DECISION **2017 NSUARB 101**
M07809

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE PUBLIC UTILITIES ACT

- and -

IN THE MATTER OF AN APPLICATION of the **MUNICIPALITY OF THE COUNTY OF PICTOU**, 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, CPA, CA, P.Eng., Member Steven M. Murphy, MBA, P.Eng., Member
APPEARING:	**MUNICIPALITY OF THE COUNTY OF PICTOU** Gerry Isenor, P.Eng. G.A. Isenor Consulting Limited Blaine Rooney, CPA, CA Blaine S. Rooney Consulting Limited Brian Cullen Chief Administrative Officer Ebon MacMillan, P.Eng. Director of Public Works and Development
HEARING DATE:	April 26, 2017
UNDERTAKINGS:	May 5, 2017
DECISION DATE:	**June 27, 2017**
DECISION:	**Schedule of Rates and Charges approved, as amended by the Utility. Schedule of Rules and Regulations approved, as amended by the Utility.**

I SUMMARY

[1] The Municipality of the County of Pictou ("Municipality", "County") applied to the Nova Scotia Utility and Review Board ("Board") on behalf of its Water Utility ("Utility" or "Applicant") 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*, R.S.N.S. 1989, c. 380, as amended ("*Act*"). The existing Schedule of Rates for Water and Water Services has been in effect since November 1, 2001. The existing Schedule of Rules and Regulations has been in effect since November 1, 2001, with amendments by Board Order dated August 12, 2002, with respect to regulations dealing with billing, interest charges and adjustment of bills.

[2] A rate study to support the Application ("Rate Study"), dated November 8, 2016, was prepared by G.A. Isenor Consulting Limited, in association with Blaine S. Rooney Consulting Limited, and was submitted to the Board on December 21, 2016. Information Requests ("IRs") were issued by Board staff on February 9, 2017, and responses were filed on February 24, 2017. The responses to the IRs included a revised Rate Study ("Revised Rate Study"), which included the capital cost associated with preparing the rate study, which was previously omitted in error, and included metering 63 of the Utility's current unmetered customers in 2019/20, based upon the proposed capital budget.

[3] The Application proposed rate increases for the fiscal years 2017/18, 2018/19, and 2019/20 ("Test Years"). For the Utility's unmetered customers, based upon quarterly consumption of 15,000 gallons, the proposed increases are 80.4% in 2017/18, 11.8% in 2018/19 and 9.9% in 2019/20. The proposed increases for the 5/8" meter size,

residential customers, based upon average consumption, are 98.8%, 13.1% and 11.2%, respectively, in each of the Test Years. For all other metered customers, based upon the average consumption of each meter size, the proposed rate increases are between 89.6% to 140.0% in 2017/18, 9.0% to 12.7% in 2018/19, and 6.3% to 10.6% in 2019/20.

[4] The Application also proposes amendments to the annual public fire protection charge of 31.7% in 2017/18, 22.4% in 2018/19 and 14.7% in 2019/20. The annual public fire protection charge is paid to the Utility by the County.

[5] The revenue requirements increased in the Revised Rate Study from that in the original Application, due to the increased depreciation expense associated with the capital cost of preparing the Rate Study. In addition, 63 previously unmetered customers are proposed to be metered (5/8" meter) in 2019/20. This reduced the total projected consumption in 2019/20, as the average quarterly 5/8" meter customer's quarterly consumption is 10,894 gallons, compared with the unmetered assumed consumption of 15,000 gallons per quarter. As a result of these two amendments, the average bills for the Utility's customers, and the fire protection charges, increased from those proposed in the original Application, which were included in the advertised Notice of Public Hearing. In response to the Undertakings, the Utility further amended the Revised Rate Study ("Final Rate Study") by increasing the source of supply expense in each Test Year, to correct an error, and including additional residential customers, with associated consumption, in the final two Test Years, associated with a projected system expansion. This further increased the average bills in each of the Test Years from the original Application.

