

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE PUBLIC UTILITIES ACT

- and -

IN THE MATTER OF AN APPLICATION by **THE MUNICIPALITY OF THE COUNTY OF RICHMOND**, 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

BEFORE: Bruce H. Fisher, MPA, CPA, CMA, Member

APPLICANT: **RICHMOND COUNTY WATER UTILITY**

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

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

Chris Boudreau, P.Eng.
Director of Public Works / Municipal Engineer

Kathleen Jeffrey
Manager of Accounting and Finance

HEARING DATE: May 29, 2024

DECISION DATE: **June 28, 2024**

DECISION: **Schedules of Rates and Charges effective July 1, 2024, are approved, as amended by the Utility in Responses to Information Requests.**

Schedule of Rules and Regulations effective July 1, 2024, are approved, as amended by the Utility in Undertaking U-1.

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I SUMMARY

[1] The Municipality of the County of Richmond (Municipality or County) applied to the Nova Scotia Utility and Review Board (Board) on behalf of its water utility (Utility) to amend its Schedule of Rates and Charges for Water and Water Services and its Schedule of Rules and Regulations under the *Public Utilities Act*, R.S.N.S. 1989, c. 380. The existing rates and charges have been in effect since April 1, 2018, while the Schedule of Rules and Regulations has been in effect since April 1, 2017.

[2] A rate study to support the application, dated January 17, 2024, was prepared by G.A. Isenor Consulting Limited, in association with Blaine S. Rooney Consulting Limited, and was submitted to the Board on February 28, 2024.

[3] Information Requests (IRs) were issued by Board staff on April 5, 2024, and responses were filed by the Utility on April 18, 2024.

[4] The rate study proposed amendments to rates for the fiscal years 2024/2025, 2025/2026, and 2026/2027 for all customers. These rates were proposed to come into effect on July 1, 2024, April 1, 2025, and April 1, 2026, respectively. Based on average quarterly consumption for 5/8" meter customers, the proposed increases in each test year were 15.3% in 2024/2025, 14.3% in 2025/2026, and 8.7% in 2026/2027 for those customers. For all other metered customers, based on the average quarterly consumption of each meter size, the proposed rate increases were between 8.4% and 15.4% in 2024/2025, 14.9% to 15.1% in 2025/2026, and 9.1% to 9.7% in 2026/2027.

[5] The Utility also proposed keeping the annual public fire protection charge paid by the Municipality for the provision of water for fire protection services at the charge determined in the last rate case for the 2024/2025 and 2025/2026 test years. The Utility

is asking for the total annual public fire protection charge, currently approved at \$147,063, to remain at this level for the first two test years, then increase to \$161,114 (a 9.6% increase) in 2026/2027.

[6] Following public notice, the Board held a hearing at the Richmond County Council Chambers at 1:00 p.m., on Wednesday, May 29, 2024. Gerry Isenor of G.A. Isenor Consulting Limited and Blaine Rooney of Blaine S. Rooney Consulting Limited represented the Utility. In addition, the Utility was represented by Kathleen Jeffrey, Acting Director of Finance and Chris Boudreau, Director of Public Works for the Municipality.

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

[8] A revised rate study was filed in response to Board IRs on April 18, 2024. It is this revised rate study that is discussed in the remainder of this decision, unless otherwise noted.

[9] The revised rate study updated the water consumption amounts, funding requirements, allocations to fire protection, depreciation expense calculation, and the expected amount for bulk water sales. These revisions led to the Utility requesting amendments to the base charges for all meter sizes, the consumption rates, and one year of the fire protection charges over the test period, from what was in the original rate study.

[10] Based on average quarterly consumption for 5/8" meter customers, the revised proposed increase for these customers in the 2024/2025 test year is 16.6%, 13.9% in 2025/2026, and 8.5% in 2026/2027. For all other metered customers, based on the average quarterly consumption of each meter size, the revised proposed rate increases are between 9.0% and 16.7% in 2024/2025, 14.8% and 15.4% in 2025/2026,

and 9.3% to 10.1% in 2026/2027. The total annual public fire protection charge, currently \$147,063, was revised to increase 9.6% to \$161,243 in 2026/2027.

[11] The Board approves the rates and charges as filed in response to the IRs for the 2024/2025, 2025/2026, and 2026/2027 test years.

