

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE PUBLIC UTILITIES ACT

- and -

IN THE MATTER OF AN APPLICATION of the **TOWN OF TRURO** on behalf of its **Water Utility** for Approval of Amendments to its Schedule of Rates for Water and Water Services and its Schedule of Rules and Regulations

BEFORE: Murray E. Doehler, CA, P.Eng., Member

APPLICANT: **TOWN OF TRURO**

Gerry A. Isenor, P.Eng.
G. A. Isenor Consulting Limited

William H. Gates
W. H. Gates Utility Consultants Ltd.

Robert Putnam
Director of Finance
Town of Truro

Andrew J. MacKinnon, P.Eng.
Director of Public Works
Town of Truro

HEARING DATE: February 26, 2013

FINAL SUBMISSIONS: February 27, 2013

DECISION DATE: May 1, 2013

DECISION: **Schedule of Rates and Charges approved, as amended.
Schedule of Rules and Regulations approved, as amended.**

I SUMMARY

[1] The Town of Truro ("Town") applied to the Nova Scotia Utility and Review Board ("Board") on behalf of the Water Utility ("Utility", "Applicant") for approval of its Schedule of Rates for Water and Water Services and its Schedule of Rules and Regulations pursuant to the *Public Utilities Act* ("Act"), R.S.N.S. 1989, c.380. The existing Schedule of Rates for Water and Water Services and Schedule of Rules and Regulations have been in effect since April 1, 2012 and January 1, 2010, respectively.

[2] A Rate Study to support the Application, dated November 22, 2012, was prepared by G.A. Isenor Consulting Limited in association with W.H. Gates Utility Consultants Ltd., and was submitted on December 10, 2012. Updated worksheets of the Rate Study were filed as a part of the Information Requests ("IRs") correcting operating expense items in the 2011/12 fiscal year to align with the Utility's financial statements, and amend the return on rate base figures. The revision did not impact the calculation of proposed rates.

[3] The Application proposes increases in the average rates for 2013/14, 2014/15 and 2015/16 ("test years" or "test period"). For a 5/8" meter residential customer, based upon an average quarterly consumption of 52.5 cubic metres, the proposed increases are 7.6%, 5.4% and 3.6%, respectively. For all other metered customers, based upon the average quarterly consumption of each meter size, the proposed increases are between 1.3% and 11.4% in 2013/14, 2.1% to 5.4% in 2014/15 and 3.9% to 5.6% in 2015/16.

[4] For the unmetered customers, the Application proposes rate increases of 6.0%, 5.4% and 3.8%, respectively over each of the test years, based upon a quarterly consumption of 68 cubic metres.

[5] The Utility sells bulk water to bulk water haulers, at rates which are proposed in the Application to increase by 20.7%, 5.6% and 2.4%, respectively over each of the test years.

[6] The Application also proposes amendments to the annual public fire protection charge of 0.4% in 2013/14, 7.9% in 2014/15 and 4.0% in 2015/16. This charge is paid to the Utility by the Town, the Municipality of the County of Colchester (“Municipality”, “County”), the Village of Bible Hill (“Village”) and Millbrook First Nation (“Millbrook”), based upon the number of fire hydrants in each jurisdiction.

[7] The public hearing was held at the Town’s Council Chambers on February 26, 2013, after due public notice. Gerry A. Isenor, P.Eng., of G.A. Isenor Consulting Limited, and William H. Gates, MBA, P.Eng., of W.H. Gates Utility Consultants Ltd., represented the Utility. The Utility was also represented by Town staff: Robert Putnam, Director of Finance; and Andrew J. MacKinnon, Director of Public Works. The Board did not receive any letters of comment with respect to the matter and no members of the public spoke during the hearing.

[8] The rates are approved, as amended in the response to Undertaking U-1, with a further revision to the consumption rates in the first test year. The Rules and Regulations are approved, as amended in the responses to IR-43 and Undertaking U-2.

II INTRODUCTION

[9] The Utility's source of water supply is Lepper Brook. The raw water is treated at a conventional water treatment plant, with a 23 million litres (ML) per day capacity using settlement, filtration and disinfection. The system is generally the same as during the last rate application in 2009, with the exception of expansions in Bible Hill, Edgewood Drive and Curtis Drive. The distribution system contains four reservoirs which are capable of storing a total of 8.78 ML of treated water.

[10] It was noted at the time of the last rate application that there were outstanding items in the Utility's 2004 System Assessment Report relating to the disposal of filter waste, the development of a source water protection plan and the installation of continuous chlorine monitoring devices. The Utility confirmed that these items have been completed, with the exception of the source water protection plan. The plan is in the process of redrafting with input from area residents, and although informally adopted by the Utility, is yet to be formally adopted by the committee established to oversee the work, and the Province.

[11] The Board's Order dated December 23, 2009, which approved the current rates, contained two directives for the Utility: to file an application with the Board to establish reserves other than its Land Acquisition Reserve; and to review the *Water Utility Accounting and Reporting Handbook* ("Accounting Handbook"), in preparing its financial statements, in particular with respect to the inclusion of capital related items as non-operating revenue. The Utility indicated that it has complied with both directives.

[12] The Applicant currently serves approximately 4,460 customers, including 43 unmetered customers. The projected annual growth in the Rate Study is six new

metered residential customers. It is further projected that meters will be installed annually on two unmetered customers, resulting in a decrease in unmetered customers over the test period and a further increase in metered residential customers.

[13] The Application was presented to the Board based upon the need to amend rates as a result of the increased operating costs and the projected capital program for the test years.

