

NOVA SCOTIA UTILITY AND REVIEW BOARD



IN THE MATTER OF THE PUBLIC UTILITIES ACT

- and -

IN THE MATTER OF AN APPLICATION of the **TOWN OF TRENTON**, on behalf of its **Water Utility**, for Approval of Amendments to its Schedule of Rates and Charges for Water and Water Services and its Schedule of Rules and Regulations

BEFORE: Murray E. Doehler, CA, P.Eng., Member

APPEARING: **TOWN OF TRENTON**

William H. Gates, MBA, P.Eng.
W.H. Gates Utility Consultants Ltd.

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

Cathy MacGillivray
Interim Chief Administrative Officer

Stan Vachal
Acting Director of Public Works

HEARING DATE: April 15, 2009

DECISION DATE: June 9, 2009

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

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SUMMARY

[1] The Town of Trenton (the "Town") applied to the Nova Scotia Utility and Review Board (the "Board") on behalf of its Water Utility (the "Utility") for amendments to its Schedule of Rates and Charges for Water and Water Services and its Schedule of Rules and Regulations pursuant to the *Public Utilities Act* (the "Act"), R.S.N.S. 1989, c. 380. The Utility provides water at a wholesale rate to the Municipality of the County of Pictou Water Utility (the "Municipality"). The existing Schedule of Rates for Water and Water Services and Schedule of Rules and Regulations have been in effect since April 1, 2008 and October 1, 2006, respectively.

[2] A Rate Study to support the Application, dated February 10, 2009, was prepared by W.H. Gates Utility Consultants Ltd. in association with G. A. Isenor Consulting Limited and was submitted to the Board on February 13, 2009 (Exhibit T-1). A revised Rate Study, dated March 16, 2009 was filed as a part of the response to the Information Requests (Exhibit T-3) to amend: the projected operating expenses (ie. the reallocation of expenses between transmission and distribution and administration and general and corrections to the depreciation expenses); the funding sources of capital projects; the allocations of expenses to the Municipality; the allocations used to fire protection; and the calculation of the Utility's return on rate base. Unless otherwise indicated, this decision refers to the original Rate Study (Exhibit T-1) and the proposed rates contained in that Study which were advertised in the Notice of Public Hearing (Exhibit T-4).

[3] The Application proposes rates for the test years of 2009/10, 2010/11 and

2011/12. The proposed rate increases for the 5/8" meter residential customers for each of the test years, based upon an average quarterly consumption of 52 cubic metres are 14.1%, 2.6% and 6.1%, respectively. The Utility has one 8" meter customer, Trenton Works, with an average quarterly consumption of 15 cubic metres, which, since the closure of the facility, is used mainly for fire protection. The proposed amendments to the rates associated with the 8" meter, based upon the average quarterly consumption, are -14.1%, 4.4% and 8.8%, respectively. For all other metered customers (ie., meter sizes of 3/4" to 3"), based upon the average quarterly consumption of each meter size, the Application proposes rate increases between 12.2% and 24.3% in 2009/10, 2.1% to 2.7% in 2010/11 and 5.5% to 6.1% in 2011/12.

[4] The Utility recently completed a metering program and the Rate Study indicates that there are eight remaining unmetered customers. The Utility provided an update on the figure, noting that there are currently five unmetered customers. The proposed increases for these customers, based upon an estimated quarterly consumption of 68 cubic metres, are 17.0%, 2.4% and 5.9%, respectively.

[5] The wholesale rate to the Municipality, based upon a yearly consumption of 15,074 cubic metres, is proposed to be amended by 22.6%, -1.3% and 5.4% respectively for each of the test years.

[6] The Application further proposes amendments to the annual public fire protection charge to be paid to the Utility by the Town and the Municipality for each of 2009/10, 2010/11 and 2011/12. The fire protection rates for the Town are proposed to be

amended by -26.9%, 4.2% and 6.2%, respectively. The fire protection rates for the Municipality are proposed to be amended by -31.0%, 4.2% and 6.2%, respectively.

[7] The public hearing was held at the Town of Trenton Council Chambers on April 15, 2009, after due public notice. William H. Gates, MBA, P.Eng., of W. H. Gates Utility Consultants Ltd., and Gerry A. Isenor, P.Eng., of G. A. Isenor Consulting Limited, represented the Utility. The Utility was also represented by Cathy MacGillivray, Interim Chief Administrative Officer and Stan Vachal, Acting Director of Public Works. The Board did not receive any letters of comment from the Utility customers and no members of the public spoke during the hearing.

[8] A rate increase is approved, as amended by the Utility. The Rules and Regulations are approved, as amended and requested by the Utility.

INTRODUCTION

[9] The Utility's source of supply is from five deep wells located within the Town. The water is pumped to a treatment plant where it is filtered for the removal of iron and manganese, the pH is adjusted, and it is disinfected. An 800,000 gallon reservoir is located next to the water treatment plant. The treated water is pumped to customers located in the upper pressure zone and is distributed by gravity to customers in the lower pressure zone. The Utility's customers are located within the Town as well as in the community of Hillside in the Municipality.

[10] In order to comply with the provisions of the Nova Scotia Department of

Environment (“NSDOE”)’s *A Drinking Water Strategy for Nova Scotia (Drinking Water Strategy)*, the Applicant completed a System Assessment Report in March 2004 which identified deficiencies in the water system, and was filed as a part of its previous rate application in 2006. The Applicant indicated that there are currently a number of ongoing items related to compliance with NSDOE regulations, in terms of upgrades to both the wells and the water treatment plant. Some of these costs are included in the Rate Study, but it is expected that the majority of the costs will extend beyond the test years. A major capital item included in the Rate Study is work on the Utility’s distribution system, especially in terms of resolving high pressure issues in the lower elevations of the service area. Other items in the process of being constructed or planned in the upcoming budgets are the placement of a security fence around the pumphouse, the installation of a master meter at the treatment plant discharge site and an upgrade to the well pump control system.

[11] The Applicant currently serves 966 customers within the Town, in addition to the wholesale customer of the Municipality. The Rate Study projects that there will be no growth in the number of customers and no increase in the volume of water sold to both the Town customers and the Municipality over the test period.

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

RATE REVIEW

A. OPERATING EXPENSES

[13] The Utility explained its budgeting process in response to an information request (IR-17, Exhibit T-3). The allocation of costs between the Town and the Utility was further described:

One Staff engineer is allocated at 100%, 10% for Deputy Clerk and 10% for Payroll Clerk.
All other allocations are time and material.

[Exhibit T-3, IR-18]

[14] The projected operating expenditures included in the Rate Study, with the exception of depreciation, are generally based upon the budgeted figures for 2008/09, plus an annual increase of 3% for inflation. The depreciation expense is based upon the projected asset additions over the three year test period.

[15] The source of supply expense is budgeted to increase from \$11,447 in 2007/08 to \$24,850 in 2008/09, which the Applicant explained is due to the addition of a part-time treatment plant operator which is necessary in order to meet NSDOE requirements. The source of supply expense is projected to increase by 3% in 2009/10, 0.42% in 2010/11 and 3% in 2011/12. The lower projected increase in 2010/11 is due to no projected increase in operation labour for that year.

[16] The power and pumping expense is projected to increase in 2009/10 by 8.3% due to an estimated 9.4% increase in power purchased, which the Applicant explained is related to a projected increase in power rates. The power and pumping expense is projected to increase annually by 3% in each of the remaining test years.

[17] The water treatment expense is budgeted to increase from \$148,484 in 2007/08 to \$171,041 in 2009/10 due to upgrades to the SCADA system and to the analytical equipment. In response to the Board's question as to whether these upgrades represent a one-time cost, Mr. Vachal explained that it is expected that there will be a number of additional costs in the future related to maintenance and water quality testing which will continue to increase and that the projections cover these costs.

[18] The water treatment expense is further projected to increase from \$171,041 in 2008/09 to \$179,727 in 2009/10, a 5.1% increase, before increasing annually by 3% thereafter. In 2009/10, the water treatment expenses - power and chemicals are projected to increase by 9.4% and 10.0%, respectively. The power expense is based upon a projected increase in power rates, as noted above. The Applicant explained that the chemical costs are based upon an increase in the chemical additives due to a scarcity of some suppliers, which is being experienced industry wide.