II INTRODUCTION

[12] The Utility operates two independent systems. The Arichat community water supply comes from the Babins Lake watershed, serviced by a water treatment plant with a capacity of 1,440 cubic meters per day. The Arichat Water Treatment Plant underwent an upgrade in 2003 to incorporate a conventional treatment and disinfection process. This enhancement included coagulation, flocculation, dissolved air flotation clarification, engineered rapid gravity multimedia filtration, and chlorine disinfection.

[13] Since the last rate application, the Arichat Water Treatment Plant has been further modernized to include new chemical dosing skids. These upgrades involve the addition of a corrosion inhibitor and potassium permanganate, which aid in the removal of manganese from the raw water.

[14] The Louisdale/Evanston/Whiteside system utilizes a groundwater source fed by two wells. Primary supply is provided by Well #1, while Well #2 is reserved for use during emergencies due to its high iron and manganese content. Treatment is provided by a water treatment plant that was commissioned in 2019, specifically designed to remove iron and manganese from the raw water in accordance with the limits set by the Canadian Guidelines for Drinking Water Quality. This facility processes all incoming raw water, incorporating disinfection before it is sent to the Louisdale Water Tower and distributed further.

[15] The distribution network spans approximately 22 kilometers of piping and includes two water storage tanks: one in Louisdale and another in Evanston. The Louisdale tank, constructed in 2003, is a 945 cubic meter bolted glass-lined steel tank. The Evanston tank is a 1,210 cubic meter steel tank. The system lacks pressure boosting stations, but both tanks are equipped with secondary disinfection dosing systems to ensure a consistent disinfection residual throughout the distribution system.

[16] The Utility's last rate application was in 2017. The Utility advised that challenges posed by the COVID-19 pandemic, waiting for the commissioning of the new Arichat water treatment plant systems, along with the associated subsequent operating costs of those systems, were largely responsible for the delay in filing the application.

[17] In its response to IR-6, the Utility approximates that the amount of non-revenue water in its system is 44% to 48% of total production. This is the volume of water that is lost within the Utility's system and is therefore not able to be sold to recover expenses relating to the supply, treatment, and distribution of the water.

[18] The Utility stated that it is committed to reducing water losses and addressing leaks promptly due to their significant impact on the system, given the relatively low volumes of water produced. The Utility finds that even a single leak on a service lateral can result in a loss of 10%-15% of the water produced. The Utility advised that in 2020, a contractor carried out general leak detection on both distribution systems, identifying no new leaks after successfully repairing a known leak earlier that year. It is assumed that any remaining leaks were too small to detect, with further detection efforts scheduled for 2024.

[19] Board staff asked the Utility in IR-6 d) if the illicit water connection survey that the Utility stated in the last rate study was planned to be conducted occurred. The Utility stated that although a formal illicit water connection survey was not conducted, staff checked connections shown as “off” in the system to ensure they were indeed inactive and that no municipal water was being used without their knowledge. The Utility finds that inspections of dwellings with abnormally low consumption revealed connections upstream of the water meter, prompting required changes to ensure all water usage was metered correctly.

[20] Since the last rate study, the Utility stated that it used the services of leak detection contractors twice and collaborated with a neighboring town with leak detection equipment to localize leaks for repair. The Utility also performed step isolations to narrow down areas for more targeted leak detection work planned for 2024. Furthermore, the Utility regularly tracks daily water usage and flow rates to distribution systems to identify patterns indicating leaks, with several detections made by staff inspecting the system.

[21] The Utility advised that because of its relatively low production volumes, a single leak on a service lateral can account for a high percentage of water loss in the system, upwards of 10 – 15% of the water produced. However, the Utility advised that because of this fact, it becomes aware of those leaks quickly and works diligently to repair them as quickly as possible.

[22] In response to IR-5, the Utility confirmed that there are currently two areas of non-compliance with Nova Scotia Environment’s regulations for drinking water at present.

[23] The discharge of waste from the Arichat Water Treatment Plant contains aluminum levels that exceed the permissible limits for residuals in the receiving environment. The Utility stated that in 2023 it hired a consultant to develop a preliminary design for managing the residuals at the plant to mitigate the issue of excessive aluminum discharge. The Utility received the consultant's report in late March 2024, which presented several options that it advised are currently under review.

[24] Additionally, the plant's levels of THMs (Trihalomethanes) surpass the maximum acceptable concentrations set by the Canadian Guidelines for Drinking Water Quality, based on a locational running annual average. To address the THM exceedances, the Utility collaborated with a consultant and implemented several operational adjustments. Although the Utility advised these changes are showing promising results, it will take time to determine if they are adequate to consistently reduce THM levels below the established thresholds.