III REVENUE REQUIREMENTS

1. Operating Expenditures

[14] In response to the IRs, the Utility filed a revised statement of operations for the 2011/12 fiscal year to correspond to its 2012 financial statements. Based upon the financial statements, the Utility had an excess of revenue over expenditures for the 2011/12 fiscal year of \$6,879, and an accumulated operating surplus of \$532,565. It is projected that at the current rates there will be operating losses over the test period resulting in an accumulated operating deficit of \$704,133 at the end of the test years.

[15] The projected operating expenditures for the test years were derived by the Utility and are generally based upon the 2012/13 estimated expenses with annual increases of 3%, except in cases of reallocations and the addition of new expense items, as discussed later. The depreciation expense is based upon the Utility's proposed capital additions over the test period.

[16] The depreciation rates used for the proposed asset additions over the test years are generally in accordance with the *Accounting Handbook*. During the last rate application, the Utility noted that a review of depreciation rates will be conducted to

ensure that the rates used match the assets' useful lives. The Applicant noted that the review was conducted and it was concluded that the practice used was consistent with the guidelines as set out in the *Accounting Handbook*. In response to the IRs the Utility provided an explanation for rates which deviated slightly, or are not specifically identified in the *Accounting Handbook*.

[17] The Applicant explained its budgeting process in response to the IRs, noting that adjustments to budget line items are based upon past year trends, with budget presentation to Council for review, prior to approval at a public Council Meeting. Mr. Isenor further noted that refinements to the allocations of costs between the Town and the Utility were conducted this year. In general, the process followed is:

Source of Supply, Power and Pumping, Water Treatment, Transmission and Distribution, Administration and General Costs directly attributed to the Water Utility are expensed to the Utility as expenditures are incurred. Costs for Public Works facilities are allocated to the Utility based on the Utility's occupancy percentage of the facilities. CUPE labour and benefits are allocated to the Utility through the financial system's project costing process, based on work actually performed for the Utility. Salaries and benefits are allocated to the Utility based on estimated percentages of work performed for the Utility.

[Exhibit T-3, IR-15]

[18] The source of supply expense is forecasted to increase between 2011/12 and 2012/13 by approximately 61%. This is mainly caused by the addition of new operating costs associated with the dam rebuild in 2009. Also, the watershed maintenance expense, which relates to the Utility's watershed protection program, is forecasted to increase from \$2,350 in 2011/12 to \$15,000 in 2012/13. The Utility's last rate application included an amount of \$15,000 associated with this program. The Utility explained that the watershed protection program has been slow to start, but that it is in the process of being finalized. The Applicant confirmed that, in its opinion, the budget for this item has been appropriately set in the test years.

[19] With respect to the transmission and distribution expense, it was noted that a number of items are estimated to decrease between 2011/12 and 2012/13. The Applicant explained that the estimated 52% decrease in the maintenance of distribution reservoirs and standpipes is due to a one-time expense in 2011/12 associated with setting up a chlorination system. Mr. Isenor explained that the approximately 77% decrease between 2011/12 and 2012/13 in the maintenance of private hydrants expense is in error and results in a shortfall in the recovery of expenses of approximately \$18,000.

[20] The Applicant noted in response to the IRs that the bulk water revenue is included as a part of metered sales. This has the effect of overstating the Utility's revenue requirements by the amount of bulk water revenue, which is estimated to be approximately \$20,000 over the test period. Mr. Isenor noted that this over-recovery can be used to offset the approximately \$18,000 in private hydrant expense which was not included in the revenue requirements.

Findings

[21] The Board has considered the Utility's projected operating expenses. A number of the source of supply expenses are related to the Utility's work on the dam. The Board is encouraged that the development of the source water protection plan appears to be progressing.

[22] The underestimation in the private hydrant expense and the overestimation of the revenue requirement, due to the inclusion of bulk water rates as metered revenue, essentially cancel out. Any revisions to amend these two items would

have a minimal impact on rates and therefore the Board accepts the revenue requirements as filed. However, the Board reminds the Utility that bulk water sales should be reported as a separate line item.

[23] The Board accepts the Utility's explanation of its budgeting process. The Board has reviewed the Applicant's explanation of common costs between the Utility and the Town and finds it to be reasonable. The Board reminds the Utility that the methodology should be reviewed periodically to ensure that costs are accurately allocated between the two entities.

[24] Given the information provided, the Board finds the projected operating expenses for the test years, as described above, to be reasonable. The Board further accepts the annual depreciation expense, based upon the depreciation rates set out in the *Accounting Handbook* and as adjusted by the Utility.

2. Capital Budget

[25] Included in the Rate Study are the Utility's capital budgets for the test years, totaling \$2,386,000 in 2013/14, \$1,052,000 in 2014/15 and \$759,000 in 2015/16. One significant project is the dam rehabilitation/spillway project in the amount of \$1,500,000 in 2013/14, with an associated \$30,000 indicated in the year prior to the test year. The Utility explained:

Based on a consultant's report, to meet a one in one thousand year storm the dam will have to be raised two metres and a new spillway constructed at an estimated cost of \$1,500,000. The utility plans to carry out a detailed review of the watershed to determine if other actions can be taken to reduce the capital expenditure of raising the dam and building a new spillway. This project is estimated to cost \$30,000.

