

NOVA SCOTIA REGULATORY AND APPEALS BOARD

IN THE MATTER OF THE PUBLIC UTILITIES ACT

- and -

IN THE MATTER OF AN APPLICATION by the **TOWN OF NEW GLASGOW** on behalf of its **WATER UTILITY**, for approval of amendments to its Schedule of Rates for Water and Water Services and amendments to its Schedule of Rules and Regulations

BEFORE: M. Kathleen McManus, K.C., Ph.D., Member
Darlene Willcott, LL.B., Member
Marc L. Dunning, P.Eng., LL.B., Member

APPLICANT: **TOWN OF NEW GLASGOW**
Gerry Isenor, P.Eng.
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Blaine Rooney, CPA, CA
Blaine S. Rooney Consulting Limited

Audrey Buchanan
Assistant Director of Engineering & Public Works

Earl MacKenzie
Director of Engineering & Public Works

Kim Livingston
Director of Corporate Services

Lisa MacDonald
Chief Administrative Officer

INTERVENOR: **TOWN OF WESTVILLE**
Scot Weeres
Chief Administrative Officer

HEARING DATE: February 23, 2026

FINAL SUBMISSIONS: March 6, 2026

DECISION DATE: **March 27, 2026**

DECISION: **The Schedules of Rates for Water and Water Services are approved as provided in the revised rate study in response to Undertaking U-1. The Schedule of Rules and Regulations is approved as provided in response to Undertaking U-10.**

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1.0 SUMMARY

[1] On November 19, 2025, the Town of New Glasgow (Town), on behalf of its Water Utility (Utility), applied to the Nova Scotia Regulatory and Appeals Board (Board) to amend its Schedule of Rates for Water and Water Services and its Schedule of Rules and Regulations. In addition to its retail customers, the Utility provides water at wholesale rates to the Municipality of the County of Pictou (County) and the Town of Westville (Westville). The Board approved Westville's request to intervene in this matter.

[2] The Utility's existing rates and charges have been in effect since April 1, 2017, and its Schedule of Rules and Regulations has been in effect since August 1, 2015. The Utility needs to adjust rates to continue to meet operational obligations and carry out necessary capital improvements, including significant upgrades to the Forbes Lake Dam. A rate study supporting the application was prepared and filed by the Utility's consultants, G.A. Isenor Consulting Limited and Blaine S. Rooney Consulting Limited.

[3] The Board issued Information Requests (IRs) on January 9, 2026. Westville issued IRs on January 26, 2026. Responses were received from the Utility on February 9, 2026. Westville filed final evidence on February 17, 2026, to which the Utility responded on February 19, 2026. A revised rate study was provided in response to Board IR-49 that corrected errors in the depreciation allocation [Exhibit T-3 (xiv)].

[4] The Board held a public hearing on February 23, 2026, after due public notice. Due to impending weather, the hearing occurred virtually via webinar with streaming on the Board's website. The Utility's consultants, Gerry Isenor and Blaine Rooney, represented the Utility, accompanied by the following representatives from the Utility: Audrey Buchanan, Assistant Director of Engineering and Public Works; Earl MacKenzie, Director of Engineering and Public Works; Kim Livingston, Director of

Corporate Services; and Lisa MacDonald, Chief Administrative Officer. Westville was represented by Scot Weeres, Chief Administrative Officer. The Board did not receive any letters of comment or requests to speak from members of the public.

[5] During the hearing, the Board reviewed the revised rate study [Exhibit T-3 (xiv)] and responses to the IRs. Mr. Isenor testified that further updates to the rate study were required, including: revising the methodology for calculating the percentage of consumption for wholesale customers; changing the estimated useful life of some capital assets from 75 years to 50 years; and smoothing the increases to the fire protection charge over the test years.

[6] The Utility and Westville agree that there should be equitable distribution of the cost of expenses among all customers. However, they have different views on the appropriate methodology for calculating the percentage of consumption for wholesale customers. The Utility proposes a method based on actual consumption plus an allocation for leakage. Westville proposes a method based on consumption alone.

[7] The Board asked the Utility to submit revised rate studies based on the different methods of calculating the percentage of consumption. Additional undertakings were requested to clarify several issues and to request a revised Schedule of Rules and Regulations.

[8] The Utility filed its undertakings on February 25, 2026. The Board sent a final IR on March 4, 2026, to clarify the Board's understanding of the proposed methods used to calculate the percentage of consumption and the Utility's recommendation. The Utility responded on March 5, 2026, confirming that its recommended approach was included in the rate study submitted in response to Undertaking U-1 [Exhibit T-7, pp. 10–

63]. Westville provided a final response on March 6, 2026, recommending its original approach as the most equitable.