[25] The capacity of the Utility's water treatment plants was discussed during the hearing. The Utility reported that the capacity of the Louisdale water treatment facility is more than adequate. However, the Arichat facility approaches its capacity limit at certain times of the year, particularly during the peak operation of the seafood processing facility. Upgrades are anticipated in the future due to the lack of filter redundancy, which would be a standard requirement if a new plant were being constructed today. Filter redundancy ensures reliability and continuity of performance by using multiple filters for the same function.

[26] In water treatment, having redundant filters helps prevent downtime during maintenance or unexpected filter failures, ensuring continuous water treatment that meets

safety and quality standards. The Utility has a contingency plan approved by Nova Scotia Environment, which allows it to operate without daily filter redundancy, based instead on average flow. This approach postpones the need for immediate upgrades. However, the Utility noted that further development in that area of the County might necessitate upgrades to the facility. The Board requested Undertaking #3 to provide the plant-rated capacity and average daily usage of both facilities. The data for the Arichat facility was received on May 31, 2024, and for the Louisdale facility on June 5, 2024.

[27] The Utility is introducing a new service within this rate study, bulk water. The application includes the \$125,000 in costs, funded by the municipality, to construct a bulk water fill station and has a projected life of 25 years. The Utility advised that this service will allow customers that previously did not have access to the Utility's water service to purchase it from the bulk water fill station.

[28] The Utility currently serves 1,144 retail customers, slightly increased from the 1,078 indicated in the last rate study. Most of its customers (1,119) are residential, 5/8" meter size customers. The increase in customers since the last rate case was concentrated on 5/8" customers, increasing from 1,059 in 2016 to 1,119 in 2024. The Supplemental Note for Worksheet C-4 states that the number of 5/8" customers is projected to grow by five connections in each of the final two test years.

[29] The original rate study advised that consumption for 5/8" customers has declined 0.8% per year since the previous rate study and stated that the rate study included a 0.8% per year reduction per year in consumption for 5/8" customers. When asked in IR-17 about how this calculation was made, the Utility advised that it should have noted a 1.4% per year decline and corrected this in the rate study included in the IR

responses. In the previous rate study, the average annual 2016/2017 water consumption for a 5/8" customer was estimated at approximately 141 cubic meters per year, while the current rate study shows this amount as approximately 127 cubic meters¹ for 2024/2025. The Utility noted that the decrease in the average consumption for residential customers follows the trend across Canada and USA, and that this drop in consumption relates to the use of more water efficient appliances such as dishwashers, toilets, etc., and more public awareness of water conservation.

[30] The Board asked the Utility about changes to the average consumption of the remaining meter sizes in IR-17. The Utility noted that tracking average consumption by meter size is challenging as the land use can change and gave the example of a rental building that may have been used as an office but was converted to a hair salon, resulting in an entirely different water consumption pattern. The Utility stated that the average annual consumption amounts for its customers are at the low end compared to other utilities.

[31] At the time of application to the Board, the Utility did not have draft financial statements for 2022/2023 but later filed a copy of the draft statements with the Board on April 18, 2024. In the hearing, the Utility advised that the actual operating expenses were unchanged from the amount presented in the original rate study. The Board received the finalized statements on May 31, 2024, in Undertaking #2.

[32] The rate study was filed by the Utility based upon the need to adjust the rates on July 1, 2024, due to the Utility's present and upcoming financial requirements. The Utility stated that it has been running a deficit for the past few years and that a rate

¹ Calculated as actual annual current water consumption for all 5/8" customers of 141,568 cubic meters, divided by 1,119 customers.

increase was necessary to offset increases in operating expenditures, and to minimize the projected annual deficiency of revenues.

III REVENUE REQUIREMENTS

a) Operating Expenditures

[33] Worksheet B-1 of the rate study estimated the Utility's operating expenses would exceed operating revenues by \$149,925 in 2024/2025, decreasing the Utility's existing accumulated surplus to \$229,690. Without a rate adjustment, the Utility expects operating expenses to exceed operating revenues by \$197,110 in 2025/2026 and \$242,004 in 2026/2027, leading to an estimated accumulated deficit of \$194,424 at the end of the 2026/2027 fiscal year.

