

NOVA SCOTIA UTILITY AND REVIEW BOARD



IN THE MATTER OF THE PUBLIC UTILITIES ACT

- and -

IN THE MATTER OF AN APPLICATION of the **MUNICIPALITY OF THE COUNTY OF ANTIGONISH**, on behalf of its **Fringe Area 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

APPEARING: **MUNICIPALITY OF THE COUNTY OF ANTIGONISH**

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

Blaine Rooney, CA
Blaine S. Rooney Consulting Limited

Glenn Horne
Municipal Clerk/Treasurer

INTERVENOR: **TOWN OF ANTIGONISH**

Ken Proctor, P.Eng.
Director of Public Works

Kyle Meisner
Assistant Director of Public Works

HEARING DATE: April 14, 2015

UNDERTAKINGS: April 22, 2015

DECISION DATE: **June 22, 2015**

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

I SUMMARY

[1] The Municipality of the County of Antigonish (“Municipality” or “County”) applied to the Nova Scotia Utility and Review Board (“Board”) on behalf of the Fringe Area Water Utility (“Utility” or “Applicant”) for amendments to 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, as amended. The existing Schedule of Rates for Water and Water Services and Schedule of Rules and Regulations have been in effect since November 1, 1995 and January 1, 1980, respectively.

[2] A Rate Study to support the Application, dated December 3, 2014 was prepared by G.A. Isenor Consulting Limited in association with Blaine S. Rooney Consulting Limited (“Rate Study”), and was submitted to the Board on December 18, 2014. Information Requests (“IR”s) were issued by Board staff on January 26, 2015, and responses were filed on March 2, 2015 and March 4, 2015. Included with the responses was a revised rate study which adjusted the historical and projected operating and expense and depreciation fund balance line items to agree with the Utility’s 2013/14 financial statements which were filed with the IR responses.

[3] The Application proposes rate increases for the fiscal years 2015/16, 2016/17 and 2017/18 (“Test Years”). The Municipality also recently filed a rate application with the Board for its Lower South River and Area water utility. While each of the utilities maintain separate rate structures, the Application proposes to provide consistency of the Rules and Regulations and miscellaneous charges between them.

[4] The Utility’s residential customers are currently unmetered, with rates based upon tap counts. Based upon an estimated bi-monthly (the billing frequency)

consumption of 10,000 gallons, spread among the tap count using historic tap rate ratios, the proposed amendments in each of the Test Years of an average tap rate customer are -0.3%, 13.6% and 4.5%, respectively. For metered customers, based upon the average bi-monthly consumption of each meter size, the proposed rate increases of 27.2% to 59.0% in 2015/16, 12.4% to 15.5% in 2016/17, and 1.6% to 7.4% in 2017/18.

[5] The Application also proposes amendments to the annual public fire protection charge to be paid to the Utility by the Municipality for the provision of water for fire protection service. The proposed increases to the total annual public fire protection charges in each of the Test Years are 189.9%, 1.36% and 0.79%, respectively.

[6] The public hearing was held at the Municipal Council Chambers on April 14, 2015, after due public notice. Gerry Isenor, P.Eng., of G.A. Isenor Consulting Limited and Blaine Rooney, CA, of Blaine S. Rooney Consulting Limited, represented the Utility. The Utility was also represented by Glenn Horne, Municipal Clerk/Treasurer. The Town of Antigonish ("Town") water utility, represented by Ken Proctor, P.Eng, Director of Public Works and Kyle Meisner, Assistant Director of Public Works, was a formal intervenor in the Application. No letters of comment were received and no members of the public made presentations during the hearing.

[7] The rate increases are approved, as amended and discussed below. The Rules and Regulations are approved, as amended and requested by the Utility.

II INTRODUCTION

[8] The Utility purchases all of its water at a wholesale rate from the Town's water utility. The Town's water utility, which in 2014 had rate increases approved by the

Board, bills the Utility quarterly for water purchased through 11 metering points. The water is distributed to the Utility's customers located in the area immediately surrounding the Town. Since the Utility's last rate application twenty years ago, it has experienced significant growth involving an expansion of its distribution system.

[9] The financial record keeping of the Utility was discussed as a part of the Application. In particular, issues with the allocation of operating expenses to the cost centres set out in the Board's *Water Utility Accounting and Reporting Handbook* ("*Accounting Handbook*"), as well as issues with the accounting of depreciation expense and the depreciation fund balance, were noted, resulting in the filing of the revised rate study.

[10] The Applicant currently serves 1,223 customers, of which 1,128 are unmetered, tap rate customers. It is projected that the number of residential customers will increase annually by four in each of the Test Years. The Utility is one of only two water utilities in the Province which uses tap rates. It is proposed to continue to bill the unmetered customers using tap rates, as opposed to using an unmetered rate composed of the base and consumption charges using 10,000 gallons bi-monthly consumption. The Application includes the costs associated with fully metering the Utility in 2016/17. It is planned to read the meters during the final Test Year and use the data collected to prepare another rate study in the second half of that year, which will replace the tap rates with metered rates for all customers.

[11] Based upon the water produced, the metered consumption and an estimated 60,000 gallons per year average unmetered customer consumption, the Applicant estimates the current non-revenue water at approximately 20%. It explained

that once the proposed meter installation is completed, a more accurate figure can be determined. The Rate Study includes operating costs associated with ongoing repairs in order to control leakage. The Utility's consumption figures presented in the Rate Study and the determination of non-revenue water were subjects of examination by the Intervenor.

[12] The Application was presented to the Board based upon the need to adjust the rates as a result of increased operating costs and to fund the projected capital program.

III REVENUE REQUIREMENTS

(A) Operating Expenditures

[13] The Utility's 2013/14 financial statements, filed in response to the IRs, indicated that the Utility had an excess of revenues over expenditures of \$37,815 and an accumulated operating surplus of \$691,338. The 2013/14 financial statements made changes to the cost centres from the previous year, aligning them more closely to the *Accounting Handbook*. As a result, the Applicant filed a revised rate study in response to the IRs, which reallocated the operating expense cost centres, and corrected the 2013/14 operating surplus figure so as to agree with the financial statements. The revised rate study further made slight changes to the projected operating expenses in the Test Years.