[19] With respect to the water treatment expense - labour, Mr. Gates explained that Mr. Vachal's time, in his role as the Treatment Plant Supervisor, has in the past been fully charged to the water treatment plant. He stated that a portion of Mr. Vachal's time in his current interim position, as Acting Director of Public Works, may be charged elsewhere. Mr. Gates noted that until such time as a permanent Director of Public Works is hired, this will result in a shifting of costs within the Utility. In response to the Board's questions, Mr. Gates confirmed that the projections in the Rate Study are based upon someone full time at the treatment plant and that the projected costs are sufficient to cover the expenses in

the interim period until the new position is hired.

[20] Mr. Isenor explained that the budget was originally set up to include all of the contract services in the administration and general expense, when in fact approximately \$18,200 of the contract services relate to items such as backhoes and asphalt, which should be allocated to the transmission and distribution expense. He added that the other contract services relate to services provided by the Municipality and computer software and contract maintenance, which is an administration and general cost.

[21] In the revised Rate Study, the Applicant reallocated an amount of \$18,200 in 2008/09 from administration and general expense to transmission and distribution expense. The Administration and General expense, which is revised from \$52,285 in the original Rate Study to \$34,085 in 2008/09 as a result of these reallocations is projected to increase by 3% over each of the three test years.

[22] The depreciation expenses contained in the Rate Study are based upon the Utility's projected capital additions over the test period. The Board questioned a number of the depreciation rates used, which are not specifically identified in the *Water Utility Accounting and Reporting Handbook* ("*Accounting Handbook*"), or differ from the rates set out in the *Accounting Handbook*. The Utility provided an explanation for the rates used in response to an information requests (IR-20, Exhibit T-3).

[23] The Board further noted that the depreciation rate of 2% for the projected meter asset addition in 2009/10 differs from the 5% set out in the *Accounting Handbook*. The Applicant revised this amount to 5% in the amended Worksheets filed in response to

the Information Requests (IR-20h, Exhibit T-3). In addition, it was noted that Water Rate Study, which was included as a capital item in 2008/09, was not depreciated. The Utility noted that this was an error and depreciated the cost at 20% in the revised filing in response to the Information Requests (IR-21, Exhibit T-3).

[24] In reference to the Utility's 2007/08 financial statements (Exhibit T-2), the Board questioned the inclusion of the two line items of 'Deficit, beginning of year' and 'Prior year's deficit transferred to current year' in the Operating Fund - Schedule of Financial Activities, which add to \$0. The Board noted that the two lines are not needed, are not included in the *Accounting Handbook* and can be omitted, to which Mr. Gates agreed.

[25] The Board further questioned the inclusion of the line item in the Operating Fund - Schedule of Financial Activities, 'Non-operating revenue interest on depreciation fund' in the Utility's 2007/08 financial statements (Exhibit T-2), noting that according to the *Accounting Handbook*, this amount should be included in the Utility's depreciation fund reserve to which Mr. Gates agreed. Mr. Isenor added that the interest is included in the depreciation fund in the Rate Study projections.

[26] The Applicant noted that the Utility's 2007/08 financial statements indicate that the Utility has a significant amount of cash (\$265,014) in its Operating Fund - Schedule of Financial Position. Mr. Gates explained that the Utility is working on ensuring that this cash is distributed properly in its current year's financial statements.

[27] The Application is based upon the Utility breaking even in each of the test years. The Rate Study proposes to include in the revenue requirements over the test

period, an owner's return on rate base, to be discussed below. The Utility filed a projected Schedule of Financial Position - Operating Fund (IR-2, Exhibit T-3), which indicates that, with the proposed rates, and the application of the proposed owner's return on rate base towards reducing the operating deficit, the Utility will have an accumulated operating deficit of \$57,500, \$50,000 and \$42,500 in each of 2009/10, 2010/11 and 2011/12. These figures are based upon the budgeted accumulated operating deficit as at March 31, 2009 of \$61,500.

Findings

[28] The Board has considered the Utility's projected operating expenses. The Board accepts the reallocation of costs between the transmission and distribution expense and the administration and general expense, which appears to place costs in the proper expense category. The Board further accepts the projected increases in chemical costs, which appears to be consistent with the information presented by other utilities in recent rate applications, as well as the projected increases in power purchased expenses.

[29] With respect to the water treatment expenses, the Board understands that utilities have been faced with increased testing costs and other costs associated with compliance with NSDOE regulations. The Utility's treatment plant supervisor is currently acting as the Town's Acting Director of Public Works and thus his time, which is normally allocated entirely to the Utility, is being spread across other cost centres. The projection of labour costs associated with the water treatment expense is based upon a full time

operator. It is the Board's understanding that the current labour situation is on an interim basis only. Based upon the information provided, the Board finds the water treatment expenses as presented in the Application to be reasonable.

[30] The Board further finds the projection of other operating expenses, with the exception of depreciation, which are generally based upon an annual increase of 3% for inflation, to be reasonable. The Board accepts the Utility's explanation supporting the depreciation rates used in the revised Rate Study, including the corrections for the depreciation rate for meters and the rate study. The Board accepts that Utility's explanation of its budgeting process and the allocation of costs between the Town and the Utility.

[31] With respect to the Utility's 2008 financial statements which were filed with the Board on January 15 , 2009, the Board is pleased that they were prepared in the format set out in the *Accounting Handbook*, with the exception of the treatment of interest on depreciation and the inclusion of two line items relating to the prior year's deficit, which net to zero in the Schedule of Financial Activities.

[32] The Board reminds the Utility to place the interest earned on the depreciation deposits with that fund, as set out in the *Accounting Handbook*. In addition, for clarification, the Board notes that the two lines indicted as 'Deficit, beginning of year' and 'Prior year's deficit transferred to current year' can be deleted in the preparation of future financial statements. The Board further reminds the Utility to properly transfer any cash to the appropriate funds.

B. CAPITAL BUDGET

[33] Included in the Rate Study are the Utility's capital additions of \$137,140 in 2008/09, which consists of power and pumping structures (\$10,000), well upgrade (\$40,000), fence (\$10,000), equipment (\$67,140) and water rate study (\$10,000), all of which are proposed to be funded through depreciation. Mr. Gates stated that all of these projects have been completed.

[34] The projected capital budgets for the three test years are \$237,000 in 2009/10, \$217,000 in 2010/11, and \$269,000 in 2011/12. The capital projects proposed in the 2009/10 capital budget include distribution reservoirs and standpipes (\$10,000), source water protection study (\$25,000), emergency generator (\$150,000), distribution mains (\$20,000), meters (\$20,000), and services (\$12,000). Mr. Gates noted that the emergency generator for the water treatment plant has been received and will be installed shortly.

[35] The 2010/11 capital budget includes other piping (\$7,000), and distribution mains (\$210,000). The items included in the 2011/12 capital budget are water treatment plant (\$144,000), general test well (\$50,000) and distribution mains (\$75,000). Mr. Gates explained that there are several areas at lower elevations of the Town which have experienced high pressure, in excess of 120 pounds per square inch ("psi") which has caused breaks. The Utility anticipates starting a program in 2010/11 and continuing until 2011/12 to place pressure reducing valves ("PRV") on the system to deal with the issue. Mr. Gates added that the work on the distribution system may also help to reduce the

Utility's non-revenue water, which is currently approximately 35%. He further noted that a major upgrade of the water treatment plant and wells is required, with the first stage of the project involving well testing to determine if another well can be produced.

[36] The Application proposes funding for the capital budgets from capital out of revenue of \$4,000 in each of the test years; short term debt of \$54,000 in 2009/10 and long term debt of \$209,000 and \$166,000 in each of 2010/11 and 2011/12, respectively; and amounts of \$179,000, \$4,000 and \$99,000 from the Utility's depreciation fund in each of 2009/10, 2010/11 and 2011/12, respectively. The Rate Study indicates that the balance in the Utility's depreciation fund at the end of 2007/08 was \$246,660, which differs from the balance in the Utility's 2007/08 financial statements (Exhibit T-2) of \$223,422. In response to an information request (IR-24, Exhibit T-3) the Applicant revised the depreciation fund balance in 2007/08 to correspond to the amount indicated in the financial statements. With the correction to the depreciation fund balance in 2007/08, there would not be sufficient depreciation funds available to be used as funding sources as proposed. Therefore, the funding sources for the proposed capital budgets over each of the test years were revised in the amended Rate Study.

[37] The revised funding includes depreciation funding of \$160,000, \$5,000 and \$90,000 in 2009/10, 2010/11 and 2011/12, respectively, short term debt of \$73,000 in 2009/10 and long term debt of \$208,000 and \$175,000 in each of 2010/11 and 2011/12, respectively. The capital out of revenue of \$4,000 in each of the test years was not amended. The Applicant indicated that no external funding was available for the proposed

capital works.