[34] The Utility stated that the Director of Public Works and the Chief Financial Officer jointly prepare the annual budget by reviewing the previous year's budget versus actual figures, as well as any potential changes to revenues and expenditures based upon current information. The budget is submitted to the Municipal Council for approval. It was further indicated that costs are allocated between the Municipality and the Utility based upon an estimate by Municipal staff.

[35] For comparability, the Utility re-stated some amounts in Worksheet B-1:

Review of the cost items under Operating Expenditures indicated the Administration Charge - Richmond County (Special Assessment from Municipality) had been allocated 100% to Transmission and Distribution in the Financial Statements. To assist in comparing the 2022/23 expenses to the detailed breakdown in 2023/24 (and the test years) the expenses for 2022/23 have been allocated based on the allocations of the Special Assessment on Worksheet B-2a/b/c/d/e as budgeted by the utility.

[Exhibit R-2, p. 3]

Board staff asked a number of IRs associated with this reallocation and note that this only affected the allocation of the Special Assessment from the Municipality, not the overall expenses, which would be the same regardless of how this was allocated.

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

[37] As noted earlier, the Arichat Water Treatment plant underwent upgrades in 2020 which included the addition of two new chemical dosing systems for the management of manganese and water corrosivity. These upgrades resulted in higher chemical costs going forward. In addition, the Louisdale Water Treatment plant was commissioned in April 2019 and resulted in higher operating costs than the former system, which was a well with hypochlorination. In addition to these increased costs, the Utility noted that inflation costs have been significant in the past few years, which the Board has seen in other recent municipal water rate cases.

[38] The Utility included costs for leak detection services each test year and advised that it included these in the Administration and General operating budget. The costs of repairing any identified leaks would be covered under the Transmission and Distribution operating budget.

[39] Board staff asked about the increased Administration and General costs over the test years in IR-27. The Utility advised that approximately \$20,000 in consulting

fees for 2022/2023 were for the completion of System Assessment Reports for the Water Systems, as mandated by the facilities' operating approvals from Nova Scotia Environment and Climate Change. For 2023/2024, the Utility advised that the budget includes funds for consulting fees related to a water rate study and for pre-engineering work on residuals management at the Arichat Water Treatment Plant. The Utility also noted that from 2024/2025 onwards, the budget will contain provisions for any modest professional services that the Utility may require.

[40] Included in the revenue requirement section of the rate application is the depreciation expense, offset by the amortization of the capital contribution. The Louisdale Water Treatment plant was completed in 2019 at a cost of \$3,231,032, and the Utility began depreciating at 2% annually, with half of the first year's depreciation recognized upfront. Over the next three years, annual depreciation of \$64,621 was offset by grant amortization of \$43,213. The Utility stated that in alignment with the *Handbook*, full depreciation costs were included in the revenue requirements and added to the depreciation fund. This inclusion was phased over two years in this rate study (2025/2026 and 2026/2027), each at \$21,606 in Worksheet B-3, allowing the full depreciation of the plant to be accounted for without the grant amortization offset.

Findings

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

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

Municipality and the Utility periodically to ensure that they remain appropriate. The Board understands that in this rate case, the Utility has reviewed and re-allocated the “Special Assessment from the Municipality” and accepts the allocation of expenses between the Municipality and the Utility for this rate study.

[43] The Board recognizes the Utility's continuous and future initiatives aimed at leak detection and reducing non-revenue water. The Board encourages the Utility to persist with these efforts due to the significant levels of non-revenue water present in their system.

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

b) Capital Budget and Funding

[45] The rate study included the Utility's capital budgets for 2023/2024, and the test years, 2024/2025, 2025/2026, and 2026/2027, totaling \$125,000, \$515,000, \$546,000, and \$272,000, respectively.

[46] The capital budget consists of distribution main upgrades, replacement of aging services and hydrants, electrical pumping equipment, purification, a new bulk water fill station, and installation of replacement meters. The proposed funding for the capital budget is summarized in the following table:

	2023/2024	2024/2025	2025/2026	2026/2027
External Funding	\$30,000	\$305,000	\$250,000	\$125,000
Depreciation Fund	\$95,000	\$210,000	\$296,000	\$147,000
Total	\$125,000	\$515,000	\$546,000	\$272,000

[47] In response to IR-31, the Utility provided a list of the planned projects over each of the test years. The largest capital outlay in the test years is the replacement of watermain sections, the location to be determined, which is included in all three test years in the amount of \$250,000.

