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NOVA SCOTIA REGULATORY AND APPEALS BOARD

IN THE MATTER OF THE PUBLIC UTILITIES ACT

- and -

IN THE MATTER OF AN APPLICATION by **KENTVILLE WATER COMMISSION** for approval of amendments to its Schedule of Rates for Water and Water Services and amendments to its Schedule of Rules and Regulations

BEFORE: Jennifer L. Nicholson, CPA, CA, Panel Chair
Bruce H. Fisher, MPA, CPA, Member
Marc Dunning, P.Eng., LL.B., Member

APPLICANT: **KENTVILLE WATER COMMISSION**

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

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

Wanda Matthews
Director of Finance

Dave Bell
Director of Engineering and Public Works

HEARING DATE: April 7, 2026

FINAL SUBMISSIONS: April 20, 2026

DECISION DATE: **June 22, 2026**

DECISION: **The Schedules of Rates for Water and Water Services are approved, effective July 1, 2026, April 1, 2027, and April 1, 2028, subject to a compliance filing. The Schedule of Rules and Regulations is approved, effective July 1, 2026.**

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1.0 SUMMARY

[1] In December 2025, the Kentville Water Commission applied to the Nova Scotia Regulatory and Appeals Board (Board) to increase the rates for its customers and the fire protection charges billed to the Town of Kentville and the Municipality of the County of Kings, effective April 1, 2026, April 1, 2027, and April 1, 2028.

[2] In the 2024/25 fiscal year, the utility had an operating deficit of over $39,000 and was projecting a larger deficit of about $175,000 for the 2025/26 fiscal year, leaving it with an accumulated surplus of $50,947. Without a rate increase, the utility projects operating deficits of over $300,000 in 2026/27, $400,000 in 2027/28, and $500,000 in 2028/29, leaving the utility with an accumulated deficit of almost $1.2 million on March 31, 2029. This accumulated deficit includes the payment of a dividend to the Town of Kentville of $100,000 per year. Excluding the dividend, the accumulated deficit would be closer to $900,000. Over the past two years, the utility has been able to cover the annual operating deficits and payment of dividends by using its accumulated surplus.

[3] Based on questions raised by the Board in its Information Requests (IRs), the utility prepared a revised rate study. This study corrected the number of 5/8” metered customers and set the effective date for the first test year as July 1, 2026. At the hearing, the Board issued an undertaking for the utility to file an updated rate study revising the capital cost amounts and debt financing interest rates for the test years, based on now known and updated costs. It is this revised rate study, filed in response to Undertaking U-4, which is referred to in this decision, unless otherwise noted.

[4] The rate study calculated rate increases averaging 15.4% for residential customers, effective July 1, 2026. The utility proposed further increases effective April 1, 2027, and April 1, 2028. The utility’s current rates came into effect on April 1, 2016.

[5] The application also proposed rate increases for customers with other meter sizes, ranging, on average, from 10.2% to 21.8% effective July 1, 2026, with further increases on April 1, 2027, and April 1, 2028.

[6] Based on the proposed rate increases, the utility projects a deficit of $78,724 in 2026/27, a balanced budget in 2027/28 and a surplus of $20,000 in 2028/29. The utility will offset its 2026/27 deficit with its accumulated surplus of $50,947. This places the utility into an accumulated deficit of just under $28,000 for test years 1 and 2 and an accumulated deficit of $7,777 for test year 3.

[7] The utility is also proposing to phase out its two-block rate structure by the third test year, as it said there is no cost-of-service reason for maintaining this structure. The utility currently has 14 customers subject to second block rates, some of whom use very little volume in the second block.

[8] In addition to increased operating costs, capital improvements and replacement of aging infrastructure must also be included in rates. The capital improvements and associated funding over the test period have been budgeted in the rate study submitted with the application. The utility plans on spending $3,108,250 on capital projects in 2026/27, $771,600 in 2027/28, and $1,245,300 in 2028/29.

