DECISION **2023 NSUARB 8**
M10683

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 Victoria County** on behalf of its **WATER UTILITY** for Approval of Amendments to its Schedule of Rates and Charges for Water and Water Services

BEFORE: Richard J. Melanson, LL.B., Panel Chair
Bruce H. Fisher, MPA, CPA, CMA, Member

APPEARING: **MUNICIPALITY OF VICTORIA COUNTY**

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

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

Leanne MacEachen, CPA, CA
Chief Administrative Officer

Alix Redden, MBA, CPA, CMA
Chief Financial Officer

Kelly Brett
Manager of Public Works

Greg Weir
Public Works Technician

HEARING DATE: November 29, 2022

UNDERTAKINGS: November 30, 2022

DECISION DATE: **January 19, 2023**

DECISION: **Approval of the Schedules of Rates and Charges effective April 1, 2023, and April 1, 2024, subject to a compliance filing.**

The current Schedule of Rules and Regulations effective July 1, 2017, remains in place.

I SUMMARY

[1] The Municipality of Victoria County applied to the Nova Scotia Utility and Review Board on behalf of its Water Utility to amend its Schedule of Rates and Charges for Water and Water Services. The existing schedule has been in effect since April 1, 2019.

[2] A rate study to support the Application dated June 6, 2022, prepared by G.A. Isenor Consulting Limited, in association with Blaine S. Rooney Consulting Limited, was submitted to the Board on July 18, 2022. Information Requests (IRs) were issued by Board staff on September 2, 2022, and responses were filed on October 11, 2022.

[3] The rate study proposed amendments to rates for the fiscal years 2022/23, 2023/24, and 2024/25 for metered customers. For 5/8" meter customers, based on average quarterly consumption, the proposed increases in each of the test years are 14.8%, 15.3%, and 10.6%, respectively. For all other metered customers, based on the average quarterly consumption of each meter size, the proposed rate increases are between 22.3% to 33.6% in 2022/23, 16% to 16.6% in 2023/24, and 10.3% to 10.5% in 2024/25.

[4] The Municipality's Application also proposed amendments to the annual public fire protection charge paid by the Municipality for the provision of water for fire protection services. The total annual public fire protection charge, currently $275,829, is proposed to decrease to $267,007, a 3.2% decrease in 2022/23. The fire protection charge is to remain the same for all three test years, based on the calculation for the fire protection charge in the third test year.

[5] Following public notice, a public hearing was held on Tuesday, November 29, 2022, at 11:30 a.m., Council Chambers, Municipality of Victoria County, 495 Chebucto Street, Baddeck, NS. Gerry Isenor of G.A. Isenor Consulting Limited and Blaine Rooney of Blaine S. Rooney Consulting Limited represented the Utility. The Utility was also represented by Leanne MacEachen, Chief Administrative Officer; Alix Redden, Chief Financial Officer; Kelly Brett, Manager of Public Works; and Greg Weir, Public Works Technician. No members of the public requested to speak during the hearing, and the Board received no letters of comment.

[6] Due to the timing of the hearing, the decision will be implemented at the start of the second test year, April 1, 2023. By going directly into the second test year from current rates, the Utility's customers would be facing average increases of between 32.4% and 55.7% on April 1, 2023, which could be described as rate shock.

[7] To moderate the rate increases in each of the test years, the Board reduces the allowed earnings included in the revenue requirement (and used to repay the Utility's accumulated deficit) to $30,000 in 2023/24 and $100,000 in 2024/25. This effectively extends the term for the repayment of that accumulated deficit from seven to 12 years. The Schedules of Rates and Charges for the second and third test years will be approved, effective April 1, 2023, and April 1, 2024, respectively, subject to a compliance filing.

II INTRODUCTION

[8] The Utility serves customers within four different water supply systems located throughout the Municipality. These include water supply systems in Ingonish,

Dingwall, Neil's Harbour/New Haven, and Little Narrows. These four systems are separated geographically and are not interconnected.