[14] The revised rate study estimated an excess of expenditures over revenues in 2014/15 of approximately \$70,000, and an accumulated operating surplus of \$620,982, which Mr. Isenor described as being on target. The Applicant further explained that although it has not had a rate application in twenty years, it has had significant growth in

that period and has not experienced an excess of expenditures over revenues until the 2014/15 fiscal year.

[15] It is projected that in the absence of rate adjustments, the Utility's operating surplus balance will decrease to reach an accumulated operating deficit balance of \$84,697 in 2017/18, which Mr. Isenor noted is the reason for the proposed rate increases. He added that as a result of a projected fire flow assessment study in the current fiscal year, the Utility could be faced with upgrades in the range of \$5 to \$6 million in the near future, which will impact the Utility's finances.

[16] The projected operating expenses for the Test Years are generally based upon the Utility's budget for 2014/15 plus an annual increase of 3% for inflation. The Applicant stated that its budgeting process consists of estimating line item expenses using historical results, financial trends, and financial impacts of operating changes and changes in labour and material costs. The estimates prepared are submitted to Municipal Council for approval.

[17] The Applicant explained that the allocation of costs between the Municipality and the Utility are reviewed on an annual basis. Labour and vehicle costs are allocated based upon the direct time spent by the employees and equipment involved. Material use is generally a direct cost.

[18] The Applicant provided additional information with respect to a number of expense items in the Test Years. Mr. Isenor explained that the projected source of supply expense is based upon the latest Board approved wholesale rates for the Town's water utility.

[19] The administration and general expense is projected to increase in excess of 3% in each of the Test Years due to the phasing-in of the allocation of salary costs to the Utility. Mr. Isenor noted that in the past the Utility was not allocated any of the Municipal staff salary cost. He explained that Municipal staff conducted a comprehensive review which determined the appropriate annual allocation of approximately \$72,740 in the current year. He added that it was decided to phase-in the cost over time in order to reduce the impact on rates. The Rate Study includes annual salary costs of \$45,000, \$50,000 and \$79,500, respectively in each of the Test Years, with the final Test Year amount representing the full cost as determined by staff, based upon an annual 3% inflation rate.

[20] The Application includes taxes as an expense line item in each of the Test Years. The Applicant explained that in 2013/14, the Municipality provided the Utility with a grant equal to the tax amount of \$13,810, so the net financial impact on the Utility was nil. Mr. Isenor noted that after discussion with Municipal Councillors, it was determined not to continue with the grant as the Utility is “robust” enough to pay the tax amounts. Therefore in each of the Test Years, taxes are included and budgeted to increase annually by 3%, with no offsetting non-operating revenue item.

[21] The Rate Study indicated that the Utility’s depreciation fund balance was zero at the beginning of the 2014/15 fiscal year. In response to the IRs, the Applicant filed a revised rate study which corrected the balance to \$208,146, as set out in the Utility’s financial statements. During the hearing, the Board identified several items in the Utility’s financial statements which exemplify the difficulty in determining the Utility’s

actual depreciation fund balance. Mr. Isenor confirmed that in his opinion, the starting balance used in the revised rate study is correct.

[22] The projected depreciation expense in each of the Test Years is based upon planned infrastructure additions included in the Utility's capital budget. Mr. Rooney confirmed that in the past, the Utility had netted off the depreciation associated with capital contribution, a practice which is not proposed to continue in the Test Years. He explained that the rates proposed include the full depreciation to be placed in the reserve to be used for funding future asset replacements.

Findings

[23] The Board reminds the Utility of the need for timely rate applications. It appears that the Utility has been fortunate that growth has allowed it to go 20 years without incurring a deficit. However, in that time period, there have been numerous changes, such as proper allocations for full cost recovery, which require periodic reviews. It is encouraging that the Utility has filed the application prior to reaching a deficit. The Board expects timelier rate reviews in the future.

[24] The Utility filed a revised rate study in response to the IRs, based upon the 2013/14 financial statements, which more closely align cost centres with those set out in the *Accounting Handbook*. The Board expects that this process will continue. The Board further expects that the Utility will follow the practice set out in the Rate Study and set aside funds in a separate depreciation reserve.

[25] The Board finds the 3% annual increase in operating expense items over the Test Years to be reasonable, and further accepts the explanations given for those deviations above the 3% general increase.

[26] The Board accepts the allocation of costs between the Municipality and the Utility, including the phase-in of Municipal salary costs as proposed. The Board understands that this allocation will be reviewed on a regular basis to ensure that rates are set such as to recover the full cost of operating the Utility.

[27] The Board accepts the tax expense as presented.

[28] The Board accepts the annual depreciation expense based upon the Utility's projected capital budget.

(B) Capital Budget and Funding

[29] The 2015/16 capital budget consists of the \$15,000 cost associated with the proposed fire flow assessment study, to be funded through depreciation funds. The Applicant explained that the system does not have adequate fire flows at all locations and the purpose of the study is to identify the items and costs required to upgrade the fire flows in the area to meet requirements. The cost to upgrade could be significant.

[30] The only other proposed capital addition in the Test Years is for \$681,600 associated with meters in 2016/17. The Utility plans to fully meter its unmetered residential customers, and read the meters for one year, while still billing based upon the unmetered rate. The Utility anticipates using the measured consumption data obtained as a basis to prepare another rate study in the latter part of the final Test Year. The

proposed funding of the meter purchase in the revised rate study is a combination of outside sources (\$340,800), depreciation fund (\$200,000) and long term debt (\$140,800).

[31] The meter installation will result in the Utility being fully metered. Given that the majority of the Utility's customer base is unmetered, this represents a significant step for the Utility to obtain a better understanding of consumption patterns and volumes, including a more accurate determination of non-revenue water. It will further allow the Utility to move away from the outdated tap rate, and ultimately establish a rate structure which includes a base and consumption charge, commonly used in water utilities throughout the Province.

[32] The Applicant noted that the funding from outside sources relates to the implementation of an Infrastructure Program by senior levels of government, which has not been confirmed. It was explained that if this source of funding is not secured, the cost will be funded through a debenture issue of the Municipal Special Reserve Fund.

[33] The revised Rate Study projected that the depreciation fund will have a balance of \$276,336 at the end of 2017/18, which the Applicant described as adequate.

Findings

[34] The Board accepts the proposed capital budget and funding, with the understanding that if the proposed external funding is not secured, the Applicant will have to find an alternative funding source.