[38] When questioned by the Board as to whether the Utility foresees any major capital works in the time period beyond the test years, Mr. Vachal explained that major work is required with the source wells, based upon ongoing discussions with NSDOE. He stated that currently one of the five wells meets NSDOE standards and that groundwater studies are currently being conducted to determine if the wells will be classified as groundwater under the direct influence of surface water ("GUDI"). Mr. Vachal explained that the necessary work involves rebuilding the wells from scratch, including disconnecting them from the distribution system, building new pump houses and providing security through fencing. He stated that the expected costs of the necessary upgrades are between \$60,000 to \$70,000 per well.

[39] Mr. Isenor noted that the Utility has a 10 year window to work on the upgrades, which Mr. Gates noted could be moved forward if external funding is received. The Applicant further noted that it is possible that in three years time, another rate application may be necessary based upon the costs and available funding for the upgrades.

Findings

[40] The Board has considered the information presented with respect to the proposed capital projects and funding. The Utility proposes capital upgrades over the three year test period totalling \$723,000. The majority of the costs can be classified into three

major categories - emergency generator (\$150,000), distribution mains (\$315,000) and treatment plant/well upgrades (\$219,000).

[41] The emergency generator is necessary to provide back-up power to the Utility's pump/treatment system at the source wells. Based upon the information provided, distribution system upgrades are necessary in order to reduce pressure and improve service to customers located at lower elevations, and to help to prevent main breaks. In addition, the proposed work may help to reduce the Utility's non-revenue water, which will result in reduced operating expenses. The treatment plant/well upgrades are a requirement of NSDOE.

[42] Based upon the information provided, the Board finds the Utility's proposed capital program to be reasonable.

[43] The Board has reviewed the Utility's proposed funding through capital out of revenue, depreciation and long term debt. The revision to the debt and depreciation amounts, which increases the amount of debt and decreases the amount of depreciation funding over the test period, has the effect of slightly increasing the Utility's revenue requirement and thus rates. This revision was necessary due to the correction of the depreciation fund balance in 2007/08, which reduced the projected amount of available depreciation funding by approximately \$23,000.

[44] Given the significant capital expenditures anticipated in the near future and not included in the Rate Study, the Board encourages the Utility to seek sources of external funding. Based upon the information provided, the Board finds the proposed funding of

the capital projects, as contained in the revised Rate Study, to be reasonable.

[45] 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 in excess of \$25,000 as set out in s. 35 of the *Act*.

C. NON-OPERATING EXPENDITURES AND REVENUES

[46] The Rate Study indicates non-operating revenue in 2007/08 as interest on the depreciation account in the amount of \$8,577. This has been removed from non-operating revenue and placed in the depreciation fund for the test period, in accordance with the *Accounting Handbook*. There is no non-operating revenue projected during the test period.

[47] The projected non-operating expenditures include debt charges, both existing and new, capital out of revenue and owner's return on rate base.

[48] The existing debt charges contained in the Rate Study consists of principal and interest payments in each of 2007/08, 2008/09 and 2009/10. The Board questioned a difference in the total debt charges in the 2007/08 financial statements and the figure indicated for 2007/08 in the Rate Study. In response, in the revised Rate Study filed, the Applicant amended the interest charges in 2007/08 and 2008/09 (IR-12, Exhibit T-3). In addition, the revision indicated that the last payment on the existing debt was in 2008/09 and, hence, the debt charges for 2009/10 were eliminated.

[49] The new debt charges projected in the Rate Study's test period include

principal and interest payments in 2010/11 and 2011/12. As discussed above, the Utility revised the amount of debt funding of the proposed capital projects. As a result of the revisions, the total debt charges increase by \$1,669 and \$2,453 in each of 2010/11 and 2011/12 from those indicated in the original Rate Study. All of the new borrowing is assumed to be at 6% interest over a 20 year term. Mr. Gates noted that he has had discussions with the Municipal Finance Corporation (“MFC”) in the past and that 6% is a reasonable figure for interest related to borrowing over a 20 year period.

[50] The capital out of revenue, in the annual amount of \$4,000 in each of the test years, is to fund a portion of the Utility’s proposed capital budget, discussed above.

[51] The Application includes an item identified as ‘Owner’s Return on Rate Base’ in the amounts of \$4,000, \$7,500, and \$7,500 in each of 2009/10, 2010/11 and 2011/12, respectively. The Utility explained that these amounts have been requested by Council under Section 45 of the Act.

[52] The calculations in the Rate Study results in a rate of return on rate base of 2.25%, 1.51% and 2.15% for each of 2009/10, 2010/11 and 2011/12, respectively. These figures were amended in the revised Rate Study to take into consideration both the corrections to the annual depreciation expense and the revisions to the debt charges, discussed above. The revised calculations result in a return on rate base of -0.27%, 1.62% and 2.30%, respectively. Mr. Gates stated that the 2.30% return at the end of the test period, is very low by most standards.

Findings

[53] The Board has considered the projected non-operating revenues and expenditures contained in the Rate Study. The Board notes that the Application has complied with the *Accounting Handbook* in that the interest on depreciation funds has been removed as a non-operating revenue. The Board accepts the Utility's projections of other operating revenue and non-operating revenue over the test period.

[54] With respect to the existing debt, the Board accepts the expenditures as corrected in the revised Rate Study. The Board accepts the Utility's projection of new debt to fund its capital projects budgeted over the test period, as revised in the amended Rate Study.

[55] The Application has requested an 'Owner's Return on Rate Base', which, in essence, is really earnings in excess of expenses and allowances. Based upon the projected operating fund balance sheet filed (IR-2, Exhibit T-3) it can only be used to reduce the Utility's operating deficit. Because of the deficit, it cannot be paid out as a dividend to the owner.

[56] It appears that the Utility has filed the Application based upon the Board approved simplified approach for the determination of a return on rate base. The Rate Study uses the MFC rates for the existing debt and assumes an interest rate of 6% on new debt.

[57] Based upon the figures noted above, the revised calculations of the return on rate base do not appear to be unreasonable. The Board approves the request for

earnings in excess of expenses and allowances which results in rates of return on rate base of -0.27%, 1.62% and 2.30% in each of 2009/10, 2010/11 and 2011/12, respectively.

D. ALLOCATIONS OF REVENUE REQUIREMENT

i) Public Fire Protection

[58] The methodology used in the determination of the public fire protection charge, to be allocated between the Town and the Municipality, is consistent with the last rate application.

[59] In response to the Information Requests, revisions were made to correct arithmetic errors in the allocation to fire protection of land and land rights (IR-26, Exhibit T-3) and meter shop equipment (IR-27, Exhibit T-3). In the revised Rate Study, the fire protection charges are \$102,754, \$129,097 and \$136,673, for 2009/10, 2010/11, and 2011/12 respectively. The current fire protection charge is \$157,647. Mr. Gates explained that the charge is proposed to decrease due to more production assets being bought than demand assets.

[60] The total fire protection charges are allocated between the Town and the Municipality based upon the required fire flow methodology, as set out in the CGI Reports. The maximum required fire flows for the Town and the Municipality are 2,400 imperial gallons per minute ("igpm") and 800 igpm, respectively. This results in an apportionment of the fire protection charge as 75% to the Town and 25% to the Municipality.

[61] The Application sets out the maximum and available fire flow demands for

the Municipality, as 800 igpm and 472 igpm, respectively. Based upon these figures 59% (ie. 472/800) of the required fire flow demand of the Municipality can be supplied by the Utility.

[62] The proposed fire protection charge to the Municipality is determined by multiplying the total fire protection charges, as noted above, by 25%, which represents the Municipality's percentage of the maximum required fire flow. The resulting figure is then multiplied by 59%, the percentage of the required fire flow which can be supplied.

[63] Based upon these calculations, the revised Rate Study proposes fire protection charges to the Town of \$87,591, \$110,047 and \$116,504, over each of the three test years, respectively and to the Municipality of \$15,163, \$19,050 and \$20,168, respectively.

Findings

[64] Based upon the information provided, the Board accepts and approves the annual fire protection charge to the Town and the Municipality, as presented in the revised Rate Study. The fire protection charge for 2009/10 will be calculated based upon prorating the current charge and the new charge.

ii) Utility Customers

a) Wholesale

[65] The Rate Study allocates the total revenue requirements, less the total Fire

Protection charge calculated, to joint use in order to determine the base and commodity charges for the Municipality and Trenton. All components of the revenue requirements were allocated as in the last rate study except as noted in the following paragraphs.