[9] The Board finds the Utility justified its rate needs and approves the Schedules of Rates as presented in the revised rate study in response to Undertaking U-1. The method of calculating the percentage of consumption for each wholesale customer in that rate study is based on actual consumption plus an allowance for leakage based on the portion of the Utility's system used by that customer, which the Board considers to be the most fair and equitable approach in the circumstances. The methodology proposed by Westville does not allocate any leakage to wholesale customers. The Schedule of Rules and Regulations is approved, as amended in the Utility's response to Undertaking U-10.

[10] This decision refers to the revised rate study prepared in response to Undertaking U-1, unless otherwise noted. For residential (5/8" meter) customers, the current average quarterly water bill based on average quarterly consumption is \$114.38 and is proposed to increase to \$131.02 (14.5% increase) in 2026/27, \$149.14 (13.8% increase) in 2027/28 and \$169.25 (13.5% increase) in 2028/29. For all other services, based on the average quarterly consumption for each meter size, the Utility is requesting increases ranging from 0-14% in 2026/27, 0-17.2% in 2027/28 and 0-15.7% in 2028/29.

[11] The wholesale rate to Westville, based upon a quarterly consumption of 157,631 m³, is proposed to increase by 49.0%, 23.7% and 5.5%, in 2026/27, 2027/28 and 2028/29, respectively. For the County, based upon a quarterly consumption of 56,863 m³, its wholesale rate is proposed to increase by 57.4%, 23.5% and 5.5%, in 2026/27, 2027/28 and 2028/29, respectively.

[12] The annual fire protection charge, currently \$1,117,717, is proposed to remain at \$1,117,717 in 2026/27, increase to \$1,327,118 (18.7%) in 2027/28 and \$1,525,681 (15.0%) in 2028/29. The Town pays 75.5% and the County pays the remaining 24.5% through the test years. Westville does not pay a fire protection charge because the Town does not provide fire protection services to Westville.

[13] The Utility has one bulk water fill station that sells water to water haulers who deliver and sell water to their customers. The bulk water rates will be \$8.10, \$8.22 and \$8.66 per cubic metre for 2026/27, 2027/28 and 2028/29, respectively.

[14] The rate changes will take effect on April 1, 2026, and on April 1 for the remaining test years. The changes to the Schedule of Rules and Regulations will take effect April 1, 2026.

2.0 INTRODUCTION

[15] The Utility's water is supplied from the Forbes Lake watershed and put through a Water Treatment Plant (WTP) that was commissioned in 2000. The WTP treats the water using a dissolved air flotation process. In 2023 the WTP's operating permit was extended to March 2033. Treated water is stored in three reservoirs - at the WTP, Mountain Road and Munro Avenue. The system monitors pressure, flows and storage volumes using Supervisory Control and Data Acquisition (SCADA) systems. The facilities provide operational flexibility, system redundancy, pressure stabilization, and emergency/fire protection capacity. The Utility meets all Nova Scotia Environment and Climate Change regulations for public drinking water.

[16] The Utility owns and operates the Forbes Lake Dam, which was constructed in 1912 and has undergone minor upgrades since that time. The Dam is currently functional but has surpassed its useful life. A Canadian Dam Association safety review was completed in 2020, and an archaeological assessment was conducted in 2025. Significant capital expenses have been included in the rate study for upgrades to comply with current Dam Safety Guidelines and to provide a life expectancy of 50 years. This includes increasing the height of the Dam and upgrading the spillway to ensure a sufficient buffer during flooding. Without these upgrades, the Dam will be at risk of failure, and it is critical to maintaining the only source of water for the Utility's customers.

[17] The Utility provides water to the Town, portions of the County, Westville and some industrial and residential customers in the Town of Trenton. The Utility connects to the County through seven metered interconnections and expanded its system since the last rate application with two new metered connections at McLellan's Brook and Sherbrooke Road. Westville is connected through one metered connection at Bear Brook and is assigned a daily allotment through a water supply agreement with the Town.

[18] The Utility currently serves 3,758 customers, of which 3,449 are residential (5/8" meter size). It is projected that the number of Utility customers will increase by six residential customers per year, with the number of customers for other meter sizes to remain constant, over the test years.

[19] The Utility provides fire protection to its entire service area and shares fire protection between the Town and the County.