[35] As discussed during the hearing, there still appear to be some accounting issues with respect to the recording of depreciation. The Board noted during the hearing the importance of maintaining and funding a depreciation fund to provide financing for

future asset replacement. The Board accepts the depreciation amounts indicated in the Rate Study and expects that, on a go forward basis, the Utility will maintain a depreciation reserve and present the fund in its financial statements as set out in the *Accounting Handbook*.

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

(C) Non-Operating/Other Expenditures and Revenues

[37] The Rate Study includes other operating revenue of \$1,620 relating to sprinkler/private hydrant charges and interest of \$2,400 on overdue accounts.

[38] Non-operating expenses include debt payments related to the Utility's portion (20%) of the construction costs of the Town's Public Works Building and payment for the new long term debt to fund a portion of the capital budget. The new debt is assumed to be borrowed at 6% over a 20 year term.

[39] The required, revised, rates of return are calculated as 4.05%, 4.04% and 3.75%, respectively in each of the Test Years.

Findings

[40] The Board accepts the non-operating and other revenue and non-operating expenses as proposed in the Rate Study.

[41] The Board finds the rates of return to be in an acceptable range.

(D) Allocations of Revenue Requirement

1. Public Fire Protection

[42] The methodology used in the Rate Study for the determination of the public fire protection charge is consistent with that set out in the *Accounting Handbook*, with the exception of the allocation of two utility plant in service items. Distribution reservoirs and standpipes, as well as electrical pumping equipment, are each allocated in the *Accounting Handbook* as demand assets at 40%/60% to general service/fire protection. In the Application, these assets are allocated as production assets at 90%/10%, respectively. Mr. Isenor noted that neither the reservoir nor the pumping station provide any fire flow capability.

[43] The Rate Study calculates the allocation of utility plant in service as 53.5% in 2015/16 and 46.1% in each of 2016/17 and 2017/18 to fire protection. Mr. Isenor noted that the decrease in the later years is due to the proposed meter installation, which has no fire service capability.

[44] The revised annual public fire protection charge is proposed to increase from \$78,889 to \$226,299 in 2015/16, \$225,774 in 2016/17 and \$227,535 in 2017/18. Mr. Isenor explained that the significant initial increase was discussed with Municipal Council. He added that it was recognized that it has been 20 years since the current charge was approved, and much has changed in terms of growth, infrastructure needs and costs to operate the system in that time.

[45] The Board noted the proposed fire flow study and questioned whether the full fire protection should be charged if it is not fully available throughout the area. Mr. Isenor explained that this issue was considered, but given the uncertainty with respect to

what constitutes an acceptable level of fire protection, it was not further pursued by Council.

Findings

[46] The Board accepts the allocations and methodology used in the determination of the public fire protection charge, which are generally in accordance with the *Accounting Handbook*, with reasonable explanations provided for the deviations.

[47] While the proposed increase is significant in 2015/16, it has been 20 years since a rate application. In that time, costs have increased substantially, and allocations have been updated, exemplifying the need for timely rate reviews. Given this, the Board accepts the fire protection charges as contained in the revised rate study.

[48] As noted during the hearing, the Board's jurisdiction is limited to approving the Utility's fire protection charge to the Municipality. The Municipality determines how to recover the charge from its residents, and as to whether the fire protection coverage is acceptable or not.

2. Utility Customers

[49] The remaining revenue requirements in the Rate Study, after the allocation to the fire protection charge, are to be recovered from the customers of the Utility. Mr. Isenor explained the proposed changes to the allocations to the base charge, customer charge, delivery and production from those the methodology set out in the *Accounting Handbook*. The source to supply expense, allocated at 100% to production in the *Accounting Handbook* is proposed at 33% to base and 67% at production to coincide with the proportion of base and consumption charged to the Utility by the Town's water utility.

Both the transmission and distribution expense and the power and pumping expense are allocated at 100% to consumption charges in the *Accounting Handbook*. The Application proposes to gradually reach the *Accounting Handbook* guidelines through allocations to base/consumption charges of 50%/50% in 2015/16, 25%/75% in 2016/17 and 100% to consumption in the final Test Year. Mr. Isenor explained that the purpose of the proposed allocations is to ease the Utility into a more standard rate structure.

[50] The Utility currently has 1,223 customers, of which 1,128 are unmetered tap rate customers. It is projected that there will be an annual increase of four unmetered customers in each of the Test Years, based upon the assumption that historical growth levels have slowed.

[51] The annual unmetered consumption is assumed to be 60,000 gallons per customer. In response to Mr. Proctor's question as to the derivation of that amount, Mr. Isenor explained that it is a standard figure which has been used for many utilities over the years and has proven to be a reliable estimate.

[52] The Application is based upon the non-residential, metered consumption remaining constant throughout the Test Years. The Applicant explained that although there has been decline in the volume of metered consumption since 2012, it was not considered prudent to extrapolate this decrease in the Test Years as the customer types and water use patterns at the various commercial metering points can vary over time.

[53] Mr. Proctor questioned whether the total consumption (metered and unmetered) indicated in the Rate Study includes the unaccounted for water. Mr. Isenor explained that it is not captured in the figures indicated, which show volume sales to the Utility customers and not the volumes recorded at the various Town water utility master

meters which form the basis for the Utility's purchased water. In response to clarification from the Town as to the time period upon which the current metered consumption is based, Mr. Isenor noted that generally the most recent 12 month period figures available at the time of preparing the rate study are used, which in this case was most likely July 2013 to July 2014.

[54] The Application proposes to recover the revenue requirements from the unmetered customers, through tap rates, using the same tap rate ratios as in the current rates. The "tap rate" is where customers are charged on the number of taps, toilets and bathtubs/showers installed in the home. Mr. Isenor stated that the current tap counts were reviewed in detail in preparing the Application. He added that upon a literature review, he could not find any rationale for the distribution between one tap and another. Based upon this, it has been proposed to use the same ratios in the existing tap count to determine the rates for each tap type, the average tap count per customer and the average proposed unmetered customer bill in each of the Test Years.

[55] The Board questioned the proposed continued use of tap rates which appears to be based upon an arbitrary allocation, as opposed to changing to the more commonly used unmetered "flat" rates where the customer is charged a base charge and a charge calculated using an assumed fixed consumption. Mr. Rooney stated:

...We had a fair bit of discussion on that, what to do, and I guess the conclusion was ... I mean if the Utility was not going to move to metering, and soon, I think there's some merit in moving it. But to go through the pain and suffering of having to staff and bill ... change the billing system to flat rates and then change it again and have all that communications with customers within a three- or four-year period, we didn't ... it may not be ... that was more pain ... deemed to be more pain by the general consensus than, for lack of a better term, using a rate that may be ... or a system that may be antiquated.