[9] The Ingonish water system serves the communities of Ingonish Harbour and Ingonish Beach, along with the Cape Breton Highlands National Park and Keltic Lodge Resort. The Ingonish water supply is a groundwater source, with a pump house and two wells located near Power Brook in Ingonish Ferry. The treatment plant provides chlorination and houses the SCADA base for system management and monitoring. The distribution systems consist of new (circa 2005) distribution mains, a new water storage reservoir and a re-chlorination building. The new system connects to the older distribution systems of the National Park (circa the late 1960s) at the re-chlorination building. The older system extends through the National Park with a spur out to the Keltic Peninsula, serving Keltic Lodge. There are two storage reservoirs on the system, a new above-ground 100,000 Imperial Gallon ("IG") reservoir at Ingonish Beach and an older 270,000 IG in-ground reservoir within the National Park.

[10] The Dingwall water system was initially established in 1971 as a surface water supply, drawing water from the Middle Aspy River and serving the community of Dingwall. This source presented water quality and treatment concerns and was abandoned in 2003 for a preferred groundwater source. The current Dingwall water supply is a groundwater source with a pump house and two wells located off South Ridge Road near Dingwall. The supply consists of a pump house/treatment plant that provides chlorination and a base for the newly upgraded SCADA panel for system management and monitoring. The distribution system consists of 1.3 kms of 150 mm diameter PVC piping (installed in 2003) from the pump house to the system (installed in 1971 and 1993).

At this point, six kms of 50mm to 100mm diameter plastic/ABS distribution lines serve the community. In 1989, an above-ground storage reservoir was added to the existing system. The Municipality plans to replace the storage reservoir with a 61,642 US Gallon (233 M^3) glass fused-to-steel storage reservoir.

[11] The Neil's Harbour water system was installed in 1996 to serve the communities of Neil's Harbour and New Haven. The Neil's Harbour water supply is a surface water supply drawing water from Trout Brook in New Haven. The treatment plant consists of conventional chemical treatment using a gravity clarifier with lamella tubes for settling before filtration. In 2021 a Z-PAK R100 ultrafiltration membrane system was added to provide filtration through polyvinylidene fluoride (PVDF) hollow-fibre membranes with a nominal pore size of 0.02 microns. This was a major expense with potentially material impacts on rates. Board approval was only sought after most of the capital costs had been incurred. In approving the project, the Board directed the Utility to prepare a rate study which has led, at least in part, to this application.

[12] Treated water resides in the chlorine contact chamber before entering the distribution system. Distribution is through 6.5 km of 100 mm to 200 mm PVC piping of assorted sizes. The 78,000 USG above-ground storage reservoir located on Birch Lane in New Haven was replaced with a 201,352 USG above-ground storage reservoir in September 2017 and provides equalization storage for the system.

[13] The Little Narrows water system was constructed in 1995/96 to serve the community of Little Narrows. The system is served by two wells with submersible pumps. The Little Narrows supply is located near Bucklaw. Water is pumped through a 100m PVC pipe that eventually crosses St Patrick's Channel to the pump house at Little

Narrows. Treatment at the plant is by chlorination with onsite storage within a 55,000 IG in-ground chlorine contact chamber. The distribution system consists of 2.8 km of PVC piping serving the community of Little Narrows and the local gypsum company. In 2008/09 the system was expanded to include an additional 17 km of distribution along with a re-chlorination/booster building and an above-ground 50,000 IG water storage reservoir. All storage reservoir wall sheets were replaced in 2018 and an internal mixing system was added. Additionally, a second production well will come online in 2023. In addition, the distribution pumps were upgraded, and new SCADA monitoring equipment was installed.

[14] All water systems now have backup generator provision. In Neil's Harbour, there is a dedicated unit, and in each of the other systems, there is a provision to connect portable units. The Municipality has purchased two generators that can be shared between the water systems.

[15] The Utility currently serves approximately 535 customers. An annual increase of two residential customers is projected in each of the test years. At the time of the last rate study, the Utility had 508 customers.