[66] The administration and general expense is allocated 49.2% to joint use in the Rate Study, based upon a similar methodology which has been approved by the Board in other rate applications. The allocation is based upon the total administration costs less the meter reading, billing and collection costs and one half of the remaining costs. The figure was 50% in the Utility's last rate application. Due to the reallocation of costs between the administration and general expense and the transmission and distribution expense categories, this allocation is 48.8% in the revised Rate Study filed in response to the Information Requests.

[67] The depreciation expense, which was allocated to joint use at 42% in the previous application, is allocated 30.9% to joint use in the current rate study, based upon a similar methodology which has been approved by the Board in the past. Mr. Gates explained that the depreciation charge is calculated based on the depreciation of those assets that are joint use.

[68] Taxes are allocated 39.9% to joint use, which Mr. Gates explained is based upon the value of the tangible above-ground plant as there are no taxes applied to the underground plant. He further noted that the methodology is consistent with that used in other utility rate studies. This figure was 42% in the previous rate application.

[69] The Rate Study allocates the return on rate base to joint use as 100%,

25.17% and 45.97%, in each of 2009/10, 2010/11 and 2011/12, respectively, based upon what Mr. Gates described as a standard methodology used in other rate studies. This figure was 42% in the Utility's previous rate application. The Applicant noted that there was an arithmetic error in the calculation related to allocation in 2009/10, which is not material as it does not affect the 100% joint use allocation in that year. Due to the changes to the amount of debt funding of the proposed capital projects, as discussed above, the joint use allocations in 2010/11 and 2011/12 were amended in the revised Rate Study to 25.16% and 45.75%, respectively.

[70] The joint use figures are further allocated to the Municipality at 5.72%, based upon the annual amount of water consumed by the Municipality (15,074 cubic metres less 1% for hydrant flushing) as a percent of the total annual water sold by the Utility (260,871 cubic metres). The Rate Study assumes that the amount of water sold to the Municipality remains constant throughout the test period. In the previous rate application, the Municipality used 7.32% of the water sold by the Utility.

[71] The allocated components are allocated between the Municipality's commodity and base charge using the same methodology as in the Utility's previous Rate Study.

[72] The calculations in the Rate Study result in a proposed decrease in the current base charge and increase in the current commodity charge to the Municipality. The Applicant explained that the proposed changes are due to both a refinement in the method of calculation and a decrease in the amount of water sold to the Municipality.

Findings

[73] The Board accepts the figures as presented in the revised Rate Study, which amends the allocation of joint use collection and administration and return on rate base, due to corrections in the allocation of operating expenses and changes to the funding sources of the capital program, as discussed above. The Board accepts the consumption figures used in the allocation of the joint use expenses. The Board notes that the consumption volumes of each of the Town and the Municipality have decreased since the last rate application.

b) Town's Customers

[74] The remaining revenue requirements, after the allocation to fire protection charges and the wholesale rate to the Municipality, are to be recovered from the rates applied to the Town's customers. The methodology used to allocate the remainder of the expense items to the base, customer, delivery and production categories of the Town is consistent with the *Accounting Handbook* with the exception of the allocation of the transmission and distribution expense, which is allocated 50%/50% to base and delivery, compared to the 100% allocation to delivery (commodity) set out in the *Accounting Handbook*. The Applicant explained that the proposed allocation is usually used in small utilities, as otherwise the result would be a very low base charge and a very high commodity rate.

[75] The calculation of base charges to the Utility customers is based upon 966

customers in 2009/10, which is not projected to change over the test period. Mr. Gates stated that this represents a loss of 18 customers since the last rate application, both domestic and commercial and that it is felt that the Utility is at a point where it will retain the customers that it has. With respect to the 8" meter, which has been retained at the Trenton Works site for fire protection purpose, the Applicant noted that it is expected that it will remain in place during the test period. The meter is projected to use only 15 cubic metres per quarter over the test period, but generates revenue for the Utility through the base charge.

[76] The proposed base rates contained in the Rate Study represent a decrease of 13.3% to 14.3% in the various meter sizes from the current base charges. The Applicant explained that this is due in part to a large reduction in the return on rate base. In the previous Rate Study the return on rate base was high, as it had proposed there would be significant capital works.

[77] The consumption charges are based upon total annual consumption by the Town's customers of 245,948 cubic metres in 2009/10 which is projected to remain constant throughout the test period. Mr. Gates commented that this represents an approximate 17% drop in consumption volume from the previous rate application, due to both the loss of customers and the fact that the customer base is using less water. He added that the Town was re-metered three years ago and that he is confident that the volume, based upon the meter records, is accurate. Mr. Vachal added that since the meters have been installed, there has been a definite effect on water usage, with people

reducing their consumption levels.

[78] The Rate Study indicates that there are eight unmetered customers, which are estimated to have an annual consumption of 272 cubic metres per year. The Applicant noted that three of these customers have since been metered and that the remaining buildings are currently not occupied and will be metered as required.

[79] Mr. Gates commented that the proposed rates are on the low average of small utilities in the Province.

[80] Mr. Gates, Mr. Isenor, Mr. Vachal and Ms. MacGillivray each confirmed that in their opinion, the proposed rates are just and reasonable.

Findings

[81] The Board accepts the assumptions used in the determination of the proposed unmetered rates, which is reasonable in comparison with other recent rate applications. The Board further accepts the calculations of base and commodity charges, as presented in the revised Rate Study.

E. MISCELLANEOUS RATES AND CHARGES

[82] In addition to the rates for water supply to its customers, the Application requests approval of a number of miscellaneous rates and charges which were set out in a response to an information request (IR-47, Exhibit T-3). Mr. Isenor noted that the proposed changes are consistent with most other water utilities in the Province.

[83] The Applicant stated that it is proposed to change the due date for payment of the public fire protection charge from April 1 to September 30 of each year. The Board noted that the proposed fire protection charge in the final test year does not contain a clause indicating how the charge is to be divided among the Town and the Municipality in subsequent years. In the revised Rate Study, the Applicant amended Item 2 'Public Fire Protection Rate' in the Schedule of Rates for the final test year to include the following:

The percentage division for fire protection between the Municipality and the Town in subsequent years is 14.76% and 85.24%.

[Exhibit T-3, IR-50]

Findings

[84] The Board approves the miscellaneous charges as filed in the revised Rate Study, with the amendment to Item 2 'Public Fire Protection Rate', as noted above.

F. SCHEDULE OF RATES FOR WATER AND WATER SERVICES

[85] The Utility filed a revised Rate Study as a part of the Information Requests which made a number of amendments to the original Application. The Board notes that the revisions made and filed by the Applicant were generally to correct errors and based upon better and more up-to-date information.

[86] The changes made by the Applicant as noted above have an affect on the rates as originally proposed in each of the test years. With respect to the proposed rates for the Town customers, with the revisions, the base rate decreases in each of the test

years, while the consumption charge decreases in 2009/10 and increases in 2010/11 and 2011/12, in comparison to the rates proposed in the original Application. Based upon the average consumption volumes for each of the meter sizes, this results in a decrease in the overall charges for all of the customers in each of the test years, with the exception of the 1.5" meter and 2" meter customers in each of 2010/11 and 2011/12, and the 1" customer in 2011/12 which will see minor increases of less than 1%.

[87] With respect to the wholesale rates, the revisions result in a decrease in the base charge in each of the three test years, while the consumption charge decreases in 2009/10 and increases in 2010/11 and 2011/12, in comparison to the rates proposed in the original Application. Based upon the estimated consumption volumes, the revisions result in an overall decrease in the wholesale charge to the Municipality for each of the test years, from those proposed in the original Application.

[88] With the revisions filed in the responses to the information requests, the fire protection charge decreases by 10% in 2009/10 and increases by 8% in 2010/11 and 2011/12, in comparison to the charges proposed in the original Application.

[89] The Board has reviewed the revised Rate Study, which has amended the rates originally proposed by the Applicant. The Board considers any increases from the original Application, which results from the correction of errors by the Applicant, to be minor and accepts the rates as presented in the amended calculations.

[90] Based upon the information provided, the Board approves the Schedule of Rates and Charges for Water and Water Services for each of the test years, as requested

by the Applicant in the revised Rate Study filed in response to the Information Requests.

[91] The Application proposes rates to be effective April 1, 2009, April 1, 2010 and April 1, 2011. Given the timing of the hearing and decision, the rates are approved effective July 1, 2009, April 1, 2010 and April 1, 2011. The approved rates are attached hereto as Schedules "A", "B" and "C".