[Exhibit T-3, IR-24]

[26] The capital budgets include amounts of \$286,000, \$437,000, and \$379,000, respectively over each of the test years related to transmission and distribution mains, and an annual amount of \$155,000 related to meters. Mr. Isenor noted that the Utility's non-revenue water, which was the subject of some discussion during the Utility's last rate application, has reduced due to its main replacement program, which focusses on replacing old mains. The Applicant noted that, based upon its latest figures, the current non-revenue water is 26.6%, in comparison with amounts of 30.8% in 2009/10, and 32.8% in 2008/09. With respect to the status of its water loss management program, which the Board encouraged the Utility to develop as a part of the last rate application, the Utility stated:

Still developing specifications for new metering system which will incorporate infrastructure for district metering system. Currently have leak detection gear and have developed improved work practice for leak detection, main valve operations and efficiency of isolation break areas to prevent water losses.

[Exhibit T-3, IR-33 b) ii.]

[27] The Applicant noted that although it is constantly looking for external funding for capital projects, none has been identified at this time. The Application proposes to fund the capital expenditures in the test years as follows:

	2013/14	2014/15	2015/16
Depreciation Funds	\$ 586,000	\$ 812,000	\$484,000
Long Term Debt	\$1,500,000		
Capital out of Revenue	<u>\$ 300,000</u>	<u>\$ 240,000</u>	<u>\$275,000</u>
Total	<u>\$2,386,000</u>	<u>\$1,052,000</u>	<u>\$759,000</u>

[28] The Utility's depreciation fund balance at the beginning of the 2013/14 fiscal year, as indicated in the Rate Study, is \$545,217. With the projected increases, due to the additions to the capital assets, and drawdowns due to proposed funding, it is projected that the depreciation fund balance will be \$578,784 at the end of the test period.

Findings

[29] The Board understands that the Utility has an aggressive capital program consisting of main and meter replacements, and to completion of the major dam rehabilitation project so as to meet the requirements for a 1 in 1,000 year storm. The Board is encouraged that the Utility has seen a reduction in non-revenue water and urges the utility to proceed with its water loss management and metering programs in a timely manner. Based upon the information provided, the Board accepts the Utility's proposed capital program.

[30] The Board has considered the Utility's proposed funding through depreciation, long term debt, and capital from revenue. The Board notes that the Utility is projecting to have a healthy depreciation fund balance at the end of the test period. It is further noted that while the capital from revenue amounts appear high, they are roughly equivalent to the proposed funding of meters, hydrants, sprinklers and services, which are often described as "routine" items funded from revenue. The proposed capital from revenue is further discussed below.

[31] The Board accepts the Utility's proposed funding as set out in the Application. However, given the significant capital expenditures projected, the Board encourages the Utility to actively seek external funding opportunities, which could be used to reduce both the debt and capital from revenue funding.

[32] The Utility is reminded that inclusion of the proposed capital projects in the Rate Study does not constitute Board approval of these projects. Separate Board approval is required prior to construction for all capital projects in excess of \$250,000, as set out in s. 35 of the *Act*.

3. Non-operating Revenue and Expenditures

[33] The Rate Study includes non-operating revenue identified as an HST offset grant of \$15,000, and miscellaneous of \$18,000, in each of the test years. The Applicant explained that the HST offset grant is part of a program to help Municipal units deal with increased costs for services due to the implementation of the HST. The funds are distributed by Service Nova Scotia and Municipal Relations and are allocated based upon the Municipal unit's share of its federal portion of the HST. The Utility stated the miscellaneous revenue is a best estimate of revenues received from "turn on/turn off" and new account fees.

[34] The non-operating expenditures include the debt charges, both existing and new, change in post-employment benefits, bank charges and interest, and capital out of revenue.

[35] The Applicant explained that the existing debt charges relate to two capital projects in 2010, with dates of maturity of 2030 and 2031. The new debt charges relate to funding a portion of the Utility's projected capital program over the test years, as set out above. The new debt charges are based upon a 5.0% interest rate with a 20 year term.

[36] The item, "change in post-employment benefits", is a projected annual expense of \$5,000 over each of the test years. The Utility explained:

The Town and Utility provide a Post-Employment Benefit to employees upon approved retirement, based on the balance of the employees' sick bank, to a maximum of 1,040 hours. To comply with a change in Generally Accepted Accounting Principles the total liability was phased in and expensed over the four fiscal years ending March 31, 2012. Budget estimates for 2012-13 forward are staff best estimates for the annual change in that benefit liability.

[Exhibit T-3, IR-11a)]

[37] The non-operating expense item of bank charges and interest is projected over the test years at an annual expense of \$2,000. The Applicant explained that this amount is based upon the Utility operating bank account balances through the fiscal year.

[38] During the Utility's last rate application it was noted by the Board that the Utility was funding significant amounts of capital from revenue and, for the purposes of the 2009 rate application, the funding levels were lowered, with the difference funded through long-term borrowing. As noted above, the Rate Study proposes capital from revenue of \$300,000, \$240,000 and \$275,000, respectively, in each of the test years.

The Utility supported its proposed funding, noting that :

The Utility feels it is balancing the planned spending over the upcoming years. Including the current year, the Utility is planning on spending a total of \$5,237,800 on capital works. The Utility feels it has reached a balance in funding this expenditure by using \$2,654,800 for the depreciation fund, \$1,083,000 from capital from revenue and the balance, \$1,500,000 from long term debt. The depreciation fund balance is currently (2012 Financial Statements) \$790,905 and is projected to be \$578,784 at the end of the third test year. The Utility feels that the customers are best served in the long run by maintaining a balanced approach in spending which includes keeping sufficient funds in the depreciation fund to allow for higher spending in future years.