[16] The rate study indicated that the average consumption per customer in each meter size is projected to increase from 2021/22 due to a return of tourists to the national park and to remain the same over the test period. The addition of two new residential customers in each of the final two test years will also increase total volume in each of the test years.

[17] The Utility stated that its amount of non-revenue water was approximately 51% in 2021/22, though this figure includes fire department use, towers being drained and re-filled for inspections, and repaired leaks.

[18] During the formal hearing, the Utility also noted that average usage among 5/8" customers is much lower than most of the province. The Utility suggests part of the reason for this is older meters that are not registering all the water that passes through them. By replacing the meters, a project included in the Utility's capital budget, the Utility will have a better indication of actual water consumed. This will also provide a more accurate picture of non-revenue water.

[19] The Utility says it needs to amend its rates due to higher operating costs, including proper allocating of Municipal costs to the Utility. The Utility also needs to fund its projected capital program. It also proposes that earnings will be used to eliminate the accumulated deficit and reduce the amount payable to the Municipality.

III REVENUE REQUIREMENTS

a) Operating Expenditures

[20] Schedule B-1 of the rate study indicated that, without a rate adjustment, the Utility's expenses are estimated to exceed revenues by $84,355 in 2022/23, increasing the Utility's existing accumulated deficit to $984,650 in 2022/23. The Utility expects further revenue deficiencies of $202,532, and $294,479 in each of the final two test years resulting in an accumulated deficit of $1,481,661 at the end of the test period.

[21] The above deficits include earnings of $30,000, $100,000, and $175,000, in each of the test years respectively. If earnings are excluded from the calculation, as earnings are not a cash expense, the projected accumulated deficit would be $1,176,612

at the end of the test period. Earnings will be discussed below with non-operating income and expenses.

[22] Schedule B-1 of the Water Rate Study uses the 2021/22 budgeted meter sales to estimate the projected accumulated deficit (without a rate increase) of $1,481,661. Schedule D-2 of the Water Rate Study uses actual metered sales to determine the impact of increasing the rates. If the same assumptions for metered sales were used in B-1, as in D-2, the B-1 results over the test period show the Utility would (without a rate increase) have larger deficits than what is currently included in worksheet B-1. Using the D-2 rate study's assumptions, the accumulated deficit would be expected to reach $1,557,029 by the end of the test period, which is approximately $75,000 larger than shown in the B-1 table.

[23] In the previous rate application process, the Utility noted that the operating budgets did not include sufficient funds to cover all costs that should have been attributed to the Utility. In its decision on that application, the Board directed the Utility to track, quantify and categorize (per the operating expense categories noted in the *Accounting Handbook*) these expenses for each test year. These expenses were then to be used to estimate the associated revenue requirements for the Utility's next rate application.

[24] In response to Board staff IR-24, the Utility described how costs are allocated between the Municipality and the Utility:

> All but one operating staff are dedicated 100% of their time to the Utility as the Municipality does not have any wastewater collection or treatment systems. One operating staff member is allocated at 80% as there are some shared public work duties. Administrative staff for oversight, billing and office work is allocated based on time spent on Utility requirements. Beginning in 2021/22, the allocation methodology was reviewed to better reflect actual time spent and to add relevant staff at lesser allocation amounts.
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> [Exhibit V-4, IR-19, p. 16]

[25] In 2021/22 the Utility spent considerable time reviewing its expenditures and revising its 2021/22 Budget. The projected operating expenses for the test years are generally based upon the Utility's revised budget for 2021/22 plus an annual increase sufficient to cover inflation, as well as individual adjustments as required. Depreciation is calculated by taking the current depreciation expense plus the estimated annual depreciation expense of the capital additions over the test years.

