

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 INVERNESS**, on behalf of its **WATER UTILITY**, for Approval of Amendments to its Schedule of Rates and Charges for Water and Water Services and Amendments to its Schedule of Rules and Regulations and for Approval to combine the Cheticamp Water Utility into the Inverness Water Utility



BEFORE: Richard J. Melanson, LL.B., Member

APPEARING: **MUNICIPALITY OF THE COUNTY OF INVERNESS**

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

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

Garett Beaton, P.Eng.
Director of Public Works

Tanya Tibbo
Director of Finance

HEARING DATE: April 10, 2018

UNDERTAKINGS: April 11, 2018

DECISION DATE: **May 18, 2018**

DECISION: **Schedule of Rates, and Schedule of Rules and Regulations approved, as amended by the Utility.**

Amalgamation of the Cheticamp Water Utility into the Inverness County Water Utility approved.

I SUMMARY

[1] The Municipality of the County of Inverness (Municipality, County) applied to the Nova Scotia Utility and Review Board (Board) on behalf of its Water Utility (Utility, 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*, R.S.N.S. 1989, c. 380 as amended (*Act*). 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 April 1, 2007, respectively.

[2] In a previous, separate matter (M08275), the Municipality applied to the Board on September 5, 2017, for approval of the establishment of the service boundaries of a public water utility in the community of Cheticamp, as well as the approval of Interim Schedules of Rates, and Rules and Regulations to apply to the newly formed Cheticamp Water Utility. At the time of that application, the Province of Nova Scotia operated a private water system serving Cheticamp, which the Municipality was acquiring, the terms of which were set out in a Transfer Agreement with a closing date of October 1, 2017 (Agreement). By Order dated September 25, 2017, with respect to the Cheticamp Water Utility, the Board approved: the establishment of the service boundaries; an Interim Schedule of Rates for Water and Water Services, effective October 1, 2017; and an Interim Schedule of Rules and Regulations, effective October 1, 2017. The Order further directed that the Utility file a general rate application with the Board by January 1, 2018, for final approval of the Schedules and the approval of the amalgamation of the Cheticamp Water Utility with the Utility.

[3] In a letter to the Board dated January 11, 2018, the Applicant confirmed that the current Application includes the amalgamation of the Cheticamp Water Utility into the Inverness County Water Utility.

[4] A Rate Study to support the Application dated December 21, 2017, was prepared by G.A. Isenor Consulting Limited, in association with Blaine S. Rooney Consulting Limited, and was submitted to the Board on January 10, 2018 (Rate Study). Supplemental information with respect to the proposed rate impacts on the Cheticamp Water Utility were submitted on January 16, 2018. Information Requests (IRs) were issued by Board staff on February 7, 2018, and responses were filed by the Utility on February 20, 2018.

[5] The Application proposed rates for the fiscal years 2018/19, 2019/20, and 2020/21 (Test Years, Test Period), which are standardized for the amalgamated Utility. The interim rates approved by the Board for the Cheticamp Water Utility were the existing rates which were being charged by the Province to the customers in Cheticamp, which differ from the Utility's current rates. Thus, in the first Test Year, the proposed percentage rate changes differ for the customers in Cheticamp, compared to those currently served by the Utility.

[6] In 2018/19 for the current Cheticamp Water Utility residential (5/8" meter) customers, based upon average quarterly consumption, a rate decrease of 15.3% is proposed. For all other metered customers, based upon the average quarterly consumption of each meter size, the proposed rate decreases are between 9.8% and 11.6%.

[7] In 2018/19 for the current County water utility customers, the unmetered quarterly bill, based upon an assumed quarterly consumption of 62 m³, is proposed to increase by 18.2%. The 5/8" meter, residential customer, quarterly average water bill is proposed to increase by 18.7%. For other meter sizes, it is proposed that quarterly average water bills will increase between 18.3% to 19.9%.

