DECISION **2014 NSUARB 160**
M06282

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 Port Hawkesbury** on behalf of its **Water Utility** for Approval of Amendments to its Schedule of Rates for Water and Water Services and its Schedule of Rules and Regulations

BEFORE: Roberta J. Clarke, Q.C., Member

APPEARING: **TOWN OF PORT HAWKESBURY**
Gerry A. Isenor, P.Eng.
Blaine Rooney, CA
Maris Freimanis

HEARING DATE: August 6, 2014

FINAL SUBMISSIONS: August 18, 2014

DECISION DATE: **September 24, 2014**

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

I SUMMARY

[1] The Town of Port Hawkesbury ("Town"), on behalf of its Water Utility, ("Utility", "Applicant") applied to the Nova Scotia Utility and Review Board ("Board") for amendments to its Schedule of Rates for Water and Water Services and Schedule of Rules and Regulations ("Application") pursuant to the *Public Utilities Act*, R.S.N.S. 1989, c. 380, as amended ("*Act*"). The existing Schedule of Rates for Water and Water Services and Schedule of Rules and Regulations have been in effect since April 1, 2009 and April 1, 2007, respectively.

[2] A Rate Study to support the Application, dated June 12, 2014 was prepared by G.A. Isenor Consulting Limited in association with Blaine S. Rooney Consulting Limited and was submitted to the Board on June 16, 2014. The Board issued Information Requests ("IRs") on July 8, 2014, to which responses were filed on July 16, 2014. Included in the IR responses was a revised Rate Study ("Revised Rate Study") which contained corrections to: the projected depreciation expense in 2016/17; the depreciation fund balance at the beginning of the 2013/14 fiscal year; the unamortized amount of capital contribution in the calculation of the return on rate base; and the depreciation and taxes joint use percentages. The Applicant's presentation during the public hearing was based upon the Revised Rate Study.

[3] The Application proposed increases in rates for the Utility customers in each of 2014/15, 2015/16 and 2016/17 ("Test Years"). The Utility customers include both unmetered and metered customers located within the Town, as well as the Municipality of the County of Inverness ("Municipality", "County"), which purchases water from the Utility through wholesale rates.

[4] For unmetered service, based upon quarterly consumption of 15,000 gallons, the proposed average quarterly increases in the Application are 22.7%, 8.0% and 6.2%, respectively in each of the Test Years. For the 5/8" metered, residential customers, the proposed average quarterly increases in the Application are 22.3% in 2014/15, 7.7% in 2015/16 and 5.5% in 2016/17. For all other metered customers (i.e., meter sizes of 3/4", 1", 1½", 2", 3" and 4"), based upon the average quarterly consumption of each meter size, the proposed increases are between 22.4% and 23.2%, 7.5% and 8.3% and 6.1% and 6.4%, respectively, in each of the Test Years.

[5] The wholesale rate (base and consumption charges) to the County, based upon the average consumption over the last three years, is proposed to increase by 28.0% in 2014/15, 12.0% in 2015/16 and 9.1% in 2016/17.

[6] The Utility provides fire protection service to the Town only. The amendments to the annual public fire protection charge to the Town are a decrease of 9.9% in 2014/15, followed by increases of 14.9% in 2015/16 and 9.2% in 2016/17.

[7] The public hearing was held at the Port Hawkesbury Civic Centre (Shannon Studio) on August 6, 2014, after due public notice. Gerry Isenor, P.Eng., of G.A. Isenor Consulting Limited, and Blaine Rooney, CA, of Blaine S. Rooney Consulting Limited, represented the Utility. The Utility was also represented by Maris Freimanis, Chief Administrative Officer. The Board did not receive any letters of comment with respect to the Application, and no members of the public spoke during the hearing.

[8] The Schedules of Rates and Charges and the Schedule of Rules and Regulations are approved, as amended, and outlined in this Decision.