[20] The Utility's last rate application was in 2015. The Utility explained that since its last rate application, it recorded a surplus during most years, so a rate application was

not required. The last time the Utility had a surplus was March 2023. Operating costs have increased and the need for a significant capital investment in the Dam was identified, which required a comprehensive rate review.

3.0 REVENUE REQUIREMENTS

3.1 Operating Expenditures

[21] For the fiscal year ended March 31, 2025, the Utility had an excess of expenditures over revenue of \$761,662 and an accumulated operating surplus of \$2,877,031. The rate study projects that without an increase in rates, the accumulated operating deficit will be \$498,137, \$2,705,829, and \$5,077,133 for the test years.

[22] In response to NSRAB IR-24, IR-25, and IR-26, the Utility explained the projected changes in expense line items between its actual expenditures in 2024/25 and its projected expenses for 2025/26.

[23] In response to NSRAB IR-20, the Utility explained its budgeting process. Historical budget information is reviewed to determine whether increases are required, and power and major chemical and fuel suppliers are contacted to identify any anticipated price increases. The operating budget is reviewed regularly throughout the year for significant changes. The Utility shares certain operating costs with the Town, including staffing, information technology, insurance, and power. Utility staff who also work for the Town submit timesheets allocating their time between the Utility and the Town. All other shared costs are allocated to the Utility based on established cost-allocation percentages. For example, the Utility owns a specialized heavy-duty vehicle designed to clean sewer mains, storm drains, and underground infrastructure using high-pressure water jetting and

powerful suction. If the Town uses it for municipal purposes, costs are allocated accordingly. The Utility indicated that there have been no significant changes to the budgeting or cost-allocation process since the last rate application.

[24] Operating expenses are expected to increase, and the Utility has assumed an inflation rate of 3% to 4% per year over the test years. These assumptions are consistent with the inflation factors recently used by most water utilities in Nova Scotia. In response to NSRAB IR-32, IR-33 and IR-34 the Utility explained the increases and decreases that were exceptions to this assumption. These include increases of 7% for power and 5% for water testing and chemical expenses. The Board noted that the rate increases proposed by Nova Scotia Power Inc. (NS Power) in its current rate application for municipal class customers are lower than the 7% used in this application. In response to Undertaking U-9, the Utility explained that power costs are dependent on consumption which depends on the weather in the heating season and the number of backwashes that are required to maintain water quality. The demand can fluctuate and the 7% is intended to account for both increases in rates from NS Power and potential increased consumption.

[25] Under the line-item "Source of Supply", the watershed land reserve expense increases from \$35,000 in 2025/26 to \$50,000 annually throughout the test years. The watershed land reserve is used to purchase properties around the watershed to create a buffer and protect the watershed. In response to NSRAB IR-5 and IR-29, the Utility explained that aging demographics of those living within the watershed area have resulted in more properties becoming available for purchase. This trend is expected to continue and will provide opportunities to expand watershed land holdings. Since the last

rate application, the Utility has purchased seven parcels of land totaling approximately 390 acres using \$981,900 from the watershed land reserve fund. The Utility indicated that additional parcels still need to be acquired to adequately protect the watershed and that it has developed a purchase priority and strategy. The current watershed land reserve fund balance is \$115,249, with annual contributions planned over the next 20 years. In response to Undertaking U-7, the Utility estimated that an additional approximately 383 hectares of land need to be acquired to ensure proper watershed protection. In 2025, the Board approved the purchase of the MacIntosh property (M12335). The purchase was comprised of land within the watershed and some land outside of the watershed including a house and garage. The property outside of the watershed is currently being cleared in preparation for subdivision and sale of the house and garage, which is anticipated in summer 2026. The revenue from this sale will go into the watershed land reserve account.

[26] Non-revenue water is treated water that is lost within the system (leaks) or used but not sold. The Utility estimates its current level of non-revenue water at approximately 21%. During the hearing the Utility explained that, although a full system water audit has not been conducted, it estimates that leakage represents approximately 10–15% of system production, with the remaining non-revenue water attributable to uses such as system flushing and firefighting.

[27] In response to NSRAB IR-11, the Utility provided information on its leak detection efforts. The Utility monitors all major storage facilities and large customers, and all customers are metered except for one commercial customer. During the hearing, Ms. Buchanan explained that this unmetered customer is a trucking and transport company with a historical connection to a transmission main. The Utility is currently finalizing an

agreement with the property owner to relocate the transmission main, and the Utility expects the customer to be metered by summer 2026.