[9] The Board has reviewed the rate study and approves the Schedules of Rates for Water and Water Service, subject to a compliance filing, taking into account the directives in this decision, and the Schedule of Rules and Regulations, as filed by the utility in its response to Undertaking U-4.

2.0 BACKGROUND

[10] The Kentville Water Commission is a groundwater-sourced water utility that obtains its water from seven wells from a vast aquifer at the northwest end of Kentville. The raw water quality is high and only requires disinfection from liquid chlorine injection at two water treatment sites, including the addition of chemicals for pH adjustment and minimal fluoride addition. The utility has four covered water storage tanks holding approximately 3.5 million gallons.

[11] The West End Wellfield pumps raw water approximately 8 km through two dedicated transmission mains to the two treatment facilities located in the Kentville Business Park and Prospect Avenue. The distribution system varies in age from nearly new to over 100 years old, consists of a mixture of cast iron, ductile iron, and PVC pipe, and is over 85 km in length.

[12] The utility serves a mixture of residential, commercial and industrial customers within the Town of Kentville limits, as well as communities outside the town, including North Kentville, Coldbrook, North Alton and Highbury, totalling 3,429 customers with meter sizes ranging from 5/8” to 10”.

[13] Since the last rate application in 2014, the utility has focused mostly on asset replacement, including distribution mains, water meters, and one of the four storage tanks. There have also been some asset additions, mostly due to private residential expansion and development, that have been turned over to the utility. In 2025, work began on the Donald E. Hiltz Connector Road project, which links the Prospect Avenue system with the Business Park System and will set the stage for the Business Park tank replacement in 2026/27.

[14] The utility requires rate adjustments to continue meeting its operational obligations, address its operating deficit, pay a dividend to the town, and carry out necessary capital improvements. The utility's consultants, G.A. Isenor Consulting Limited and Blaine S. Rooney Consulting Limited, prepared an initial rate study dated December 12, 2025, supporting the application. The utility filed a second rate study in response to Board staff IRs, which corrected the number of customers on the system, which affected the calculation of rates. A third revised rate study was filed in response to Undertaking U-4. This rate study updated the capital cost amounts based on now-known costs. As mentioned above, it is this revised rate study, filed in response to Undertaking U-4, that is referred to in this decision, unless otherwise noted.

[15] The rate study calculated average rate increases for 5/8" metered customers of 15.4% in 2026/27, 1.6% in 2027/28, and 4.7% in 2028/29. For all other metered customers, average rate increases are between 10.2% and 21.8% in 2026/27, 0.8% and 16.6% in 2027/28, and 3.9% and 7.5% in 2028/29. The utility proposed July 1, 2026, as the effective date for the increases in the first test year, with the 2027/28 increases coming into effect on April 1, 2027, and the 2028/29 increases effective on April 1, 2028.

[16] The Board held a public hearing on April 7, 2026, at Kentville's Council Chambers in Kentville, Nova Scotia, after due public notice. The utility's consultants, Gerry Isenor and Blaine Rooney, represented the utility. The consultants were accompanied by Wanda Matthews, Director of Finance, and Dave Bell, Director of Engineering & Public Works.

[17] There were no intervenors, requests to speak at the hearing, or letters of comment.

[18] At the time of the previous rate application, the utility noted that non-revenue water was approximately 19.6%. In response to IR-4, the utility noted that the most recent estimate of non-revenue water is 18.2% of the total water produced. In the same IR response, the utility provided a list of activities and capital expenditures it has undertaken that helped address non-revenue water.

[19] The utility currently has 3,429 metered customers, up from the 3,097 reported at the time of the previous application. About 94% are residential, and the remainder are commercial or industrial customers. The application projects growth of fifty-one 5/8” residential metered customers, one ¾” metered customer, and one 1” metered customer in each test year, as well as one 1.5” metered customer in 2027/28, resulting in an estimated total customer base of 3,589 at the end of the test period.