II INTRODUCTION

[9] The Utility's source of supply is the Landrie Lake Watershed, which is operated by Nova Scotia Transportation and Infrastructure Renewal ("NSTIR"). The water purchased from NSTIR is pumped to the Utility's dissolved air floatation ("DAF") plant where it passes through a flow meter. The Utility's last rate application in 2007 included the costs associated with upgrading the DAF plant to provide redundancy and to comply with the requirements of Nova Scotia Environment ("NSE"). This project was completed in 2011/12, at a cost of $3.1 million, and provides the Utility with two treatment trains, each consisting of a flocculation tank, a DAF unit and a sand filter.

[10] After filtration, chlorine is added for disinfection, as well as corrosion control chemicals and fluoride. The Utility's distribution system consists of three pressure zones with two storage reservoirs; the Pitt Street Standpipe (1.9 ML) and the Tamarac Intermediate Standpipe (3.8 ML). The treated water is distributed within the Town as well as to Port Hastings, in the County, and to Point Tupper.

[11] During the Utility's last rate application, it was noted that the amount of non-revenue unaccounted for water had been increasing, reaching an amount over 42% in 2006, due to leaks, and to the number of "blow-off" points needed to maintain required chlorine residuals. At that time, the Board encouraged the Utility to accelerate the process of zone metering and to investigate alternative ways of maintaining chlorine residuals. The Utility explained that since that time it has used consultants to detect and repair leaks. However, due to the nature of the system, which was oversized in anticipation of development which did not ultimately occur, there are insufficient flows in the pipes to maintain adequate chlorine residuals; thus, bleeders are needed. In

addition, the Applicant noted that there are a number of dead end lines which further contribute to the situation. The Utility indicated that currently there is approximately 26% non-revenue unaccounted for water in the system.

[12] As a part of its last rate application, the Board directed that the Utility review and update its cost allocations between the Town and the Utility prior to the next rate application, in particular with respect to the Finance Director's Salary and the Public Works Staff cost, allocated at 50% and 28%, respectively to the Utility. The Utility noted that, for the current Application, it has decided to continue with the 50% allocation of the Director of Finance's salary, which it described as a simplified, but reasonable, basis of allocating direct and indirect costs of planning and administration. It further noted that Public Works staff time is allocated to the Utility based upon work time, using timesheets. In addition, the Utility is charged an annual service fee of $42,000 to cover the use of common areas and equipment.

[13] The Application also noted that the Utility's current annual depreciation expense does not include the depreciation on contributed assets, which relates to $1,841,082 in external funding received for the DAF plant expansion. The Application is based upon phasing-in this depreciation in each of the last two Test Years in the amount of $46,027, for a total of $92,054.

[14] The Utility currently serves 1310 customers within the Town in addition to the wholesale customer, i.e., of the County. There are 146 unmetered customers within the Town, which are generally located in mini homes, not designed for the placement of water meters. The Application projects annual growth of one metered residential customer over each of the Test Years.

[15] The Application was presented to the Board based upon the Utility's need to meet its financial requirements over the Test Years.

III REVENUE REQUIREMENTS

1. Operating Expenses

[16] For the year ended March 31, 2013, the Utility had an excess of expenditures over revenue of $157,603 and an accumulated operating surplus of $68,146. It is estimated that the accumulated operating deficit will be $176,454 in 2013/14. The Applicant filed its financial statements for the year ended March 31, 2014 which showed that it had an actual accumulated deficit of $182,965 for 2013/14. Based upon this updated information, the Utility noted that no adjustment to the Application was necessary. With the assumptions set out in the Revised Rate Study, without a rate increase, the Utility is projected to have an accumulated operating deficit of $1,042,545 by 2016/17.

[17] The Utility records its operating revenue from customers under the categories of flat rate sales and metered sales, which includes both metered sales within the Town and to the wholesale customer. Mr. Isenor noted that although it can be beneficial, not all utilities have a separate line item for wholesale revenue. It was further noted by the Applicant that it does not keep a separate bank account for the Utility, as it is combined with the Town's account. When questioned by the Board, Mr. Freimanis confirmed that this has not posed any challenges to the Utility as the accounting system has proven to be robust enough to handle the combined account.