[28] The Utility indicated that it does not consider the current level of non-revenue water to be a concern but plans to conduct a system water audit within the next year. Expenses related to reducing non-revenue water are included in the rate study, including annual leak surveys and an annual budget for the replacement of water meters.

[29] The Utility maintains a depreciation reserve account, with depreciation calculated annually. The annual depreciation expense is based on the Utility's existing assets and proposed capital additions. The increased capital spending over the test years will increase the payments to the depreciation account from \$981,118 in 2025/26 to \$1,164,349 in 2026/27, to \$1,284,359 in 2027/28 and to \$1,422,640 in 2028/29.

3.1.1 Findings

[30] Based on the information provided, the Board finds the operating expenses contained in the rate study to be reasonable. The Board also finds the depreciation expenses for the test period, which are based on the current, actual depreciation expense plus annual depreciation for the capital additions, to be reasonable.

[31] The Board accepts the Utility's explanation for the allocation of expenses between the Town and the Utility. The Board reminds the Utility to review these allocations periodically and revise them as necessary.

[32] The Board notes that the watershed land reserve was captured under non-operating expenditures during the last application but is under operating expenditures in the current application. Moving the watershed land reserve from an operating expense to a non-operating expense would impact fire protection allocation and flow through revenue

requirement calculations. The Board notes that this type of transfer to capital reserves is usually shown as a non-operating expense as it relates to a capital item that will be obtained or purchased. The Board encourages the Utility to review this categorization no later than the next water rate study.

3.2 Capital Budget and Funding

[33] The Utility has a long-term asset replacement strategy and capital projects are prioritized based on age, break history, critical function, and regulatory and compliance requirements. The WTP has had some significant upgrades recently and the water distribution mains are aging but generally are in good condition. The key driver for the capital spending in the test years is the need for new infrastructure and renewal of infrastructure. The rate study included the proposed capital additions of \$1,655,000 in 2025/26, \$10,055,464 in 2026/27, \$3,479,660 in 2027/28 and \$3,870,960 in 2028/29.

[34] The planned capital additions and funding for the test years is summarized in the table below which Board staff prepared based on Worksheet B-3 from the rate study:

Capital	2025/26	2026/27	2027/28	2028/29
Structures and Improvements	\$ 930,000	\$ 6,000,000	\$ 1,750,000	\$ 1,750,000
Equipment	\$ 505,000	\$ 160,000	\$ 490,000	\$ 530,000
Mains	\$ 125,000	\$ 3,830,464	\$ 1,079,660	\$ 1,490,960
Meters	\$ 80,000	\$ 50,000	\$ 50,000	\$ 50,000
Hydrants			\$ 50,000	\$ 50,000
Services	\$ 15,000	\$ 15,000		
Other			60,000	
	<u>\$ 1,655,000</u>	<u>\$ 10,055,464</u>	<u>\$ 3,479,660</u>	<u>\$ 3,870,960</u>

Funding	2025/26	2026/27	2027/28	2028/29
Outside Sources	\$ 345,000	3,630,464	0	0
Depreciation fund	\$ 311,257	2,600,000	1,450,000	1,800,000
Long Term Debt	\$ 898,743	3,725,000	1,929,660	1,970,960
Capital out of revenue	\$ 100,000	100,000	100,000	100,000
	<u>\$ 1,655,000</u>	<u>\$ 10,055,464</u>	<u>\$ 3,479,660</u>	<u>\$ 3,870,960</u>

[35] The Utility described the major capital expenditures in response to NSRAB IR-36, IR-37 and IR-38. The majority of the spending in “Structures and Improvements” relates to the \$10,300,000 project to design and construct upgrades to the Dam and spillway. A recent Canadian Dam Safety review identified the need for significant upgrades to the toe of the Dam to ensure its stability and structural integrity. The project includes removing the existing gated spillway, constructing a new labyrinth-type spillway with an energy dissipation structure, raising the height of the Dam, and modifying the downstream channel to accommodate increased flows.

[36] Ms. Buchanan explained during the hearing that this work is required to protect the Utility’s water source. Construction will be completed in phases to maintain spillway operations and reservoir elevation during the project, minimizing the risk of having to implement water conservation measures. The new spillway will provide adequate freeboard to safely discharge water during major storm events, and the toe of the Dam will be reinforced to address stability concerns.

[37] In response to Undertaking U-4, the Utility provided supporting documentation for the Dam upgrade cost estimates. Stantec prepared a Spillway Assessment Report in May 2024 that included the original project budget. Since that time, MECO Design Engineers have been advancing the detailed design. Phase I of the project has reached approximately 95% completion of the design tender package. The detailed design for Phases II and III has not been further refined from the original project cost estimate. The Utility expects to issue the project for tender in Spring 2026.