[92] The approved public fire protection charge for 2009/10 is prorated based upon three months at the current rate of \$157,647 and nine months at the new rate of \$102,754. For the first three months, the charge is to be apportioned based upon the existing percentages of 84.5% to the Town and 15.5% to the Municipality. For the remaining nine months of the 2009/10 fiscal year, the charge is to be apportioned based upon the Rate Study calculations of 85.24% to the Town and 14.76% to the Municipality. This results in a total fire protection charge in 2009/10 of \$116,477, divided as \$98,993 to the Town and \$17,484 to the Municipality.

G. SCHEDULE OF RULES AND REGULATIONS

[93] The response to an information request (IR-51, Exhibit T-3) lists the proposed changes to the Utility's Schedule of Rules and Regulations, which Mr. Isenor described as not being significant. He noted that some items that contain references to rates have been moved from the Schedule of Rules and Regulations to the Schedule of Rates.

[94] Mr. Isenor noted that there is an error in Item 22' Service Pipes' in that a clause, as identified below, should be deleted from the second paragraph as follows:

The cost of supplying and laying a 3/4" service pipe and fittings between the main pipe and the street line shall be paid by the Utility. The necessary excavation for the laying of the service pipe, backfilling, and replacement of the street and sidewalk surfaces from the water main in the street to the premises, shall be the responsibility of the Utility ~~for all water service and all such work shall be performed without cost to the Utility.~~ A service box (standpipe) and curb stop valve shall be installed at the property line by the Utility. The applicant for water service shall be responsible for all work from the property line to the premises; such work shall be performed without cost to the Utility.

Findings

[95] The Board finds the proposed changes to the Utility's Schedule of Rules and Regulations, with the amendment noted above, to be reasonable. Accordingly, the Schedule of Rules and Regulations, attached hereto as Schedule "D", is approved with an effective date of July 1, 2009.

[96] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 9th day of June, 2009.


Murray E. Doehler

SCHEDULE "A"

TOWN OF TRENTON WATER UTILITY

SCHEDULE OF RATES FOR WATER AND WATER SERVICES

(Effective for water supplied on and after July 1, 2009)

RATES

The rates set out below are the rates approved by the Board for water and water services when payment is made within 30 days from the date rendered as shown on the bill.

When payment is made after 30 days from the date rendered as shown on the bill, the rates will include interest charges of 1.25% per month, or part thereof. Each bill shall show the amount payable within 30 days from the date rendered as shown on the bill.

In this Schedule, the word "Utility" means the Water Utility of the Town of Trenton.

1. **RATES:**

(a)	<u>Base Charges</u>	<u>Quarterly</u>
	Unmetered	\$ 87.82
	<u>Metered</u>	
	5/8"	\$ 20.33
	3/4"	30.10
	1"	49.64
	1 1/2"	98.48
	2"	157.10
	3"	313.40
	4"	489.24
	6"	977.68
	8"	1,759.18
(b)	<u>Consumption Rates (per Cubic Metre)</u>	
	\$0.992 per cubic metre	
(c)	<u>Wholesale Rate for the Municipality of the County of Pictou</u>	
	For water supplied at all metered service points.	
	Base Charge	\$143.79 per month
	Consumption Charge	\$0.942 per cubic metre

(d) Minimum Bill

The minimum bill shall be the Base Charge.

2. Public Fire Protection Rate

The Town of Trenton and the Municipality of the County of Pictou shall pay to the Water Utility, on or before September 30, 2009 for fire protection services a total amount of \$116,477 divided between the Municipality \$17,484 and the Town \$98,993.

3. Rates for Sprinkler Service

Each building having a sprinkler system installed shall pay annually for the service as follows:

Each building serviced by a sprinkler service pipe of 6" or less in diameter	\$160.00
Each building serviced by a sprinkler service pipe of 8" or more in diameter	\$200.00

4. Water for Buildings or Works Under Construction

The Utility may furnish water to any person requiring a supply thereof for the construction of a building or other works. This person shall deposit with the Utility such sum as may be determined by the Utility as is sufficient to defray the cost of making the necessary connection to any water service or main together with the cost of the meter to be installed to measure the water consumed. Upon completion of the work and the return of the meter to the Utility, a refund will be made after deducting the cost, if any, of repairing the meter and of testing the same and payment of the base and connection charges and the consumption rates in respect to such installation.

5. Private Hydrant Rates

Per hydrant per year \$200.00.

6. Rates for Water Supplied from Fire Hydrants

Whenever the use of any fire hydrant is desired for supplying water for any purpose, excepting those of the Fire Department for fire use, the Utility may grant a permit containing such terms and conditions as it may provide, including arrangements regarding supervision of the opening and closing of the hydrant, and a service charge for commercial consumers of \$60.00 for connection and disconnection and a consumption charge for the amount of water used, as estimated by the water utility, at meter consumption rates.

7. Charges for Re-establishing Water Service

When water service has been suspended for any violation of the Rules and Regulations of the Utility, such water service shall not be re-established until a reconnection charge of \$50.00 has been paid to the Utility. If reconnection is outside of regular working hours, the charge is \$200.00.

8. Connection Fee

The Utility shall charge a \$50.00 fee for the creation of a water account, notwithstanding the fact that no physical disconnection of the system may have occurred. This fee shall be \$200.00 if water is turned on after normal working hours of the Utility.

9. Disconnection Fee

Whenever a customer, for any reason requests that the water be turned off from any premises, a charge of \$50.00 shall be made for turning off the water, and no additional charge shall be made for turning it on again when this is requested unless such request is after regular working hours of the Utility when a fee of \$200.00 shall apply.

10. Special Service Charge

A special service charge of \$50.00 (\$200.00 if such work is performed after regular working hours) shall be made to each customer receiving a necessary or requested service, such as the shutting off or turning on of water service or other special services not provided for elsewhere in the schedules or the rules and regulations. In the case where the shutting off is requested because there is no operable shut off valve serving the dwelling, an isolation valve must be installed.

11. Charge for Non-negotiable Cheques

The Utility shall charge a \$25.00 administration fee for cheques that, due to non-negotiability, have been rejected by the Utility's bank.

12. Charge for Missed Appointment by Customers

Where an appointment has been made by a customer to have a water service hooked up or a meter inspected, or water turned on to a property, or other visits to the property for the inception or maintenance of water service to the property, and the customer fails to keep the appointment or the plumbing is not completed to allow for installation of a water meter and the Utility's staff have to return to the property, there may be a charge of \$25.00 for each visit if, in the judgment of the Utility, it is required.

SCHEDULE "B"

TOWN OF TRENTON WATER UTILITY

SCHEDULE OF RATES FOR WATER AND WATER SERVICES

(Effective for water supplied on and after April 1, 2010)

RATES

The rates set out below are the rates approved by the Board for water and water services when payment is made within 30 days from the date rendered as shown on the bill.

When payment is made after 30 days from the date rendered as shown on the bill, the rates will include interest charges of 1.25% per month, or part thereof. Each bill shall show the amount payable within 30 days from the date rendered as shown on the bill.

In this Schedule, the word "Utility" means the Water Utility of the Town of Trenton.

1. **RATES:**

(a) <u>Base Charges</u>	<u>Quarterly</u>
Unmetered	\$ 93.66
<u>Metered</u>	
5/8"	\$ 22.30
3/4"	33.03
1"	54.51
1 1/2"	108.21
2"	172.64
3"	344.46
4"	537.75
6"	1,074.69
8"	1,933.78

(b) **Consumption Rates (per Cubic Metre)**

\$1.049 per cubic metre

(c) **Wholesale Rate for the Municipality of the County of Pictou**
For water supplied at all metered service points.

Base Charge	\$159.78	per month
Consumption Charge	\$0.977	per cubic metre

(d) Minimum Bill

The minimum bill shall be the Base Charge.

2. Public Fire Protection Rate

The Town of Trenton and the Municipality of the County of Pictou shall pay to the Water Utility, on or before September 30, 2010 for fire protection services a total amount of \$129,097 divided between the Municipality \$19,050 and the Town \$110,047.