[Transcript p. 48-49]

[56] The Board noted that the base rates proposed in the final Test Year decrease slightly from the previous year. Mr. Isenor stated that in response to Undertaking U-1, the rates will be revised to have the base rates in 2017/18 remain at the proposed 2016/17 levels and the consumption rates in that year will be recalculated.

Findings

[57] The Board accepts the methodology used by the Utility to allocate the revenue requirements to base and consumption charges. The allocations differ from the guidelines set out in the *Accounting Handbook*, but provide for a phase-in to a more standard rate design which is necessary given the amount of time since the last rate application. The Board further accepts the projected annual consumption volumes, based upon 60,000 gallons per unmetered customer, and the metered consumption remaining constant.

[58] The Board has concerns with continuing to bill unmetered customers based upon an outdated, uncommonly used “tap rate”. However, switching among the three different methodologies of tap rates, flat rates and metered rates in less than a five year period would lead to confusion and unpredictability of bills for many customers. Therefore, the Board accepts the continuation of tap rates as proposed with the understanding that once one year of metering data is obtained, during the final Test Year, an application will be filed with the Board which eliminates the tap rate structure.

[59] One of the requirements of the *Public Utilities Act* is that:

Equal rates and charges for similar services

67 (1) All tolls, rates and charges shall always, under substantially similar circumstances and conditions in respect of service of the same description, be charged equally to all persons and at the same rate, and the Board may by regulation declare what shall constitute substantially similar circumstances and conditions.

[60] Residential customers usually have a 5/8" meter, of which the Utility, presently, has no connections. Other than meter size, they receive the same service as all other metered customers.

[61] The non-revenue water (of approximately 20%) is near the low end of similar sized utilities which implies, to the Board that it is likely that residential customers, on average, consume 60,000 gallons of water per year. It is likely that once metered, the residential customers will, on average, reduce consumption. At present, charging all residential customers a tap rate does not, on the balance of probabilities, disadvantage the metered customers.

[62] The Board accepts the position of the Utility for a period of transition for the residential customers. However, once metered, these customers should be billed using actual consumption and not an estimate. The Board approves the transition period up to March 31, 2018, but thereafter all metered customers are to be billed for actual consumption at the rate approved by the Board. This is to commence April 1, 2018, whether all of the residential customers are metered or not.

[63] The Board accepts the rates as proposed in the response to Undertaking U-1 which includes the amendments in the revised rate study and calculates rates in the final test year, based upon the base rates remaining the same as in the previous year.

(E) Schedule of Rates and Charges

[64] In addition to the rates for water supply to its customers and the fire protection charge to the Municipality, the Application proposes other changes to its Schedule of Rates and Charges. The response to the IRs listed the proposed changes

which the Applicant explained have been made to reflect the miscellaneous rates and charges used by the majority of other water utilities in the Province. Mr. Isenor added that the changes proposed are consistent with those proposed in the recent rate application of the Municipality's Lower South River and Area water utility.

[65] The Utility's current Schedule of Rates includes base and consumption charges to the Town associated with the use of the Wrights River Aquifer of approximately \$20,000 per year. This charge has been removed from the proposed schedules of rates and charges. In response to an IR about this removal, the Utility stated they had started discussions with the Town water utility about the rates and it will be the subject of a separate, future, filing.

[66] In response to Undertaking U-1, the Applicant refiled the Schedules of Rates for Water and Water Service to: include the changes made to the revised rate study to maintain the same base rates in 2016/17 and 2017/18; replace the references of quarterly billing to bi-monthly billing; and revise the effective date of the first Test Year from June 1, 2015 to July 1, 2015, to coincide with the bi-monthly billing cycle of the Lower South River and Area water utility.

Findings

[67] The Board finds the proposed miscellaneous charges in the Schedule of Rates and Charges, as amended in the response to Undertaking U-1, to be reasonable.

[68] The Board accepts the removal of the rates for the Wright's River Aquifer. With this removal, the Utility will not be able to charge the Town utility until a new application is made and approved by the Board.

(F) Schedule of Rules and Regulations

[69] The Application proposes a large number of changes to the Schedule of Rules and Regulations, which were set out in the response to the IRs. Mr. Isenor described the changes as a “comprehensive re-write” as the current regulations were approved by the Board in 1980. He added that the changes proposed relate mainly to standardization with both the Municipality’s Lower South River and Area water utility and with other water utilities in the Province.

[70] It was noted in response to the IRs that the Schedule of Rules and Regulations included a reference to quarterly billing in Regulation 5 ‘Billing’. In response to Undertaking U-1, the Applicant filed a revised Schedule of Rules and Regulations, which replaced any quarterly billings references with bi-monthly, and amended the effective date to July 1, 2015.

Findings

[71] The Board accepts the amendments to the Schedule of Rules and Regulations, as filed in the response to Undertaking U-1.

IV CONCLUSION

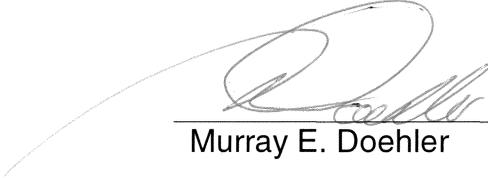
[72] In response to Undertaking U-1, the Utility refiled the Schedule of Rates for Water and Water Services and Schedule of Rules and Regulations to include: the changes made to the revised rate study, in particular to maintain the same base rates in 2016/17 and 2017/18; the removal of references to quarterly billing; and the change of the effective date of the first Test Year to July 1, 2015.

[73] The Board approves the Schedule of Rates and Charges for Water and Water Services, effective July 1, 2015, April 1, 2016, and April 1, 2017, as filed in the response to Undertaking U-1. The public fire protection charge effective July 1, 2015 is prorated based upon three months at the existing rate and nine months at the newly approved rate.

[74] The Board approves the Schedule of Rules and Regulations, amended as filed in the response to Undertaking U-1, effective July 1, 2015.

[75] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 22nd day of June, 2015.