[18] The Application noted that the operating expenses in the Utility's financial statements do not agree with the accounting system used by the Utility for the year

ended 2012/13. While the total operating expense amount is consistent, the Utility noted that the financial statements included four line items, totaling $91,431, as transmission and distribution expense, which should be included as water treatment expense. The Rate Study was prepared based upon the budgets using the Utility's tracking system. The Utility noted in response to Board IRs that the issue, which is a classification error only, is being corrected by staff for review by the Town's auditors.

[19] The Utility provided a description of its budgeting process in response to the IRs, noting that staff prepares budgets following the guidelines in the Board's *Water Utility Accounting and Reporting Handbook* ("*Accounting Handbook*"). The projections are based upon previous year results with adjustments related to rate changes, customer analysis, cost of living increases and allowance for special projects and trend analysis. The completed budgets are presented to the Town Council for approval.

[20] The Utility noted that it decided to continue with the 50% allocation of the Director of Finance's salary to the Utility, as tracking such direct and indirect costs of planning and administration on an hourly basis would become complicated and time consuming. The allocation of Public Works staff is based upon time sheet analysis. This cost of $42,000, relating to common use items between the Town and Utility such as Public Works and storage buildings, equipment and vehicles, is budgeted in the Application as a part of the transmission and distribution expenses.

[21] Mr. Isenor explained that the operating expenses are projected to increase annually by 3% over the Test Years, which has been shown to work well in past rate applications.

[22] The source of supply expense projected in the Test Years relates to the cost of water purchased from NSTIR's Landrie Lake system. In response to IRs, the Applicant said that the Landrie Lake Industrial Water Pumping Station was built in the late 1960's, in association with the establishment of the Stora Pulp and Paper Mill, with the subsequent addition of other customers, including the Town. G. A. Isenor Consulting Limited prepared a rate study for the system for NSTIR in 2010, which established rates (not subject to the Board's approval) effective April 1, 2012, of an annual base charge of $30,042 and commodity rate of $0.4320/1,000 gallons. The Applicant noted that, although there is no formal agreement between the NSTIR and the Utility, NSTIR issued rules and regulations governing the Landrie Lake system effective June 1, 2010, which were filed in response to Undertaking U-5.

[23] The projected transmission and distribution expense includes a number of items related to water breaks. The Application further includes an amount associated with contracted services for leak detection. Mr. Isenor described the amount of unaccounted for non- revenue water, at 26%, as high, but noted that it has decreased since the last rate application. He added that 13% of the total amount of non-revenue water relates to bleeders for corrosion control. It was noted that the non-revenue water calculation filed in response to Board IR-3 contained an error and a corrected calculation supporting the 26% amount was filed in response to Undertaking U-1.

[24] The administration and general expense includes an allowance for uncollectable accounts in each of the Test Years, based upon historical information. The Applicant noted that no allowance was required in 2013/14 as there were no specific accounts that were deemed uncollectable in that year. The process to deal with

accounts in arrears was described by the Utility as involving a review by the Clerk on a timely basis, resulting in sending arrears notices and phone calls. A reserve for uncollectable accounts in the amount of $36,300 has been established, which includes one account of $28,480. In response to Undertaking U-3, the Applicant explained that the uncollected amount of $28,480 has not been written off as it relates to a gypsum company which has been in bankruptcy proceedings with the Town listed as a creditor. It was decided to delay the write-off pending the outcome of the proceedings.

[25] The Application proposes to include the depreciation associated with the external funding of the treatment plant upgrade, which is currently not depreciated, through phasing-in the amount over the final two Test Years. The Applicant explained that the amount is not included in the first Test Year's revenue requirement due to the impact it would have on the rate increase in that year which is already proposed to be in excess of 22%. It was further noted that the Utility currently has a relatively healthy depreciation fund balance. The Utility explained that the inclusion of depreciation on contributed assets will provide funding for asset replacements in the future, and indicated that it intends to include full depreciation on contributed assets in the future.