[8] The average quarterly rates for the proposed amalgamated Utility, for a 5/8" meter residential customer, are proposed to increase by 10.2% and 10.1%, in each of 2019/20 and 2020/21, respectively. For all other metered customers, based upon the average quarterly consumption of each meter size, the proposed rate increases are 8.6% to 11.3% in 2019/20, and 7.8% to 11.1% in 2020/21. For unmetered customers, the quarterly bills are proposed to increase by 8.9% in each of 2019/20 and 2020/21, respectively.

[9] The Application also proposed 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. Public fire protection is not provided to the Cheticamp area. The total annual public fire protection charge, which is currently \$202,175, is proposed to increase by 1.4%, 1.5% and 4.1%, respectively, for each of 2018/19, 2019/20 and 2020/21.

[10] The public hearing was held at the Port Hood Fire Hall on April 10, 2018, after due public notice. Gerry A. Isenor, P.Eng., of G.A. Isenor Consulting Limited, and Blaine S. Rooney, CPA, CA, of Blaine S. Rooney Consulting Limited, represented the Utility. The Utility was also represented by Municipal staff: Garrett Beaton, Director of Public Works and Tanya Tibbo, Director of Finance.

[11] There were no formal intervenors in the proceeding, no requests to speak, and no letters of comment received by the Board.

[12] The Schedule of Rates and the Schedule of Rules and Regulations are approved, as amended and requested by the Utility, as filed in response to the Undertakings.

II INTRODUCTION

[13] The current County Utility serves 1453 customers, including 385 unmetered customers, in the communities of Inverness, Judique, Mabou, Port Hood, Whycomomagh and Port Hastings. Each of the communities have their own water systems and source of supply. Inverness, Mabou, Port Hood and Whycomomagh use groundwater sources, while Judique has a surface water source. To provide service to Port Hastings, which was projected to be included in the Utility as a part of the last rate application in 2007, water is purchased from the Town of Port Hawkesbury Water Utility at the Board approved wholesale rate. There is no projected growth in the number of customers over the Test Years, based upon the Utility's recent history.

[14] The Utility identified one situation in Port Hood in which a private water main exists to provide service to a subdivision, confirming that documentation exists which sets out that the main is not the Utility's responsibility.

[15] The Cheticamp Water Utility has a groundwater source, with 109 metered customers, 98 of which are served by a 5/8" (residential) meter. No growth in the number of customers is projected over the Test Years. The Agreement, which was filed with the Board in relation to a separate matter (M08275), set out the terms and conditions governing the sale and transfer of the Cheticamp water system from the Province, on

October 1, 2017. Included in the Agreement was the payment by the Province to the Municipality of \$250,000 to be used for Utility expenses, with the provision for an additional amount of up to \$150,000 if it is demonstrated, within three years of the closing date, that more than \$250,000 has been spent on repairs and maintenance of the Utility's assets. At the time of the public hearing, it was confirmed that to date, it has not been necessary to expend the \$250,000 on the Cheticamp system.

[16] The Utility confirmed that all of the systems, including Cheticamp, meet Nova Scotia Environment (NSE)'s *Drinking Water Strategy*, and that source water protection plans have been implemented for all systems. It was noted that there have been issues with the Judique system, due to challenges with the surface water source, resulting in recent boil orders. In a letter dated October 24, 2017, the Board approved funding of \$730,337, associated with the installation of a new water storage reservoir for Judique, which is included in the Application's 2017/18 capital additions. The reservoir, projected to be in service in August 2018, will allow the Utility to shut off the water system when necessary, and provide adequate storage.

[17] The Utility's last rate application in 2006/07 included a plan to meter most customers, with a projection of 50 unmetered customers at the end of 2009/10. The metering program did not occur, as meter installations were conducted mainly during existing staff down time, with contractors hired only for new meter requests. The Utility indicated that it is still examining metering existing unmetered customers, although it has no projections for completing a metering program.

[18] It was further noted in the last application that the Utility had been using lower depreciation rates on its assets than those set out in the *Water Utility Accounting*

and Reporting Handbook (Accounting Handbook). The Utility continues to use these depreciation rates on existing assets, which has the effect of lowering the annual depreciation expense by approximately \$30,000. The depreciation rates for the asset additions included in the Application are based upon the *Accounting Handbook* guidelines.