[26] In response to Board staff IR-11, the Utility explained the year-over-year changes in expenditures that varied from the 3% proxy for inflation. In general, inflationary pressures have increased routine costs and anticipated salary costs. There are increased costs for the Neil's Harbour water treatment plant upgrade due to its larger footprint, the maintenance for added equipment and the additional approval requirements from NS Environment including septic removal. Pressures include:

- Change in allocation methodology for Utility/Municipality salaries and wages;
- Assumptions for the results of upcoming collective agreement bargaining negotiations with implications of current cost of living rates;
- Increased maintenance costs in 22/23 due to substantial equipment/sites review with change in management/staff; and,
- New/increases in costs from Neil's Harbour water treatment plant upgrade project.

[Exhibit V-4, IR-11, p. 9]

Findings

[27] The operating expenses over the test years are generally based on an annual inflation increase of approximately 3% along with other adjustments and revisions. The Utility provided explanations for items that differed from the 3% annual increase. The Board accepts the explanations for the increases provided by the Utility. While the Board accepts the underlying assumptions on inflationary pressures, it notes that the current environment is volatile and there is some risk that the Utility's 3% factor for inflation may be optimistic.

[28] The Board commends the Utility's approach in setting its budget for the test period by looking line by line at its appropriateness and making any adjustments it deemed necessary to better capture the actual costs of running the Utility.

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

[30] The Board had some concerns with the assumptions that underlie the projected test years' water revenues in Worksheets B-1. In response to Board staff IR-15, the Utility provided an updated worksheet B-1 that incorporated the assumptions for consumption over the test period to derive the revenue and revenue shortfall, if rates remained unchanged. The Board urges the Utility to use the same assumptions for consumption and other factors in all scenarios it produces, with or without a rate increase. This will allow the Board and the public to properly understand the current and proposed financial state of the Utility and be able to relate that to any increases requested.

b) Capital Budget and Funding

[31] The rate study included the Utility's capital budgets for 2021/22 and the first two test years, totalling $2,400,000, $1,170,000, and $2,000,000, respectively. The Utility has not budgeted any capital projects for the final test year.

[32] The Utility has budgeted $300,000 in its 2022/23 capital program for the replacement of existing meters with new meters that are capable of being read by radio transmission. An application for this project was received by the Board on October 3, 2022, as matter M10781. The Board issued IRs to the Utility regarding this matter on October 6, 2022. The Utility responded to the Board on October 27, 2022. This project

was also discussed at the hearing. The project was approved on January 5, 2023, in matter M10781. The Board's decision in this rate hearing assumes the replacement meters are funded as approved.

[33] In response to Board staff IR-24, the Utility provided a summary of the planned projects over the test years. The largest of these is a planned $1.7 million extension of the Ingonish water system. The proposed funding for the capital budget is as follows:

	2022/23	2023/24	2024/25
External Funding	$ 200,000	$1,700,000	
Depreciation Fund	$ 840,000	$ 300,000	
Long Term Debt	$ 130,000		
Total	**$1,170,000**	**$ 2,000,000**	**$ 0**

[34] The rate study projected that, with the proposed funding as set out above, the depreciation fund balance will be $296,818 at the end of the test period.

[35] The Utility also noted that although there are no planned capital projects in the final test year, it may look at taking some on that year if the Utility has the capacity to do so after its asset management program is completed.

Findings

[36] The Utility is focusing on repairing and replacing current infrastructure over the first two test years, in addition to a planned expansion in Ingonish and the replacement of aging meters. The intended capital program also includes backup mobile generators that can be shared across the systems that do not have a dedicated backup. The Board recognizes the necessity of completing this work.

[37] The Board accepts the proposed level of funding from the Utility's depreciation fund over the test years. The Board also accepts the Utility's proposed capital program and funding as set out in the rate study.

[38] The Board understands that some of the proposed projects are relying on outside sources of funding and that, if that funding is not secured, some of the projects might not be undertaken during the test period. If that happens, the Board suggests that the Utility put aside the equivalent of the depreciation expense for those projects in a reserve account for future capital works, as opposed to adding it to an operating surplus for a given year.