[6] The public hearing was held at the Municipality's Council Chambers on April 26, 2017, after due public notice. Gerry Isenor of G.A. Isenor Consulting Limited and Blaine Rooney of Blaine S. Rooney Consulting Limited, represented the Utility. The Utility was also represented by Brian Cullen, Chief Administrative Officer and Ebon MacMillan, Director of Public Works and Development. There were no intervenors and no requests to speak.

[7] The Revised Rate Study is referenced in the discussion below, unless otherwise noted.

[8] As described below, the Schedule of Rates and Charges and the Schedule of Rules and Regulations are approved, as amended and requested by the Utility, as filed in response to the Undertakings.

II INTRODUCTION

[9] The Utility purchases water at wholesale rates from the water utilities of the Towns of New Glasgow, Stellarton, Trenton and Westville. The Utility operates as a distribution system only with no treatment facilities other than chlorine injections at several locations. The Utility serves the communities of Alma, Hillside, Linacy, Priestville, Plymouth, Riverton and Westville Road. The Utility's infrastructure generally dates to the late 1970's, and early 1980's. The Utility noted that it is not aware of any issues with lead service lines at this time.

[10] The Utility's last general rate application was in 1993. The Utility filed an amending rate application in 2001 to meter Riverton and Plymouth.

[11] The Board's Decision relating to the Utility's 2001 application approved the Utility's request to provide metered service to the Utility's unmetered customers in both

Plymouth and Riverton, as well as to extend service to the River Road area. The Utility noted that the service extension to River Road has been completed. However, the metering in the Plymouth and Riverton areas has not yet been completed.

[12] Since the 2001 application, the Utility has extended service to the Alma area for the provision of water to a new high school. In 2013, an extension was completed in the Priestville area to serve a new correctional facility. There was a further extension in the Alma area in 2016/17 to service a new private industrial development and to allow future commercial and residential expansion to the area. The costs and additional customers associated with this latest Alma extension are included in the Revised Rate Study. In 2017/18 a continuation of the Alma project is proposed to service the Springfield Estates subdivision. While the Application included the capital costs of this extension in the Test Years, it did not include the additional customers and their associated consumption volumes in the projections. The Final Rate Study phases-in the anticipated 24 new residential customers and increases the Utility's consumption volumes in 2018/19 and 2019/20.

[13] The Utility currently has 571 customers, of which 129 are unmetered. The average consumption volumes in the Revised Rate Study are proposed to remain constant, and not follow the recent general trend of decreased residential consumption. This is due to the Utility's lack of reliable consumption data, from inaccurate meter readings. The current Schedule of Rates and Charges does not specify an unmetered rate, and the Utility noted that these customers have been charged a flat quarterly rate of $63.50 based upon the approved minimum bill of $56.00 plus the base rate of $7.50. The Utility plans to meter all customers, including those in Plymouth and Riverton, in the next

three years. The Revised Rate Study includes the capital costs of a meter installation/upgrade project in each of 2018/19 and 2019/20, which includes the metering of 63 of the current unmetered customers.

[14] The Utility's non-revenue water, after flushing and use of water to maintain chlorine residual, is approximately 17% of total production, with the majority of the leaks historically in the Plymouth area. The Applicant noted that it has been finding and repairing leaks more efficiently than it had been in the past. In addition, the Revised Rate Study includes the costs associated with replacing a portion of the main in Plymouth which has been susceptible to breaks.

[15] The Utility currently has a three-block consumption rate structure, with the cut-off between the blocks defined as the first 25,000 gallons per quarter, the next 225,000 gallons per quarter, and over 250,000 gallons per quarter. Most water utilities in the Province have eliminated block rate consumption structures. The current Application proposes phasing-out the block rate structure over the Test Years, with its elimination in 2019/20.

[16] Given that the Utility has not had a general rate review since 1993, there are several items which require updating. In addition to the inflationary increases in expenses, there is also a need to properly reflect those Utility costs which have been covered by the Municipality. The Application represents an initial step in moving the Utility towards recovering its full costs. In particular, the Revised Rate Study includes adjustments to the Municipality's salary expense allocation to be more representative of the actual time spent on Utility matters. The Utility also noted that further adjustments will

be required, and that once the consumption data from the new meters is recorded and reviewed, the Utility will most likely file another application.