Murray E. Doehler

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE PUBLIC UTILITIES ACT

- and -



IN THE MATTER OF AN APPLICATION of the **MUNICIPALITY OF THE COUNTY OF ANTIGONISH**, on behalf of its **Lower South River and Area 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

APPEARING: **MUNICIPALITY OF THE COUNTY OF ANTIGONISH**

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

Blaine Rooney, CA
Blaine S. Rooney Consulting Limited

Glenn Horne
Municipal Clerk/Treasurer

HEARING DATE: April 14, 2015

UNDERTAKINGS: April 22, 2015

DECISION DATE: **June 22, 2015**

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

I SUMMARY

[1] The Municipality of the County of Antigonish (“Municipality” or “County”) applied to the Nova Scotia Utility and Review Board (“Board”) on behalf of the Lower South River and Area Water Utility (“Utility” or “Applicant”) for amendments to 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, as amended. The existing Schedule of Rates for Water and Water Services and Schedule of Rules and Regulations have been in effect since April 1, 2009 and January 1, 2008, respectively.

[2] The Utility’s previous application approved both the amalgamation of the two former Municipal water utilities of St. Andrews and Lower South River, as well as the standardization of rates to the newly formed Utility. It was confirmed as a part of the current Application that the Utility is to be referred to as the Lower South River and Area Water Utility.

[3] A Rate Study to support the Application, dated December 3, 2014 was prepared by G.A. Isenor Consulting Limited in association with Blaine S. Rooney Consulting Limited (“Rate Study”), and was submitted to the Board on December 18, 2014. Information Requests (“IR”s) were issued by Board staff on January 29, 2015, and responses were filed on March 2, 2015 and March 4, 2015. Included with the responses was a revised rate study which: updated the operating expense line items to coincide with the Utility’s 2013/14 financial statements which were filed with the IR responses; revised the projected operating expenses, based upon the updated information; corrected the allocation of assets to fire protection; and calculated customer rates on a bi-monthly as

opposed to quarterly basis. Attached to the IR responses were revised Schedules of Rates for Water and Water Services, incorporating the above noted changes.

[4] The Application proposes rate increases for the fiscal years 2015/16, 2016/17 and 2017/18 ("Test Years"). The Utility currently bills on a quarterly basis. It is proposed to switch to bi-monthly billing for consistency with the Municipality's Fringe Area water utility, which also recently filed a rate application with the Board.

[5] The Utility's residential customers are currently unmetered. Based upon an estimated bi-monthly consumption of 10,000 gallons, the proposed increases in each of the Test Years are 19.0%, 9.2% and 9.1%, respectively. For metered customers, based upon the average quarterly consumption of each meter size, the proposed rate increases of 12.5% to 59.9% in 2015/16, 7.1% to 10.4% in 2016/17, and 8.8% to 9.4% in 2017/18.

[6] The Application also proposes amendments to the annual public fire protection charge to be paid to the Utility by the Municipality for the provision of water for fire protection service. The proposed increases to the total annual public fire protection charges in each of the Test Years are 0.7%, 3.8% and 10.3%, respectively.

[7] The public hearing was held at the Municipal Council Chambers on April 14, 2015, after due public notice. Gerry Isenor, P.Eng., of G.A. Isenor Consulting Limited and Blaine Rooney, CA, of Blaine S. Rooney Consulting Limited, represented the Utility. The Utility was also represented by Glenn Horne, Municipal Clerk/Treasurer. No letters of comment were received and no members of the public made presentations during the hearing.

[8] The rate increases are approved, as amended and discussed below. The Rules and Regulations are approved, as amended and requested by the Utility.

II INTRODUCTION

[9] In 2006 the Board approved the capital expenditures associated with constructing a system to supply water to approximately 30 customers in the Gaspereau Lake area of the Municipality, and further approved that the Gaspereau Lake area become an extension of the Lower South River water utility. At the time of the last rate application in 2007, capital works of approximately \$2.2 million had been completed to construct a transmission main between the former Lower South River and St. Andrews water utilities, as well as to commission an additional well and increase reservoir storage. The Applicant noted that there have been no major changes to its service area since the last rate application.

[10] The Utility stated during the last rate application that it is difficult to determine the amount of leakage in the system. Based upon the water produced, the metered consumption and the estimated 60,000 gallons per year of residential unmetered consumption, the Applicant estimates the current non-revenue water at less than 5%. It explained that this figure is low and it is expected that once the proposed meter installation is completed, a more accurate figure can be determined. The Rate Study includes operating costs associated with ongoing monitoring and repairs in order to control leakage.

[11] The financial record keeping of the Utility was discussed as a part of the 2007 application, and continues to be of concern. In particular, there have been issues with the allocation of operating expenses to the cost centres as set out in the Board's *Water Utility Accounting and Reporting Handbook* ("Accounting Handbook"), resulting in the need for the Utility is to provide a separate calculation reconciling the expenses for

the purpose of preparing a rate study. There appears to have been some improvement with the preparation of the Utility financial statements for the 2013/14 fiscal year, through the addition of the power and pumping, and water treatment expense line items. This reallocation resulted in the refiling of the rate study in response to the IRs. It was further noted by the Utility that although the Gaspereau Lake system is a part of the Utility, it has been accounted for separately, a practice which is to cease going forward.

[12] Another issue is the discrepancy between the utility plant in service figures presented in the Rate Study and in the Utility's financial statements for the 2013/14 fiscal year, due to a water main replacement by the Nova Scotia Department of Transportation and Infrastructure Renewal ("NSTIR") as a part of the highway twinning project in 2012/13. The approximately \$715,000 project, which was completed at no cost to the Utility, has been added to the assets in the Rate Study, although the NSTIR contribution is not shown and depreciation is not calculated. It was stated that Board approval had not been requested for this addition. The 2013/14 financial statements do not show the addition as a part of the Utility's assets. The Utility requested that this issue be dealt with as a part of the current Application.

[13] The Utility currently serves 307 customers, of which 284 are unmetered, residential customers. It is projected that the number of customers will increase annually by 2 residential customers in each of the Test Years. The Application includes the costs associated with fully metering the Utility in 2016/17. It is planned to read the meters during the final Test Year and use the data collected to prepare another rate study in the second half of that year. The Utility does not plan on charging metered rates to these customers until after the next rate application.

[14] The Application was presented to the Board based upon the need to adjust the rates as a result of increased operating costs and to fund the projected capital program.