[38] Additional smaller capital projects under the “Structures and Improvement” line item are \$100,000 for general road works replacement of two large culverts, a new

access road in the Dam area and \$30,000 for a trihalomethane (THM) improvement study. THM is a disinfection by-product for which Health Canada sets a guideline. The Utility says it is within the guideline but has come close to exceeding it so a study is proposed for 2025/26.

[39] Capital projects under the “Equipment” line item include: \$330,000 for backwash pumps for the WTP that have reached end of life; \$350,000 for replacement of a dump truck that has reached end of life; and \$30,000 annually for infrastructure technology (IT) upgrades to secure networks, internet, firewall equipment, and video surveillance implementation. There is also an annual investment to replace old valves in the distribution mains due to operating or leakage issues.

[40] Significant capital projects under the “Mains” line item include \$3,630,464 in 2026/27 to upgrade and extend infrastructure to support a housing development along Little Harbour Road and Trenton Road. This project will replace aging water mains that currently have restricted fire flow capacity due to the development of small mounds of corrosion inside the pipes. An additional \$1,079,660 in 2027/28 and \$1,490,960 in 2028/29 is planned to upgrade the Trenton Road water main in phases. The plan also includes \$225,000 for transmission main work to finalize easement drawings and surveying. A \$100,000 “West Side Water Pressure Study” is planned for 2025/26. This study will fully calibrate the hydraulic model of the distribution system, allowing it to be used to assess whether further system upgrades are required to support additional housing development in the area.

[41] The capital work will be carried out by private contractors. The Dam project will require inspection services provided by a consultant, while the watermain projects will be managed by the Town's engineering staff.

[42] Funding for the capital program comes from a combination of outside sources, the depreciation fund, long-term debt and capital out of revenue. The proposed approach to funding for the test years is to first seek grant funding when available, then use depreciation funding, with any remaining funds financed from long term debt.

[43] In response to NSRAB IR-40, the Utility confirmed that the 2025/26 water pressure study will be funded from the Federal Government Housing Accelerator Fund. The 2026/27 Little Harbour Road and Trenton Road watermain upgrade projects will be funded by a combination of that same fund and the Town. Mr. Isenor stated at the hearing that funding programs are not usually announced in advance and are more short term in nature, so the Utility has projected outside funding for the first test year only.

[44] The annual capital out of revenue of \$100,000 is proposed to be used for recurring annual capital items such as meters and hydrants. The remaining capital program will be funded by new debt at an assumed interest rate of 6% for 20 years. The Utility stated that if any capital projects are delayed, the funds received for those projects will be set aside until the projects are complete.

[45] There are significant capital expenditures that result in increases to depreciation and debt servicing costs. The depreciation rates for capital additions align with the Board's Water Utility Accounting and Reporting Handbook (Handbook) except for items that are not identified in the Handbook for which the projected useful life of the asset is used.

[46] The rate study indicates that the balance in the depreciation fund as of March 31, 2025, was \$866,200. Based upon the proposed funding drawdown, the balance will be \$522,305 at the end of the test years.

3.2.1 Findings

[47] The Board finds the Utility's proposed capital program and funding as set out in the revised rate study to be reasonable given the age of infrastructure and the need for repairs. The cost of the Dam work, approximately \$10,000,000, is significant, but the work is necessary. The infrastructure is beyond its useful life and Forbes Lake is the only source of water for the Utility. The Utility is taking steps to ensure its system is adequate to meet the needs of its customers and accommodate new growth.

[48] The Utility indicated that it is open to using a reserve account to save for capital projects. The Board encourages the Utility to consider establishing such a reserve for future capital projects and to accumulate unspent funds and variances in depreciation, principal and interest expenses. The reserve funds can then be used as a capital funding source for the same or future projects. The Utility could hold the principal, interest and depreciation costs for postponed or underspent capital projects, instead of adding such funds to an operating surplus for a given year.

[49] The Utility may wish to apply to the Board for approval to set up such a capital reserve. Based on the Handbook (p. 3080-Reserves), an application for a reserve must contain at least the following:

- The purpose of the reserve;
- The term, including estimated termination date;
- The treatment of interest and income earned in the reserve;

- The amount, frequency, and source of payments into the reserve;
- The qualified disbursements from the reserve; and
- The type and frequency of financial reporting of transactions related to the reserve.

[50] The Board finds that the Utility's projected depreciation fund balance at the end of the test period is adequate, based on the Utility's size and the current state of its assets.