[Exhibit T-3, IR-13]

[39] The Rate Study calculates the return on rate base as 1.57% in 2013/14, 1.95% in 2014/15, and 2.06% in 2015/16. In response to the IRs, the Utility corrected the line item "Less Accumulated Depreciation on actual cost of plant in service (Estimated)" and filed a revised calculation of return on rate base. The revised figures are 1.61%, 2.01% and 2.13%, respectfully, in each of the test years. Mr. Isenor explained that the return is small because of the Utility's low debt ratios.

Findings

[40] The Board has reviewed the projected non-operating revenues and expenditures contained in the Rate Study and finds them to be reasonable. It appears that the Utility has considered its funding options and balanced the financing need with the impact on its rates and depreciation fund balance. The capital from revenue amounts are significantly less than those proposed in the previous rate study and less than the amounts approved by the Board as a part of that application. They are also close to “routine” capital expenditures for hydrants and meters. The Board accepts the level of capital out of revenue as proposed in the Rate Study.

[41] The Board finds the revised calculation of return on rate base, based upon the Utility’s projected non-operating revenues and expenditures, to be reasonable and in accordance with the *Accounting Handbook*.

IV ALLOCATION OF REVENUE REQUIREMENTS

1. Public Fire Protection

[42] The methodology used in the determination of the public fire protection charge is consistent with that used in the last rate application and is consistent with the methodology as set out in the *Accounting Handbook*.

[43] Mr. Isenor noted that the allocation of utility plant in service to public fire protection has decreased slightly, from approximately 26% in the last rate study to approximately 24% in the current Rate Study. He explained that this is caused by the items in capital spending, of which the significant amount on the dam spillway have the most effect as it is allocated 10% to public fire protection.

[44] The total public fire protection is to be allocated among the Town, Municipality, Village and Millbrook, based upon the number of hydrants in each unit. The Applicant stated that there are currently 588 hydrants in the system, of which 486 are in the Town, 20 in the Municipality, 64 in the Village and 18 in Millbrook.

[45] During the last rate application the Utility indicated that there were some areas of the system which received less than adequate fire protection. The Applicant explained that this situation has improved through refocusing its capital program on main improvements:

The streets (mains) that had extremely high improvement rating number were improved in the previous test years. One street with a high rating and others with moderate ratings are proposed for improvement in the current test years, as the capital program is refocused to main improvements.

[Exhibit T-3, IR-29]

Findings

[46] Based upon the information provided, the Board accepts and approves the total annual fire protection charge and the method of its allocation to the Town, Municipality, Village and Millbrook, as presented in the Rate Study. The fire protection charge for 2013/14 will be based upon prorating the current charge and the new charge.

2. Utility Customers

[47] The remaining revenue requirements, after the allocation to fire protection charges, are to be recovered from the rates applied to the Town's customers. The methodology used to allocate the remaining expenses to base, customer, delivery and production categories is consistent with that used in the Utility's previous rate application with the exception of the allocation of return on rate base. The return on

rate base is allocated as 40% to base charge in each of the three test years, however, the allocation of the remaining 60% to delivery and production is proposed to vary over the test years. The allocation to delivery/production is 50%/10% in 2013/14, 40%/20% in 2014/15 and 30%/30% in 2015/16.

[48] The Applicant explained that the revised allocation of return on base is consistent with *the Accounting Handbook* and is proposed to ensure that customers in the second block consumption rate pay a portion of the return on rate base costs. Mr. Gates explained that the change in the allocation has been proposed to provide a better reflection of the use of capital, as it was believed, in the past, the second block rate was not being apportioned its share of this cost.

[49] The Rate Study further includes a contribution from current surplus of \$70,000 in 2013/14 and \$60,000 in 2014/15, applied equally to the delivery and production cost items, in order to moderate the rate increases in the first two test years. As a result of this contribution, in 2013/14, the proposed consumption charges decrease (ie. an approximately 5% decrease for the first block rate and 4% decrease for the second block rate), while the proposed base charges increase by approximately 20%.

[50] Mr. Isenor explained that as the Utility has experienced increased costs associated with water treatment and transmission and distribution, both of which are allocated 100% to commodity charges, it was believed that all of the contribution should be used towards lowering the allocation to commodity charges. The Board questioned this methodology and noted that the principle of steady rates should be considered given the variations in rates proposed. In response to Undertaking U-2, the Utility provided a Revised Rate Study, which attempts to keep the consumption rate stable

with existing rates in the first test year. The Revised Rate Study increased the amount of surplus contribution in 2013/14 to \$75,000, while keeping the 2014/15 contribution at \$60,000, and applied the entire amounts to the base charge in each year.

[51] As discussed above, the Application proposes to retain the two block consumption rate structure, with the “cut-off” volume between first and second block consumption proposed to remain the same, at 1250 cubic metres per quarter (417 cubic metres per month). The Utility explained that it serves large industrial users and it saw no reason at this point to change the two block rate structure. The Board noted that there is an error in the description of second block consumption in the proposed Schedule of Rates, which should read “greater than 417 cubic meters” per month, not “0 to 417 cubic metres” per month, which the Applicant acknowledged.

[52] With respect to the unmetered customers, the Utility explained that although it is continuing its investigation to meter all locations, there are a number of buildings which present frost issues. The proposed unmetered rate is based upon the base rate proposed for a 5/8” residential customer and quarterly consumption of 68 cubic metres.

[53] Mr. Isenor noted, in his opinion, the proposed rates are consistent with similar water utilities.

Findings

[54] The Board accepts the proposed allocation of the return on rate base, as presented in the Rate Study. The Board further accepts the retention of the two block

rate structure, with the revision to the definition of the second block consumption in the Schedule of Rates, as noted above.

