

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE PUBLIC UTILITIES ACT

- and -

IN THE MATTER OF AN APPLICATION by the **TOWN OF ANTIGONISH** on behalf of its **WATER UTILITY** for Approval of Amendments to its Schedule of Rates and Charges for Water and Water Services and its Schedule of Rules and Regulations

BEFORE: Steven M. Murphy, MBA, P.Eng., Member

APPLICANTS: **TOWN OF ANTIGONISH**
Gerry Isenor, P.Eng.
G.A. Isenor Consulting Limited

Blaine Rooney, CPA, CA
Blaine S. Rooney Consulting Limited

Jeff Lawrence
Chief Administrative Officer

Meaghan Barkhouse, MBA, CPA, CMA
Director of Corporate Services

Ken Proctor, P. Eng.
Director of Public Works

Kyle Meisner
Supervisor of Facilities

HEARING DATE: February 20, 2024

FINAL SUBMISSIONS: March 5, 2024

DECISION DATE: **March 18, 2024**

DECISION: **Schedules of Rates and Charges effective April 1, 2024, are approved, as amended by the Utility in Undertaking U-6.**

Schedule of Rules and Regulations effective April 1, 2024, are approved.

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I SUMMARY

[1] The Town of Antigonish (Town) applied to the Nova Scotia Utility and Review Board on behalf of its water utility (Utility) to amend its Schedule of Rates and Charges for Water and Water Services and its Schedule of Rules and Regulations. The existing rates and charges have been in effect since April 1, 2022, while the Schedule of Rules and Regulations has been in effect since July 1, 2020.

[2] A rate study to support the application, dated September 11, 2023, was prepared by G.A. Isenor Consulting Limited, in association with Blaine S. Rooney Consulting Limited, and was submitted to the Board on October 13, 2023.

[3] Information Requests (IRs) were issued by Board staff on November 24, 2023, and responses were filed by the Utility on January 11, 2024.

[4] Initially, the rate study proposed amendments to rates for the fiscal years 2024/2025 and 2025/2026 for all customers. Based on average quarterly consumption for 5/8" meter customers, the proposed increases in each test year were 12.4% in 2024/25, and 4.9% in 2025/26 for those customers. For all other metered customers, based on the average quarterly consumption of each meter size, the proposed rate increases were between 20.6% and 30.4% in 2024/25, and 5.9% to 7.9% in 2025/26.

[5] In addition to serving customers in the Town, the Utility sells water to the Municipality of the County of Antigonish (the County) at a wholesale rate. The increases to the County's wholesale rate proposed in the Utility's original application, based on consumption, were 21.6% in 2024/25, and 6.1% in 2025/26.

[6] The Utility also proposed amendments to the annual public fire protection charge paid by the Town and the County for the provision of water for fire protection

services. This charge is allocated to each municipal unit based on the maximum required fire flows, adjusted for fire flow availability to the County. The total annual public fire protection charge, currently \$474,851, was proposed to increase to \$658,693 (a 38.7% increase) in 2024/25, and to \$709,540 (a 7.7% increase) in 2025/26.

[7] Following public notice, the Board held a hearing at the Town of Antigonish Council Chambers at 11:00 a.m., on Tuesday, February 20, 2024. Blaine Rooney of Blaine S. Rooney Consulting Limited represented the Utility. In addition, the Utility was represented by Meaghan Barkhouse, Director of Corporate Services, Ken Proctor, Director of Public Works, and Kyle Meisner, Supervisor of Facilities.

[8] No members of the public requested to speak during the hearing, and the Board did not receive any letters of comment from residents of the Town.

[9] A revised rate study was filed in response to Board IRs, and a final rate study was filed in response to Undertaking U-6 on March 5, 2024. It is the final rate study that is discussed in the remainder of this decision, unless otherwise noted.

[10] The final rate study, filed in response to undertakings, updated the allocation for the unaccounted-for water related to joint use pipes split between the County and the Utility. These revisions led to the Utility requesting amendments to the base charges for all meter sizes, the consumption rates, the wholesale rate for the County, and the fire protection charges over the test period, from what was in the original rate study.

