

**Order No. 1/24**

**RURAL MUNICIPALITY OF ROCKWOOD  
GUNTON WATER AND WASTEWATER UTILITY  
ACTUAL OPERATING DEFICITS  
2013, 2015, 2016, 2017, 2019 and 2020**

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**January 2, 2024**

**BEFORE: Marilyn Kapitany, B.Sc. (Hon), M. Sc., Panel Chair  
Shawn McCutcheon, Panel Member**

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## 1.0 Executive Summary

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.

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

## 2.0 Application

On May 15, 2023 the Board received an application from the Rural Municipality of Rockwood (RM), Gunton Water and Wastewater Utility (Utility) for approval of operating deficits for the years 2015, 2016, 2017, 2019 and 2020, totalling \$97,428 (see table below) for all years combined, when calculated for regulatory purposes.

In response to the Board, the RM filed an application on June 19, 2023, requesting approval of an operating deficit from 2013 in the amount of \$13,992, when calculated for regulatory purposes, for a grand total of \$111,420 (see table below).

2013 Actual Operating Deficit	\$ 13,992
2015 Actual Operating Deficit	\$ 14,213
2016 Actual Operating Deficit	\$ 25,457
2017 Actual Operating Deficit	\$ 13,218
2019 Actual Operating Deficit	\$ 22,933
2020 Actual Operating Deficit	\$ 21,607
Total	\$ 111,420

Along with the applications, the RM submitted Council Resolution Nos 2023-230 and 2023-297, requesting the Board approve all deficits to be recovered from the Utility's fund surplus account.

Utility rates were last approved in Board Order No. 127/12, with the most recent rates coming into effective January 1, 2014. The RM advised a rate study was being prepared, the Board has subsequently received a rate application from the RM and it is currently in the queue for processing.

## 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
Accumulated Fund Surplus/Deficit	\$4,557,800
Deduct tangible capital assets	(\$5,084,157)
Add long term debt	\$854,339
Add utility reserves	\$0
<b>Equals Working Capital Surplus/Deficit</b>	<b>\$327,982</b>
Total Utility Expenses	\$338,657
20% of Total Utility Expenses (target)	\$67,731

### 3.0 Board Findings

The Board has reviewed the RM's applications, and grants approval of the 2013, 2015, 2016, 2017, 2019 and 2020 operating deficits, to be recovered from the Utility's Accumulated Surplus.

The Board directs the Municipality to review its 2022 audited financial statements and file a deficit application with the Board on or before January 15, 2024.

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.

#### 4.0 IT IS THEREFORE ORDERED THAT:

1. The operating deficits for the 2013 (\$13,992), 2015 (\$14,213), 2016 (\$25,457), 2017 (\$13,218), 2019 (\$22,933) and 2020 (\$21,607), for a total of \$111,420, when calculated for regulatory purposes, incurred in the Municipality of Rockwood – Gunton Water and Wastewater Utility, BE AND ARE HEREBY APPROVED to be recovered from the Utility's accumulated fund surplus.
2. The Municipality of Rockwood submit an application for the Gunton Water and Wastewater Utility deficit for 2022 on or before January 15, 2024 to 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](http://www.pubmanitoba.ca).

THE PUBLIC UTILITIES BOARD

"Marilyn Kapitany, B.Sc. (Hon), M. Sc."  
Panel Chair

"Jennifer Dubois, CPA, CMA"  
Assistant Associate Secretary

Certified a true copy of Order No. 1/24  
issued by The Public Utilities Board

  
Assistant Associate Secretary