[55] The Board further accepts the assumptions used in the proposed unmetered rates, which are reasonable in comparison with other rate applications. The Board reiterates its statement in the previous rate application, and noted above, that the Utility should aggressively pursue installing meters and developing its new metering system to both aid in leak detection, and in billing customers for the actual amount of water used.

[56] The Board finds that the rates proposed in the Revised Rate Study filed in response to Undertaking U-1 provide a more reasonable alternative than the decrease followed by an increase in the consumption charge as proposed in the original Rate Study. The consumption rates calculated for 2013/14 in the response to Undertaking U-1 are \$0.01 less than the current rates for each of the blocks. The Board accepts the calculations of the base and commodity charges in the Revised Rate Study, with the amendment that the commodity charges remain the same in 2013/14. The Revised Rate Study has no impact on the rates proposed in the original Rate Study for the public fire protection charges in each of the test years, or the customer charges in 2015/16.

V MISCELLANEOUS RATES AND CHARGES

[57] The Applicant noted that the only change proposed to charges for other services it provides (i.e. miscellaneous charges), is to the Bulk Fill Station Fee Schedule. In response to an IR the Utility explained that the methodology used to calculate the bulk water rates included the operating costs and a profit mark-up of 30%,

which is consistent with the practice used by other water utilities in the Province. It further explained the proposed changes to the Fee Schedule:

In the last rate application the Utility planned on constructing a bulk station with a card access system. Costs for this station were higher than anticipated and as an alternative the Utility installed individual secured meters for those bulk haulers that requested access to bulk water. The system has worked well and the Utility plans on continued use of the system. The rate structure outlined in the Schedules is based on continued use of this metered system.

[Exhibit T-3, IR-41]

Findings

[58] The Board approves the miscellaneous rates as proposed, including the proposed bulk fill charges, which have been calculated using a methodology which is consistent with other utilities and the Utility's previous rate application. The Board further approves the proposed revisions to the Bulk Fill Station Fee Schedule, which reflects the current practice.

[59] Upon review of the due date for the payment of the public fire protection charge, it was noted that there is a typo in the proposed schedules with respect to the test years, as September 30, 2010 and September 30, 2012 are proposed in each of 2014/15 and 2015/16. This has been revised to September 30, 2014 and September 30, 2015, respectively.

VI SCHEDULE OF RATES AND CHARGES - SUMMARY

[60] As noted above, the Rate Study proposes rates in the first test year which consist of increases in excess of 20% to base charges and decreases to the consumption charges. The Utility filed a Revised Rate Study in response to Undertaking U-1, which applies the surplus contribution entirely to base charges in each

of 2013/14 and 2014/15. In addition, the Revised Rate Study increases the surplus contribution in the first test year from the \$70,000 used in the Rate Study to \$75,000. This has the effect of lowering the base charge and increasing the consumption charges in each of the first two test years. The final test year remains as is proposed in the Rate Study.

[61] The Applicant noted, in response to Undertaking U-1, that the changes set out in Undertaking U-1 result in a first block rate of \$0.92 per cubic metre and a second block rate of \$0.52 per cubic metre, in comparison with the current rates per cubic metre of \$0.93 and \$0.53, respectively.

[62] The Board finds the methodology used in the Revised Rate Study, which differs from the original Rate Study only with respect to the allocation of the surplus contribution, to be reasonable. The rates calculated using this methodology provide a better balance in the increases to base and consumption charges. The rates proposed in the Revised Rate Study result in slight decreases to some customers' bills with slight increases to others in comparison to those originally proposed. For example, in the Revised Rate Study, the average quarterly residential customer bill was proposed to be \$103.84 in 2013/14 and \$109.89 in 2014/15. In the Rate Study, the proposed average quarterly residential bills in each of the first two test years are \$105.09 and \$110.78, respectively. The corresponding bills for a 3" meter size customer are \$5,002.27 and \$5,115.52 in the Revised Rate Study, and \$4,940.50 and \$5,050.10 in the Rate Study, respectively.

[63] The Board approves the rates for each of the test years as calculated in the Revised Rate Study filed in response to Undertaking U-1, with the exception of the

consumption charges in 2013/14. Given the \$0.01 difference in consumption charges as calculated in the Revised Rate Study from current levels, the Board approves the rates in 2013/14, with no change to the current consumption levels (i.e. at \$0.93 per cubic meter for first block consumption and \$0.53 per cubic metre for second block consumption).

[64] The approved rates are attached hereto as Schedules “A”, “B” and “C”. The public fire protection charge in Schedule “A” is based upon prorating the existing rate over the period of April 1, 2013 to May 1, 2013, and prorating the new rate over the remainder of the 2013/14 fiscal year.

VII RULES AND REGULATIONS

[65] The response to the IRs (IR-42) lists the proposed changes to the Schedule of Rules and Regulations. The response further submitted a revised page 1 of the Rules and Regulations which replaced the proposed definition of “flat rate service” with “unmetered service”, as currently exists.

[66] It is proposed to change the interest applied in Regulation 3 “Deposits” from 4% per annum to “...the current simple interest rate being paid by the Utility’s chartered bank.” This proposed change was discussed during the public hearing, with a view to changing the interest rate to 2% per annum. In response to Undertaking U-2, the Applicant confirmed the proposed rate as 2 % per annum, not compounded. The response further proposed to add the phrase “... and discharges all his liability to the utility in respect of such service”, as follows:

DEPOSITS: When required, an applicant for service shall deposit with the Utility a sum equal to the estimated charges for such service for a period of six months. The estimated charges will be based on the minimum bill for metered customers. This deposit shall be

held by the Utility as collateral security for the payment of the customer's bills, but is not to be considered as a payment on account thereof. When the customer ceases to use the service and discharges all his liability to the utility in respect of such service, the deposit shall be returned to him with interest at the rate of 2% per annum, not compounded.