[20] The utility currently has a two-block rate structure. There are 14 customers ranging in meter size from 1.5” to 4” who have consumption that falls into the second block. The utility proposes phasing out this second block over the test period. Phasing it out by the third test year, as opposed to eliminating it in the first test year, will avoid larger increases for these customers in the first two test years. The utility explained that there is no cost-of-service reason to continue to offer this rate structure and that the remaining customers are subsidizing the 14 customers with the second block structure.

3.0 REVENUE REQUIREMENTS

3.1 Operating Expenditures

[21] For the fiscal year ended March 31, 2025, the utility had an excess of expenses over revenue of $39,129, resulting in an accumulated operating surplus of

$226,788. For the year ended March 31, 2026, the utility projects an excess of expenses over revenues of $175,841, lowering the accumulated surplus to $50,947.

[22] The rate study projects that at current rates, the utility's expenses, including dividends to the town, will exceed revenues by $317,786 in 2026/27, $411,743 in 2027/28, and $522,212 in 2028/29. This would lead to an accumulated deficit of $1,192,130 at the end of the test period. If the dividend to the town of $100,000 per year is excluded, the accumulated deficit would be reduced to $892,130.

[23] Board staff issued several IRs about changes in cost items from the actual 2024/25 amounts to the 2025/26 projected amounts, as 2025/26 is the basis for the test year budgets. For the most part, the operating expenses in the test years are based on the utility's 2025/26 budget, with annual increases of approximately 3% to 4%, depending on the expense line item. The utility described its budgeting process in response to IR-19:

> To guide the budgeting process the Commission refers to the Water Utility Accounting and Reporting Handbook. First, we review consumption patterns, estimate growth or contraction, and project revenue using consumption data and approved utility rates. The Director of Engineering and Public Works, alongside the Finance Department, then analyzes actual expenses and revenues from the past five years, evaluates current trends, and incorporates inflationary factors to forecast future fiscal years. When specific variances are not identified, general inflationary assumptions are applied. The budget is submitted to the CAO for review and then presented to Kentville Water Commission for approval.
>
> [Exhibit K-3, pp. 12-13]

[24] In response to IR-21, the utility explained how costs are allocated between the utility and the town and provided a table listing the shared staff and the percentage of their expenses allocated to the utility. The utility confirmed that no changes to the method for allocating expenses have been made since the previous rate application.

[25] The projected depreciation expense in each of the test years is based on the planned capital additions. The utility noted that the depreciation rates used for the various asset classes are consistent with the guidelines set out in the *Water Utility*

Accounting and Reporting Handbook (*Handbook*), and that capital items not mentioned in the *Handbook* are depreciated based on their estimated useful lives.

[26] The utility is proposing to defer depreciation from the first test year on the reservoir, transmission, and distribution capital works, totalling $32,585, to 2027/28. In response to IR-5, the utility explained that this deferral will smooth out rates between the first two test years and result in lower rates in the first test year than without the deferral.

3.1.1 Findings

[27] The utility is projecting that without an increase in rates, its accumulated surplus will be eliminated during the first test year, and it will face a growing accumulated deficit in each of the next two test years.

[28] The Board has reviewed the various operating expenses and the explanations provided for the budgeted amounts. The Board is satisfied with the utility's leak detection efforts and its other initiatives to reduce the amount of non-revenue water and encourages the utility to continue these activities. The Board accepts that the operating expenses requested by the utility over the test period are reasonable and are required for the proper functioning of the utility.

[29] The Board also accepts the utility's explanation for the allocation of expenses between the town and the utility, as well as its budgeting procedures. The Board reminds the utility to continue to review allocations and revise them when necessary.

[30] The Board finds the projected depreciation expense and the explanation provided for the depreciation on capital works not included in the *Handbook* to be reasonable. The Board accepts the utility's proposal to defer depreciation in the first test

year for the reservoir, transmission, and distribution capital additions, to help keep that year’s rate increase lower than it otherwise would be.

3.2 Capital Budget and Funding

[31] The rate study included the utility's estimated actual capital additions of $2,140,000 in 2025/26, and its proposed capital additions for each of the three test years. The proposed capital additions for the test years are $3,108,250 in 2026/27, $771,600 in 2027/28, and $1,245,300 in 2028/29.