3. Rates for Sprinkler Service

Each building having a sprinkler system installed shall pay annually for the service as follows:

Each building serviced by a sprinkler service pipe of 6" or less in diameter	\$160.00
Each building serviced by a sprinkler service pipe of 8" or more in diameter	\$200.00

4. Water for Buildings or Works Under Construction

The Utility may furnish water to any person requiring a supply thereof for the construction of a building or other works. This person shall deposit with the Utility such sum as may be determined by the Utility as is sufficient to defray the cost of making the necessary connection to any water service or main together with the cost of the meter to be installed to measure the water consumed. Upon completion of the work and the return of the meter to the Utility, a refund will be made after deducting the cost, if any, of repairing the meter and of testing the same and payment of the base and connection charges and the consumption rates in respect to such installation.

5. Private Hydrant Rates

Per hydrant per year \$200.00.

6. Rates for Water Supplied from Fire Hydrants

Whenever the use of any fire hydrant is desired for supplying water for any purpose, excepting those of the Fire Department for fire use, the Utility may grant a permit containing such terms and conditions as it may provide, including arrangements regarding supervision of the opening and closing of the hydrant, and a service charge for commercial consumers of \$60.00 for connection and disconnection and a consumption charge for the amount of water used, as estimated by the water utility, at meter consumption rates.

7. Charges for Re-establishing Water Service

When water service has been suspended for any violation of the Rules and Regulations of the Utility, such water service shall not be re-established until a reconnection charge of \$50.00 has been paid to the Utility. If reconnection is outside of regular working hours, the charge is \$200.00.

8. Connection Fee

The Utility shall charge a \$50.00 fee for the creation of a water account, notwithstanding the fact that no physical disconnection of the system may have occurred. This fee shall be \$200.00 if water is turned on after normal working hours of the Utility.

9. Disconnection Fee

Whenever a customer, for any reason requests that the water be turned off from any premises, a charge of \$50.00 shall be made for turning off the water, and no additional charge shall be made for turning it on again when this is requested unless such request is after regular working hours of the Utility when a fee of \$200.00 shall apply.

10. Special Service Charge

A special service charge of \$50.00 (\$200.00 if such work is performed after regular working hours) shall be made to each customer receiving a necessary or requested service, such as the shutting off or turning on of water service or other special services not provided for elsewhere in the schedules or the rules and regulations. In the case where the shutting off is requested because there is no operable shut off valve serving the dwelling, an isolation valve must be installed.

11. Charge for Non-negotiable Cheques

The Utility shall charge a \$25.00 administration fee for cheques that, due to non-negotiability, have been rejected by the Utility's bank.

12. Charge for Missed Appointment by Customers

Where an appointment has been made by a customer to have a water service hooked up or a meter inspected, or water turned on to a property, or other visits to the property for the inception or maintenance of water service to the property, and the customer fails to keep the appointment or the plumbing is not completed to allow for installation of a water meter and the Utility's staff have to return to the property, there may be a charge of \$25.00 for each visit if, in the judgment of the Utility, it is required.

SCHEDULE "C"

TOWN OF TRENTON WATER UTILITY

SCHEDULE OF RATES FOR WATER AND WATER SERVICES

(Effective for water services supplied on and after April 1, 2011)

R A T E S

The rates set out below are the rates approved by the Board for water and water services when payment is made within 30 days from the date rendered as shown on the bill.

When payment is made after 30 days from the date rendered as shown on the bill, the rates will include interest charges of 1.25% per month, or part thereof. Each bill shall show the amount payable within 30 days from the date rendered as shown on the bill.

In this Schedule, the word "Utility" means the Water Utility of the Town of Trenton.

1. **RATES:**

(a)	<u>Base Charges</u>	<u>Quarterly</u>
	Unmetered	\$ 99.42
	<u>Metered</u>	
	5/8"	\$ 24.42
	3/4"	36.21
	1"	59.79
	1 1/2"	118.73
	2"	189.46
	3"	378.07
	4"	590.26
	6"	1,179.68
	8"	2,122.75
(b)	<u>Consumption Rates (per Cubic Metre)</u>	
	\$1.103 per cubic metre	
(c)	<u>Wholesale Rate for the Municipality of the County of Pictou</u>	
	For water supplied at all metered service points.	
	Base Charge	\$181.12 per month
	Consumption Charge	\$1.022 per cubic metre

(d) Minimum Bill

The minimum bill shall be the Base Charge.

2. Public Fire Protection Rate

The Town of Trenton and the Municipality of the County of Pictou shall pay to the Water Utility, on or before September 30, 2011 for fire protection services a total amount of \$136,673 divided between the Municipality \$20,168 and the Town \$116,504

For subsequent years, the annual public fire protection rate shall be based on the above, or:

(a) the sum of 48.2% of transmission and distribution, taxes and depreciation expenses of the Utility and return on rate base of the immediately preceding year, plus

(b) 10% of all other expenses,

whichever is the greater,

The percentage division for fire protection between the Municipality and the Town in subsequent years is 14.76% and 85.24%, respectively.

3. Rates for Sprinkler Service

Each building having a sprinkler system installed shall pay annually for the service as follows:

Each building serviced by a sprinkler service pipe of 6" or less in diameter	\$160.00
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Each building serviced by a sprinkler service pipe of 8" or more in diameter	\$200.00
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4. Water for Buildings or Works Under Construction

The Utility may furnish water to any person requiring a supply thereof for the construction of a building or other works. This person shall deposit with the Utility such sum as may be determined by the Utility as is sufficient to defray the cost of making the necessary connection to any water service or main together with the cost of the meter to be installed to measure the water consumed. Upon completion of the work and the return of the meter to the Utility, a refund will be made after deducting the cost, if any, of repairing the meter and of testing the same and payment of the base and connection charges and the consumption rates in respect to such installation.

5. Private Hydrant Rates

Per hydrant per year \$200.00.

6. Rates for Water Supplied from Fire Hydrants

Whenever the use of any fire hydrant is desired for supplying water for any purpose, excepting those of the Fire Department for fire use, the Utility may grant a permit containing such terms and conditions as it may provide, including arrangements regarding supervision of the opening and closing of the hydrant, and a service charge for commercial consumers of \$60.00 for connection and disconnection and a consumption charge for the amount of water used, as estimated by the water utility, at meter consumption rates.

7. Charges for Re-establishing Water Service

When water service has been suspended for any violation of the Rules and Regulations of the Utility, such water service shall not be re-established until a reconnection charge of \$50.00 has been paid to the Utility. If reconnection is outside of regular working hours, the charge is \$200.00.

8. Connection Fee

The Utility shall charge a \$50.00 fee for the creation of a water account, notwithstanding the fact that no physical disconnection of the system may have occurred. This fee shall be \$200.00 if water is turned on after normal working hours of the Utility.

9. Disconnection Fee

Whenever a customer, for any reason requests that the water be turned off from any premises, a charge of \$50.00 shall be made for turning off the water, and no additional charge shall be made for turning it on again when this is requested unless such request is after regular working hours of the Utility when a fee of \$200.00 shall apply.

10. Special Service Charge

A special service charge of \$50.00 (\$200.00 if such work is performed after regular working hours) shall be made to each customer receiving a necessary or requested service, such as the shutting off or turning on of water service or other special services not provided for elsewhere in the schedules or the rules and regulations. In the case where the shutting off is requested because there is no operable shut off valve serving the dwelling, an isolation valve must be installed.

11. Charge for Non-negotiable Cheques

The Utility shall charge a \$25.00 administration fee for cheques that, due to non-negotiability, have been rejected by the Utility's bank.

12. Charge for Missed Appointment by Customers

Where an appointment has been made by a customer to have a water service hooked up or a meter inspected, or water turned on to a property, or other visits to the property for the inception or maintenance of water service to the property, and the customer fails to keep the appointment or the plumbing is not completed to allow for installation of a water meter and the Utility's staff have to return to the property, there may be a charge of \$25.00 for each visit if, in the judgment of the Utility, it is required.

SCHEDULE "D"

TOWN OF TRENTON WATER UTILITY

**SCHEDULE OF RULES AND REGULATIONS
GOVERNING THE SUPPLY OF WATER AND WATER SERVICES**

(Effective July 1, 2009)

1. In these Rules and Regulations, unless the context otherwise requires, the expression:

"Town" means the Town of Trenton.

"Utility" means the Water Utility of the Town of Trenton.

"Customer" means a person, firm or corporation who, or which, contract to be supplied with water at a specified location or locations.

"Domestic Service" means the type of service supplied to the owner or his authorized agent or to the occupant or tenant of any space or area occupied for the distinct purpose of a dwelling house, rooming house, apartment, flat, etc.

"Metered Rate Service" means that type of service charged for at metered rates and is supplied to customers other than those supplied by fixture and flat rate service. Metered rate service is required for all new services.