[19] The annual depreciation expense of \$52,568 associated with the Cheticamp system assets was provided by the Province. The Utility has no further breakdown of the transferred Cheticamp source of supply and treatment assets, totaling \$1,166,505. The Application proposes to phase-in the Cheticamp assets' depreciation over each of the three Test Years as \$0, \$15,000 and \$37,568, respectively, to reach the total depreciation expense in 2020/21.

[20] The Application was presented to the Board based upon the need to adjust the rates to meet its present financial requirements, and to provide funds for projected increases in operating costs and necessary capital improvements. It further provides for standardized rates, rules and regulations, with the proposed addition of the Cheticamp Water Utility.

III AMALGAMATION WITH THE CHETICAMP WATER UTILITY

[21] Mr. Isenor noted that on October 1, 2017, the Municipality took ownership of the Cheticamp Water Utility, which had previously been owned and operated by the Province. The Board's Order, approving interim rates, based upon the rates charged by the Province, and interim rules and regulations, further ordered that a general rate application be filed by the Utility, to include amalgamation with the Cheticamp Water Utility, which is a part of the current request. Mr. Isenor confirmed that the projections in

the Application include the revenues, expenses and asset additions of the Cheticamp Water Utility, based upon the October 1, 2017 transfer date.

[22] Mr. Beaton explained that there have been no operational issues with the Cheticamp system since the transfer. He added that the Municipality has operated the wastewater system in Cheticamp, requiring staff to make daily site visits, so the addition of the water utility has not resulted in the need to hire more staff.

[23] In the first Test Year, following amalgamation, the Applicant's proposal results in a rate decrease for those customers served by the Cheticamp system. The rates are proposed to increase for all other pre-amalgamation Utility customers. This said, Mr. Isenor explained that the addition of the Cheticamp customers would have a favourable impact on the existing Utility customers, as rates would have been even higher for these existing customers without the new customers.

[24] During the hearing, the Board verbally approved the addition of the Cheticamp Water Utility to form the amalgamated Utility, with the formal approval to be issued as a part this Application.

IV REVENUE REQUIREMENTS

(A) Operating Expenditures

[25] In 2016/17, the Utility had an excess of expenditures over revenues of \$146,999, and an accumulated operating deficit of \$22,698. In the 2017/18 fiscal year, with the addition of the Cheticamp Water Utility for six months of the year, it is estimated that the excess of expenditures over revenues is \$128,421, with an accumulated operating deficit of \$151,119. The Application projects, at current rates, there will be an

excess of expenditures over revenues in each of the Test Years, resulting in an accumulated operating deficit of \$573,667 at the end of the Test Period.

[26] The Board questioned if the current rates, which were set eleven years ago, were too high, given that the Utility indicated it had an operating surplus of \$594,542 at the end of 2011/12. The Applicant responded that the Utility added service to Port Hastings since the last application and that the surplus was used to offset deficits in the following years, until 2016/17, when the surplus was exhausted.

[27] The Rate Study states that the projected operating expenditures for 2017/18 were provided by the Utility, with the projected expenditures for each of the Test Years based upon the budgets for the system, including the budgeted expenses for the Cheticamp system.

[28] The Utility provided explanations for variations in several operating expense line items between 2016/17 and 2017/18 in response to Board IRs. It was noted that increases in the water treatment and pumping expense were due to the inclusion of costs associated with the Cheticamp system, while the 2017/18 administration and general expense includes the costs associated with the Rate Study preparation. A decrease in the source of supply expense was due to two unanticipated reservoir cleaning projects in 2016/17, which are not projected in future years. Increased hydrant maintenance and increased wages associated with a second level 2 operator resulted in an increase in the transmission and distribution expense in 2017/18.