[26] The depreciation rates for the proposed asset additions are as set out in the *Accounting Handbook*. The Revised Rate Study corrected both the depreciation fund balance for the year ended March 31, 2013 and the depreciation expense in 2016/17.

Findings

[27] The Board accepts the Utility's explanation of its budgeting process. The Board has considered the explanation provided for the allocation of costs between the

Town and the Utility. The 50% allocation used for the Finance Director's Salary and related planning and administration expense is not unreasonable in comparison with other recent water utility applications, and in consideration of the required time and effort in administering direct tracking of such costs for a utility of this size. It appears that the allocation of Public Works costs has been refined since the last rate application. The Board accepts the amounts as presented in the Application. However, the Board encourages the Utility to continue to review the allocation percentages and the annual common cost applied to the Utility on a regular basis to ensure that an accurate portion of its costs are recovered.

[28] The Utility has noted a discrepancy in the classification of operating expenses between its budgets and financial statement presentation. While this does not impact the Utility's bottom line, it does affect the allocated amounts used in rate applications to determine the base and consumption charges. It appears that this has been brought to the auditors' attention; the Board expects that the matter will be corrected in future financial statement preparation.

[29] The Board accepts the inclusion of wholesale revenue with other metered sales in the Utility's financial statements, as it appears that the Utility separately records the volume of sales to the County. In addition, it does not appear that the single bank account for the Town and the Utility has created any issues. At this time, the Board does not direct any change to the current banking account arrangement.

[30] The Board has reviewed the rules and regulations for the Landrie Lake system filed in response to Undertaking U-5. While the Landrie Lake system is not regulated by the Board, and as such its rates, rules and regulations do not require

Board approval, the Board notes a number of items contained in the regulations which could impact the operation of the Utility. This includes, but is not limited to: Regulation 4 'Liability For Supply and Pressure of Water Service' which states that there is no guarantee of water at a sufficient and uniform pressure; Regulation 12 'Water to be Supplied Only by Meter', which discusses the reselling of unmetered water; Regulation 24 'Improper Use or Water of Water', which discusses selling water; Regulation 29 'Unauthorized Extensions, Additions or Connections'; and Regulation 32 'Water Conservation Directives'.

[31] As there appears to be no formal agreement between the NSTIR and the Utility for the supply of water from the Landrie Lake system, the Board is concerned that there is potential for issues which could negatively impact the Utility, arising from the system's regulations as filed. Given this, the Board finds that it may be prudent for the Utility to enter into discussions with NSTIR to ensure that any necessary consent related to the Utility's operations is obtained.

[32] Although the Utility has reduced its unaccounted for non-revenue water since the last rate application, the amount of 'lost' water continues to be high. The Test Years include budgeted amounts to deal with water breaks and utilize leak detection tools. The Board understands that the nature of the Utility's water system, consisting of oversized mains and dead ends, requires additional flows in order to maintain water quality. However, as treating and distributing water which does not reach the customers represents a major cost to the Utility, the Board encourages the Utility to continue to investigate ways to reduce its non-revenue water.

[33] The Board accepts the Utility's explanation of its uncollectable account balance, and its projected administration and general—allowance for uncollectable accounts expense.

[34] Based upon the information filed, the Board accepts the projected 3% annual increase in operating expenses over the Test Years.

[35] The Utility has proposed to begin to depreciate donated assets which will provide funding for future infrastructure replacement and upgrades, which the Board accepts as good utility practice. Given the increases proposed, the Board finds that phasing-in of the contributed asset depreciation, in the amounts proposed, is reasonable.

2. Capital Budget

[36] The Utility's capital budget for 2013/14 is $220,000, and includes: treatment plant ($200,000); distribution mains ($5,000); meters ($5,000); hydrants ($5,000); and services ($5,000). The proposed funding for the 2013/14 capital budget is from the Utility's depreciation fund.