[48] Another large capital project included in the budget for 2025/2026 is a small building extension and powder activated carbon injection system that the Utility advised will address seasonal issues with Geosmin and Methyl-Isoborneol that have appeared in recent years, and further aid in the removal of organics. The Utility stated that the total estimated cost is \$250,000, with 50% to each expense category: Source of Supply Structures and Purification.

[49] The Board noted that there was an error in the calculation of Accumulated Depreciation in the rate study filed in the original application. The Utility's response to IR-38 b) consisted of a table that demonstrated how the amount for "Accumulated Depreciation" was calculated in 2023/2024 and in each test year, correcting the original amounts.

[50] The rate study indicated that the Utility's depreciation fund balance at the beginning of the 2024/2025 test year is projected to be \$2,667,876. The Utility noted that it plans to refrain from accessing any long-term debt, utilizing depreciation funding for all capital expenditures for which external funding is not available. The rate study indicates that the Utility's depreciation fund balance at the end of the 2026/2027 test year is projected to be \$3,118,278.

[51] The Board noted that the estimated revenues from the Bulk Water Station appear low relative to its capital cost and may not even cover the depreciation costs for

the station. The Utility advised that the Municipality paid for the capital costs and that the Utility was unsure how much demand there would be for bulk water. The Utility advised that it is setting the rates low initially but may review the rate based on actual demand.

Findings

[52] The Utility is focused on repairing and replacing problem watermain, aging hydrants and services, installing a new bulk water filling station, and providing bulk upgrades to its water meters.

[53] The automated bulk water filling station will allow contractors and residents to purchase bulk water where there was not an opportunity before. However, the Board is concerned that the revenues for this service may be insufficient to cover the ongoing costs of the system and that other ratepayers will be subsidizing the costs. The Board directs the Utility to report by January 30, 2026, on the revenues earned for bulk water sales from July 1, 2024, to December 31, 2025, and advise whether the revenues are sufficient to cover all operating costs, including depreciation.

[54] The Board accepts the updated depreciation fund information that was filed with the IR responses. The Board also accepts the Utility's proposed capital program and funding as set out in the rate study.

[55] The Utility is reminded that the inclusion of proposed capital projects in the rate study does not constitute Board approval of these projects. Separate Board approval is required for projects exceeding \$250,000, as set out in s. 35 of the Act.

c) Non-Operating/Other Revenues and Expenditures

[56] The Utility has not included any non-operating expenses over the test years, which the Board finds reasonable given that the Utility does not plan to take on any long-term debt during the time period.

[57] The Utility included a Transfer from Surplus Account amount in the 2024/2025 and 2025/2026 test years for \$68,000 and \$30,000, respectively. When asked in IR-43, the Utility advised that these amounts were selected to lower the expected deficit in the first two years and to smooth rates.

[58] Other non-operating revenues in the test years include \$7,500 of Interest and Other Income for every year.

[59] Other operating revenue includes \$10,000 in Interest and Other Income as well as \$10,000 for Connection Charges for New Services in every test year. The Utility has also included bulk water sales amounts of \$1,000 in 2025/2026 and \$1,200 in 2026/2027. In response to IR-22, the Utility advised that in 2022/2023 Sundry revenue (noted as “other revenue” on the financial statements), included interest revenue, connections/disconnections/service connections, and “other” income. In the rate study, the Utility separated the connection charges from the sundry line item and included interest revenue under non-operating revenues. The Utility advised in response to IR-48 that the annual interest charged on unpaid bills has been between \$5,000 and \$7,000 per year for the past few years.

[60] The Utility calculates its return on rate base using its non-operating expenditures less other revenue. As the Utility has no debt, or other non-operating expenditures, the rates of return are all calculated as negative amounts for the test years.

The rates of return on rate base calculated in the rate study are (1.48%) in 2024/2025, (0.88%) in 2025/2026, and (0.43%) in the 2026/2027 test year.

Findings

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

[62] The Board accepts the Transfer from Surplus Account amounts in the 2024/2025 and 2025/2026 test years for the purpose of rate smoothing.

[63] The Board is somewhat concerned that the \$2,000 connection fee for new customers may be too low. The Utility advised that the installation costs vary depending on local circumstances but that \$5,000 to \$7,000 in costs is typical. Moreover, such costs may eliminate the benefits of expanding the rate base. The Board would encourage the Utility to review the connection costs and fees so that existing customers are not subsidizing new customers.