[17] Planned responses to large disasters, sometimes referred to as "Black Sky" events, are an important part of Utility management. The Utility noted that Pictou County has a regional emergency measures organization that covers the municipal units in the County. The Board reminded the Utility of the importance of ensuring that the organization fully includes any needed measures for the water utility.

[18] The oldest parts of the Utility date back to the 1960's when lead service lines were not used. As well, the Utility has no indication that there is lead in the drinking water.

[19] The Application was presented to the Board based upon the need to adjust the rates due to increased operating costs and to fund the projected capital program.

III REVENUE REQUIREMENTS

(A) Operating Expenditures

[20] For the year ended March 31, 2016, the Utility had an excess of expenses over revenues of $86,020 and an accumulated operating deficit of $376,813. The Revised Rate Study projects that without a rate adjustment, the Utility will have an accumulated operating deficit of $1,066,866 by the end of 2019/20. The Applicant noted that it has been in an operating deficit position since 2012. It further explained it purchases all of its water from other utilities, which, at the time, were at various stages of preparing rate applications. The Utility, therefore, considered it would be prudent to wait and file a rate application, based upon the most recent wholesale rates approved by the Board for the source utilities. The Utility also noted that in 2015-2016 municipal resources

were seconded to deal with an application before the Board on municipal amalgamation, thereby limiting the ability to deal with the Utility

[21] The Board questioned whether the Utility had considered filing a formula, like the process in electric utilities, which would automatically adjust rates with an expeditious application to the Board when one or more of the source water wholesale rates changed. This would avoid future rate adjustment delays and "catch-up" situations. Mr. Isenor noted that this was not considered for this application, given that there were a number of other issues to consider including reviewing the proper allocation of costs to the Utility. He further confirmed that in discussions with the Utility staff, it appears that they are now focussed on the Utility's health and getting the Utility to a position where the water rates pay for all Utility costs.

[22] The Utility confirmed that the estimated operating expenses for 2016/17 contained in the Application are consistent with the most current data for the year. However, there were a number of variations between the 2015/16 and 2016/17 operating expense line items, which the Applicant explained. The power and pumping expense, and the administration and general expense increased by 21% and 10%, respectively, due to underspending in the previous year, with the 2016/17 budget consistent with historical amounts. The water treatment expense and the transmission and distribution expense decreased by 7% and 30%, respectively. The water treatment reduction was due to decreases in equipment and maintenance and chemical costs. The transmission and distribution expense decreased due to a one-time expense incurred in 2015/16.

[23] The operating expenses for the Test Years are based upon the Utility's budgets. The Applicant explained that its budgeting process involves examining the

previous fiscal years and making appropriate adjustments for any anomalies which may be present. The draft budget is prepared by staff and submitted to Council for approval. It was further noted that costs are allocated to the Utility using an internal chart of accounts which separates the Water Utility expenses from the general operating expenses of the Municipality.

[24] The source of supply expense is projected to increase by 3% annually in each of the Test Years, based upon an anticipated average 3% per year rate adjustment in each of the supplying water utilities in New Glasgow, Stellarton, Westville and Trenton. Mr. Isenor confirmed that it is not known when these utilities will file rate applications and what the rate increases will be, but the 3% was used for the Application.

[25] It was noted during the hearing that the source of supply expense for Westville is budgeted to decrease from $34,328 in 2015/16 to $26,000 in 2016/17, while the New Glasgow expense is budgeted to increase from $107,778 to $116,000 during this period. The Utility provided a response to an Undertaking indicating that Westville had been billing the Utility incorrectly, and that this has been discussed with Westville staff. Nonetheless, the estimated $26,000 figure in 2016/17 appears to be reasonable. The response further noted that due to leaks in the system, as well as an error by a contractor, there was a spike in water purchases from New Glasgow. As it is expected that this section of pipe will continue to have issues with breaks, the estimated water purchase from New Glasgow has been revised to $130,000 in 2016/17, with the annual 3% increase in the Test Years. The Final Rate Study includes this revision.