[37] The Utility's projected capital program, which Mr. Isenor described as not extensive, totals $195,000 in 2014/15, $115,000 in 2015/16 and $125,000 in 2016/17. The budgeted amounts consist of a total of $20,000 each year for meters, hydrants and services, with the remainder associated with distribution main replacement. Mr. Isenor noted that the pipe placed in the 1960's and early 1970's has proven to be a problem and requires replacement. He added that this pipe has contributed in part to the Utility's issue with non-revenue water. In response to Board IR-23, the Utility provided a brief description of each of the three water main replacement projects.

[38] The capital expenditures in the Test Years are proposed to be funded entirely through the Utility's depreciation fund. Mr. Isenor described the projected depreciation fund balance at the end of the Test Years, in excess of $1 million, as adequate to provide funding for closing loops on some dead end mains.

Findings

[39] The Board accepts the Utility's proposed capital budgets, funded by depreciation, in the Test Years, the majority of which relates to the replacement of aging mains. The Utility is projecting to maintain a healthy depreciation fund balance, with both the proposed capital project funding, and the projected transfer as non-operating revenue, discussed below. This available funding source should allow the Utility to continue its efforts to replace problem mains, and loop the system in an effort to reduce its non-revenue water.

[40] The Utility is reminded that inclusion of the proposed capital projects in the Rate Study does not constitute Board approval of these projects. Although the Utility has not budgeted for such projects in the current Application, separate Board approval is required prior to construction for all capital projects in excess of $250,000 as set out in s. 35 of the *Act*.

3. Non-operating Revenue and Expenditures

[41] No items are identified as other operating revenue over the Test Years of the Application. The projected non-operating revenue includes interest on overdue accounts and transfers from depreciation. Interest on overdue accounts is projected in the annual amount of $8,000 in each of the Test Years, which is a reduction in the

2013/14 amount of $12,441. The Applicant explained that the 2013/14 amount was an anomaly and, due to increased collection efforts, the amount is projected to decrease to $8,000. It was further noted that a new accounting system, installed in 2012/13, has allowed the Utility to break out the interest into a separate category which, in prior years, was not possible.

[42] The Application proposes a transfer from the Utility's depreciation fund in the amounts of $132,600 and $75,000 as non-operating revenue to be used towards payment of the Utility's outstanding debt principal. Mr. Isenor defended the proposed transfer, noting that the depreciation fund, in excess of $1 million, is robust, and that without the proposed transfer, the increase in rates in the first Test Year would be in excess of 33%. The Applicant further explained that the amount of transfer proposed in 2015/16 was reduced to $75,000 in order to moderate the rate increase in the final Test Year, when no transfer is proposed.

[43] The non-operating expenditures include the principal and interest charges associated with the existing debt, which relates to funding the water treatment plant construction and its expansion. The Utility proposes a non-operating expenditure of Earnings, in the amount of $40,000 in 2016/17, in the Application. The Applicant explained that this amount is to reduce the deficit, based upon retiring it over a five year period.

[44] The calculated return on rate base in the Rate Study is 2.97% in each of 2014/15 and 2015/16 and 2.72% in 2016/17. The response to the IRs revised the calculation to correct both the accumulated depreciation in 2016/17 and the unamortized amount of capital contribution in each of the Test Years. The revised rates

of return are 4.11%, 4.05% and 3.70%, respectively in each of the Test Years. Mr. Isenor described the Utility's corrected calculated return on rate base of approximately 4%, as being in line with the Utility's debt structure.

Findings

[45] The Board accepts the non–operating revenue of interest on overdue accounts in the annual amount of $8,000 in each of the Test Years. The Board has considered the proposed amounts of transfer from depreciation. Based upon the impact on the customer rates without the transfer, and the depreciation fund balance available, as discussed above, the Board accepts the transferred amounts as proposed.

[46] The Board notes that no new debt is proposed over the Test Years, with the debt expenses in the Application relating to past expenditures. The Board accepts the earnings amount, as requested, to be used to reduce the Utility's deficit. The Board further accepts the calculated return on rate base in each of the Test Year, as revised in the response to the IRs.