[32] In response to IR-25, the utility provided a summary of the capital projects included in the rate study. Worksheet B-3 included the funding sources for the projects for the test years as follows:

	2026/27	2027/28	2028/29
Capital/Water Reserve Fund	$36,750	$138,525	$134,800
Outside Funding	$1,283,275	$0	$0
Depreciation Funds	$1,270,000	$580,000	$795,000
Long Term Debt	$466,725	$0	$250,000
Capital out of Revenue	$51,500	$53,075	$65,500

[33] The utility noted that the outside source of funding for the test period is from the Investing in Canada Infrastructure Program and has been approved.

[34] In response to IR-9, the utility provided the balance in the Town of Kentville Capital/Water Reserve Fund, and the expected contributions and expenditures from the fund between March 31, 2025, and March 31, 2029. This fund had a balance of $350,380 as of March 31, 2025, and is expected to have a balance of $210,305 at the end of the test period.

[35] The balance in the depreciation fund on March 31, 2025, was $1,568,405, as provided in Worksheet B-3. After the contributions and expenditures from the fund, it is expected to have a balance of $475,016 at the end of the test period.

3.2.1 Findings

[36] The Board accepts the utility's proposed capital program as filed in the rate study. The Board accepts that the utility's projected depreciation fund balance will be reduced from its current balance to $475,016, due to the large amount of funding for its capital program coming from this fund. The Board notes that although the balance in the depreciation fund will be relatively low at the end of the test period, the amount of capital spending, depreciation expense and associated transfers to the depreciation fund will increase the amount of funding available each year.

[37] 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 more than $250,000 as set out in s. 35 of the *Public Utilities Act*.

3.3 Non-Operating/Other Revenues and Expenditures

[38] Other Operating Revenue of $5,000 is projected in each of the test years. This line item relates to the annual recovery from buildings with sprinkler systems and interest on overdue accounts.

[39] Other Non-Operating Revenues of $2,500 per year relate to charges for cheques issued by customers with non-sufficient funds, financing charges, sales of tap

water line, and an annual water testing report (agriculture), while Bad Debt Collected accounts for an estimated $100 per year.

[40] The rate study includes Non-operating Expenses consisting of debt charges associated with new debt taken out by the utility, Private Work, Capital out of Revenue, Transfer to Capital Reserve, Earnings, and Dividend to Owner.

[41] The Capital out of Revenue is budgeted to be $51,500 in 2026/27, $53,075 in 2027/28, and $65,500 in 2028/29, as included above in the capital budget section under funding sources.

[42] The utility is proposing to transfer $75,000 in each test year to the Capital/Water Reserve Fund, which was also discussed in the capital budget section.

[43] For the 2025/26 capital additions, the debt was taken out for 20 years and is based on an interest rate of 5%. For debt taken in subsequent years, an interest rate of 6% is assumed over 20-year terms. In its response to Undertaking U-4, the utility notes that the current 20-year interest rate is 4.909%. In that undertaking, the Board directed the utility to update the interest rate for the 2025/26 capital additions based on the actual interest rate. The utility appears to have rounded the 4.909% to 5% in the rate study. The utility is again proposing to continue issuing a dividend to the Town of Kentville, the owner of the utility, of $100,000 in each test year. In response to IR-11, the utility explained when dividends were paid and why they were paid while the utility was in an operating deficit position. In response to IR-8(c), the utility stated:

> i. The amount of the Dividend was approved by the Board in a January 29, 2010, Decision after a Hearing on December 8, 2009.
> ii. There is no agreement between the Utility and the Owner
> iii. The 24/25 dividend was transferred on March 28, 2025.
> iv. The dividend was paid in 2025/26 as it had been approved by the Board in its Decision on Jan 29, 2010, and the operating deficit was lower than the dividend and the remainder was taken from the accumulated operating surplus.
> v. The dividend for 25/26 has been paid on 10 March 2026.

vi. The dividend was paid in 2025/26 as it had been approved by the Board in its Decision of January 29, 2010, and the operating deficit was lower than the dividend and the remainder was taken from the accumulated operating surplus.

vii. The approved dividend ($100,000) has been paid every year since 2014.