III REVENUE REQUIREMENTS

(A) Operating Expenditures

[15] For the year ended March 31, 2014, the Utility had an excess of expenditures over revenues of \$50,123 and an accumulated operating deficit balance of \$291,122. The Application estimated an accumulated operating deficit in 2014/15 of \$337,273, which Mr. Isenor described as being on target.

[16] The Rate Study projects that in the absence of rate adjustments, the accumulated deficit will increase to \$566,766 in 2017/18. With respect to the significant operating deficit at the beginning of the 2013/14 fiscal year, the Utility noted that it has been working on the preparation of a rate study since 2012, but it was delayed due to changes in management, priorities and other challenges in determining the most appropriate approach.

[17] The Applicant filed the Utility's 2013/14 financial statements in response to the IRs. As the financial statements made changes to the cost centres, aligning them more closely to the *Accounting Handbook*, a revised rate study was filed. The changes involved reallocation to the various operating expense line items, with no change to total operating expense in that year. Mr. Isenor noted that Utility staff are beginning to establish and use cost centres which are reflective of the *Accounting Handbook*, which eliminates the need to analyze and reallocate costs in preparing future rate applications.

[18] The Board noted that there are some variations between expense items in 2013/14 and 2014/15, which form the basis of the budget used in the Application going forward. It is further noted that, as a result of the reallocations of the 2013/14 expense items in the revised rate study filed in the IR responses, total expenses in 2014/15, and in each of the Test Years are reduced by approximately \$5,000. Mr. Isenor confirmed that he is comfortable with the total expense figure presented in 2014/15 in the revised study, although there may be some issues with the allocations used among the line items, which are currently being “ironed out”. He added that it may take some more time to have the accounts in accordance with the *Accounting Handbook*.

[19] The projected operating expenses for the Test Years are generally based upon the Utility’s budget for 2014/15 plus an annual increase of 3% for inflation. The Applicant stated that its budgeting process consists of estimating line item expenses using historical results, financial trends, and financial impacts of operating changes and changes in labour and material costs. The estimates prepared are submitted to Municipal Council for approval.

[20] The Applicant explained that the allocation of costs between the Municipality and the Utility was the subject of a detailed review in 2014 by the Director of Finance. The administration and general expenses are allocated based upon the time spent on Utility matters. Labour and vehicle costs are allocated based upon the direct time spent by the employees and equipment involved. Material use is generally a direct cost.

[21] The Applicant provided additional information with respect to a number of expense items in the Test Years. It was noted that the power and pumping expense item

decreased by 2.0% in 2015/16 due to a one-time cost of upgrading the SCADA system in the previous year. Mr. Isenor noted that upon further review, it was realized that approximately \$2,200 of the \$7,200 expense for the item would be more appropriately charged to capital, but as the amount is not large, no adjustment was made.

[22] The transmission and distribution expense is projected to decrease by 3.0% in 2015/16 due to a one-time cost in 2014/15 associated with decommissioning of an old reservoir in St. Andrews which was used when that system was a separate utility.

[23] The administration and general expense is projected to increase in excess of 3% in each of the Test Years due to the phasing-in of the allocation of salary costs to the Utility. Mr. Isenor noted that in the past the Utility was not allocated any of the Municipal staff salary cost, which, as the result of a recent review was determined to be in the annual range of \$22,000. It was decided to phase-in the cost over time in order to reduce the impact on rates. The Rate Study includes annual salary costs of \$4,000, \$7,000 and \$10,000, respectively in each of the Test Years, with the remainder of the salary cost to be included in a future rate application.

[24] The Application includes taxes as an expense line item in each of the Test Years, although there is no impact on the Utility's revenue requirement as the amount is offset by a Municipal Grant for Taxes, indicated as a non-operating revenue item. The Applicant explained that a tax exemption was provided in 2013/14 and the Municipality is to begin to provide the grant with the approval of the proposed rate structure. The purpose of the Municipal Grant is to reduce rate shock, with an expected review of the item in the future.

[25] The projected depreciation expense in each of the Test Years is based upon planned infrastructure additions included in the Utility's capital budget. The depreciation rates used are as set out in the *Accounting Handbook*, or in cases where they are not specifically identified in the *Accounting Handbook*, the rates are based upon the asset's expected life.

[26] The Applicant explained that no depreciation had been taken on the assets of the Gaspereau Lake system in the past, as there were insufficient funds available. The Application proposes to correct this through phasing-in the associated annual depreciation expense of \$4,155, over two years, so the full depreciation is included in the determination of rates for the final Test Year.

Findings

[27] The Utility's current operating deficit situation emphasizes the need for timely rate applications. The Board understands that the Utility has had to deal with staffing changes, and that the current deficit may be due in part to inaccurate data used to determine the current rates, as discussed below. However, the Utility has not had a rate application in nearly eight years. The Utility is reminded to closely monitor its financial health, and prepare timely rate applications in order to ensure that significant deficits do not occur. This is especially important for small utilities, in which unexpected expenses could have a major impact on operations.

[28] The Utility filed a revised rate study in response to the IRs, based upon the 2013/14 financial statements, which more closely align cost centres with those set out in the *Accounting Handbook*. The Board recognizes that this is an ongoing initiative, but is

encouraged that the Utility appears to be resolving the issue. The Board expects that the progress will continue and that the next rate application can be prepared based upon financial statements which do not require further analysis and allocations of line items in order to design rates.

[29] The Board finds the 3% annual increase in operating expense items over the Test Years to be reasonable, and further accepts the explanations given for any deviations from the 3% figure.

[30] The Board accepts the allocation of costs between the Municipality and the Utility, including the phase-in of Municipal salary costs as proposed. It is expected that in the next rate application, the full amount of these costs will be included in the Utility's revenue requirements to ensure that rates are determined so as to recover the full cost of operating the Utility. The Board also understands that the inclusion of the Municipal Grant will be further reviewed in the future.

[31] The Board accepts the annual depreciation expense based upon the Utility's projected capital budget. The Board further accepts the inclusion of the depreciation expense associated with the Gaspereau Lake system, as proposed, which is in accordance with the *Accounting Handbook* and will provide funding for future infrastructure replacement.

