

**Order No. 73/19**

**RURAL MUNICIPALITY OF ROSSER  
GROSSE ISLE WATER AND WASTEWATER  
AND ROSSER RURAL REGIONAL WATER SYSTEM  
ACTUAL OPERATING DEFICIT RECOVERY FOR 2012, 2013, 2014 and 2015**

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**May 30, 2019**

**BEFORE: Shawn McCutcheon, Panel Chair  
Carol Hainsworth, Panel Member**

The Public Utilities Board (PUB) issued Order No. 151/08 on November 07, 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 \$10,000 or represents 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

The Grosse Isle Water and Wastewater Utility (Utility) is jointly owned and operated by the Rural Municipalities of Rosser and Rockwood. It is agreed upon by both Municipalities that the RM of Rosser takes the lead administrative role for the utility. and rates approved for the RM of Rosser are implemented by the RM of Rockwood.

On March 20, 2017, the Board received an application from the Rural Municipality of Rosser (RM), Grosse Isle Water and Wastewater Utility (Utility) for approval of the 2012, 2013 and 2014 deficits totalling \$141,010. The breakdown is as follows:

- 2012 – deficit of \$78,135
- 2013 – deficit of \$34,653
- 2014 – deficit of \$28,222

Along with the application, the RM submitted Council Resolution No. 17-128 dated March 14, 2017, requesting the deficits be recovered through a rate rider of \$1.73 per cubic meter over three years.

The application advised the deficits were due to inadequate rates for years 2012 to 2014. Rates were not sufficient to recover the operating costs of the Utility and depreciation

expense on the Tangible Capital Assets. Another reason the RM cited for the deficit was due to a legal dispute with an engineer and contractors for the improper installation of wastewater connections in Grosse Isle.

The deficit amounts applied for were calculated using the unadjusted Net Revenue (Deficit) less the costs associated with the Grosse Isle Wastewater Project legal dispute.

The RM also advised a rate study is being prepared for submission. Rates were last approved in Board Order No. 25/13 issued in March 2013.

### Working Capital Calculation

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 the Utility fund balance, excluding any capital related items, plus Utility reserves.

As per the 2017 audited financial statements for the Utility, the most recent information available, the working capital deficit at December 31, 2017 is as follows:

	<b>Rosser</b>	<b>Rockwood</b>	<b>Total Utility</b>
Utility Fund Surplus	\$1,357,333	\$1,357,333	\$2,714,666
Deduct: Tangible Capital Assets	(\$3,319,793)	(\$3,319,793)	(\$6,639,586)
Add: Long Term Debt	\$183,347	\$183,347	\$366,694
Add: Reserves	\$11,627	\$12,425	\$24,052
<b>Equals Working Capital Surplus (Deficit)</b>	<b>(\$1,767,486)</b>	<b>(\$1,766,688)</b>	<b>(\$3,534,174)</b>
Expenses	\$213,062	\$213,062	\$426,124.
<b>20% of Expenses (Target)</b>	<b>\$42,612</b>	<b>\$42,612</b>	<b>\$85,224</b>

The above-noted working capital calculation for the Utility does not meet the Board recommended 20% of operating expenses.

The Board reviewed the application and the audited financial statements of both Municipalities from 2012 to 2017 and notes the deficit amounts applied for vary from the actual deficits incurred when calculated for regulatory purposes.

The Board's calculations are as follows:

<b>Year 2012</b>		
Net Revenue (Deficit)	\$	(81,769)
Grosse Isle Wastewater Project costs*	\$	3,632
Net Revenue (Deficit) before grant adjustment	\$	(78,137)
Deduct: Capital Grants Current Year	\$	-
Add: Amortization of Capital Grants Current Year	\$	33,662
	<b>\$</b>	<b>(44,475)</b>
<b>Year 2013</b>		
Net Revenue (Deficit)	\$	(134,314)
Grosse Isle Wastewater Project costs*	\$	107,661
Net Revenue (Deficit) before grant adjustment	\$	(26,653)
Deduct: Capital Grants Current Year	\$	-
Add: Amortization of Capital Grants Current Year	\$	33,662
	<b>\$</b>	<b>7,009</b>
<b>Year 2014</b>		
Net Revenue (Deficit)	\$	(304,530)
Grosse Isle Wastewater Project costs*	\$	284,309
Net Revenue (Deficit) before grant adjustment	\$	(20,221)
Deduct: Capital Grants Current Year	\$	-
Add: Amortization of Capital Grants Current Year	\$	33,662
	<b>\$</b>	<b>13,441</b>
<b>Year 2015</b>		
Net Revenue (Deficit)	\$	(2,882,098)
Grosse Isle Wastewater Project costs*	\$	3,071,784
Net Revenue (Deficit) before grant adjustment	\$	189,686
Deduct: Capital Grants Current Year	\$	293,531
Add: Amortization of Capital Grants Current Year	\$	33,662
	<b>\$</b>	<b>(70,183)</b>

\*Grosse Isle Wastewater Project Costs based on the RM's deficit application

Based on the Board's calculations, the Utility incurred a deficit in 2012 in the amount of \$44,475 and in 2015 in the amount of \$70,183, all other years are not in deficit after Board approved adjustments were made. The costs associated with the Grosse Isle Wastewater Project under legal dispute were not included in the calculation due to the

possibility that these costs could be recovered once the litigation has been settled. Should this not be the case, the RM must file deficit applications for the years in deficit.

## 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 recovery methodology.

The Board denies the deficit recovery of \$1.73 per cubic meter over three (3) years as proposed by the RM.

The Board approves the recovery of the 2012 and 2015 actual operating deficits through a rate rider of \$1.14 per cubic meter to be collected over three (3) years (or until fully recovered, whichever comes first) beginning July 1, 2019. The rate rider was calculated by dividing the total deficit of \$114,658 by the 2018 water consumption of 33,496 cubic meters divided by three (3) years.

The Board notes that if the costs from the legal dispute are not recovered once the litigation is complete, the RM is directed to file a deficit application for each year the Utility is found to be in deposit.

The Board notes rates were last set for the Utility in 2013 and the deficit recovery application stated deficits were incurred due to inadequate rates. Furthermore, the Utility's working capital is in a deficit position. The Board, therefore, directs the RMs of Rosser and Rockwood to submit a rate study for the Grosse Isle Utility by no later than September 30, 2019.

The Board directs the RM to provide an update as to the status and court decisions with regards to the Grosse Isle Wastewater Project lawsuit as soon as known.

### 3.0 IT IS THEREFORE ORDERED THAT:

1. The 2012 and 2015 actual operating deficits, when calculated for regulatory purposes in the amounts of \$44,475 and \$70,183 incurred by the Grosse Isle Utility, jointly owned by the Rural Municipalities of Rosser and Rockwood, be recovered through a rate rider of \$1.14 per cubic meter to be collected over three (3) years or until the deficit is paid in full, whichever comes first, effective July 1, 2019.
2. The Rural Municipalities of Rosser and Rockwood is to provide notice of the decisions found in this Order to its customers as soon as possible, with a copy submitted to the Public Utilities Board.
3. The Rural Municipalities of Rosser and Rockwood submit a rate study and application for revised rates for the Grosse Isle Utility by no later than September 30, 2019.
4. The Rural Municipalities of Rosser and Rockwood submit a report to the Public Utilities Board on the status and court's decisions with regards to the Grosse Isle Utility Project lawsuit as soon as applicable, and file applicable deficit applications.

Fees payable upon this Order - \$150.00

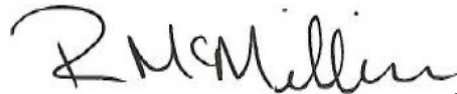
Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at [www.pubmanitoba.ca](http://www.pubmanitoba.ca)

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"  
Panel Chair

"Rachel McMillin, B.Sc."  
Assistant Associate Secretary

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Assistant Associate Secretary