[64] The Utility has no long-term debt and has sufficient depreciation funds to cover the costs of its portion of the planned capital expenditures. The Board accepts as reasonable the calculated rates of return.

IV REVENUE REQUIREMENT ALLOCATION

a) Public Fire Protection

[65] The methodology used in the rate study to determine the public fire protection charge is consistent with the *Handbook*. In response to IR-35 b), the Utility confirmed that the allocations to general and fire protection are the same as the previous rate study, but that in preparing the IR responses the Utility realized that the allocation of the Distribution Mains Equipment should have been 90% to General Service and 10% to

Fire Protection. The Utility advised that this was adjusted in the revised rate study that accompanied the IR responses.

[66] The allocation of overall utility plant in service to public fire protection in the rate study is 30.0% in 2024/2025, 30.2% in 2025/2026, and 30.9% in 2026/2027, which leads to an allocation of estimated expenses to fire protection of 19.7% in 2024/2025, and 17.7% in both 2025/2026 and 2026/2027. Board staff asked how the allocations to fire protection were assigned in Worksheet C-1 for the Transmission and Distribution, Depreciation, and Return on Rate Base categories of expenses for the test years, given that these typically align with the percentages calculated in Worksheet B-5. The Utility advised that they were calculated in order to keep the Fire Protection rate at the targeted level. The Utility stated that without this adjustment the Fire Protection amounts would drop in the first two test years, only to increase in the third test year. For rate smoothing purposes, the Utility would prefer to maintain the currently approved amount and have a smaller increase in the third test year. As a result, the Utility's proposed fire protection charge remains at its current amount of \$147,063 in 2024/2025 and 2025/2026, and then increases to \$161,243 in 2026/2027.

Findings

[67] The Board accepts the methodology used to determine the allocation of costs to general service and public fire protection as set out in the rate study. This includes maintaining the same fire protection charges for rate design purposes, as had been approved in the last rate application, for the first two test years, and will assist in rate smoothing for customers.

b) Utility Customers

[68] After the allocation to fire protection, the remaining revenue requirement is recovered from the customers of the Utility. The Utility currently has 1,144 customers, 1,119 of which are 5/8" customers. The rate study shows a projected growth of five customers in the final two test years for 5/8" customers, with no growth projected for the remaining meter sizes.

[69] The allocations used for the base charge, customer charge, delivery and production are consistent with the methodology used in the last rate application, and are consistent with the *Handbook*, except for the allocation of the depreciation and the transmission and distribution expense.

[70] The *Handbook* suggests allocating Transmission and Distribution entirely to Delivery and Depreciation as 40% to Base, 30% to Delivery, and 30% to Production.

[71] The Utility advised that, instead, it set allocations of these categories to ensure that revenue from the Base charge stays consistent at 41% across all three test years. The Utility set the Depreciation allocation at 100% to Base for all three test years.

[72] In the first test year, 2024/2025, Transmission and Distribution costs are allocated 90% to Base and 10% to Delivery. In 2025/2026, Transmission and Distribution costs are allocated 65% to Base and 35% to Delivery, and in 2026/2027, the allocation shifts to 55% Base and 45% Delivery.

[73] The Utility noted that the allocation was made for rate design purposes, to maintain the base charge at 40%, and to reduce the revenue risk for the Utility.

[74] The Utility advised that it included a 1.4% decline in annual water consumption for its 5/8" customers over the test years. In the previous rate study, the

average annual 2016/2017 water consumption for a 5/8" customer was estimated at approximately 141 cubic meters per year, while the current rate study shows this amount as approximately 127 cubic meters for 2024/2025.

[75] Board staff asked the Utility to comment on why it hasn't projected any changes to the consumption amounts of other meter sizes during the test years in IR-17 b), given that they have also changed since the last rate study. The Utility advised that all other meter sizes have various land uses that change with time and therefore it is difficult to project the consumption amounts.

Findings

[76] The Board accepts the methodology used by the Utility to distribute expenses to base, customer, delivery, and production charges. The Board also accepts the proposed allocation of depreciation, and transmission and distribution expenses, noting that they are set to reduce revenue risk to the Utility.

[77] The Board accepts the projected number of customers over the test period and finds the projected consumption amounts to be reasonable. The Board approves the customer rates as presented in the rate study submitted with the responses to the IRs.