[11] Based on average quarterly consumption for 5/8" meter customers, the revised proposed increase for these customers in the 2024/2025 test year is 12.0% and 4.9% in 2025/2026. For all other metered customers, based on the average quarterly consumption of each meter size, the revised proposed rate increases are between 20.2%

and 30.0% in 2024/2025, and 5.9% and 7.8% in 2025/2026. The total annual public fire protection charge, currently \$474,851, was revised to increase 40.9% to \$669,121 in 2024/2025, and 7.7% to \$720,423 in 2025/2026.

[12] The Board approves the rates and charges as filed in response to Undertaking U-6 for the 2024/2025 and 2025/2026 test years.

II INTRODUCTION

[13] The Town's water is supplied by the James River, where the Utility maintains and operates the James River Dam. This is an earth-filled concrete structure, reinforced with armor stone, providing gross storage of approximately 31 million gallons.

[14] The raw water is gravity-fed through the Utility's transmission system to the Brierly Brook Water Treatment Plant. This dissolved air floatation facility was commissioned in 2006 and has a capacity of approximately 1.8 million gallons per day. The distribution system is comprised of 32 km of ductile iron distribution piping with approximately 300 isolation valves. It includes two storage tanks with capacities of 1.2 million gallons and 800,000 gallons.

[15] In its response to IR-6, the Utility confirmed that the amount of non-revenue water in its system is approximately 17% of total production. This is the volume of water that is lost within the Utility's system and is therefore not able to be sold to recover expenses relating to the supply, treatment, and distribution of the water. Board Staff asked the Utility if it believes that it has been successful at addressing non-revenue water since its last rate study (also 17% at that time). The Utility stated that it has made progress, given that the overall quantity of water lost has decreased by approximately 3 million gallons between the rate studies.

[16] In response to IR-5, the Utility confirmed that it complies with Nova Scotia Environment's regulations for drinking water.

[17] The Utility currently serves 1,601 retail customers, the same amount indicated in the last rate study. Most of its customers (1,308) are residential, 5/8" meter size customers. There was some shifting of customers in rate sizes (for example, the Utility gained two 5/8" customers but lost four 3/4" customers) since the last rate case, but the number of overall customers remains the same. The Utility also supplies the County through ten metered connection points. The Utility projects that its customer base will remain stable over the test years.

[18] The rate study noted that the average water consumption for 5/8" customers has remained virtually unchanged since the previous rate study. In the previous rate study, the average annual 2022/2023 water consumption for a 5/8" customer was estimated at 42,735 imperial gallons, while the current rate study shows this amount as 42,774 imperial gallons for that year¹.

[19] The Board asked the Utility about changes to the average consumption of the remaining meter sizes in IR-66. In that IR, the Board stated that customers with 1", 3", 4", and 6" meter sizes notably decreased their consumption since the last rate case and asked the Utility to explain. The Utility described the changes that have occurred at St. FX University, including the increase of on-line versus in-person learning, and the changeout of water-using devices to more efficient ones. As the University is one of the largest customers in the Town, the Board understands that any notable changes to its water usage will then change the water-usage pattern of the Utility accordingly. The Utility also noted

¹ Calculated as actual annual current water consumption for all 5/8" customers of 55,948,000 imperial gallons divided by 1,308 customers.

that tracking usage patterns by meter size is challenging as the land use can change, and gave the example of a rental building that may have been used as an office but was converted to a hair salon, resulting in an entirely different water consumption pattern.

[20] At the time of application to the Board, the Utility did not have draft financial statements for 2022/2023 but later filed a copy of the draft statements with the Board on January 11, 2024. In the hearing, the Utility advised that the actual operating expenses were very close to the amount presented in the rate study for that year. However, given that actual revenue was a bit higher than projected, the Utility had a \$25,000 surplus as opposed to the \$12,000 loss they estimated. The Board received the finalized statements on February 29, 2024.

[21] The rate study was filed by the Utility based upon the need to adjust the rates on April 1, 2024, due to the Utility's present and upcoming financial requirements. The Utility stated that a rate increase was necessary to offset increases in operating expenditures and to minimize the projected annual deficiency of revenues.