(B) Capital Budget and Funding

[32] The only proposed capital addition in the Test Years is in the amount of \$172,800 associated with meters in 2016/17. The Utility plans to fully meter its unmetered residential customers, and read the meters for one year, while still billing based upon the

unmetered rate. The Utility anticipates using the measured consumption data obtained as a basis to prepare another rate study in the latter part of the final Test Year. The proposed funding of the meter purchase is a combination of outside sources (\$86,400), depreciation fund (\$60,000) and long term debt (\$26,400). The Applicant noted that the funding from outside sources relates to the implementation of an Infrastructure Program by senior levels of government, which has not been confirmed. It was explained that if this source of funding is not secured, the cost will be funded through a debenture issue of the Municipal Special Reserve Fund.

[33] The Rate Study indicates that the Utility had a zero balance in its depreciation fund at the beginning of the 2014/15 fiscal year. The Applicant explained that the balance of funds owing is in the "Due from operating fund account" and has not been funded as the Utility did not have the operating funds to do so. The Board questioned the lack of a depreciation fund balance and the accounting used, given the importance of having a depreciation fund to deal with any future infrastructure replacement. Mr. Isenor explained that the Rate Study attempts to rectify this through setting aside depreciation funds. It is projected that, with the proposed funding from depreciation, and the addition of the depreciation of the Gaspereau Lake assets, the depreciation fund balance will be \$85,976 at the end of the Test Years. The Applicant described the balance as adequate for a Utility of this size.

[34] Mr. Isenor stated that he was recently made aware of a discrepancy between the Utility's financial statements plant in service of \$2.44 million and the \$3.17 million used in the application. The main difference is a water main which was replaced and funded entirely by NSTIR, in the amount of approximately \$715,000, for which Board

approval was not obtained. He acknowledged that the Utility requires the Board's approval to include the amount in rate base. He further noted that the \$715,000 amount is not shown in the Utility's accounting records as contributed and it does not appear that it has been depreciated. He asked that the necessary accounting adjustments be made, noting that if approval is received, the changes will be reflected in the next rate application.

Findings

[35] The major capital project budgeted in the Test Years is the purchase of meters for residential customers, which, once installed, will result in the Utility being fully metered. Given that the majority of the Utility's customer base is residential, this represents a significant step in the Utility obtaining a better understanding of consumption patterns and volumes. Not only will this aid in determining the amount of non-revenue water, it may also result in less consumption, as the residential customers would be charged for it. The Board accepts the proposed capital budget and funding, with the understanding that if external funding is not secured, the Applicant will have to find an alternative source of financing.

[36] It appears that the Utility's accounting issues have resulted in the depreciation fund carrying a zero balance. The Board noted during the public hearing the importance of maintaining and funding a depreciation fund to provide money for future infrastructure replacement. It appears that the Utility has recognized the importance of this by agreeing to set aside funds, and now including the depreciation of the Gaspereau Lake system. On this understanding, the Board accepts the depreciation amounts indicated in the Rate study and expects that, on a go forward basis, the Utility will maintain

a depreciation reserve and include the fund in its financial statements as set out in the *Accounting Handbook*.

[37] The Board has considered the request to include the assets associated with the water main replacement carried out by NSTIR at no cost to the Utility. Given that the replacement occurred as a part of a larger non-Utility project, at no cost to the Utility, the Board approves the request to add the assets to the Utility's plant in service, and to be depreciated accordingly.

(C) Non-Operating/Other Expenditures and Revenues

[38] The Rate Study includes other operating revenue in each of the Test Years of \$2,600 relating to sprinkler/private hydrant charges. It further includes non-operating revenue of: interest in the annual amount \$875 in each Test Year, related to overdue accounts; the Municipal Grant for Taxes, as discussed above, as an offsetting amount in each Test Year to cover the projected tax expense; and miscellaneous other revenue of \$400 annually.

[39] The non-operating expenses include current and anticipated debt payments in each of the Test Years, related to borrowing for past and projected projects in the Test Years. The Application also includes earnings, as non-operating expenses, of \$10,000 in 2016/17 and \$40,000 in 2017/18, which the Applicant explained is proposed to be used to reduce the existing accumulated operating deficit during the Test Years.

[40] The required rates of return as calculated in the Rate Study are 3.01%, 3.14% and 4.02%, respectively in each of the Test Years. It was noted in response to the IRs that these calculations did not include the projected grant amount in 2016/17 in error.

The Board further stated that although the \$715,000 associated with the NSTIR main replacement is included in the plant in service amount used in the calculation, the capital contribution is not. The Applicant noted that these changes will bring the return to approximately 5% in the final Test Year.

Findings

[41] The Board accepts the non-operating and other revenue as proposed in the Rate Study, including the proposed Municipal Grant for Taxes, which offsets the tax expense in the Test Years to reduce the rate impact.

[42] The Board finds the Utility's projected non-operating expenses are reasonable and accepts them as presented. As part of accepting the non-operating expenses, the Board has approved the requested "Earnings" in the final two Test Years. However, this approval is conditional on the understanding that the amounts are retained in the Utility to reduce the accumulated deficit.

[43] The Board accepts the calculation of the required return on rate base, noting that with the inclusion of the contributed capital which was omitted in the Rate Study, the rate of return is within an acceptable range.

(D) Allocations of Revenue Requirement

1. Public Fire Protection

[44] The methodology used in the Rate Study for the determination of the public fire protection charge is consistent with that used in the previous rate application. The allocation of demand assets at 75%/25% to general service and fire protection, respectively, which is consistent with the last rate application, differs from the 40%/60%

set out in the *Accounting Handbook*. Mr. Isenor explained that the allocation is based upon a calculation done at the time of the 2007 application by the consulting engineers, C.J. MacLellan Limited, based upon the length of pipe used for fire protection. The Applicant noted that the distribution system has not changed since that time and it appears that the methodology is still appropriate.

[45] It was noted in response to the IRs that an error was made in the allocation of the cost of the rate study in 2016/17, which was corrected in the revised rate study filed.

[46] The Applicant noted that allocation of expenses in the last rate study resulted in the majority of the operating expenses being allocated to transmission and distribution, which is allocated at a higher percentage to fire protection than some of the other expenses. The changes to the accounting system to allocate costs to the appropriate cost centres, as discussed previously in this Decision, results in less expenses being allocated to transmission and distribution. Mr. Isenor noted that the revised rate study calculates a slight decrease in the annual fire protection charge from the current amount of \$66,250 to \$65,167, adding that given the small reduction, the current rate could continue to be charged in the first Test Year. The proposed charges in the revised rate study for 2016/17 and 2017/18 are \$67,705 and \$74,879, respectively.