V SCHEDULE OF RATES AND CHARGES

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

[79] The Utility is proposing an addition to Item #11, Disconnection Fee, adding the following as a final sentence to the section: "The Utility reserves the right to waive the

applicable fees in case of an emergency.” The Utility advised that this addition would allow the Utility discretion during emergencies.

[80] The Utility also proposed a new charge on the Schedule, Item #14, Bulk Water. This item outlines the cost as \$5.53 per cubic meter or part thereof with a minimum charge of \$40.00, except for water obtained from an automated bulk water filling station where minimum charges will not apply. The Utility adds that such a charge shall be rendered for each loading.

Findings

[81] The Board finds that the proposed change and the new charge in the Utility’s Schedule of Rates and Charges are reasonable and finds them consistent with other water utilities’ charges and schedules.

[82] The Board approves Schedule A, B, and C as filed in response to IRs, with the effective dates of July 1, 2024, April 1, 2025, and April 1, 2026, respectively.

VI SCHEDULE OF RULES AND REGULATIONS

[83] In response to IR-47, the Utility noted that it proposed nine amendments to its Rules and Regulations, Schedule D, within this new rate study.

[84] In the hearing, the Utility requested an additional change to the Schedule of Rules and Regulations, which was directed by the Board as Undertaking U-1, for the Utility to submit the revised wording on that regulation.

[85] The first amendment was to Rules and Regulations #7 Adjustment of Bills, which proposes a specified time (five years) by which the Utility will make a billing adjustment, if the customer was over-billed.

[86] The second amendment was to Rules and Regulations #10, Water to be Supplied by a Meter. The Utility advised that it added a paragraph to provide guidance for both the customer and the Utility on the meters that serve more than one tenant.

[87] The third amendment was to Rules and Regulations #16, Meter Testing. This increased the charge for meter testing from \$50 to \$100 to reflect the increased cost for this service.

[88] The fourth amendment was to Rules and Regulations #19, Cross Connection Control & Backflow Prevention. This was amended to add a section for #19 d) to clarify the customers responsibility to report backflow accidents.

[89] The fifth amendment was to add Rules and Regulations #20, Alternate Water Supply Prohibited. This is a new rule that the Utility has proposed to provide clarification and direction for any customer who has a private water system and prohibits any connection from the Utility system to an alternate source of water supply.

[90] The sixth amendment was to add Rules and Regulations #37, Reselling of Water. This is a new rule that provides clarity to any customers wishing to resell water, and prohibits these customers from doing so, without the express written consent of the Utility.

[91] The seventh amendment was to add Rules and Regulations #38, Extensions. This is a new rule that provides guidance for the property owners and/or customer and the Utility in cases where service extensions are requested.

[92] The eighth amendment was to Rules and Regulations #39, Water Conservation Directives. This is a new rule that provides guidance for the customer and the Utility for when water conservation directives are issued.

[93] The ninth amendment was to add Rules and Regulations #40, Curb Stop/Control Valve Service Box. The Utility advised that this is a new rule to direct the responsibilities of both the customer and the Utility when maintaining access to the Curb Stop/Control Valve Service Box.

[94] In the hearing, the Utility requested an additional change to Regulation #5 which was submitted as Undertaking U-1, on May 31, 2024. The Utility advised during the hearing that it has a small number of seasonal customers who have been disconnecting from the system every year, instead of paying the base charge for the winter months. The Utility noted that these customers then set up a new account and reconnect in the following year, which is an unnecessary burden on the Utility's time and resources, as it must disconnect and reconnect a new meter to the property each year. As such, the Utility requested that the wording be changed to delete the section that dictates that the base rate will be charged for the entire year for seasonal customers.

Findings

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

[96] The Board approves Schedule D, as presented in response to Undertaking U-1, effective July 1, 2024.

VII CONCLUSION

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


[98] The Board directs the Utility to report by January 30, 2026, on the revenues earned for bulk water sales from July 1, 2024, to December 31, 2025, and advise whether the revenues are sufficient to cover all operating costs, including depreciation.

[99] The Board approves the Schedules of Rates and Charges for Water and Water Services as filed in response to the Information Requests, as Schedule A, B, and C, with effective dates of July 1, 2024, April 1, 2025, and April 1, 2026.

[100] The Board approves the Schedule of Rules and Regulations, as filed in response to Undertaking U-1, as Schedule D, with an effective date of July 1, 2024.

[101] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 28th day of June, 2024.



Bruce H. Fisher