[26] The power and pumping expense is budgeted to increase by 12%, 83% and 3% in each of the Test Years, respectively. The Applicant explained that the 12%

increase reflects historical usage, while the 83% increase is due to new infrastructure that will be installed in the Alma area, which includes a booster station, resulting in increased power costs.

[27] The water treatment expense is budgeted to increase by 18% in 2017/18, 1% in 2018/19 and 1% in 2019/20. The increase in 2017/18 is due to the estimated amount in 2016/17 for operations supplies expenses being less than actual. When the actual amount is considered, the budgeted increase is 4%.

[28] The transmission and distribution expense is budgeted to increase by 7%, 2% and 2%, in each of the Test Years, respectively. The Applicant explained that the 7% increase related to maintenance of mains expenses, which are expected to increase due to the aging infrastructure.

[29] The administration and general expense is budgeted to increase by 42%, 19% and 16%, in each of the Test Years, respectively. This is mainly due to increases in the salaries expense, which the Applicant explained requires significant adjustment, as the amount charged by the Municipality to the Utility has remained constant at $24,500 since approximately 1992. Mr. Rooney explained that a review was conducted over the period of time since that figure was established, as well as an analysis of actual time allocations to the Utility. Based upon this analysis, the Utility believes the actual figure should be $150,000. The Utility is proposing to move towards more accurate costing and allocation of salaries, to eventually reach the goal of recovering actual Utility costs. As an initial step, the Application proposes increases of 22%, 27% and 21% for salaries in each of the Test Years, respectively, which brings the figure to $46,000 in 2019/20.

[30] Mr. Isenor commented that there are a number of items, such as audit fees and insurance, which normally are included in Utility administration and general expense and are absent in this Application due to the Municipality covering the costs. He added that since significant cost increases are being proposed, it was decided to adjust some items to include the proper Utility costs, and look at the other items at a future date.

[31] The depreciation expense projected in the Test Years is based upon the projected capital additions. The depreciation rates used for the various asset classes is in accordance with the *Water Utility Accounting and Reporting Handbook* ("*Accounting Handbook*"). In the case of the budgeted power and pumping structures capital item, the Utility provided an explanation for the 4% rate used, based upon the asset's expected useful life. The Revised Rate Study includes the capital cost associated with the Rate Study, over each of 2016/17 and 2017/18, with a depreciation rate of 33.3%. This item was omitted in error in the original Application.

Findings

[32] It has been almost 25 years since the Utility's last rate application. The Utility has been in an operating deficit position for the last five years, and the proposed rate increases and the issues in the current Application stress the need for timely rate reviews. Both the Utility's revenue requirements and the proper allocation of costs should be examined on a regular basis to avoid the need to "catch-up".

[33] The Utility is unique in that it purchases all of its water at wholesale rates from four different utilities. While the source of supply expense represents a significant portion of the Utility's total revenue requirements, the difficulty in preparing rate applications, when trying to anticipate wholesale rate increases of the source utilities,

could be somewhat lessened through using a formula, like that used for municipal electric utilities. This would allow for rate increases, based upon the wholesale rate increase passed on to the Utility, without the need for a full rate application. The Board encourages the Utility to consider such a process, to allow for more timely rate adjustments. In the absence of a formula based application, the Board reminds the Utility that rates need to be reviewed prior to experiencing multiple years of operating deficits.

[34] The Board has considered the source of supply operating expenses as amended in the Undertaking response, which it accepts to be reasonable. The Board further accepts the budgeted power and pumping, water treatment and transmission and distribution expenses budgeted in the Application. The Board accepts the depreciation expense, as projected in the Revised Rate Study, which includes the depreciation associated with the Rate Study costs.

[35] The Board is encouraged that the Utility is taking steps to move towards full cost recovery. Given the significant rate increases proposed in the Application, which do not include full cost recovery, it is expected that this process will need to continue in a future rate application. The Board accepts the budgeted increases to the administration and general expenses as presented in the Application, and expects that the Utility will continue to work on the proper allocation of costs from the Municipality. Until this has been accomplished, the feasibility of developing a cost pass-through model for wholesale rates is minimal.