IV ALLOCATION OF REVENUE REQUIREMENTS

1. Public Fire Protection

[47] It was noted in the Application that the methodology used to calculate the public fire protection charge, in particular the allocation of demand assets as 40% to general service and 60% to fire protection, differs from the Utility's previous rate application. In the previous application, demand assets were allocated as 45% to general service and 55% to fire protection, which was explained to be an incremental allocation, with the intent to move to the allocation set out in the *Accounting Handbook*.

In addition, the allocation of the pumping equipment has changed from 75% to general service in the last application to 90% in the current Application. Mr. Isenor explained that this change is based upon discussions with Utility staff with respect to the asset's use. The methodology used in the current Application is consistent with the *Accounting Handbook* as well as that used by the majority of other water utilities in Nova Scotia.

[48] The allocation of the utility plant in service to fire protection is approximately 30% in the Test Years, which can be compared to the 35% in the final test year of the previous application. The Applicant explained the decrease is due to the water treatment plant upgrade since the last rate application, which is allocated at 10% to fire protection, as well as the decrease in the allocation of the pumping equipment to fire protection. Mr. Isenor noted that the transfer of depreciation funds as non-operating revenue further contributes to the proposed decrease in the fire protection charge in the first Test Year.

Findings

[49] The Utility has used the methodology as set out in the *Accounting Handbook* to calculate the public fire protection charges, which the Board accepts. The Revised Rate Study corrected the depreciation expense in the final Test Year, which impacts the fire protection charge in that year by increasing it by approximately $14,000 over the amount originally proposed. The Board accepts the fire protection charges as contained in the Revised Rate Study.

2. Wholesale Customers

[50] The Rate Study allocates the remaining revenue requirements over the Test Years to be recovered from customer rates, both wholesale and retail. The first step in the process is to determine the joint use expenses, which Mr. Isenor reviewed. The allocations of source of supply, water treatment and pumping expenses are each 100% to joint use, which is consistent with the previous application, with the exception of the pumping expense which was increased from 0% after discussions with Utility staff indicating that all of the water supplied to the County is pumped.

[51] The transmission and distribution joint use expense, at 28.2%, is based upon length of pipe, compared with the visual estimate of 30% in the previous application. The depreciation joint use expense, which was 44% in the previous application, is based upon a formula which has been used in other rate studies in the Province. The Revised Rate Study and the response to Undertaking U-2 corrected errors in the calculation relating to the depreciation of meters and transmission and distribution mains, resulting in joint use allocation for the depreciation expense ranging from 43.61% to 60.65% in the Test Years.

[52] The collection and administration, taxes, and return on rate base joint use expense allocations are each based upon formulas used in other rate applications. The taxes joint use allocation was amended in the Revised Rate Study to correct the electric pumping equipment allocation used in the formula.

[53] The next step is to allocate the joint use expenses, based upon the relative volume of water consumed by each of the County and the Town. The flow for the County over the Test Years was based upon the average usage over the period of

2010/11 to 2013/14, of 9,220,563 gallons, resulting in joint use consumption percentages of 8.37%, 8.41% and 8.44%, respectively.

[54] In response to the Board's inquiry, Mr. Freimanis indicated that there were no discussions with the County with respect to potential growth in consumption volumes. He further confirmed that the County was notified of the Application, and that no comments were received.

Findings

[55] The Board accepts the methodology used to determine the joint use expenses, and the methodology for the allocation of joint use expenses to the Municipality, which are consistent with those used in other water utility rate applications. The Board further approves the results of the methodologies used to calculate the wholesale base and consumption charges, as corrected in the response in the amendment to the Revised Rate Study filed in the response to the Undertakings.

3. Utility Customers

[56] The remaining revenue requirement is recovered from rates to the Utility's retail customers. The methodology used to allocate the remainder of the expenses, to determine the base and consumption charges, is consistent with the *Accounting Handbook* and with the methodology used in the last rate application.

[57] The annual projected water consumption of the Town includes the projected addition of one residential customer per year, based upon the Utility's best estimate of moderate growth. The Rate Study notes that the average consumption for 5/8" meter residential customers has been decreasing by approximately 1% per year since the last rate application and it is projected that this decrease will continue over the

Test Years. Mr. Isenor explained that decreases in consumption for residential customers are a trend in the Province. He added that a similar decline in consumption was not projected for other meter sizes as a variety of customer types may use the same size meter.

