, 2025 to March 31, 2030, and the remaining \$200,040 from future surpluses in the Utility's Accumulated Surplus Account.

4.0 Application

On April 7, 2025, the Board received an application from the Municipality seeking approval of an operating deficit for 2023 in the amount of \$129,620, when calculated for regulatory purposes. The deficit application indicated the 2023 deficit had been included in the rate study projections and was originally forecast to be \$95,403.

The Municipality submitted Council Resolution No. 25 0088, requesting the Board approve \$34,217 of the 2023 deficit to be recovered by utility deficit rate rider over the same period as the existing utility deficit rate rider, less the quarter which had already passed. The Municipality calculated the rate rider at \$.62 per 1,000 gallons.

Upon inquiry from Board staff, the Municipality stated it believed the initial forecast was included in the Board approvals from Board Order No. 34/25 and formed a part of the \$200,040 approved to be recovered by future surplus. The Municipality did not include any provision for the 2023 operating deficit in its 2014-2022 deficit application, and the Board Order explicitly stated the years and amounts approved, which did not include 2023.

After clarification, the Municipality requested the Board's approval for recovery of the 2023 deficit as \$95,403 from future utility surpluses and the remaining \$34,217 by way of the rate rider as calculated in the application.

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 2023 audited financial statements, the working capital surplus (deficit) on December 31, 2023 was:

	2023
Accumulated Fund Surplus	\$2,797,357
Deduct tangible capital assets	(\$3,791,742)
Add long term debt	\$724,582
Add utility reserves	\$32,074
Equals Working Capital Surplus/Deficit	(\$237,729)
Utility Expenses	\$388,948
20% of Utility Expenses (target)	\$77,790

5.0 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 2023 Utility operating deficits and varies the method of recovery and directs the Utility to recover the \$129,620 deficit entirely by way of a utility rate rider, over the period of 4.75 years requested. Calculations and comparison between proposed and approved rate riders are shown the table below:

2023 Operating Deficit - Treherne Water and Wastewater Utility		
	<u>Approved</u>	<u>Proposed</u>
Total Deficit	\$ 129,620	\$ 34,217
Recovery period (in years)	4.75	4.75
Gallons per year	11,572	11,572
Rate Rider per 1,000 gallons	\$ 2.36	\$ 0.62

The Board is sensitive to the impact of the increased rate rider however, must consider the sustainability of the Utility when granting approval of deficits and recovery methodology. In Board Order No. 34/25, the Board took the unusual step of allowing the Utility to recover \$200,042 of deficit through future surpluses. Granting further recovery from future surpluses is not feasible.

The Board directs the Municipality to provide notice to its customers of the decisions in this Order, with a copy to the Board, on or before June 30, 2025.

The Board will reiterate its direction from Board Order No. 34/25 and order the Municipality to provide a report on the Treherne Utility's financial position no later than 30 days after the audited financial statements are approved each year, until such time as directed otherwise by the Board. Failure to submit reporting in a timely fashion may result in the Board's review of this decision and those found in Board Order No. 34/25.

If the Board determines the financial position of the Utility remains unsatisfactory, it may issue an Order revising the recovery methodology and increasing the portion of the cumulative deficit being recovered by rate rider from Board Order No. 34/25.

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.

6.0 IT IS THEREFORE ORDERED THAT:

1. The 2023 actual utility operating deficit, when calculated for regulatory purposes of \$129,620 incurred in the Municipality of Norfolk Treherne – Treherne Water and Wastewater Utility, BE AND IS HEREBY APPROVED to be recovered by a rate rider of \$2.36 per 1,000 gallons effective July 1, 2025 to March 31, 2030, or until fully recovered, whichever comes first.
2. The Municipality of Norfolk Treherne is to provide a notice to its customers including the decisions found in this Order, on or before June 30, 2025.
3. The Municipality of Norfolk Treherne submit a report on the financial position of the Treherne Water and Wastewater Utility annually, within 30 days of the audited financial statements being approved, until such time as directed otherwise by the Public Utilities Board.

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, CTAJ"

Assistant Associate Secretary

Certified a true copy of Order No. 66/25
issued by The Public Utilities Board



Assistant Associate Secretary