[67] With respect to Regulation 18 "Cross Connection Control and Backflow Prevention", the Utility indicated that it does not currently have an active program dealing with this issue, as it is still in the process of being reviewed by the Town's legal department.

Findings

[68] The Board finds the proposed changes to the Utility's Schedule of Rules and Regulations, with the amendments as noted above to Regulation 3 "Deposits", to be reasonable. The Board notes that an active program for cross connection control is a good utility practice and encourages the Utility to finalize such a program,

[69] The Schedule of Rates, Rules and Regulations is approved with an effective date of May 1, 2013.

[70] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 1st day of May, 2013.



Murray E. Doehler

Schedule A

Town of Truro Water Utility

Schedule of Rates for Water and Water Services

(Effective for water supplied on and after 1 May, 2013)

RATES

The rates set out below are the rates approved by the Board for water and water services when payment is made within 30 days from the date rendered as shown on the bill.

When payment is made after 30 days from the date rendered as shown on the bill, the rates will include interest charges of 1.25% per month, or part thereof. Each bill shall show the amount payable within 30 days from the date rendered as shown on the bill.

In this Schedule, the word "Utility" means the Water Utility of the Town of Truro.

1. **Rates:**

(a) <u>Base Charges</u>	<u>Quarterly</u>	<u>Monthly Billing at Utility's Option</u>
Unmetered (based on 68 cubic metres per quarter)	\$ 118.90	
<u>Size of Meter</u>		
5/8"	\$ 55.66	
3/4"	82.66	
1"	136.66	
1.5"	271.67	
2"	433.68	
3"	865.71	\$ 288.57
4"	1,351.74	450.58
6"	2,701.82	900.61
8"	4,861.96	1,620.65
(b) <u>Consumption Rate</u> (per cubic metre)		
\$0.93	(0 to 1250 c.m.)	(0 to 417 c.m.)
\$0.53	(over 1250 c.m.)	(over 417 c.m.)

(c) Minimum Bill

The minimum bill shall be the Base Charge.

2. PUBLIC FIRE PROTECTION CHARGE

The Town of Truro shall pay annually to the water utility for fire protection on or before September 30, 2013 the sum of \$763,785. The fire protection charge shall be apportioned between the Town of Truro, Colchester County, the Village of Bible Hill and Millbrook First Nation based on the number of hydrants in each Unit.

3. RATES FOR SPRINKLER SERVICE

Each building having a sprinkler system installed shall pay annually for the service as follows:

Each building serviced by a sprinkler service pipe of 6" or less in diameter	\$250.00
Each building serviced by a sprinkler service pipe of 8" or more in diameter	\$300.00

4. WATER FOR BUILDINGS OR WORKS UNDER CONSTRUCTION

The Utility may furnish water to any person requiring a supply thereof for the construction of a building or other works. This person shall deposit with the Utility such sum as may be determined by the Utility as is sufficient to defray the cost of making the necessary connection to any water service or main together with the cost of the meter to be installed to measure the water consumed. Upon completion of the work and the return of the meter to the Utility, a refund will be made after deducting the cost, if any, of repairing the meter and of testing the same and payment of the base and connection charges and the consumption rates in respect to such installation.

5. PRIVATE HYDRANT RATES

Per hydrant per year \$200.00.

6. RATES FOR WATER SUPPLIED FROM FIRE HYDRANTS

Whenever the use of any fire hydrant is desired for supplying water for any purpose, excepting those of the Fire Department for fire use, the Utility may grant a permit containing such terms and conditions as it may provide, including arrangements regarding supervision of the opening and closing of the hydrant, and a service charge for commercial consumers of \$60.00 for connection and disconnection and a consumption charge for the amount of water used, as estimated by the Water Utility, at meter consumption rates.

7. CHARGES FOR RE-ESTABLISHING WATER SERVICE

When water service has been suspended for any violation of the Rules and Regulations of the Utility, such water service shall not be re-established until a reconnection charge of \$50.00 has been paid to the Utility. If reconnection is outside of regular working hours, the charge is \$200.00.

8. CONNECTION FEE

The Utility shall charge a \$50.00 fee for the creation of a water account, notwithstanding the fact that no physical disconnection of the system may have occurred.

9. DISCONNECTION FEE

Whenever a customer, for any reason requests that the water be turned off from any premises, a charge of \$50.00 shall be made for turning off the water, and no additional charge shall be made for turning it on again when this is requested unless such request is after regular working hours of the Utility when a fee of \$200.00 shall apply.

10. SPECIAL SERVICE CHARGE

A special service charge of \$50.00 (\$200.00 if such work is performed after regular working hours) shall be made to each customer receiving a necessary or requested service, such as the shutting off or turning on of water service or other special services not provided for elsewhere in the schedules or the rules and regulations. In the case where the shutting off is requested because there is no operable shut off valve serving the dwelling, an isolation valve must be installed.

11. CHARGE FOR NON-NEGOTIABLE CHEQUES

The Utility may charge a \$25.00 administration fee for cheques that, due to non-negotiability, have been rejected by the Utility's bank.