[39] The Utility is urged to apply to the Board for permission to set up such a capital reserve. Based on subject 3080 of the *Accounting Handbook,* such an application to the Board must contain at least the following:

- The purpose of the reserve;
- The term, including estimated termination date;
- The treatment of interest and income earned in the reserve;
- The amount, frequency, and source of payments into the reserve;
- The qualified disbursements from the reserve; and
- The type and frequency of financial reporting of transactions related to the reserve.

[40] The Utility is reminded that the inclusion of the proposed capital projects in the rate study does not constitute Board approval of these projects. Separate Board approval is required for projects of more than $250,000 as set out in s. 35 of the *Public Utilities Act*, regardless of the source of funding.

c) Non-Operating/Other Revenues and Expenditures

[41] The annual amount for interest and other income, the sole component of non-operating revenue, is $4,000, $4,080, and $4,160, respectively for each of the test years.

[42] The non-operating expenses include debt repayments, the corresponding interest expense, and earnings. The largest portion of new debt is an interest-free loan from the Municipality for the Utility's portion of the water treatment plant. This loan is for 20 years at $51,901 per year.

[43] The Utility is also taking out a smaller loan for its 2022/23 capital program. This loan is subject to both interest expense and principal repayments.

[44] Earnings of $30,000, $100,000, and $175,000 were proposed in the rate study, to address the Utility's accumulated deficit, which has resulted in the Utility owing an amount to the Municipality. Due to the timing of the hearing, rates will not be amended until April 1, 2023, which would result in earnings of $100,000 in 2023/24 and $175,000 in 2024/25 being included in rates. The Utility noted that earnings of this magnitude are expected to pay off the accumulated deficit and amount owing to the Municipality within seven years.

[45] The rates of return calculated in the rate study, which includes the earnings, are 1.54%, 2.79%, and 4.30%, respectively, in each of the test years.

Findings

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

[47] The Board accepts the non-operating expenditures related to new and existing debt in each of the test years, as presented in the rate study.

[48] The Board notes that the accumulated deficit started around 20 years ago. At the time the municipality opted not to apply for amendments to rates in 2012/13 the deficit was already accumulating. Like in the previous rate study, the current ratepayers are being asked to pay higher rates to address an accumulated operating deficit that could have been lower had rates been amended in 2012/13. The Board notes that this deficit and amount owing presents the same intergenerational equity concerns that were noted in the previous rate case.

[49] The Board finds the proposed return on rate base over the test years to be reasonable. However, the size of the annual expenditure increases (including the earnings) and resulting proposed rate increases are of concern. Before the previous rate case, the Utility's accumulated operating deficit had reached an untenable level. The Board commends Council and the Utility staff for addressing the issue. Without this proposal, the Utility's deficit would steadily increase, which could erode the Utility's ability to maintain its assets and to provide safe drinking water.

[50] In this unique and unfavourable situation, the Board considers the high rates and large rate increases to be more of a concern than the amount of time it would take to pay down the accumulated deficit or the intergenerational inequities facing the Utility's customers. As such, in this circumstance, the Board grants the earnings in the amounts presented in the first two test years of $30,000 and $100,000, which are to be included in the revenue requirement for 2023/24 and 2024/25, respectively. In essence, the Board has shifted the earnings requirements from Years 1 and 2 into Years 2 and 3.

[51] The Board understands that including a smaller amount of earnings in the revenue requirement for those two test years means it takes longer for the Utility to pay down the accumulated deficit. With the approved amount of earnings at $100,000, it would take approximately 12 years, as opposed to seven years, to pay down the deficit.

[52] As the earnings are used to reduce the accumulated operating deficit, it will generate cash flow to pay back the amount owed to the Municipality. If the Utility wishes to increase the amount of earnings beyond 2024/25 to $175,000 or another amount, it can apply for amendments to rates before the end of the final test year to fund a higher earnings rate.