[29] Mr. Isenor explained that the operating expenses in the Test Years are generally budgeted to increase by 2% to 4% annually. The Applicant explained that the source of supply line item, 'Water Purchased from Port Hawkesbury', which is budgeted

to increase by 5%, 5% and 3%, respectively, in each of the Test Years, relates to bulk purchases for Port Hastings, and is based upon the projected consumption and Port Hawkesbury Water Utility rates, as approved by the Board. It was further noted that the 'Transmission and Distribution' expense of 'Water Fuel Tax Rebate', budgeted at \$2,500 annually is a fuel tax rebate for purchased gasoline and diesel provided by Service Canada. The 'Insurance' expense in 'Administration and General' is budgeted to increase by approximately 11% in each of 2018/19 and 2019/20, and 3% in 2020/21, due to the addition of the Cheticamp water system.

[30] In response to the IRs, the Utility described its on-going budgeting process, in which staff review current year expenses and water consumption prior to meeting with the Director of Public Works and operators to determine the system's maintenance needs. Based upon this information, a draft budget is prepared and presented to Council for approval.

[31] With respect to the allocation of costs between the Municipality and the Utility, the Applicant noted that staff wages are allocated for the various cost centres based upon historical estimates from time sheets. Ms. Tibbo stated that these allocations are reviewed annually, and that the addition of Cheticamp has had little impact. Mr. Isenor added that no additional staff are required to operate the Cheticamp Water Utility, and there are no additional transportation costs, as staff have been going to Cheticamp prior to the takeover of the water system to check on the County's wastewater infrastructure.

[32] The Province provided the Utility with an annual depreciation expense of \$52,568 for the Cheticamp water assets. The Applicant explained that as no breakdown of the assets was provided, it is not possible to calculate the annual depreciation expense

based upon the guidelines set out in the *Accounting Handbook*. It added that the \$52,568 amount is based upon the cost of the original assets, consisting of a well field source and distribution system, with a 20 year amortization. Both Mr. Isenor and Mr. Rooney stated that the figure proposed appears to be reasonable, given the age of the system.

[33] The Application proposes that the Cheticamp annual depreciation be phased-in over each of the three Test Years as \$0 in 2018/19, \$15,000 in 2019/20, and the remaining \$37,568 in 2020/21. No depreciation on the Cheticamp assets was expensed in 2017/18. The Applicant explained that the proposed phase-in is for rate design purposes, to provide smoothing of rates, given the significant increase in the first Test Year to address the current deficit. In response to Board IRs, the rates without the proposed phase-in, calculated with full depreciation in the first Test Year, were provided, indicating further increases in rates in 2018/19 and 2019/20.

[34] The remainder of the depreciation expense projected in each of the Test Years is based upon the depreciation associated with the capital additions, at rates set out in the *Accounting Handbook*, except for the rates for 'Reservoirs' (2%), and the studies identified as 'Other Inverness System Improvement Study' and 'Other Port Hastings Well Exploration', which are each depreciated at 5%. The Applicant explained that the 2% rate is based on an estimated useful life of 50 years for the reservoir. The depreciation rates for the studies are based upon the estimate of their time value to the Utility.

Findings

[35] The operating expenses over the Test Years are generally based upon an annual increase of approximately 3%, with explanations provided for any deviations. Although there are some increases in operating expenses associated with the addition of

the Cheticamp system, it appears that the additional revenues from serving the system more than cover these costs. The Board finds the operating expenses for the Test Years to be reasonable.

[36] The Board finds the proposed depreciation for the Cheticamp Water Utility assets, and the proposed depreciation phase-in to reach full depreciation in 2020/21, to be reasonable, and accepts the amount and phase-in as proposed.

[37] The Utility continues to not fully depreciate its existing assets, which is of concern to the Board, in terms of the Utility's ability to fund future asset replacements. However, with the proposed phase-in of the Cheticamp depreciation, the Rate Study projects a depreciation fund balance at the end of the Test Period of more than \$1 million. Further, the asset additions during the Test Years are proposed to be fully depreciated. Given this, the Board accepts the depreciation expense as projected in the Rate Study. Before the next rate application, the Board directs the Utility to review the depreciation calculation on its assets, with a view to propose any necessary revisions.

[38] The Board accepts the allocation of costs between the Municipality and the Utility. The Board reminds the Utility to review these allocations on a periodic basis to help ensure accuracy.