12. CHARGE FOR MISSED APPOINTMENT BY CUSTOMERS

Where an appointment has been made by a customer to have a water service hooked up or a meter inspected, or water turned on to a property, or other visits to the property for the inception or maintenance of water service to the property, and the customer fails to keep the appointment or the plumbing is not completed to allow for installation of a water meter and the Utility's staff have to return to the property, there may be a charge of \$25.00 for each visit if, in the judgment of the Utility, it is required.

Schedule B

Town of Truro Water Utility

Schedule of Rates for Water and Water Services

(Effective for water supplied on and after 1 April, 2014)

RATES

The rates set out below are the rates approved by the Board for water and water services when payment is made within 30 days from the date rendered as shown on the bill.

When payment is made after 30 days from the date rendered as shown on the bill, the rates will include interest charges of 1.25% per month, or part thereof. Each bill shall show the amount payable within 30 days from the date rendered as shown on the bill.

In this Schedule, the word "Utility" means the Water Utility of the Town of Truro.

1. **Rates:**

(a) <u>Base Charges</u>	<u>Quarterly</u>	<u>Monthly Billing at Utility's Option</u>
Unmetered (based on 68 cubic metres per quarter)	\$ 124.79	
<u>Size of Meter</u>		
5/8"	\$ 59.51	
3/4"	88.42	
1"	146.24	
1.5"	290.79	
2"	464.25	
3"	926.80	\$ 308.93
4"	1,447.17	482.39
6"	2,892.65	964.22
8"	5,205.41	1,735.14
(b) <u>Consumption Rate</u> (per cubic metre)		
\$0.96	(0 to 1250 c.m.)	(0 to 417 c.m.)
\$0.56	(over 1250 c.m.)	(over 417 c.m.)

(c) Minimum Bill

The minimum bill shall be the Base Charge.

2. PUBLIC FIRE PROTECTION CHARGE

The Town of Truro shall pay annually to the water utility for fire protection on or before September 30, 2014 the sum of \$824,055. The fire protection charge shall be apportioned between the Town of Truro, Colchester County, the Village of Bible Hill and Millbrook First Nation based on the number of hydrants in each Unit.

3. RATES FOR SPRINKLER SERVICE

Each building having a sprinkler system installed shall pay annually for the service as follows:

Each building serviced by a sprinkler service pipe of 6" or less in diameter	\$250.00
Each building serviced by a sprinkler service pipe of 8" or more in diameter	\$300.00

4. WATER FOR BUILDINGS OR WORKS UNDER CONSTRUCTION

The Utility may furnish water to any person requiring a supply thereof for the construction of a building or other works. This person shall deposit with the Utility such sum as may be determined by the Utility as is sufficient to defray the cost of making the necessary connection to any water service or main together with the cost of the meter to be installed to measure the water consumed. Upon completion of the work and the return of the meter to the Utility, a refund will be made after deducting the cost, if any, of repairing the meter and of testing the same and payment of the base and connection charges and the consumption rates in respect to such installation.

5. PRIVATE HYDRANT RATES

Per hydrant per year \$200.00.

6. RATES FOR WATER SUPPLIED FROM FIRE HYDRANTS

Whenever the use of any fire hydrant is desired for supplying water for any purpose, excepting those of the Fire Department for fire use, the Utility may grant a permit containing such terms and conditions as it may provide, including arrangements regarding supervision of the opening and closing of the hydrant, and a service charge for commercial consumers of \$60.00 for connection and disconnection and a consumption charge for the amount of water used, as estimated by the Water Utility, at meter consumption rates.

7. CHARGES FOR RE-ESTABLISHING WATER SERVICE

When water service has been suspended for any violation of the Rules and Regulations of the Utility, such water service shall not be re-established until a reconnection charge of \$50.00 has been paid to the Utility. If reconnection is outside of regular working hours, the charge is \$200.00.

8. CONNECTION FEE

The Utility shall charge a \$50.00 fee for the creation of a water account, notwithstanding the fact that no physical disconnection of the system may have occurred.

9. DISCONNECTION FEE

Whenever a customer, for any reason requests that the water be turned off from any premises, a charge of \$50.00 shall be made for turning off the water, and no additional charge shall be made for turning it on again when this is requested unless such request is after regular working hours of the Utility when a fee of \$200.00 shall apply.

10. SPECIAL SERVICE CHARGE

A special service charge of \$50.00 (\$200.00 if such work is performed after regular working hours) shall be made to each customer receiving a necessary or requested service, such as the shutting off or turning on of water service or other special services not provided for elsewhere in the schedules or the rules and regulations. In the case where the shutting off is requested because there is no operable shut off valve serving the dwelling, an isolation valve must be installed.

11. CHARGE FOR NON-NEGOTIABLE CHEQUES

The Utility may charge a \$25.00 administration fee for cheques that, due to non-negotiability, have been rejected by the Utility's bank.

12. CHARGE FOR MISSED APPOINTMENT BY CUSTOMERS

Where an appointment has been made by a customer to have a water service hooked up or a meter inspected, or water turned on to a property, or other visits to the property for the inception or maintenance of water service to the property, and the customer fails to keep the appointment or the plumbing is not completed to allow for installation of a water meter and the Utility's staff have to return to the property, there may be a charge of \$25.00 for each visit if, in the judgment of the Utility, it is required.

13. BULK FILL STATION FEE SCHEDULE

1. Annual Bulk Fill Station Permit Fee - An annual permit fee will be charged for each and every water hauler for access to the bulk station. Permit fees will be charged as follows:

Access Fee	\$150.00 per year (\$37.50 per quarter)
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2. Consumption Rates - Consumption rate for water accessed through the bulk station will be \$2.46 per cubic metre.
3. Consumption charges will be invoiced to the hauler.
4. Bulk fill station procedures as prescribed by the Utility must be adhered to at all times in order to retain the permit. Contravention of the permit requirements shall result in termination of the annual bulk fill station permit.
5. The Utility reserves the right to control the flow rates at the bulk fill station.