[53] When faced with potential intergenerational equities, a shorter term, such as the seven years proposed in this application is usually preferable. In not approving the requested amount of earnings in the revenue requirement to achieve this, the Board is cognizant of several factors. First, the deficit was accumulated over an extended period of time, substantially longer than seven years. Secondly, a host of factors (inflation, expenditure increases and the need to generate earnings to repay the municipality) have created considerable rate pressures. Compressing the three test years into two test years has made that problem worse. The Board is sensitive to the ability of many ratepayers to afford these sudden increases. Lowering the earnings amount from $175,000 to $100,000 and allowing a longer payback term provides the municipality with greater flexibility to keep its rates more moderate, while also encouraging long-term financial sustainability.

[54] Although the Board approves the earnings in the revised amounts above to be included in rates, the Board reminds the Utility to monitor its financial position to ensure

that the Utility is in an operating surplus before funds are paid to the Municipality. A failure to do so could impact the revenue available to fund the Utility's depreciation fund or capital program and may impact the treatment of earnings in the revenue requirement in future proceedings.

[55] Due to the change in the amount of earnings being included in revenue requirment for 2023/24 and 2024/25, the Utility must submit a compliance filing that would include an updated rate study as well as Schedules A and B with effective dates of April 1, 2023, and April 1, 2024, respectively.

IV REVENUE REQUIREMENT ALLOCATION

a) Public Fire Protection

[56] The methodology used in the rate study to determine the public fire protection charge paid by the Municipality to the Utility follows the *Accounting Handbook* except for the demand assets allocation. These assets are allocated 50% to general service and 50% to fire protection, as opposed to 40/60.

[57] In the previous two rate applications, the Board approved the same 50/50 split noted above, though both decisions noted that the allocations appear to be arbitrary. In the previous two rate application processes, the Board suggested the Utility undertake a fire flow analysis and use those results to allocate assets to general service and fire protection.

[58] The Utility confirmed that no change to the system to improve fire flows was made, but reiterated that having access to water, even if not meeting flow requirements, is much better than not having access to it, and thus is still valuable.

[59] The percentage allocation of Utility plant in service to public fire protection is calculated in the rate study to be within a range of 30.4% to 32.7% over the test years. This calculation results in a significant decrease in the fire protection charge paid to the Utility from the Municipality in the first test year, which would increase each year, but remain below the current charge in the final test year.

[60] Instead of lowering fire protection rates to the calculated rate for the first test year, the Utility proposes to use the third test year's fire protection charge for all three test years, which is still a decline from the current charge. The Utility calculates meeting this charge by allocating utility plant in service to fire protection at 47.5% in 2022/23, 36.6% in 2023/24, and the calculated 32.7% in the final test year. This results in total costs being allocated to fire protection of 26.3%, 23.5%, and 21.7%, for the three test years, respectively.

[61] Using the above percentage allocations to fire protection, the fire protection charge will decrease from the current $275,829 to $267,007 for the test period.

Findings

[62] Although a fire flow analysis was not conducted, no changes have been made to the Utility to improve firefighting capabilities. The Board accepts the allocation of demand assets of 50% to general and 50% to fire protection. The Board reiterates its suggestion that a fire flow analysis be conducted at some point in the future, and the related results are to be used to determine an appropriate allocation.

[63] The Board accepts the Utility's methodology for allocating costs to fire protection and approves the Utility's proposed fire protection charges as presented in the rate study. This includes allocating plant in service to set the fire protection charge at the calculated amount for the third test year, for all test years.

[64] The Board understands that using the third year's calculated charge reduces the revenue requirements allocated to the Utility's customers for the first two test years, which benefits the customers.

[65] The Board further understands that by approving a reduced amount of earnings in the final test year, 2024/25, the fire protection charge may also be reduced for 2024/25, and hence all test years. As such, this change should be included in the compliance filing noted above.