[Exhibit K-3, p. 10]

[44] Because rates take effect later in the fiscal year, the rate study shows a deficit in the first test year, even after the new rates are considered. The utility is asking for Earnings of $20,000 in the final test year.

[45] The utility's calculated return on rate base, using the assumptions and projections in the rate study, are 1.85%, 1.83% and 2.07%, in each of the three test years.

3.3.1 Findings

[46] The Board finds the utility's other operating and non-operating revenue to be reasonable, and accepts it as presented in the rate study.

[47] The Board accepts the non-operating expenditures, including the Capital from Revenue, Transfers to Capital/Water Reserve, Private Work, and debt servicing costs, in the amounts included in the rate study.

[48] The Board also approves the inclusion of a dividend to the owner in the revenue requirement, but notes that at no time should the amount of a dividend push the utility into an accumulated deficit position. As such, for the first test year, a dividend of $72,223 ($100,000 – $27,777) is approved to be included in the revenue requirement. In addition, due to the dividend not pushing the utility into a deficit position in the first test year, the utility will not require the earnings in the third test year. Therefore, earnings of $20,000 in that year are denied. The utility is directed to file a compliance filing, including

a revised rate study accounting for the reduced dividend in the first test year, and removal of earnings in the final test year.

[49] The Board reminds the utility that its approval of the dividend in this matter does not constitute approval of a dividend being paid out during a given year, whether during or after the test period. The utility should only pay out a dividend if it is in an accumulated surplus position. At no time should payment of a dividend push the utility into an accumulated deficit position in any year.

[50] The Board notes that the utility has not cash-flowed its debt payments. By this, the Board means that it has not included its principal and interest payments in the year in which they are paid, but rather in the year in which the budget for those capital items has been approved by the Board. This issue arises because debentures are issued after capital projects are completed, and their repayment begins in the spring and fall following their issue. It is not unusual for repayment to begin in a future fiscal year. This is an issue which has arisen in several matters. The proper treatment for such payments is to show them in the test year for which they would be paid out and to consider the cash flow implications of those payments separately.

[51] To simplify their approach to cash flow projections, utilities have often proposed that such debt repayments be assumed to occur in the same year the capital items are approved. The Board understands that the proper cash flowing of debt payments can be more onerous, especially for smaller utilities, and has frequently approved this simpler approach when the amounts are not excessive. The Board emphasizes that it will not approve of such an approach in all cases and that it considers the context and financial circumstances of each application on its own merits. Regardless

of the approach taken, the Board expects utilities to pay close attention to their cash flow requirements.

[52] Related to this, the Board is aware that in some cases planned capital projects may be delayed or cancelled, creating an unexpected surplus. The Board's expectation is that when this happens, those funds be held for future capital use and not be used for general operating expenses. Depending on context and financial circumstances, the Board may direct any such excess funds into capital reserves.

[53] In the case of the utility, the Board has considered the expected debt issued for the utility ($467,000 and $250,000) as well as its contributions to capital/water reserves ($75,000) and capital from operating ($51,500 to $65,500). As these are considerable, the Board directs the utility to deposit any unspent depreciation, capital from operating, transfers to capital/water reserves, and principal and interest expenses that the rate study identified as required during the test years, but that is not expended during that test year, into a capital reserve fund. The utility may apply for a new reserve for this purpose or apply to utilize its existing capital/water reserve. In this application, the Board is not requiring the utility to cash flow its debt payments.

[54] The Board accepts the calculated rates of return as reasonable, subject to changes based on the directives above, to be updated in the compliance filing.