III REVENUE REQUIREMENTS

a) Operating Expenditures

[22] Worksheet B-1 of the rate study indicated that the Utility's expenses were estimated to exceed revenues by \$480,916 in 2024/2025, increasing the Utility's existing accumulated deficit to \$888,351. Without a rate adjustment, the Utility expects expenses to exceed revenues by \$639,128 in 2025/2026, leading to an estimated accumulated deficit of \$1,527,479 at the end of the 2025/2026 fiscal year.

[23] In response to IR-35, the Utility indicated that cost allocations between the Town and the Utility were reviewed as part of the rate study, and that there were several

updates to ensure the most appropriate allocations were assigned to the cost categories. Although the Utility indicated in its response to the IR that it attached the cost details for these allocations, this was omitted in the submission. The Utility later submitted this detail in response to Undertaking U-3 on February 27, 2024.

[24] In response to IR-36, the Utility described its budgeting process:

The Director of Corporate Services develops a Town General Account budgeting template for each department within the Town, featuring a predominantly blank slate for the upcoming fiscal year. This template includes data from previous years (actual expenditures and budgetary allocation) facilitating comprehensive year-over-year analyses. The financial information provided to the department heads predominantly pertains to costs under the purview of Corporate Services. These include, yet are not limited to, salary, mandatory employment related costs, employee benefits, asset insurance, interest etc.

For the Water Utility, this template is distributed to the Director of Public Works for review and input of the remaining budgetary accounts. The Director of Public Works, together with the Supervisor of Facilities, will create and present an operating budget to the Director of Corporate Services. This budget will be reviewed and finalized with input from the Chief Administrative Officer in alignment with the water rate study.

Capital budgets are prepared by the Water Utility generally two to five years in advance. Capital items are slotted into years where they meet priority, or where they can be completed in conjunction with other Town General projects to avoid duplication of efforts. For example, a water line replacement or repair will be planned prior to a street needing to be repaved, rather than after. Funding for water capital projects from sources such as provincial funding or depreciation fund are looked at together with projected operating results and possible capital out of revenue contributions. Occasionally, larger projects will be deferred in the capital budget, when possible, to align with other sources of funding such as PCAP or Federal Investment Programs.

Town Council approves operating budgets in alignment with the water rate study.

[Exhibit A-5, p. 23]

[25] The Utility confirmed that this rate study includes the full depreciation of existing and proposed additions to plant and equipment and that all depreciation rates conform to the Nova Scotia Utility and Review Board Water Utility Accounting and Reporting Handbook (*Handbook*). The Utility also confirmed that it has been properly funding its depreciation fund since its last rate application.

[26] On April 6, 2021, the Board sent a letter to all the water utilities in Nova Scotia. In that letter, the Board discussed the Standard Water Balance (SWB)

methodology, which calculates the attainable minimum level of water system leakage in a system using best management practices. The methodology focuses on setting objectives and targets to improve utility operations, resulting in potential utility cost savings by reducing non-revenue water loss. The Board's letter encouraged water utilities to download and use the free American Water Works Association Water Audit Software, version 6, to input data to assess their respective water losses using the SWB methodology. During the hearing, the Utility advised that it had engaged consultants to help undertake this work. The Utility stated that it had completed the exercise and that the outcomes placed them in the medium to good category in its level of non-revenue water. When asked if the results of that study drove some of the decisions surrounding its capital program, and the Utility advised it did. The Utility stated that the exercise identified some projects that need attention and advised that it considered it a worthwhile exercise.

[27] The Utility included costs for leak detection each test year and advised that it included expenses for the completion of an Infrastructure Leak Index (ILI) study, and the purchase of pipe detection equipment.

[28] The Utility included a new line item in its Source of Supply operating expenses, "SOS – Other Sources" for 2022/2023, and then continuing into all test years, which the Board inquired about in IR-39. The Utility advised that this line item represents the purchase of water from the County's supplemental well system in times of drought. The Board asked further questions about the Utility's use of the County's well in the hearing. When asked how often the wells are used, the Utility advised that it depends on the type of summer it has, but on average, they are used two to three times per year, for roughly seven days at a time. The Utility advised that the supplemental wells are probably

looking after less than 10% of the Utility's needs. When asked if in a drought, the Utility's source water and the use of the County's wells provide sufficient supply, the Utility advised that sometimes this is close, and that is one of the reasons why the Utility is investigating additional test wells, discussed later in this Decision.