[66] The Board reminds the Utility that due to the timing of the application and the date the new rates will be effective, the fire protection fee for 2022/23 will be the existing fee of $275,829.

b) Utility Customers

[67] After the allocation to fire protection, the remaining revenue requirement is to be recovered from the customers of the Utility. The Utility currently has 535 customers, which is expected to increase by two 5/8" customers in each of the final two test years.

[68] The Utility is projecting no change in average consumption volume per customer for all meter sizes for the test years, except for the national park. The national park (the sole 6" customer) is expected to increase its consumption by 50% from 2021/22 to 2022/23 as things return to normal post-COVID-19, then hold at that level for the test period. Any increase in consumption during the test period is from the addition of two customers in each of the final two test years.

[69] The supplemental notes to worksheet C-3 noted the following about allocating costs to base, delivery, and production:

> The allocation of the Depreciation in the previous rate study was 100% to Base for all test years. The Utility proposes to change this allocation to 60% to Base, 20% to Delivery, and 20% to Production in the second test year and 40% to Base, 30% to Delivery, and 30% to

> Production in the final test year. The allocations of the Return on Rate Base was 40% to Base, 30% to Delivery, and 30% to Production in the previous rate study. The Utility proposes to change this allocation to 100% to Base in all three test years. These changes are made for rate design purposes.
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> [Exhibit V-2, p. 3]

[70] The allocation for all other cost categories follows the *Accounting Handbook*.

Findings

[71] The Board accepts the methodology used by the Utility to distribute expenses to base, customer, delivery, and production charges, which generally follows the *Accounting Handbook,* with the exceptions noted above.

[72] Based on the information presented, the Board finds the projection of no change in average consumption volume per year for all customers, due to current consumption being among the lowest in the province, to be reasonable. The Board also accepts the projected increase in the number of utility customers over the test period.

[73] The Board notes that due to a reduction in earnings in 2023/24 and 2024/25, the rates will not be as included in the rate study and will be updated as part of the compliance filing.

V SCHEDULE OF RATES AND CHARGES

[74] In addition to the rates for water supply to its customers and the fire protection charges, the application proposes no additions or changes to any of the miscellaneous rates and charges. The schedules of rates and charges were updated during the previous application and do not require any other changes at this time.

[75] The only note made to the schedules during the hearing was that due to the timing of the hearing, Schedule A (April 1, 2022) was no longer needed. The schedules

would start with Schedule B (now A) on April 1, 2023, and Schedule C (now B) on April 1, 2024.

Findings

[76] The Board notes that the effective date requested of October 1, 2022, or the discussed date of January 1, 2023, for Schedule A (Test Year 1), will not be met. As such, the Board accepts skipping Test Year 1, as included in the rate study, and to provide new Schedules A and B, incorporating the changes to earnings, fire protection charges, and updated rates reflecting Test Years 2 and 3, effective April 1, 2023, and April 1, 2024.

VI SCHEDULE OF RULES AND REGULATIONS

[77] In response to IR-39, the Utility noted that it is not proposing any changes to its schedule of rules and regulations. Since no changes are required, the current Schedule D can continue.

Findings

[78] The current Schedule of Rules and Regulations is consistent with most other water utilities in the province which have had recent rate applications. As such, the Board approves not making any changes, as requested. The current Schedule D, which has an effective date of July 1, 2017, will continue to be in effect.

VII CONCLUSION

[79] The Board approves the Schedule of Rates and Charges for Water and Water Services for 2023/24 and 2024/25, subject to a compliance filing.

[80] The Board directs the Utility to make a compliance filing on or before February 10, 2023. The compliance filing is to include:

- An amended rate study to include $30,000 of earnings in 2023/24 and $100,000 in 2024/25, and the effect that has on fire protection charges and customer rates; and
- Updated Schedule of Rates and Charges for the two test years effective April 1, 2023, and April 1, 2024.
- The Board finds that no changes are required to the Schedule of Rules and Regulations, which have an effective date of July 1, 2017. It should be refiled as Schedule C with the compliance filing.

[81] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 19th day of January 2023.

Richard J. Melanson

Bruce H. Fisher