Findings

[47] The Board notes that the fire protection charges calculated in the revised rate study are slightly less than those originally proposed due to both the decrease in revenue requirements with the updated operating expenses, and the correction to the

allocation of the rate study cost. The Board accepts the Utility's determination of the fire protection charge with the charge remaining unchanged in the first Test Year, and increasing in the remaining Test Years as set out in the revised rate study filed in the response to the IRs.

2. Utility Customers

[48] The remaining revenue requirement in the Rate Study, after the allocation to the fire protection charge, is to be recovered from the customers of the Utility. The allocations to the base charge, customer charge, delivery and production uses the methodology as set out in the *Accounting Handbook*, with the exception of the allocation of the transmission and distribution expense. The transmission and distribution expense is allocated 50%/50% to base and delivery, respectively, which differs from the 100% allocation to base in the *Accounting Handbook*. Mr. Isenor explained in many small utilities, it has been found that if the allocation is 100% to delivery, the base charge becomes quite low, resulting in a risk to the utility if one major customer is lost.

[49] The Utility currently has 307 customers, including 284 unmetered, residential customers. It is projected that there will be an annual increase of two unmetered customers in each of the Test Years, based upon the assumption that historical growth levels, which were higher, have slowed.

[50] The annual unmetered consumption used in the last rate application was 75,000 gallons as opposed to 60,000 gallons in the current application. The Applicant explained that 60,000 gallons is generally considered to be the average annual unmetered consumption throughout the Province, adding that in preparing for this Application, a review did not give any reason to continue with the 75,000 gallons amount.

[51] The Board noted that the metered consumption used in the last rate study is almost triple that used in current Application. Mr. Isenor noted that it appears that the consumption amount was overstated in the last application, adding that no analysis was conducted to explain the decrease since that time, but it may be that a large customer left the Utility. Mr. Rooney further explained that a review was conducted in preparing the Application to reconcile the current revenue with billings to ensure that the consumption volume used was appropriate.

[52] The Application proposes to more than double the consumption charge per 1,000 gallons in the first Test Year from \$2.01 to \$4.23, which Mr. Isenor confirmed is due to the overstated consumption volume used previously.

Findings

[53] The Board accepts the methodology used by the Utility in the calculation of base and consumption rates for each of the Test Years, as set out in the revised rate study filed in response to the IRs.

[54] While no explanation has been given for the significant decrease in consumption volume used in the last application, compared to the current Application, the Board is satisfied that the Applicant has based the quantum using the best available data.

[55] One of the requirements of the *Public Utilities Act* is that:

Equal rates and charges for similar services

67 (1) All tolls, rates and charges shall always, under substantially similar circumstances and conditions in respect of service of the same description, be charged equally to all persons and at the same rate, and the Board may by regulation declare what shall constitute substantially similar circumstances and conditions.

[56] Residential customers usually have a 5/8" meter, of which the Utility, presently, has no connections. Other than meter size, they receive the same service as all other metered customers.

[57] The non-revenue water is exceptionally low, which causes the Board to conclude that it is unlikely the residential customers, on average, consume 60,000 gallons of water per year. It is likely that once metered, the residential customers will, on average, see a reduction in the consumption charge. At present, charging all residential customers a non-metered rate is to the benefit of the metered customers.

[58] The Board accepts the position of the Utility for a period of transition for the residential customers. However, once metered, these customers should be billed using actual consumption and not an estimate. The Board approves the transition period up to March 31, 2018, but thereafter all metered customers are to be billed for actual consumption at the rate approved by the Board. This is to commence April 1, 2018, whether all of the residential customers are metered or not.

(E) Schedule of Rates and Charges

[59] In addition to the rates for water supply to its customers and the fire protection charge to the Municipality, the Application proposes other changes to its Schedule of Rates and Charges. The response to the IRs listed the proposed changes which Mr. Isenor reviewed at the hearing, noting that they are similar to those contained in other utilities' Schedules. He added that the proposed changes also standardize the miscellaneous rates and charges with those of the Municipality's Fringe Area water utility.

[60] The Application also proposes a new bulk water rate, calculated using the same methodology as used in other utilities, in response to a request from a general water hauler. Mr. Isenor noted that as it is not known if the service will be used, no revenue from bulk water sales has been included in the Rate Study.

[61] In response to Undertaking U-1, the Applicant refiled the Schedules of Rates for Water and Water Service to: include the changes made in the revised rate study; replace the references of quarterly billing to bi-monthly billing; and revise the effective date of the first Test Year rates from June 1, 2015 to July 1, 2015.

Findings

[62] The Board finds the proposed miscellaneous charges in the Schedule of Rates and Charges, as amended in the response to Undertaking U-1, to be reasonable.

(F) Schedule of Rules and Regulations

[63] The Application proposes a large number of changes to the Schedule of Rules and Regulations, which were set out in the response to the IRs. Mr. Isenor explained that the changes proposed relate mainly to standardization with the rest of the Province, and in particular with the Municipality's Fringe Area water utility.

[64] It was noted in response to the IRs that the Schedule of Rules and Regulations included references to quarterly billing. In response to Undertaking U-1, the Applicant filed a revised Schedule of Rules and Regulations, which replaced the quarterly billings references with bi-monthly, and amended the effective date to July 1, 2015.

Findings

[65] The Board accepts the amendments to the Schedule of Rules and Regulations, as filed in the response to Undertaking U-1.

IV CONCLUSION

[66] In response to Undertaking U-1, the Utility refiled the Schedule of Rates for Water and Water Services and Schedule of Rules and Regulations to include: the corrections noted in the IR responses; the removal of references to quarterly billing; and the change of the effective date of the first Test Year to July 1, 2015.

[67] Accordingly, the Board approves the Schedule of Rates and Charges for Water and Water Services, effective July 1, 2015, April 1, 2016, and April 1, 2017, as filed in the response to Undertaking U-1. The public fire protection charge effective July 1, 2015 is to remain unchanged from the current amount.

[68] The Board approves the Schedule of Rules and Regulations, amended as filed in the response to Undertaking U-1, effective July 1, 2015.

[69] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 22nd day of June, 2015.



Murray E. Doehler