[29] There were a number of expenses that had increased from the Utility's last rate application. The Utility advised that the costs included in its last rate application were based on the available information at the time. The Utility stated that since its last rate application, there was a global pandemic, and the associated resurgence of inflation impacted all operations and costs.

[30] The Utility stated that the key cost driver for this rate application is inflationary pressures and mentioned other cost drivers which include the effects of COVID-19 on revenues, the effects of severe weather events on expenses, the inclusion of earnings in the last test year, and increases in depreciation expenses.

[31] Depreciation has been calculated by taking the current full depreciation expense on existing assets, plus the estimated annual depreciation expense of the capital additions starting the year after purchase.

Findings

[32] The Board understands that inflationary pressures, along with increased depreciation are driving the increased costs of the operating expenses, which the Board finds reasonable. The Board accepts the explanations for the changes provided by the Utility.

[33] In the Board's Decision for the Utility's last rate application, the Board had noted that the Utility should continue to review the allocation of expenses between the

Town and the Utility periodically to ensure that they remain appropriate. The Board understands that the Utility has reviewed and updated these allocations and accepts the allocation of expenses between the Town and the Utility for this rate study.

[34] The Board commends the Utility in its ongoing and planned efforts for leak detection and the reduction of non-revenue water.

[35] The Board accepts the depreciation expenses for the test period, which are based on the current depreciation expense plus annual depreciation for capital additions over the test period.

b) Capital Budget and Funding

[36] The rate study included the Utility's capital budgets for 2023/2024, and the test years, 2024/2025, and 2025/2026, totalling \$740,000, \$3,584,905, and \$308,000, respectively.

[37] The capital budget consists of distribution main upgrades, replacement of aging services and hydrants, a storage tank refurbishment, test wells, and installation of replacement meters. The proposed funding for the capital budget is summarized in the following table:

	2023/2024	2024/2025	2025/2026
External Funding	\$0	\$424,249	\$0
Depreciation Fund	\$616,000	\$650,000	\$308,000
Long-Term Debt	\$124,000	\$2,510,656	\$0
Total	\$740,000	\$3,584,905	\$308,000

[38] In response to IR-44, the Utility provided a list of the planned projects over each of the test years. The largest capital outlay in the test years is the Bethany Storage

Tank project, which is included in 2024/2025 in the amount of \$2,226,120. The Board asked about this project in the hearing and the Utility advised that when the James River system was constructed in 1980, it built two storage tanks, one of them being the Bethany tank. Approximately 20 years after the construction of the welded steel tank, the Utility refurbished the interior and exterior. The Utility advises that they are at the point now where the coatings need to be redone. The Utility stated that the cost to complete these coatings has now increased since the time the rate application was put forward. The Board noted that as the cost to complete the project is more than \$250,000, the Utility will need to submit a capital application for the project.

[39] Another large capital project included in the budget for 2023/2024 are test wells for a new source of water. The Utility advised that through some analysis, new areas downstream of James River were identified that might be conducive to supply water to its plant. The Utility advised that it is at the stage where it is looking to do selective drilling, and if the areas were deemed sufficient, and the wells were drilled, it would negate the need to use the County's wells.

[40] The Board noted that there were three capital projects that weren't included in Worksheet B-5 of the original rate application but were then included in Worksheet B-5 submitted with the Utility's IR responses. The Utility's response to IR-56 b) consisted of a table that demonstrated how the amount for "Accumulated Depreciation" was calculated in 2023/2024 and in each test year. In the hearing, the Board noted that the amounts in that table did not align with the refiled rate study provided with the response to the IRs and directed the Utility to provide Undertaking U-4, with a revised table that aligns with the adjusted depreciation amounts.

[41] The rate study indicated that the Utility's depreciation fund balance at the beginning of the 2024/2025 test year is projected to be \$169,236. The Board notes there is estimated to be a low balance of the depreciation fund at the end of the first test year, 2024/2025, included in Worksheet B-3 as \$58,428. When asked in the hearing if the Utility is comfortable with this level of a depreciation fund, the Utility states that although it isn't ideal, the proposed funding will bring the depreciation fund balance back up to \$298,080 at the end of the 2025/2026 test year, which they are comfortable with.