4.0 REVENUE REQUIREMENT ALLOCATION

4.1 Public Fire Protection

[55] The methodology used in the rate study for the determination of the public fire protection charges follows the *Handbook* and is consistent with that used in the previous rate application. The total fire protection charge is billed to the Town of Kentville

and the Municipality of the County of Kings. The fire protection charges are split in proportion to the number of hydrants serving each municipality.

[56] The allocation of utility plant in service to public fire protection is calculated in Worksheet B-5 as 46.6% in 2026/27, 46.3% in 2027/28, and 45.7% in 2028/29. These allocations, along with 10% of all other expenses, result in total costs allocated to fire protection of 30.2%, 30.2%, and 30.3% for each of the three test years, respectively.

[57] Based upon the rate study, the fire protection charge is proposed to increase from $603,750 to $710,550 (17.7%) in 2026/27, to $746,584 (5.1%) in 2027/28 and to $792,009 (6.1%) in 2028/29. The fire protection charge for the first test year will be prorated using one quarter of the year at the old rate, and three quarters at the new rate.

4.1.1 Findings

[58] The methodology used to determine the total public fire protection charge conforms to the methodology set out in the *Handbook* and is the same as the previous rate study. The Board accepts the methodology used to calculate the fire protection charge in this application and the allocation to split the charge between the town and the municipality using the number of hydrants in each.

[59] The Board accepts the prorating of the fire protection charge for the first test year, using one quarter of the existing rate and three quarters of the new rate.

[60] The Board notes that the fire protection charges will have to be recalculated as part of the utility's compliance filing, considering the directions noted earlier in this decision.

4.2 Utility Customers

[61] After the allocation to fire protection, the remainder of the utility's revenue requirement will be recovered from its customers. The methodology the utility used to allocate revenue requirement to customer, base, delivery and production charges is consistent with the *Handbook,* except for depreciation expense. The utility proposes to allocate depreciation as 70% to base charge, 15% to delivery, and 15% to production, for all three test years. The *Handbook* suggests allocating depreciation as 40% to base charges, 30% to delivery, and 30% to production. These proposed allocations are to keep the base charges in the 40% range of total revenue. This results in base charges of 39% in the first test year and 40% in each of the final two test years.

[62] The application projects that the number of customers will increase by fifty-one 5/8” metered customers, one 3/4” metered customer, and one 1” metered customer in each of the test years, with 2027/28 also adding one 1.5” metered customer. This results in an estimated 3,589 customers at the end of the test period.

[63] The utility used the projected customer count to calculate the proposed base charges. The calculation of overall consumption charges in the rate study is based on the actual annual water consumption, adjusted for the growth of new customers, assuming average usage for those customers.

[64] Based on Worksheet D-1, the rate study appears to incorporate a decrease of 2.5% in average use for 5/8” metered customers in the second test year (9,711 imperial gallons to 9,471), and an average increase of 0.6% in the third test year (9,471 imperial gallons to 9,525). However, the note for Worksheet C-6 states that the rate study includes an annual reduction of only 1% per year of consumption for 5/8” metered customers. This inconsistency was not explained.

[65] The utility currently has a two-block rate structure, with 14 customers qualifying for the second block rate for at least a portion of their consumption. The currently approved rates include a second block that has a threshold for water use of more than 140,000 imperial gallons per month. The rate study proposes phasing out the second block rate structure by the third test year. This is proposed to be achieved by increasing the threshold for the second block to 500,000 imperial gallons per month in the first test year, 1,800,000 per month in the second test year, and having no second block in the third test year.

4.2.1 Findings

[66] The Board accepts the utility's method of allocating expenses among base, customer, delivery, and production charges. The Board notes that no changes from the *Handbook* allocations were requested by the utility other than for depreciation.

[67] The Board accepts the projected number of customers over the test period and finds the projected consumption amounts to be reasonable, given the utility’s recent history, but directs the utility to look into the average consumption for 5/8” metered customers in Worksheet D-1 and reconcile it with the note in Worksheet C-6 that average consumption includes an annual reduction of only 1%, as part of its compliance filing. The utility should report back to the Board but is not required to update its consumption figures in the rate study.