Schedule C



Town of Truro Water Utility

Schedule of Rates for Water and Water Services

(Effective for water supplied on and after 1 April, 2015)

RATES

The rates set out below are the rates approved by the Board for water and water services when payment is made within 30 days from the date rendered as shown on the bill.

When payment is made after 30 days from the date rendered as shown on the bill, the rates will include interest charges of 1.25% per month, or part thereof. Each bill shall show the amount payable within 30 days from the date rendered as shown on the bill.

In this Schedule, the word "Utility" means the Water Utility of the Town of Truro.

1. **Rates:**

(a)	<u>Base Charges</u>	<u>Quarterly</u>	<u>Monthly Billing at Utility's Option</u>
	Unmetered (based 68 cubic metres per quarter)	\$ 130.08	
	<u>Size of Meter</u>		
	5/8"	\$ 63.44	
	3/4"	94.29	
	1"	155.99	
	1.5"	301.24	
	2"	495.34	
	3"	988.94	\$ 329.65
	4"	1,544.24	514.75
	6"	3,086.74	1,028.91
	8"	5,554.74	1,851.58
(b)	<u>Consumption Rate</u> (per cubic metre)		
	\$0.98	(0 to 1250 c.m.)	(0 to 417 c.m.)
	\$0.58	(over 1250 c.m.)	(over 417 c.m.)

(c) Minimum Bill

The minimum bill shall be the Base Charge.

2. PUBLIC FIRE PROTECTION CHARGE

The public fire protection charge, in the amount of \$857,304 shall be paid to the Water Utility, on or before September 30, 2015. The fire protection charge shall be apportioned among the Town of Truro, the Municipality of County of Colchester, the Village of Bible Hill and the Millbrook First Nation based on the number of hydrants in each Unit.

For subsequent years, the annual public fire protection rate shall be based on the above, or:

- a) The sum of 25.1% of transmission and distribution, taxes and depreciation expenses of the Utility and return on rate base of the immediately preceding year, plus
- b) 10% of all other expenses,

whichever is the greater.

3. RATES FOR SPRINKLER SERVICE

Each building having a sprinkler system installed shall pay annually for the service as follows:

Each building serviced by a sprinkler service pipe of 6" or less in diameter	\$250.00
Each building serviced by a sprinkler service pipe of 8" or more in diameter	\$300.00

4. WATER FOR BUILDINGS OR WORKS UNDER CONSTRUCTION

The Utility may furnish water to any person requiring a supply thereof for the construction of a building or other works. This person shall deposit with the Utility such sum as may be determined by the Utility as is sufficient to defray the cost of making the necessary connection to any water service or main together with the cost of the meter to be installed to measure the water consumed. Upon completion of the work and the return of the meter to the Utility, a refund will be made after deducting the cost, if any, of repairing the meter and of testing the same and payment of the base and connection charges and the consumption rates in respect to such installation.

5. PRIVATE HYDRANT RATES

Per hydrant per year \$200.00.

6. RATES FOR WATER SUPPLIED FROM FIRE HYDRANTS

Whenever the use of any fire hydrant is desired for supplying water for any purpose, excepting those of the Fire Department for fire use, the Utility may grant a permit containing such terms and conditions as it may provide, including arrangements regarding supervision of the opening and closing of the hydrant, and a service charge for commercial consumers of \$60.00 for connection and disconnection and a consumption charge for the amount of water used, as estimated by the Water Utility, at meter consumption rates.

7. CHARGES FOR RE-ESTABLISHING WATER SERVICE

When water service has been suspended for any violation of the Rules and Regulations of the Utility, such water service shall not be re-established until a reconnection charge of \$50.00 has been paid to the Utility. If reconnection is outside of regular working hours, the charge is \$200.00.

8. CONNECTION FEE

The Utility shall charge a \$50.00 fee for the creation of a water account, notwithstanding the fact that no physical disconnection of the system may have occurred.

9. DISCONNECTION FEE

Whenever a customer, for any reason requests that the water be turned off from any premises, a charge of \$50.00 shall be made for turning off the water, and no additional charge shall be made for turning it on again when this is requested unless such request is after regular working hours of the Utility when a fee of \$200.00 shall apply.

10. SPECIAL SERVICE CHARGE

A special service charge of \$50.00 (\$200.00 if such work is performed after regular working hours) shall be made to each customer receiving a necessary or requested service, such as the shutting off or turning on of water service or other special services not provided for elsewhere in the schedules or the rules and regulations. In the case where the shutting off is requested because there is no operable shut off valve serving the dwelling, an isolation valve must be installed.

11. CHARGE FOR NON-NEGOTIABLE CHEQUES

The Utility may charge a \$25.00 administration fee for cheques that, due to non-negotiability, have been rejected by the Utility's bank.

12. CHARGE FOR MISSED APPOINTMENT BY CUSTOMERS

Where an appointment has been made by a customer to have a water service hooked up or a meter inspected, or water turned on to a property, or other visits to the property for the inception or maintenance of water service to the property, and the customer fails to keep the appointment or the plumbing is not completed to allow for installation of a water meter and the Utility's staff have to return to the property, there may be a charge of \$25.00 for each visit if, in the judgment of the Utility, it is required.

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Access Fee	\$150.00 per year (\$37.50 per quarter)
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5. The Utility reserves the right to control the flow rates at the bulk fill station.