Findings

[42] The Utility is focused on repairing and replacing problem water mains, aging hydrants and services, refurbishing the Bethany storage tank, investigating new test wells, and providing bulk upgrades to its water meters. The Board accepts that these projects are necessary to keep the systems in proper working order, and that the test wells will potentially provide a new source water to ensure the Utility does not have to utilize the County's supplemental well system in times of drought.

[43] The Board accepts the updated depreciation fund information that was filed with Undertaking U-1, as well as the revised table for accumulated depreciation amounts that was filed with Undertaking U-4.

[44] The Board also accepts the Utility's proposed capital program and funding as set out in the rate study.

c) Non-Operating/Other Revenues and Expenditures

[45] The Utility has included non-operating expenses over the test years consisting of principal and interest debt changes associated with existing and new debt, and earnings of \$100,000 in 2025/2026.

[46] The debt charges include principal payments on existing debt of \$160,000 in both test years, and then on new debt in the amounts of \$71,824 in 2024/2025, and \$76,134 in 2025/2026. The interest charges associated with this debt total \$162,339 in 2024/2025 and \$155,949 in 2025/2026. Appendix 1 to the rate application contains a loan calculator that identifies the calculations involved with these debt instruments.

[47] The Utility included \$100,000 of earnings in the 2025/2026 test year. This use of earnings to help reduce the accumulated deficit was also incorporated into the prior rate study and approved. When asked to support the claim for earnings in IR-28, the Utility advised that it was in a deficit position at the time of the last rate study and is making every effort to eliminate it. The Utility advised that allowing the deficit to continue to grow without earnings will only make it more difficult for future customers and that in the past, the Board has encouraged utilities to eliminate deficits in 5 to 7 years to address intergenerational equity.

[48] Other operating revenue includes \$2,000 in Sundry and \$20,800 for sprinkler service/private hydrants for both test years. In past applications, the amount for sprinkler service/private hydrants was estimated at \$25,000 but the Utility advised that after a review and accounting of the private sprinkler and hydrant systems was completed, the estimate was updated to reflect the actual systems in place.

[49] The Utility calculates its return on rate base using its non-operating expenditures less other revenue. The rates of return on rate base calculated in the rate study are 1.91% in 2023/2024, 3.48% in 2024/2025, and 4.49% in the 2025/2026 test year. These rates are higher in the test years to accommodate the increased level of borrowings necessary to support the capital program.

Findings

[50] The Board finds the non-operating expenditures, including earnings, in each of the test years to be reasonable. The Board accepts the non-operating expenditures related to new and existing debt in each of the test years, as presented in the rate study.

[51] The Board finds the Utility's other operating revenue to be reasonable and accepts it as presented for the test years.

[52] The Board finds the Utility's proposed return on rate base for the test years to be reasonable, given the need for the increased borrowing to fund the Utility's capital program.

IV REVENUE REQUIREMENT ALLOCATION

a) Public Fire Protection

[53] The methodology used in the rate study to determine the public fire protection charge is consistent with the *Handbook*, except for the allocation of demand assets. The Utility allocated 68% of these assets to general service with the balance to fire protection, rather than the 40% allocation to general service shown in the *Handbook*.

[54] When asked why the Utility chose to utilize this methodology in IR-11, it advised that it has historically used this method for determination of the allocation based on the fire flow requirements in the Town and the County compared to peak flow rates. The proposed methodology is the same as the previous rate application approved by the Board.

[55] The allocation of overall utility plant in service to public fire protection in the rate study is 39.2% in both 2024/2025 and 2025/2026, which leads to an allocation of estimated expenses to fire protection of 28.2% in 2024/2025 and 28.5% in 2025/2026. As

a result, the Utility's proposed fire protection charge increases from its current amount of \$474,851 to \$669,121 in 2024/2025, and \$720,423 in 2025/2026.

[56] After the total fire protection charge is calculated, it is allocated to the Town and the County using a methodology that has been previously approved by the Board. The application of the methodology results in the total fire protection charge being allocated 56.2% to the Town and 43.8% to the County.