[68] Based on the information filed, the Board approves the methodology for setting customer rates as presented in the rate study and understands that there may be some changes to rates due to the directives contained in this decision.

5.0 SCHEDULE OF RATES FOR WATER AND WATER SERVICES

[69] In addition to the rates for water supply to its customers, the application proposed amendments to several existing miscellaneous rates and charges to better reflect the cost to provide the service and be more in line with rates charged by other water utilities in the province. The following table of proposed changes was provided by the utility in response to IR-30:

Item #	Item	Proposed Change
3	Rates for Sprinkler Service	Rate increase from $200 to $250 for 6" or less and from $250 to $300 for 8" or more to reflect the cost of providing the service.
5	Private Hydrant Rates	Rate increase from $200 to $250 per hydrant to reflect the cost of providing the service.
7	Charge for Re-Establishing Water Service	Rate increase from $50 to $60 per call during regular working hours. Rate increase for after regular hours work increased from $200 to $250 to reflect the cost of providing the service.
8	Account Creation Fee	Charge increased from $50 to $60
9	Disconnection Fee	Rate increase from $50 to $60 per call during regular working hours. Rate increase for after regular hours work increased from $200 to $250 to reflect the cost of providing the service.
10	Special Service Charge	Rate increase from $50 to $60 per call during regular working hours. Rate increase for after regular hours work increased from $200 to $250 to reflect the cost of providing the service.
11	Dishonoured Payments	Charge increased from $20 to $25
12	Charge for Missed Appointment by Customer	Charge increased from $50 to $60
13	Charge for Collection Visit	Charge increased from $50 to $60

[Exhibit K-3, p. 19]

5.1 Findings

[70] The Board has reviewed the proposed amendments, as filed in response to the IRs, and finds them to be reasonable. The Schedules of Rates for Water and Water Services are approved, subject to the compliance filing.

[71] The Board reminds the utility to regularly review its rates and charges to ensure that they meet its needs and provide certainty for its customers.

6.0 SCHEDULE OF RULES AND REGULATIONS

[72] The utility's response to IR-31 listed the proposed changes to the Schedule of Rules and Regulations, which are generally administrative in nature. These changes were made to align with other water utilities that had recent rate applications or provide greater clarity.

[73] The Board reminds the utility that it can request Board approval to update its Rules and Regulations or add new ones at any time; it does not need to wait until a general rate application is filed to request such amendments.

6.1 Findings

[74] The Board finds that the proposed changes to the Schedule of Rules and Regulations are reasonable and approves them as filed as Schedule D in the rate study, effective July 1, 2026.

7.0 CONCLUSION

[75] The Board approves the Rates for Water and Water Services, as Schedules A, B and C, subject to a compliance filing, using the rate study filed in response to Undertaking U-4, as the basis to make the changes. The schedules will come into effect on July 1, 2026, April 1, 2027, and April 1, 2028, respectively.

[76] The Board approves the Schedule of Rules and Regulations, as Schedule D to the rate study filed in response to Undertaking U-4. The schedule will be effective on July 1, 2026.

[77] The utility is directed to make a compliance filing that includes a revised rate study addressing the following:

1. Include a dividend in the first test year equal to the estimated amount of the accumulated surplus, before the dividend.
2. Exclude the Earnings of $20,000 in the third test year.
3. Reconcile the average estimated consumption for 5/8” metered customers shown in Worksheet D-1 with the note in Worksheet C-6 stating that average consumption for those customers is expected to drop by 1% per year.

[78] The Board directs the utility to deposit any unspent depreciation, capital from operating, transfers to capital/water reserves, and principal and interest expenses that the rate study identified as required during the test years, but that is not expended during that test year, into a capital reserve fund.

[79] The utility may apply for a new reserve for this purpose or apply to utilize its existing capital/ water reserve.

[80] An Order will issue upon receipt and review of the compliance filing.

DATED at Halifax, Nova Scotia, this 22nd day of June 2026.

Jennifer L. Nicholson

Bruce H. Fisher

Marc Dunning