[58] Each of Messrs. Isenor, Rooney and Freimanis confirmed that in their opinion, the rates proposed are just and reasonable. It is noted that the revision to the joint use expense in the response to Undertaking U-2 has a slight impact on the base rates to the Town's customers, as calculated in the Revised Rate Study.

Findings

[59] The Board accepts the allocations of the expenses to base and consumption charges as proposed, which are consistent with the *Accounting Handbook*. The Utility is experiencing declining consumption, which is a recent trend among many water utilities. Based upon this, the Board accepts the projected consumption volumes and the number of customers.

[60] The Board approves the base and consumption rates for the Utility's customers within the Town as set out in the response to the Undertakings.

V MISCELLANEOUS RATES AND CHARGES

[61] In addition to the rates for water supply to its customers, the Schedule of Rates and Charges includes a number of new/revised miscellaneous rates and charges, which the Applicant summarized in response to Board IRs. Mr. Isenor noted that the changes are generally proposed to reflect the cost to the Utility of providing the various services.

[62] Mr. Isenor noted errors in the due date for the public fire protection charge payment contained in the Revised Rate Study, indicating the due date in the years following the first Test Year should be June 30 of the particular year. The rate study filed in the response to Undertakings revises the due date for the payment of the fire protection charge in the first Test Year to October 30, 2014.

Findings

[63] The Board has reviewed the proposed charges and approves the miscellaneous charges as filed, with the correction to the public fire protection charge payment due date, as noted above.

VI SCHEDULE OF RULES AND REGULATIONS

[64] The Application proposed changes to the Schedule of Rules and Regulations, namely: changing the interest rate on deposits to 2% to reflect current rates in Regulation 3 'Deposits'; adding Regulation 5 'Billing'; revising the meter testing charge in Regulation 16 'Meter Testing' and adding Regulation 35 'Deposits in Advance' to allow the Utility to obtain deposits in advance for customer requested work. In addition, a number of clauses which contain charges that are currently in the Schedule of Rules and Regulations are proposed to be moved to the Schedule of Rates. The Applicant explained the proposed addition of Regulation 5 'Billing' is to give clarity to staff and customers with respect to the issue of partial billing. It also allows the Utility to charge the base charge to seasonal customers.

[65] The Revised Rate Study further corrected an error in the definition of "Metered Rate Service" which should read:

> "**Metered Rate Service**" means that type of service charged for at metered rates and is supplied to customers other than those supplied by flat rate service. Metered rate service is required for all new services.
>
> [Exhibit P-5, IR-24, p. 109]

[66] The Utility indicated that it currently does not have an active program in place with respect to Regulation 19 'Cross Connection Control & Backflow Prevention', but that backflow devices are installed on all new customer connections.

Findings

[67] The Board approves the Utility's Schedule of Rules and Regulations as filed in the Revised Rate Study, which generally conforms to other water utilities in the Province. The Board reminds the Utility of the importance of establishing an active cross connection control and backflow prevention program for all customers.

VII CONCLUSION

[68] In response to Undertaking U-2, the Utility made a further correction to the depreciation joint use percentages, and filed a rate study incorporating this change to the Revised Rate Study. These revisions resulted in increases to the base charges to the County and decreases to the base charges to the Town, from those proposed in the original Application.

[69] As these revisions were to correct errors, and do not represent significant changes from the original application, based upon the information provided, the Board approves the Schedule of Rates for Water and Water Services, as revised in the response to the Undertakings, effective October 1, 2014, April 1, 2015 and April 1, 2016. The approved public fire protection charge in 2014/15 is prorated at six months

at the current rate and six months at the newly approved rate, with the payment due dates as revised in the response to the Undertakings.

[70] The Board approves the Schedule of Rules and Regulations, as set out in the Revised Rate Study, effective October 1, 2014.

[71] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 24th day of September, 2014.

Roberta J. Clarke