[51] This application does not approve any capital projects. The Board reminds the Utility that any capital expenditures over \$250,000 require Board approval.

3.3 Non-Operating/Other Revenues and Expenditures

[52] The rate study included projections of non-operating revenues and expenditures for the test years. In January 2021, the Board approved the Utility's payment of an annual dividend of \$100,000 to the Town (M09962). The Utility confirmed that the dividend ended in 2023/24 and is not included in this rate study.

[53] There are three items in non-operating revenue: transfer from surplus, land lease income, and contract projects. The Utility has a substantial surplus and recommends transferring \$800,000 in 2026/27 and \$260,000 in 2027/28 from surplus to non-operating revenue to reduce rate increases and smooth rate increases over the test years.

[54] During the hearing, the Utility was asked why it did not apply more surplus to reduce rates. The Utility explained that this was considered but rejected. The Utility stated it determined that maintaining a cash surplus was necessary to address potential unexpected costs, particularly as the depreciation fund is expected to be drawn down over the test years. The Utility indicated that a portion of the surplus is being used to

smooth rates over the test period and that the projected surplus of \$824,269 in the final test year is appropriate for a utility of this size, especially given the large capital projects that will be undertaken during the test years.

[55] Watts Wind II Ltd. pays the Utility \$14,000 annually to lease land for a wind turbine on the Utility's watershed lands. The Utility receives contract projects' revenue of \$4,000 annually from work done for outside agencies.

[56] Non-operating expenditures include debt charges on principal and interest payments (on new and existing debt) and capital out of revenue. The capital out of revenue of \$100,000 annually is for recurring annual capital items such as meters and hydrants.

[57] The Utility's rate base in each of the test years is the gross utility plant in service, less the accumulated depreciation and unamortized capital contributions. Its return on rate base is determined from its non-operating expenses less non-operating revenue. The return on rate base is 0.46%, 2.56% and 3.56% through the test years.

3.3.1 Findings

[58] The Utility will use outside funding sources, its depreciation reserve, debt and capital out of revenue to fund its capital program over the test period. The Board finds the Utility's non-operating revenue and expenses as presented in the rate study to be reasonable.

[59] For this application, the Board finds that transferring a surplus of \$800,000 in 2026/27 and \$260,000 in 2027/28 to non-operating revenue to reduce rate increases and smooth rates over the test years as proposed in the rate study is reasonable. The

Board also finds that the calculated rate of return on rate base through the test years is reasonable.

4.0 REVENUE REQUIREMENT ALLOCATION

4.1 Public Fire Protection

[60] The methodology used to determine the public fire protection charge is consistent with the Handbook's recommendations and the Utility's last rate application.

[61] The annual fire protection charge, currently \$1,117,717, is proposed to remain at \$1,117,717 in 2026/27, increase to \$1,327,118 (18.7%) in 2027/28 and \$1,525,681 (15.0%) in 2028/29. The total fire protection charge will be allocated between the Town and the County, based upon the required fire flow, adjusted for capacity constraints. In response to NSRAB IR-62, the Utility provided the fire flow availability and differences since the last rate application. Westville Road has decreased from 91% to 72%, Merigomish Road has increased from 95% to 97% and two additional services were added for Sherbrooke Road and McLellan's Brook. Therefore, the total fire protection charge will be allocated 75.5% for the Town and 24.5% for the County.

[62] The allocation of utility plant in service to public fire protection is calculated in the rate study as 33.2% in 2025/26, 32.5% in 2026/27, 32.2% in 2027/28 and 32.1% in 2028/29. The total expenses allocated to fire protection are 21.5% in 2026/27, 21.8% in 2027/28, and 22.5% in 2028/29.

[63] Based upon the calculations, the annual fire protection charge paid in the test years by the Town is proposed to increase by 2.3%, 18.7% and 15.0%, with the County decreasing by -6.6%, and then increasing by 18.7% and 15.0%.

4.1.1 Findings

[64] The Board accepts the methodology used to determine the total public fire protection charge and approves the requested allocation of the total fire protection charge between the Town and the County. This is consistent with the last rate study and with how other utilities in the province allocate the charge.

4.2 Wholesale Rates

[65] Rates for the Utility's two wholesale customers, Westville and the County, are based on the revenue required to cover their share of the Utility's operating expenses, excluding fire protection. Those expenses fall into the following categories: source of supply; power and pumping; water treatment; transmission and distribution; administration and general; depreciation; taxes; and rate of return. Each wholesale customer's share is calculated by multiplying the total revenue required for each category, excluding fire protection, by the percentage of joint use and then by the percentage of consumption, and allocating the total to base and/or commodity charges as appropriate.