[36] The Board accepts the Final Rate Study which includes the adjustment to the source of supply costs and the addition of customers and consumption associated with the system expansion.

(B) Capital Budget and Funding

[37] The Revised Rate Study included the Utility's capital budget in 2016/17 and each of the Test Years. The 2016/17 capital budget consisted of distribution mains ($520,000) and the water rate study ($5,000). The Board approved the distribution main project, which is essentially funded by Federal Gas Tax Funds, in a letter dated September 17, 2015. The 2016/17 portion of the water rate study is funded through depreciation funds.

[38] The capital budget in each of the Test Years totals $1,435,000, $150,000 and $150,000, respectively. In 2017/18, the projects include distribution mains ($900,000), power and pumping structures ($530,000), both related to serving the Springfield Estates subdivision, and the remainder of the water rate study cost ($5,000). The Utility has received Federal and Provincial Funding under the Clean Water and Wastewater Fund ("CWWF") in the amount of $1,072,500, which is 75% of the cost of the Springfield Estates projects. A condition of the funding is that the projects will be complete by March 31, 2018. In response to the Board's question as to whether there is a risk that the projects will not be competed by that date, the Applicant noted that it is currently anticipated that the projects will be constructed by November 2017. The remainder of the 2017/18 budget cost ($362,500) is to be funded by the Utility's depreciation fund.

[39] The capital budget in each of 2018/19 and 2019/20 consists of meters, at $150,000 each year, to be funded entirely by the Utility's depreciation fund. Mr. Isenor noted that it appears, based on discussions with Utility staff, that the existing meters, some of which are 40 years old, are not reading accurately, or are not reading at all. He

noted that generally meters will last 25 years, but the multiple sources of water, which may have had varying quality 30 years ago, could impact meter life. The Applicant explained that the total amount of $300,000 relates to the replacement or new installation of meters on 435 of the Utility's existing customers, some of which are currently unmetered. The estimated cost of the project includes $240,000 for new meters, $35,000 for upgrading of 125 meters with remote read capability, and a contingency of $25,000.

[40] Mr. Isenor noted that once the Utility has consumption data from the new meters, it will most likely file another rate application.

[41] The Revised Rate Study projects that, with this proposed funding, the depreciation fund balance will be $72,751 at the end of 2019/20.

Findings

[42] The Board finds the proposed capital budget, and funding through CWWF and the Utility's depreciation fund, to be reasonable. It appears from the information presented that the Utility's actual sales volume may differ from that projected as a result of greater reading accuracy obtained through new meters. The Board expects the Utility to review the consumption data, with a view to determine if a rate review, based upon the actual volumes, is required. This new rate study, if conducted, should also phase-in more of the general and administrative costs presently covered by the Municipality.

[43] The Board reminds the Utility that separate Board approval is required for projects in excess of $250,000 as set out in s.35 of the *Act*.

(C) Non-Operating/Other Revenues and Expenditures

[44] The other operating revenue estimated in 2017/18, 2018/19 and 2019/20 consists of $2,818 annually related to sprinkler service/private hydrant charges ($1,818)

and interest on water accounts ($1,000). The non-operating revenue consists of interest and other income of $1,000 annually.

[45] The non-operating expenses are $25,000 in 2018/19 and $50,000 in 2019/20, which represents earnings proposed to eliminate the operating deficit in a timely manner. The Applicant explained that at the $50,000 level of earnings (and assuming no change in this level in future rate hearings), the operating deficit will be eliminated in approximately 8 years. The Utility has no existing, or proposed new debt.

[46] The calculated rates of return in each of the Test Years in the revised Rate Study, and in the Final Rate Study, are 0.0%, 0.65% and 1.37%, respectively.

Findings

[47] The Board finds the Utility's other operating revenue and non-operating revenue to be reasonable, and accepts them as presented. The Board accepts the non-operating expenses, including the proposed earnings, as presented.