(B) Capital Budget and Funding

[39] The Rate Study shows the Utility's 2017/18 capital projects, totalling \$829,500, as well as the proposed Capital Budget for the Test Years of \$868,500 in 2018/19, \$268,500 in 2019/20, and \$18,500 in 2020/21. The 2017/18 projects include the Judique reservoir (\$731,000), which was approved by the Board in a letter dated

October 24, 2017, with a portion of the funding provided through a local improvement charge to be levied by the Municipality.

[40] The 2018/19 capital budget contains the item, 'Port Hastings Well and Treatment' (\$600,000), which is proposed to be funded entirely through outside funding sources. The Applicant explained that the expense of purchasing water to service Port Hastings from the Port Hawkesbury Water Utility has more than doubled in the last five years and this project will explore developing a well supply to reduce expenses. Mr. Isenor noted that if the gas tax funding source is not available, the project will be reconsidered. He added that, given the project's uncertainty now, it was believed to be unwise to include any potential associated operating costs savings into the Rate Study. The remainder of the 2018/19 capital budget, to be funded through the Utility's depreciation fund, includes several routine capital items, totalling \$13,500, and distribution mains (\$255,000).

[41] The 2019/20 capital budget includes distribution mains (\$255,000) and routine capital items (\$13,500), to be funded entirely from the depreciation fund, as is the 2020/21 capital budget, consisting of \$18,500 of routine items.

[42] Mr. Isenor described the depreciation fund balance, expected to be \$1,003,573 at the end of the final Test Year (2020/21) with the proposed funding, to be in good shape.

Findings

[43] The Board has considered the information presented with respect to the proposed capital projects and associated funding. The Board finds the proposed projects, consisting of the Port Hastings well development project, distribution mains, and routine

items, such as meters, services and hydrants, to be reasonable. Given the uncertainty with respect to the well development project, the Board accepts the decision to not include any potential source of supply savings in the Application.

[44] The Board accepts the proposed capital funding from depreciation. Although the projected fund balance is more than \$1 million, the Utility is reminded of the importance of maintaining a healthy depreciation fund balance for future asset replacement requirements.

[45] The Board notes that the inclusion of proposed capital projects in the Rate Study does not constitute the Board's formal approval of these 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 Revenues and Expenditures

[46] The Test Years' revenue requirements identified in the Rate Study include projections of other operating revenue, non-operating revenues and non-operating expenditures.

[47] The other operating revenue consists of 'Sprinkler Service/Private Hydrants' in the annual amount of \$4,160, and 'Interest and other', related to interest earned on outstanding balances and return on investment from the operating bank account, in the annual amount of \$10,000.

[48] The only non-operating revenue is \$29,647 in 2018/19 from the 'Amortization of Deferred Government Assistance', which relates to the grant funding on related assets. It is proposed to be phased out after 2018/19 to provide funding for asset replacement in rates through the depreciation fund.

[49] The Rate Study includes projected non-operating expenditures related to the principal and interest charges on existing debt associated with the Port Hastings water system. The debt is expected to be retired in 2030/31. No new debt is projected in the Test Years.

[50] Also, included as non-operating expenditures in the Application are 'Earnings' in the amounts of \$10,000 and \$40,000, respectively, in each of 2019/20 and 2020/21. The Utility explained that the basis of the proposed timing and magnitude of 'Earnings' is to smooth the proposed rate increases over the final two Test Years, given the magnitude of the proposed increase in 2018/19 with respect to the current year projected deficit. It is projected that if the 'Earnings' are maintained at the 2020/21 amount, the deficit could be retired in six to eight years.

[51] In response to Board IRs, to correct errors in the Rate Study, the Applicant filed a revised calculation of the rate of return on rate base, which has no impact on the proposed rate calculation. With the revisions, including the proposed earnings, the calculated return on rate base is 0.0%, 1.27% and 1.81%, respectively, in each of the Test Years.

Findings

[52] The Board finds the Utility's projected other operating revenue, and non-operating revenue, including the 'Amortization of Deferred Government Assistance' in 2018/19, and proposed phasing-out of this amount, to be reasonable, and accepts them as presented.