Findings

[57] The Board accepts the methodology used to determine the allocation of costs to general service and public fire protection as set out in the rate study. This includes the allocation of the demand assets, which vary from the Handbook due to the specifics of the system.

[58] The Board further accepts and approves the methodology used to apportion the total fire protection charge between the Town and the County, which is consistent with that previously approved by the Board.

b) Wholesale Rate to the County

(i) Allocation of Expenses to Joint Use

[59] The remaining revenue requirement, after the allocation to fire protection charges, is to be recovered from the Utility's customers. In order to determine how much of the revenue requirement should be allocated to the County, the Utility identifies the assets that are jointly used, and expenses jointly incurred, to provide service to both the County and the Utility's other customers.

[60] Worksheet C-3a shows the expenses relating to the source of supply, power and pumping, and purification that are considered to have been 100% jointly incurred to provide service to the County and retail customers.

[61] Transmission and distribution expenses were determined to be 50.66% jointly incurred to supply service to the County retail customers. In IR-58 e), the Board asked the Utility why it continued to utilize the 50.66% that was used in its last rate study, and if it had completed any distribution system service extensions to serve County and/or Town customers since its last rate study. The Utility explained that the percentage remained unchanged because the distribution system configuration used to transfer water from the treatment plant to the County has not changed since the previous rate study.

[62] The Utility considers only part of its administration and general expenses as jointly incurred to supply service to the County and retail customers. First, the Utility deducts all costs associated with meter reading and collection, half of Town employee salaries, and half of all other costs. The remainder of costs are considered joint costs and amount to 46.71% of all administration and general costs in 2024/2025, and 46.85% in 2025/2026.

[63] When calculating joint depreciation expenses, the Utility excludes the transmission and distribution assets that are not jointly used, and the capital costs for all meters, hydrants, and services. Depreciation relating to the remaining assets is then considered to be jointly incurred, and based on this methodology, 80.11% and 79.26% of the Utility's total depreciation expense is jointly incurred to provide service to the County and retail customers in each of the test years, respectively. This is same methodology used by the Utility in its previous rate application.

[64] The allocation for taxes is calculated based on the percentage of taxes on jointly used watershed and other lands and is included as 29.69% and 29.11% in each of the test years, respectively. This is also consistent with the Utility's last rate application.

[65] Appendix 2 contains calculations to determine the portion of the return on rate base to be considered jointly incurred that are based on the sum of the annual debt servicing costs for the Utility's water treatment plant loan and the amount of proposed earnings, compared to the return on rate base determined in Worksheet C-2 of the rate study. This calculation produces a result of 75.62% and 80.71% in each of the test years, respectively. When asked in IR-58 h) why earnings are assigned 100% to joint use, the Utility advised that all customers contributed to the deficit and that all customers must contribute to earnings to pay off the deficit in proportion to their use of the system.

Findings

[66] The rate study provided supporting calculations to identify jointly incurred expenses, using a methodology that was consistent with the previous application. The Board accepts the joint use expenses presented in the revised rate study in Undertaking U-6 and finds them to be reasonable for each of the test years.

(ii) Allocation of Joint Use Expenses

[67] Following the identification of jointly incurred expenses, these expenses are then allocated between the County and the Utility's other retail customers. This allocation is based on the amount of water sold to the County, compared to the amount sold to the Utility's other customers, plus unaccounted water attributed to the Town. As discussed in the previous section, 50.66% of the transmission and distribution system is allocated as

joint use. Then there is an allocation of unaccounted water assigned to the County and to the Utility.

[68] In the Utility's original application, it applied the 50.66% to unaccounted-for water, and then assigned all that unaccounted-for water to the County. When asked the reason for this in the hearing, the Utility advised that this allocation reflected a similar situation from a hearing in another county, decided approximately five years ago. The Board stated that as it is a joint use pipe, it seems unreasonable that the County would be fully responsible for 100% of the unaccounted-for water flowing through a pipe that serves both the County and the Utility. The Board questioned why this wouldn't be more appropriately allocated by assigning half the unaccounted-for water to the County, and half to the Utility, or some other reasonable allocation of the respective parties' responsibility for this water. In Undertaking U-6, the Board requested a revised rate study updating Appendix 2 with the allocation for unaccounted-for water related to joint use pipes to be split evenly between the County and the Utility.