[48] The Utility has no long-term debt and has sufficient depreciation funds to cover the costs of the proposed capital expenditures. The Board accepts the calculated rates of return as reasonable, as presented in the Final Rate Study.

(D) Allocations of Revenue Requirement

1. Public Fire Protection

[49] The methodology used in the Revised Rate Study to determine the public fire protection charge is consistent with the *Accounting Handbook,* with 10% of the production assets and 60% of the demand assets allocated to public fire protection. The allocation of utility plant in service to public fire protection is 51.0%, 49.6% and 47.1%, in each of 2017/18, 2018/19 and 2019/20, respectively.

[50] The calculated public fire protection charges in the Revised Rate Study are approximately $1,500 more in each Test Year than those proposed in the original rate application. This is due to the increase in the revenue requirement associated with the depreciation of the costs associated with preparation of the rate study. The fire protection charges are further increased by approximately $1,500 in each Test Year in the Final Rate Study due to the increased revenue requirements associated with the correction to the source of supply expense.

[51] Due to the above noted amendments, the public fire protection charge in the Final Rate Study is calculated as $80,903 in 2017/18, $98,296 in 2018/19 and $112,247 in 2019/20. This represents increases of 36.9%, 21.5% and 14.2%, respectively in each of the Test Years.

Findings

[52] The Application uses the methodology as set out in the *Accounting Handbook* to determine the public fire protection charge, which the Board accepts.

[53] The increased revenue requirements result in an increase to the public fire protection for the Test Years as calculated in the Final Rate Study, which determination is approved by the Board.

2. Utility Customers

[54] After the allocation to fire protection, the remaining revenue requirement is to be recovered from the Utility's customers. The allocations used in all the rate studies are consistent with the *Accounting Handbook*, with the exception of the transmission and distribution expenses and the source of supply expenses. The transmission and distribution expense is allocated at 50% to base and 50% to delivery, as opposed to the

100% to delivery allocation in the *Accounting Handbook.* The Applicant explained that the proposed allocation is similar to that used by other small utilities in the Province to maintain revenue from the base charge in the 40% to 45% range. This is intended to help stabilize the revenue stream for the Utility.

[55] The Application proposes to allocate 25% of the source of supply expense to base charges, and 75% to production charges, compared to the 100% allocation to production charges in the *Accounting Handbook.* The Applicant explained that each of the four utilities from which it purchases water, charge a base charge and a consumption charge. A review of the charges from New Glasgow, from which the Utility purchases the most water, determined that approximately 25% of the total amount was from the fixed base charge. The allocation in the Application has been proposed so that the Utility can recover a similar amount from the base charge of its customers.

[56] The Revised Rate Study kept the same number of customers totalling 571, as in the original rate study, with no projected growth in the Test Years. However, 63 previously unmetered customers are proposed to be metered (5/8" meter) in 2019/20. This reduced the total projected consumption in 2019/20, as the average quarterly 5/8" meter customer's quarterly consumption is 10,894 gallons, compared with the unmetered assumed consumption of 15,000 gallons per quarter. The Final Rate Study further added 24, 5/8" meter size customers associated with the Springfield Estates extension, phasing-in the addition of eight new customers in 2018/19, with the full 24 added in 2019/20, bringing the total number of customers to 595. The projected consumption volumes in the Final Rate Study were increased (compared to the Revised Rate Study) in each of

2018/19 and 2019/20 based upon the number of additional customers at the average 5/8" meter size consumption.

[57] Mr. Isenor noted that the common trend of decreasing water consumption, especially of residential customers, was not factored into the Application due to the lack of data.

[58] The Application proposes to phase-out the consumption block rate structure over the Test Years by increasing the volume defined in the first block in each of 2017/18 and 2018/19 and only having one rate for all consumption in 2019/20. The Applicant stated that the block rate structure was established in 2001 and could no longer be supported on a cost of service basis to ensure fair rates to all customers. The Utility noted that the larger customers which are impacted by the elimination of the block structure are generally government agencies or recreation facilities owned by the Municipality. It also added that although the correctional facility, the largest meter size customer, will see significant increases in water rates, the water bill is a relatively small proportion of its overall expenses.