2. Liability for Payment of Water Bill: An agreement is deemed to exist between a customer and the Utility for the supply of water service at such rates and in accordance with these Regulations by virtue of:

- a) the customer applying for and receiving approval for water service;
- b) the customer consuming or paying for water service from the date that the customer who is a party to an agreement pursuant to clause (a) (the customer of record) moves out of the premises, in which case the customer of record shall remain jointly and severally liable for the water service account up to the date the Utility is notified that the customer of record wishes to terminate the supply of water service.

At the discretion of the Utility, a property owner who rents or leases a property or self-contained unit to a tenant or lessee may be required to open an account for the provision of water at the property rented or leased.

- c) Any person, business or corporation that receives water service without the consent of the Utility, shall be liable for the cost of such water service which cost shall be determined in the sole discretion of the Utility based upon its reasonable estimate of the amount of water utilized.

3. Deposits: When required, an applicant for service shall deposit with the Utility a sum equal to the estimated charges for such service for a period of six months. The estimated charges will be based on the minimum bill for metered customers. This deposit shall be held by the Utility as collateral security for the payment of the customer's bills, but is not to be considered as a payment on account thereof. When the customer ceases to use the service and discharges all his liability to the Utility in respect of such service, the deposit shall be returned to him with interest at the rate of three percent (3%) per annum, not compounded.
4. Refusal of Service: Service may be refused or suspended to any customer who has failed to discharge all of his liabilities to the Utility.
5. Payment of Bills: Bills shall be rendered to each customer at intervals of approximately three months and are due and payable when rendered. Bills not paid within thirty (30) days of the date rendered, shall incur an interest charge at the prescribed monthly rate for each month or part thereof.
6. Adjustment of Bills:
 - (a) Where meters exist - If the seal of a meter is broken or if a meter does not register correctly, the bill for that water service shall be estimated in accordance with the best data available. Any customer desiring to question a water bill must do so in writing within 30 days of the bill being rendered.
 - (b) Customers Under-billed - Should it be necessary for the Utility to make a billing adjustment as a result of a customer being under-billed for any reason, such adjustment shall be retroactive for a maximum of four billing periods or one year, whichever is the longest. Notwithstanding the above, in the event that a billing adjustment is the result of the customer's illegal connection to the water system or willful interference or damage of metering equipment (where they exist), the billing adjustment in such circumstances will not be limited to one year or four billing periods, but rather the customer shall be responsible for all payments of such accounts from the date such illegal connection or interference to meter equipment took place.
 - (c) Customer Over-billed - Should it become necessary for the Utility to make a billing adjustment as a result of a customer being over-billed for any reason, such adjustment will be estimated by the Utility, and the Utility will be responsible for payment of the over-billed amount with interest calculated on the basis of current simple interest paid by the bank.
7. Estimated Readings for Billing Purposes - Metered Customers: If the Utility is unable to obtain a meter reading for billing purposes, after exercising due diligence in the usual practice of meter reading, the bill for that service shall be estimated in accordance with the best data available, subject, however, to the provision that in no circumstance will an

estimated reading be used for more than two (2) consecutive billing periods. If an estimated bill is rendered for two (2) consecutive billing periods, the Utility shall notify the customer by regular mail that arrangements must be made for the Utility to obtain a reading and, failing such arrangements, the Utility may suspend service until such arrangements are made. When such meter reading has been obtained, the previous estimated bill or bills shall be adjusted accordingly.

8. Suspension of Service for Non-Payment of Bills: The Utility shall have the right to enter onto customers' premises within reasonable hours to suspend service to customers whose bills remain unpaid for more than forty calendar days after the date rendered.
9. Water to be Supplied by Meter: The Utility may at any time install a meter on the premises of any customer. The Utility shall determine the size and type of meter to be installed in each case. All meters shall be the property of the Utility.
10. Installation and Removal of Meters: Meters shall be installed and removed only by employees or duly authorized representatives of the Utility, and no other person shall install, alter, change or remove a meter without the written permission of the Utility. The plumbing and connections shall be properly prepared to receive the installation of such meters to the approval of and without expense to the Utility.
11. Meter Readers: Each meter reader shall be provided with an official identification, which he/she shall exhibit on request.
12. Access to Customer's Premises: Representatives of the Utility shall have right of access to all parts of a customer's property or premises at all reasonable hours for the purpose of inspecting any water pipes or fittings, or appliances, or discontinuing service, or for the purpose of installing, removing, repairing, reading or inspecting meters. The Utility shall have the right to suspend service to any customer who refuses such access.
13. Location of Meters: The Utility shall have the right to refuse service to, or suspend the service of, any customer who does not provide a place which, in the opinion of the Utility, is suitable for the meter. It should be in the building served, at or near the point of entry of the service pipe, in a place where it can be easily read and where it will not be exposed to freezing temperatures.

Where the premises of a customer are of such a nature that a meter cannot be properly installed in a building, or if the building is not sufficiently frost-proof as to guarantee the safety of the meter, the Utility may order the construction of a suitable frost-proof box in which the meter can be installed. Service to such premises may be refused or suspended until such a frost-proof box approved by the Utility is installed.
14. Damage to Water Meters: Each customer shall be responsible for the meter installed on his service and shall protect it. The customer shall be liable for any damage to the meter resulting from carelessness, hot water or steam, or the action of frost or from any other

cause not the fault of the Utility or its employees. The cost to the Utility occasioned by such damage to the meter shall be paid by the customer. If, after the rendering of a bill by the Utility to the customer for such cost, the same is not paid within 40 days from the date rendered, the supply of water to the customer concerned may be suspended until all charges are paid.

15. Meter Testing: On the request to have their meter tested, the Utility may charge the sum of \$50.00 to defray, in part, the cost of making the test for meters up to 1½ inch in size. In the case of meters 1½ inches and larger, the actual cost of the test will be paid by the customer. If the test shows that the meter is over registering by more than one and one-half percent (1½%) for positive displacement meters and three percent (3%) for turbine or compound meters, the sum so deposited will be refunded to the customer.
16. Plumbing to be Satisfactory: All plumbing, pipes and fittings, fixtures, and other devices for conveying, distributing, controlling, or utilizing water, which are used by a customer and are not the property of the Utility, shall be installed in the manner provided by the Regulations of and be approved by the proper official of the Town of Trenton as set out in the Town's By-Laws. The water shall not be turned on (except for construction or testing purposes) until the applicant for service has satisfied the Utility that these requirements have been met. The supply of water may be discontinued to any customer at any time if, in the opinion of the proper official of the Town of Trenton representing the Utility, the plumbing, pipes, fittings, fixtures or other devices as hereinbefore mentioned, or any of them, fail to comply with the above requirements, or if any part of the water system of such customer or the meter is in any unsuitable, dirty, unsanitary, or inaccessible place. Service shall not be re-established until such condition is corrected to the satisfaction of the Utility.
17. Remote Registering Water Meters: When a remote registering water meter is installed on a customer's premises under a general outside register installation program of the Utility, then the cost of the meter and its installation shall be paid by the Utility. The meter shall become the property of the Utility which shall become responsible for its operation, maintenance and replacement. Any damage to the meter caused by the negligence or wrongful acts or omissions by the customer, his agents or members of his family, shall be paid for by the customer, and the failure by the customer to make the payment shall entitle the Utility, after making a forty day written demand for the payment, to disconnect the water service to the customer.
18. Cross Connection Control & Backflow Prevention
 - (a) No owner, consumer, customer or other person hereinafter collectively referred to in this rule and regulation as "person" shall connect, cause to be connected, or allow to remain connected to the water system, or plumbing installation, without the express written consent of the Utility, any piping fixtures, fittings container or appliance in a manner which, under any circumstances, may allow water, wastewater, or any other liquid, chemical or substance, to ingress or egress the water system.