[53] The Utility has included 'Earnings' as a non-operating expense in the revenue requirements to reduce, and eventually eliminate, its operating deficit. The other

non-operating expense relates to the existing debt payments, with no new long-term debt projected, as there are sufficient depreciation funds to cover the costs of the projected capital expenditures. The calculated rates of return are within what the Board accepts as reasonable. The Board finds the projected non-operating expense revenue requirement to be reasonable.

(D) Allocations of Revenue Requirement

1. Public Fire Protection

[54] The allocations used in the Rate Study in the calculation of the public fire protection charge are generally in accordance with the *Accounting Handbook*. The assets associated with the Cheticamp Water Utility, which does not provide public fire protection service, are allocated 100% to general service. The Utility's electrical pumping equipment, which does not provide fire protection flows, is allocated as 90% to general service and 10% to fire protection.

[55] The allocation of utility plant in service to public fire protection is calculated in the Rate Study as 32.6% in 2018/19, and 33.2% in each of 2019/20 and 2020/21. If these percentages are used, the annual fire protection charge, which is currently \$202,175, is calculated as \$180,036 in 2018/19, \$199,092 in 2019/20 and \$216,629 in 2020/21. The Applicant explained that the calculated reduction in the public fire protection charge is due to asset additions since the last application not being allocated to fire protection in the same proportions as previously, with a contributing factor being the addition of the Cheticamp system which has no public fire protection allocation.

[56] Mr. Isenor explained that, due to the confusion that is caused with the fire protection rates fluctuating up and down, which also impacts customer rates, it is

proposed to set the fire protection rates in the first two Test Years, at \$205,000 and \$208,000, respectively. In the final Test Year, the rate is proposed, as calculated using the *Accounting Handbook* methodology, at \$216,629.

Findings

[57] As explained by the Applicant, using the methodology set out in the *Accounting Handbook* to calculate the public fire protection charge results in reductions from the current rate, followed by an increase. This will impact proposed customer rates, through increasing the associated revenue requirements in the first two Test Years to be recovered from Utility customers. The addition of the Cheticamp Water Utility, which does not provide public fire protection, has contributed to the calculated reduction in the fire protection charge.

[58] Given this, the Board finds the proposed public fire protection rates, as set in the first two Test Years, and calculated using the *Accounting Handbook* methodology in the final Test Year, to be reasonable, and approves the rates, as proposed in the Application.

2. Utility Customers

[59] The remaining revenue requirement, after the allocation to fire protection charges, is to be recovered from the customers of the Utility. The allocations used for the base charge, customer charge, delivery, and production are the same as were used in the last Application, except for the return on rate base. It was allocated at 40% to base and 60% to production, and is now proposed to be allocated as 40% to base, 30% to delivery and 30% to production, which Mr. Isenor noted has a minimal impact on rates.

[60] The allocations differ from the guidelines set out in the *Accounting Handbook* with respect to: the transmission and distribution expense, at 100% to base charge, compared to the *Accounting Handbook's* allocation of 100% to delivery; and the depreciation expense, allocated 100% to base, compared to the *Accounting Handbook's* allocation of 40% to base, 30% to delivery and 30% to production. Mr. Isenor explained that the changes are proposed to keep the base charge slightly higher for revenue stability, since smaller utilities, such as this, are more susceptible to revenue risk.

[61] The Application projects no change to the number of customers over the Test Years. In response to the Undertakings, the Applicant confirmed that there are six 3/4" meter size customers, not five as indicated in the Rate Study, and that the consumption volume for these customers was included with that of the 5/8" meter customers. It was further noted that the one additional 3/4" meter size customer not accounted for in the Application has no material impact on rates.

[62] The Application noted that the water consumption for the 5/8" customers has been declining, which has been a trend in most water utilities in the Province. Based upon this, the Rate Study includes a 1.5% annual reduction in consumption for the Test Years for both the unmetered and 5/8" customers.

[63] Mr. Isenor explained that it is believed the same reasons the 5/8" meter consumption is declining, such as smaller family sizes and more efficient appliances, will apply to unmetered customers. In response to the Undertakings, the Schedule of Rates for 2018/19 were refiled to correct the volume, at 246 m³ per year, that the unmetered rate is based upon.