[69] The Utility submitted Undertaking U-6 on March 5, 2024, and stated that it reviewed the allocation and agreed with the Board that the allocation method for the unaccounted-for water needed to be changed. However, the Utility offered an alternative allocation method that it felt more accurately reflected the usage of this pipe than the Board's suggestion of a 50/50 split.

[70] In the Undertaking, the Utility advised that a more accurate allocation could be achieved by using the Utility's total metered sales to retail customers and the total metered sales to the County. The revised rate study submitted in Undertaking U-6 added the unaccounted-for water to the metered sales for both the Utility's retail customers and

the County. This resulted in updated consumption amounts for both the Utility and the County that included their share of the unaccounted-for water. As a result, joint costs are allocated to the County as 34.26% in both 2024/2025 and 2025/2026.

[71] Following the above allocation, the expenses to be recovered by the Utility from the County are then split into base and consumption (or commodity) charges to be paid by the County. Expenses relating to the source of supply, power and pumping, and purification are allocated to the County's commodity charge, while administration and general, depreciation, and tax expenses are allocated to the base charge. Transmission and distribution expenses are split as 25% to the base charge and 75% to the commodity charges. Return on rate base is allocated as 40% to the County's base charge and 60% to the commodity charge. These allocations are consistent with the calculations approved by the Board in the previous application, with the exception of the transmission and distribution expenses, which were previously allocated in an even split between the base and commodity charge.

Findings

[72] The Board accepts the methodology used to allocate the joint use expenses, based on consumption volume. The Board also accepts the revised allocation for the unaccounted-for water from joint use piping that was submitted with Undertaking U-6.

[73] The further allocation of the revenue required from the County to base and commodity charges is generally consistent with the Utility's last application and with other utilities in Nova Scotia.

[74] Based on the evidence presented in the rate study submitted with the response to Undertaking U-6, the Board approves the allocation of the revenue requirement to the County.

c) Retail Customer Revenue Requirement

[75] After the allocation to fire protection and for water service to the County, the remaining revenue requirement must be recovered from the retail customers of the Utility.

[76] The methodology used in the rate study to allocate the remainder of the revenue requirement to determine the various components of customer rates is consistent with that used by the Utility in its last rate application, except for transmission and distribution, and administration and general.

[77] In the Utility's last rate study, transmission and distribution expenses were split equally between base and commodity charges. In the Utility's current application, these expenses are split 25% to base and 75% to commodity in 2024/2025. In the second test year, 2025/2026, the Utility proposes 15% of these expenses charged to base, and 85% of the charge to commodity. Administration and general expenses were allocated 30% to the customer charge and 70% to the base charge in the Utility's last rate study, while in the current application, the Utility proposes a 10% customer and 90% base allocation. The proposed administration and general allocations now follow the *Handbook* recommendation.

[78] When asked to explain any differences between the allocations used in Worksheet C-3, and included in the *Handbook*, the Utility advised that the 25% allocation for the transmission and distribution in 2025/2025 was made to prevent the base charge from declining in the first test year, and then increasing back to the current level in the

second test year while maintaining the base charge revenue at, or above, 40%. The Utility noted that the allocations in the second test year are made to maintain the base charge revenue at 40% of the total revenue from water sales.

[79] Transmission and distribution allocations in the *Handbook* are 0% to base and 100% to commodity. Depreciation expenses are recommended to be 40% to base, 30% to delivery, and 30% to production while this application proposes 100% to base, aligning with the allocation approved in the Utility's last rate study.

[80] The Utility currently has 1,601 customers, 1,308 of which are 5/8" customers, which is expected to stay consistent over the test years.

[81] The Utility is projecting no change in average consumption volume per customer for all meter sizes for the test years.

Findings

[82] The Board accepts the methodology used by the Utility to distribute expenses to base, customer, delivery, and production charges. The Board also accepts the proposed allocation of transmission and distribution expenses, noting that they are now closer to aligning with the recommendations in the *Handbook*.

[83] The Board accepts the projected number of customers over the test period and finds the projected consumption amounts to be reasonable. The Board approves the customer rates as presented in the rate study submitted with Undertaking U-6.

