

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE PUBLIC UTILITIES ACT

- and -

IN THE MATTER OF Amendments to the Water Utility Accounting and Reporting Handbook

BEFORE:  Peter W. Gurnham, Q.C., Chair

ORDER

WHEREAS pursuant to Section 27 of the *Public Utilities Act*, the Board established an Accounting and Reporting Handbook for Water Utilities;

AND WHEREAS Chapter 38 of the Acts of 2019, An Act to Amend the *Public Utilities Act*, received Royal Assent on October 30, 2019, to amend Section 35 by adding the following provision:

35AA (1) In this Section, "large-scale public utility" means a public utility with an annual revenue of one hundred million dollars or more.

(2) A large-scale public utility is not required to secure the approval of the Board under Section 35 for new construction, improvements or betterments in or extensions or additions to its property used or useful in furnishing, rendering or supplying any service that requires the expenditure of one million dollars or less.

AND WHEREAS for consistency in the capital approval process the Board has determined that it should revise relevant pages of the Water Utility Accounting and Reporting Handbook to include the provision for large scale public water utilities;

AND WHEREAS by Order dated November 29, 2019, relevant pages of the Accounting and Reporting Handbook for Water Utilities were amended;

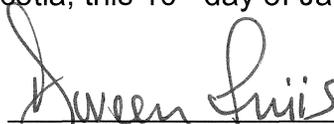
AND WHEREAS in a letter to Halifax Water dated November 29, 2019, the Board requested that Halifax Water provide any submission with respect to subject 4251 – Changes to Approved Capital Projects, of the Accounting and Reporting Handbook for Water Utilities;

AND WHEREAS in a letter to the Board dated December 18, 2019, Halifax Water made a submission to the Board which provided suggested revisions to pages 4251.1 and 4251.2, as well as suggested amendments to subject 4250 – Capital Approvals, which was included in the Order dated November 29, 2019;

AND WHEREAS the Board has reviewed the suggested revisions to pages 4251.1, 4251.2 and subject 4250 of the Accounting and Reporting Handbook for Water Utilities and finds them to be reasonable;

IT IS ORDERED that the Water Utility Accounting and Reporting Handbook be further amended, effective the date of this Order, as set out in Appendix A to this Order.

DATED at Halifax, Nova Scotia, this 10th day of January, 2020.


Clerk of the Board

Appendix A

Nova Scotia Utility and Review Board	Water Utility Accounting and Reporting Handbook	Page: 4250.1
	Section: 4200 – Capital Budget	Date Issued: March 29, 2007
	Subject: 4250 – Capital Approvals	Revisions: July 13, 2010 April 25, 2013 Nov 29, 2019 January 10, 2020

Policies

1. Each capital acquisition or construction project costing \$250,000 or more (in excess of \$1 Million for large scale public utilities) must be approved in advance by the Board. If a capital item/project is included in either a rate case or the three year Capital Budget it must still be submitted for subsequent approval as a stand alone application.

Procedures

1. The application for a capital acquisition or expenditure approval (all projects of \$250,000 and over, or in excess of \$1 Million for large scale public utilities) must have, as a minimum, the following information:
 - Background information giving the reasons and need for the project;
 - A brief narrative describing the project;
 - Project cost showing **where possible** the costs by major category:
 - Contractor
 - Materials/supplies
 - Professional fees
 - Engineering and design
 - Communications
 - Equipment purchase or rental
 - Other labour
 - Administrative
 - Land purchase
 - Capitalized interest (see section 3070)
 - The proposed project funding by funding source, including interim financing during construction, with copies of any letters committing the funding.
2. Other useful information:
 - A brief narrative describing how and why the funding plan is appropriate for the water utility;
 - A cash flow statement for multi-year projects showing capital expenditures and sources of funds by year;
 - For donated assets, or partially donated assets, provide the gross capital cost, the value or amount of the donation, the net capital cost and the name(s) of the donor;
 - The measurable and not measurable benefits to be obtained and where possible the related cost justification;

Appendix A

Nova Scotia Utility and Review Board	Water Utility Accounting and Reporting Handbook	Page: 4251.1
	Section: 4200 – Capital Budget	Date Issued: April 25, 2013
	Subject: 4251 – Changes to Approved Capital Projects	Revisions: January 10, 2020

Policies

1. No project may be substituted for another project, and the approved funding cannot be shifted to a different project without prior approval.
2. Board approval for Authorization to Overspend (ATO) is required any time a capital project:

For a large-scale utility:

- Has an increase in the estimated cost that brings the project's total cost to over \$1,000,000, if the original was under \$1,000,000 and did not have prior Board approval; or
- The actual project costs exceed the greater of \$250,000 or 5% of the previously estimated cost.

For all other utilities:

- Has an increase in the estimated cost that brings the project's total cost to over \$250,000, if the original was under \$250,000 and did not have prior Board approval; or
- The actual project costs exceed the greater of \$250,000 or 5% of the previously approved amount.

Procedures

1. The application for the abandonment of a capital acquisition or expenditure must have, as a minimum, the following information:
 - A brief narrative describing the reason for the abandonment;
 - How the Utility plans on addressing the issue that the project was intending to solve; and
 - The date in which the utility expects to undertake this project in the future, if applicable.

Appendix A

Nova Scotia Utility and Review Board	Water Utility Accounting and Reporting Handbook	Page: 4251.2
	Section: 4200 – Capital Budget	Date Issued: April 25, 2013
	Subject: 4251 – Changes to Approved Capital Projects	Revisions: January 10, 2020

2. If the project is to be replaced with another capital project, the utility will follow the procedures as they relate to **Subject: 4250 – Capital Approvals** for the new project.

3. For large-scale utilities, projects with cost overruns that exceed the greater of \$250,000 or 5% of the previously estimated cost, the project must be applied for under **Subject: 4250 – Capital Approvals**. For all other utilities, projects that originally cost less than \$250,000 and cost overruns cause the project to breach the \$250,000 threshold and prior approval was not granted by the Board, the project must be applied for under **Subject: 4250 – Capital Approvals**.

4. For projects that had previously received Board approval and require an ATO due to cost over runs, the utility must, as a minimum, provide the following information:
 - A brief description of any changes made to the project (i.e. scope);
 - A project analysis showing the variances by major expense (i.e. Contractor; Materials/Supplies; Professional Fees; Engineering and Design; Communications; Equipment Purchase or Rental; Other Labour; Administrative; Land Purchase; Capitalized Interest (see section 3070));
 - An explanation of the variance in each of the above accounts, if applicable; and
 - The proposed funding of the cost overruns.