4.2.1 Percentage of Joint Use

[66] The percentage of joint use is based on the extent to which the wholesale customers use or benefit from a particular category of operating expenses. The Utility explained how the percentage of joint use was determined for each category in its response to NSRAB IR-49.

[67] Source of supply and water treatment expenses are each 100% joint use because all utility customers benefit from these expenses.

[68] Power and pumping expenses are 45% joint use based on the Board's finding in the Utility's last rate decision (M06712, at para. 63), which relied on the Board's

2008 decision (M00186, at para. 89), where the Utility's consultant explained that 45% was an estimate that was slightly less than the actual percentage.

[69] Transmission and distribution joint use is based on the percentage of the Utility's transmission and distribution system used to provide water to each wholesale customer. Geographic information system data is used to determine both the total length of pipe in the Utility's transmission and distribution system and the portion serving each wholesale customer. The length of pipe used by each wholesale customer is divided by the total length of pipe in the system. The resulting percentage is then reduced by an allowance for maintenance of hydrants, services and meters that do not benefit wholesale customers.

[70] The joint use for administration and general expenses is based on the total administrative and general expenses, less expenses for meter reading, billing and collection which do not apply to wholesale customers, and less half of the remaining costs. In response to NSRAB IR-49(d), the Utility stated that, "This calculation is standard for all utilities in the province that sell wholesale water to another utility."

[71] Depreciation expense joint use is the sum of each wholesale customer's share of depreciation for each jointly used asset. The method calculates how much of the depreciation for each asset should be assigned to joint use and how much is just the Utility.

[72] Tax expense joint use is based on the amount of utility plant in service for the water treatment plant, the only asset that property taxes apply to, divided by the total utility plant in service.

[73] Return on rate base joint use is based on the total debt servicing costs for joint use assets divided by the rate base.

4.2.2 Percentage of Consumption

[74] The pre-hearing rate studies filed by the Utility [Exhibits T-1(ii) and T-3(xiv)] calculate each wholesale customer's percentage of consumption by dividing their metered consumption by the total metered consumption for all customers.

[75] In its pre-hearing evidence, Westville disagreed with this methodology, taking the position that:

The methodological approach presented to the Board, by over-stating Westville's consumption, has the effect of also overstating the amount of non-revenue water Westville residents are accountable for, and it also reduces the incentive for New Glasgow to make its distribution system 'tighter' since wasted water is not a factor of their share of produced water. Additionally, Westville residents contribute to covering a significant amount towards improving the distribution network in New Glasgow, in order to reduce non-revenue water losses without receiving a proportional direct benefit for bearing those costs.

[Exhibit T-5, p. 4]

[76] Westville proposes calculating its share of consumption by dividing its metered usage by the total water produced at the treatment plant, asserting that this method more accurately reflects the proportion of system water consumed by its residents and for which they should be held accountable.

[77] Mr. Isenor testified that the method used to calculate percentage of consumption in the Utility's pre-hearing rate studies was not the method that was intended to be used. He stated that this method was not appropriate because it was based only on metered consumption and did not take leakage into account.

[78] The Board asked Mr. Isenor whether it would be appropriate to allocate leakage differently to the transmission and distribution parts of the system on the basis that any leaks in transmission mains are likely to be identified and repaired more quickly

than leaks in distribution pipes. He disagreed and said that although large leaks in transmission mains will likely be identified and fixed quickly, there can also be smaller leaks in mains, such as at pipe joints, that can result in significant leakage before they are identified and fixed, no different than typical leaks that occur in distribution pipes. In his opinion, there is no reason to allocate leakage differently among different parts of the Utility's system.

[79] Mr. Weeres agreed that Westville's wholesale rate should consider Westville's contribution to leakage. He said that Westville's proposed methodology of dividing total metered consumption by total production results in allocating leakage to Westville.

[80] The Utility proposes calculating the percentage of consumption taking into account actual consumption and leakage as presented in its response to Undertaking U-1. First, leakage is allocated to each wholesale customer based on multiplying the total leakage in the system by the percentage of metered sales to that customer and then by the percentage of the transmission and distribution system used by that customer.