[64] The Rate Study projects the annual consumption volume for the other meter sizes will remain constant throughout the Test Period.

Findings

[65] Based upon the information provided, the Board approves the methodology used by the Applicant in the calculation of customer rates for each of the Test Years. The Board also approves the customer rates, including the unmetered rate, as presented in the Rate Study, and revised in the response to the Undertakings for 2018/19 (Schedule "A").

(E) Schedule of Rates

[66] In addition to the rates for water supply to its customers, the Application proposed amendments to some existing miscellaneous rates and charges, including: Rates for Sprinkler Service; Charges for Re-Establishing Water Service; Disconnection Fee; Special Service Charge; and Charge for Non-Negotiable Cheques. The purpose of these changes is to better reflect the cost to provide the service.

[67] It is further proposed to add the item, Connection Fee, to cover the cost of account creation. Mr. Isenor noted that the Schedule of Rates includes a due date of September 30 annually, for the payment of the fire protection charge by the Municipality to the Utility, which has become common practice for water utilities in the Province.

Findings

[68] The Board approves the proposed amendments to the Schedule of Rates, as proposed, with the correction of the typo related to the volume of unmetered consumption assumed in the first Test Year.

[69] These are approved with effective dates of July 1, 2018, April 1, 2019, and April 1, 2020. As the first approval date is 3 months after the beginning of the 2018/19 fiscal year, the fire protection charge is prorated for that year.

(F) Schedule of Rules and Regulations

[70] The Rate Study proposed amendments to the Utility's existing Schedule of Rules and Regulations, which were listed in response to Board IRs, and are generally consistent with other utilities in the Province. Of note is the change to 'Liability for Payment of Water Service' to make a property owner who rents or leases a property the Utility customer, which has become common practice among water utilities. As well, it is proposed to add a clause to 'Location of Meters', to allow the Utility to request a frost proof meter box at the street line, to house the water meter in cases where the service pipe is greater than 100 metres in length. The Applicant explained that the purpose of the proposed addition is to reduce non-revenue water, as there is a greater possibility of an undetected service leak with a longer pipe. Mr. Isenor added that although a service line leak is a customer's responsibility, if the meter is not near the street line, there is no incentive to repair the leak.

[71] Several new Regulations are proposed including, Billing, to clarify the prorating of bills and provide for billing seasonal customers, and Extensions, to provide clarity of the water service extension process. It is further proposed to add rules relating to Water Conservation Directives and Curb Stop/Control Valve Service Box, for enforcement of conservation directives at times of water shortages, and to ensure the accessibility of the curb stop/control valve service box.

Findings

[72] The Board finds that the proposed amendments to the Schedule of Rules and Regulations are reasonable, and are generally consistent with those of other utilities. The Board approves the Schedule of Rules and Regulations.

(G) Contingency Planning

[73] In response to Board IRs, the Utility provided general information on its efforts related to contingency planning and emergency preparedness. It noted that it has emergency contingency plans in place for its treatment facilities, and is in the process of planning risk assessments. Mr. Isenor added that the Utility may be able to provide water to customers who are affected in emergency situations, given that it is made up of a number of small systems, each with their own source of supply.

[74] The Board reminds the Utility of the importance of maintaining and updating its contingency and emergency preparedness strategies and the associated communication plans.

V CONCLUSION

[75] The Board has considered the information presented, and approves the addition of the Cheticamp Water Utility into the Inverness County Water Utility.

[76] The Board approves the Schedule of Rates for Water and Water Services as proposed by the Applicant in the Rate Study, with the unmetered rate amended in 2018/19 in the response to Undertaking U-2, with effective dates of July 1, 2018, April 1, 2019, and April 1, 2020. The public fire protection charge is approved, effective July 1, 2018, at \$204,294, based upon 3 months at the current rate and nine months at the new rate.

[77] The Board further approves the Schedule of Rules and Regulations as proposed, and amended by the Utility, with an effective date of July 1, 2018.

[78] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 18th day of May, 2018.

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a smaller 'M' and a long horizontal flourish extending to the right.

Richard J. Melanson