- (b) Where, in the opinion of the Utility, there may be a risk of contamination to the potable water system, notwithstanding the provisions of subparagraph (a), the Utility may require the customer, at the customer's sole cost and expense, to install at any point on the customer's water service connection or water service pipe, one or more backflow prevention (BFP) devices, which devices shall be of a quality and type approved by the Utility.
 - (c) All BFP devices shall be maintained in good working order. Such devices must be inspected and tested by a certified tester, approved by the Utility, at the expense of the customer. Such inspections shall take place upon installation, and thereafter annually, or more often if required by the Utility. The customer shall submit a report in a form approved by the Utility on any or all tests performed on a BFP device within 30 days of a test. A record card shall be displayed on or adjacent to the BFP device on which the tester shall record the name and address of the owner of the device; the location, type, manufacturer, serial number and size of the device; and the test date, the tester's initials, the tester's name, the name of his employer, and the tester's license number.
 - (d) Installation, maintenance, field-testing and selection of all BFP devices shall fully conform to the latest revision of CSA B64.10 and CSA B64 series.
 - (e) In the event of any breach, contravention or non-compliance by a person of any of the provisions and regulations in sub-paragraphs (a), (b), (c), or (d), the Utility may:
 - (i) suspend water service to such person, or
 - (ii) give notice to the person to correct the breach, contravention or non-compliance within 96 hours, or a specified lesser period. If the person fails to comply with such notice, the Utility may immediately thereafter suspend water service to such person.
19. Dangerous Connections: No connection shall be permitted to any installation, equipment or source in such a manner as may allow any contamination to pass from such installation, equipment or source into the Utility's water supply system. If any such connection exists, the Utility may discontinue the supply of water to such customer.
20. Prohibited Devices: Service may be refused or suspended by the Utility to any customer who installs or uses any device or appurtenance as, for example, booster pumps, quick-opening or quick-closing valves, flushometers, water-operated pumps or siphons, standpipes, or large outlets for supplying locomotives or ships, etc., which may occasion sudden large demands of short or long duration, thereby requiring oversize meters and pipelines, or affect the stability or regulation of water pressure in the Utility's system. Permission to install or use any such device or appurtenance must be obtained from the Utility, which permission shall specify what special arrangements, such as elevated storage tanks, surge tanks or equalizing tanks, etc., must be provided by the customer.

21. Improper Use or Waste of Water: No customer shall permit the improper use or waste of water such as providing water to more than one single family dwelling and/or apartment building from a single service, nor shall he sell or give water to any person except upon such conditions and for such purposes as may be approved in writing by the Utility.
22. Service Pipes: Upon receipt of an application for service to any premises located on any portion of a street through which portion a main water pipe is laid and which premises are not already provided with water service, the Utility shall install a service pipe which it considers to be of suitable size and capacity from the water main to the street line. No pipe smaller than 3/4" in diameter shall be laid for any service.

The cost of supplying and laying a 3/4" service pipe and fittings between the main pipe and the street line shall be paid by the Utility. The necessary excavation for the laying of the service pipe, backfilling, and replacement of the street and sidewalk surfaces from the water main in the street to the premises, shall be the responsibility of the Utility. A service box (standpipe) and curb stop valve shall be installed at the property line by the Utility. The applicant for water service shall be responsible for all work from the property line to the premises; such work shall be performed without cost to the Utility.

Should any person make application for service larger than 3/4", the decision as to the necessity of the larger service shall be made by the Utility. If the larger service is deemed necessary by the Utility, the cost of the installation from the main to the property line will be the responsibility of the Utility. However, if the Utility does not agree with the requests for the larger line, all costs for the service larger than 3/4" will be borne by the customer including the larger meter, less the cost of a 3/4" service from the main to the street and/or property line.

Should any person make application for more than one service to his premises, the decision as to the necessity of the additional service shall be made by the Utility, and if the additional service is installed, the total cost thereof from the main to the customer's premises shall be paid by such applicant.

All services must be installed in accordance with Rules and Regulations of the Town and to the satisfaction of the Utility.

When a service has been installed without objection from the customer as to the location of the same, no subsequent removal of or alteration to the position of the pipe shall be made except at the expense of the customer requesting such removal or alteration.

23. Repairs to Services: If a leak or other trouble occurs it shall be repaired as soon as possible. If the leak or trouble occurs in a service line providing non-fire protection water supplies between the main and the property line, it shall be repaired by the Utility at its expense. If the leak or trouble occurs elsewhere in a service line providing non-fire protection water supplies, it shall be repaired by the customer at his/her expense.

If the leak or trouble occurs in a service line which provides private fire protection services (sprinkler or hydrant) it shall be repaired by the customer at his expense.

The Utility may make such repairs for any customer provided the customer agrees to pay the cost of same. When required, each customer desiring the Utility to do such work shall deposit with the Utility a sum equal to the estimated cost of the work.

If a leak occurs on the customer's portion of his service pipe and, after being notified of same, he refuses or unduly delays to have repairs made, the Utility may discontinue the supply of water to such service pipe if, in its opinion, such action is necessary in order to prevent wastage of water. The Utility shall notify the customer affected of its intention to discontinue such supply.

24. Extensions, Additions or Connections: No person shall, without the written consent of the Utility, make or cause to be made any connections to any pipe or main or any part of the water system or in any way obtain or use water therefrom in any manner other than as set out in these Regulations.
25. Season for Laying Pipes: The Utility shall not be required to lay any pipe at any season of the year or at any time which, in its opinion, is not suitable.
26. Private Fire Protection: Fire protection lines within buildings shall be installed so that all pipes will be open and readily accessible for inspection at any time, and no connection for any purpose other than fire protection shall be made thereto. Unless approved by the Utility in writing, no fire protection line shall be connected in any way to a metered service. Responsibility for the installation and maintenance of all privately owned fire protection systems, including fire protection lines, sprinkler systems and hydrants shall be the responsibility of the owner.
27. Liability of Utility: The Utility shall not be deemed to guarantee an uninterrupted supply or a sufficient or uniform pressure and shall not be liable for any damage or injury caused or done by reason of the interruption of supply, variation of pressure, or on account of the turning off or turning on of water for any purpose.
28. Interference with Utility Property: No person, unless authorized by the Utility in writing, shall draw water from, open, close, cut, break, or in any way injure or interfere with any fire hydrant, water main, water pipe, or any property of the Utility, or obstruct the free access to any hydrant, stop cock, meter, building, etc., provided, however, that nothing in this paragraph contained shall be deemed to prevent an officer or member of the Fire Department engaged in the work of such Department, from using any hydrant or other source of water supply of the Utility for such purpose.
29. Suspending Service for Violation: Whenever, in the opinion of the Utility, violation of any of these Rules and Regulations is existing or has occurred, the Utility may cause the water service to be suspended from the premises where such violation has occurred or is existing

and may keep the same so suspended until satisfied that the cause for such action has been removed.

30. Resumption of Service: In all cases where water service has been suspended for violation of any of these rules, service shall not be restored until the cause for violation has been removed.
31. Sprinkler Service Mains and Hydrant System: The customer shall be responsible for the cost of installing and maintaining a sprinkler service pipe from the main in the street to the building. It shall include a proper size control valve so that the service may be shut off if necessary. If requested by the applicant, a domestic service pipe may be connected to the sprinkler service pipe, but only if it is connected outside the building foundation wall and is provided with an approved shut off valve located outside the building to permit control of the domestic service pipe without the necessity to enter the building. Before any domestic service pipe is connected to a sprinkler service pipe, the applicant must obtain approval from the appropriate authority and provide the Utility with a certified copy of such approval. The Utility shall supervise the installation of same. When the private fire protection system includes private hydrants, these hydrants must be flushed during the Utility's regular flushing periods, under the supervision of the Utility's personnel. These hydrants shall be maintained in a manner, or on a regular basis as approved by the Utility. Fire protection lines within buildings shall be so installed that all pipes will be open and readily accessible for inspection at any time and no connection other than for fire protection shall be made thereto.

The location and spacing of hydrants in new construction shall be installed in accordance with the Town of Trenton's Subdivision Regulations. All hydrants in the water system, including those on transmission mains, are available for fire protection.

32. Deposits in Advance: Whenever a customer requests the Utility to do work for which the customer is required to pay and the Utility agrees to do the work, the customer shall deposit with the Utility, before the work is started, a sum of money equal to the Utility's estimate of the probable cost of said work. When the actual cost is determined an adjustment in the payment shall be made. Water service shall not be established by the Utility until all charges are paid in full.
33. Pressure Reducing Valves: Where, in the opinion of the Utility, it is necessary for proper water service, a customer shall install on the service pipe, between the meter and the shut off valve on the supply side of the meter, a pressure reducing valve of a type satisfactory to the Utility. The customer shall be responsible for the cost of installing and maintaining the pressure reducing valve at all times.
34. Pressure Relief Valves: Whenever a pressure reducing valve has been installed by a customer in accordance with Regulation 33, the customer shall, for his own safety and protection, install on his hot water boiler and any other hot water heating device connected to the buildings's plumbing system, a pressure relief valve of an approved type, as well as an approved temperature limiting device. It shall be the customer's responsibility to maintain and keep in service the pressure relief valve at all times.