V SCHEDULE OF RATES AND CHARGES

[84] Other than the amendments for the rates for water supply to its customers and the fire protection charges, the application proposes three changes and one addition to the Utility's Schedule of Rates and Charges.

[85] The three changes all relate to updating the charges for the administration fee, the connection and disconnection fee, and the customer-requested service charge. The Utility is proposing the charge for these fees increased from \$50 to \$60, and the administration fee associated with non-negotiable cheques increased from \$20 to \$25. The Utility noted that these increases are being requested to cover the cost of the service provided.

[86] The addition is a new charge related to seasonal customers. The Utility added Item #13 to the Schedule, titled, "Charge for Removal, Storage, and Replacement of Water Meters for Seasonal Customers". This proposes a \$60 charge when a customer requests the Utility to remove and store its meter for the season, which aligns with the other regular charges proposed above.

Findings

[87] The Board finds that the proposed increase in charges and the new charge are reasonable and finds them consistent with other water utilities charges and schedules.

[88] The Board approves Schedule A and B as filed in response to Undertaking U-6, with the effective dates of April 1, 2024, and April 1, 2025, respectively.

VI SCHEDULE OF RULES AND REGULATIONS

[89] In response to IR-73, the Utility noted that it proposed six amendments to its Rules and Regulations within this new rate study.

[90] The first amendment was to Rules and Regulations #5 Billing, which expanded the regulation to include giving the customer the choice of having their meter removed and stored by the Utility during the off-season. This expansion relates to the addition of the new rate proposed in the previous section for seasonal customers.

[91] The second amendment was to Rules and Regulations #11, Water to be Supplied by a Meter. The Utility advised that it added a paragraph to identify the Utility's right to re-assess and change meter size if there is a change in usage pattern.

[92] The third amendment was to Rules and Regulations #16, Meter Testing. This regulation is one that specifies the details associated with customer's requests to have their meter tested, the Utility charge associated with that, and that if the test result identifies that the meter is over-registering by more than a certain percentage, the meter will be replaced, and the customer will be compensated. The Utility advised that the wording of this regulation was amended to change the percentage of accuracy from 3% to 5%.

[93] The fourth amendment was to Rules and Regulations #21, Service Pipes. This was amended to add a paragraph stating that "All curb stops shall be the property of the Utility, with the exception of sprinkler/fire supply laterals, where the customer owns and is responsible for the entire service back to the main line, including the lateral isolation valve." The Utility advised that this has been added to clearly state that the curb stops are the property of the Utility, and not the customers.

[94] The fifth amendment was to Rules and Regulations #22, Repairs and Service. This was amended to add a statement about disconnection charges, and the Utility advised that it allows the Utility to recover its costs in cases where there is a service leak and the customer fails to respond to requests to repair the leak.

[95] The sixth and final amendment was to Rules and Regulations #23, Cross Connection Control & Backflow Protection. The Utility advised that this has been updated to delete a clause that the Utility is "not capable of doing". The clause that the Utility proposes to delete read, "The Utility shall maintain a program for the issuance, renewal

and cancellation of Cross Connection Control Tester's Licenses. The Utility's program shall establish minimum standards, minimum insurance requirements, fees and administrative procedures."

Findings

[96] The proposed Schedule of Rules and Regulations is generally consistent with most other water utilities in the province which have had recent rate applications. The Board approves the amendments and additions to the Rules and Regulations noted above.

[97] The Board approves Schedule C, as presented in response to Information Requests, effective April 1, 2024.

VII CONCLUSION

[98] The Board notes that the timing of the last rate study aligned with the beginning of the COVID-19 pandemic. Since that time, costs for running the Utility have steadily increased. The Board understands the need for the Utility to reset its rates, given the overall level of increased costs, as well as a decrease in consumption revenues that it has experienced in the last several years.

[99] The Board approves the Schedules of Rates and Charges for Water and Water Services as filed in response to Undertaking U-6, as Schedule A and B, with effective dates of April 1, 2024, and April 1, 2025.

[100] The Board approves the Schedule or Rules and Regulations, as filed in response to Information Requests, as Schedule C with an effective date of April 1, 2024.

[101] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 18th day of March 2024.



Steven M. Murphy