[59] With respect to the proposed rates, Mr. Isenor commented that the current average quarterly rates for the 5/8" meter size residential customers are proposed to increase significantly from the current $48.13 to $122.40 in 2019/20 in the Revised Rate Study. To put this in perspective, he noted that $120 is approximately the current average quarterly residential rate in the Province.

Findings

[60] The Board accepts the allocations as presented in the rate studies, including the allocations of the source of supply expense and the transmission and

distribution expense to allow for a larger portion of the revenue requirements to be recovered from the customer base charges. The Board notes that the majority of block water rates in the Province have been eliminated in the last few years and accepts the proposed phasing-out of the Utility's block rate structure.

[61] The Board accepts the projected number of metered customers, as contained in the Final Rate Study. The Board further understands that due to the current lack of reliable consumption data, it is difficult to project future consumption volumes, and accepts the volumes as presented in the Final Rate Study. However, as noted above, once a history of consumption with the new meters is established, the Board expects that the Utility will review the data and determine if rate adjustments are required.

[62] The Final Rate Study has a greater revenue requirement in each of the Test Years than the original Application, resulting in an increase in rates. For example, the originally proposed average rates for the 5/8" customer were $95.69, $108.19, and $120.35, compared to $100.03, $111.54 and $122.48, respectively in each of the Test Years in the Final Rate Study. The increased revenue requirement has less of an impact in the final Test Year, as there are additional customers contributing to the revenue requirements.

[63] The proposed rate increases are significant. However, this increase must be considered in light of the time period since the last increase, and that the rates proposed are at approximately the average level in the Province. The Board approves the rates as proposed in the Final Rate Study.

(E) Schedule of Rates and Charges

[64] In addition to the rates for water supply to its customers, the Application proposed amendments to the miscellaneous charges, which were outlined in response to the IRs. Mr. Isenor noted that a number of changes are proposed, given the amount of time since the last adjustment. He added that the rates proposed to be charged by the Utility for the various services are similar to those charges by other utilities in the Province and are reflective of the actual costs incurred.

Findings

[65] The Board has reviewed the proposed amendments and finds them to be reasonable, and consistent with the charges approved for other Nova Scotia water utilities.

(F) Schedule of Rules and Regulations

[66] The response to the IRs listed a substantial number of proposed changes to the Schedule of Rules and Regulations, which Mr. Isenor described as now being similar to those used in other water utilities in the Province. The Utility filed a revised Schedule in response to the IRs to correct typos in Regulation 20 'Cross Connection Control and Backflow Prevention' and Regulation 24 'Service Pipes'.

[67] The Applicant noted that it currently does not have an active cross connection control and backflow prevention program. With respect to the Regulation dealing with 'Service Pipes', Mr. Isenor explained that the existing Regulation made the Utility responsible for the cost of the water service pipe between the street and the property line. It is now proposed that a flat rate of $1,500 be billed back to the customer for this service.

[68] It was noted during the hearing that Regulation 36 'Extensions' does not include a clause noting that Board approval is required. The revisions filed in response to the Undertakings includes an amended Schedule which contains this clause.

Findings

[69] The Board finds that the proposed changes to the Schedule of Rules and Regulations are reasonable and approves the Schedule of Rules and Regulations as revised in the response to the Undertakings.

IV CONCLUSION

[70] In response to the Undertakings, the Utility filed a Final Rate Study which amended the source of supply expense and included additional customers associated with a proposed system expansion. Accordingly, the Board approves the Schedule of Rates and Charges for Water and Water Services, effective July 1, 2017, April 1, 2018, and April 1, 2019, as amended by the Utility. Given the timing of the first rate increase, the annual fire protection charge in 2017/18 is to be prorated.

[71] The Board approves the Schedule of Rules and Regulations as proposed and revised in the Undertaking response, effective July 1, 2017.

[72] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 27th day of June, 2017.

Murray E. Doehler

Steven M. Murphy