[81] For example, the leakage allocation to Westville is calculated as the total leakage in the system, 548,258 m³, multiplied by the percentage of metered sales to Westville, 30.2%, and the percentage of the system used by Westville, 18.6%, to arrive at an allocation of 30,800 m³. The percentage of consumption is then calculated as the sum of the wholesale customer's total metered sales and leakage allocation divided by the sum of the total metered sales for all customers and all leakage. To continue with the Westville example, for test year 2026/27, its percentage of consumption is calculated by dividing its total metered sales plus its leakage allocation, 661,325 m³, by the total

metered sales for all customers plus all leakage in the system, 2,608,660 m³, for a percentage of consumption of 23.35%.

[82] Westville provided a final response to the Utility's undertakings and acknowledged the effort taken to review the different models for allocating costs between the Town, Westville, and the County. Westville believes that any model should be fair, transparent, and simple to understand and implement. Westville strongly supports the model presented in Undertaking U-3, which reflects the proposal Westville originally recommended, as it believes this approach adheres to these principles.

4.2.3 Findings

[83] The Board notes that there is no manual or other guidance for calculating wholesale rates. The Board accepts the methodology and resulting joint use percentages for the various categories of operating expenses as set out in the revised rate study provided in response to Undertaking U-1. The Board is satisfied that the costs have been fairly allocated and the method is transparent.

[84] The method of determining the percentage of consumption for wholesale customers set out in the pre-hearing rate studies is based only on metered consumption. It does not consider leakage. The calculation proposed by Westville is based on its metered consumption divided by total water produced. The Board notes that this is essentially the same calculation approved by the Board at the Utility's last rate hearing (M06712). The concern with the Westville calculation and the calculation from the Utility's last rate hearing is that the total water produced includes all leakage, which means that using this method has the effect of allocating all leakage to the Utility's retail customers and none to wholesale customers. The Board finds that based on the evidence in this

application neither of these calculations are appropriate because one excludes leakage completely and the other allocates all leakage to the Utility's retail customers.

[85] Based on the testimony of Mr. Isenor, leaks occur throughout the Utility's system with no reason to treat leakage in transmission mains any different than leakage in distribution pipes. Mr. Weeres agrees that wholesale customers should contribute to leakage on an equitable basis based on that portion of the Utility's system that they use.

[86] The new method of calculating the percentage of consumption proposed by the Utility in response to Undertaking U-1 is based on metered sales plus an allocation for leakage. This method allocates leakage based on the percentage of joint use and the percentage of consumption. The Board finds this to be the most equitable approach based on the evidence provided.

4.3 Utility Customers

[87] The Utility currently has 3,758 customers, an increase of 81 since the 2015 rate application. New connections primarily occurred in the last five years. The application projects that the number of customers will increase by six residential customers per year over the test period. The Utility used the projected number of customers to calculate the proposed base charges in each of the test years.

[88] The current mix of customers consists of the following:

Customer Meter Size	Number of Customers
unmetered	1
5/8"	3,449
3/4"	162
1"	76
1 1/2"	29
2"	25
3"	4
4"	3
6"	7
8"	2
Total	3,758

[Exhibit T-7, p. 31]

[89] The calculation of overall consumption charges in the rate study is based on an annual water consumption of 1,231,715 m³ in 2025/26. There has been a 1.2% decrease since the last rate application in 2015. The average quarterly water usage for residential customers with 5/8" meters is currently 38 m³, which is comparable to other utilities in the province. The Utility's recommendation from the rate study is to assume a 1.0% decrease in annual consumption over the test years.

[90] The consumption for the 6" meter customers is decreasing at a higher percentage. NS Power is a 6" meter customer that has a facility and power generating station, which will shut down during the test years. The usage data provided by NS Power was used in the rate study.

[91] The Utility has not developed a demand side management program to assist customers in reducing consumption but has installed smart meters on all but one commercial customer. The Utility performs full system leak detection on a regular basis and monitors large customers, such as Westville, daily for fluctuations in consumption.

[92] In 2016, the Town had an engineering study done at the Bear Brook metering location which found no issues. The Utility continues, however, to have concerns as Westville water readings continue to show sustained high levels of consumption. In response to NSRAB IR-4 the Utility stated:

In 2024, the Town of Westville water readings continued to demonstrate sustained high levels of consumption, with usage exceeding the maximum daily allotment for approximately 19% (71 days) of the year and surpassing 80% of the permitted consumption allotment for 43% (159 days) of the year. These patterns indicate ongoing pressure on the system and reinforce the validity of the concerns identified by the New Glasgow Water Utility.

[Exhibit T-7 p. 2]

[93] In response, Westville stated that it is accountable for any non-revenue water losses within its own distribution system. Westville outlined several practices it has implemented to manage water distribution.

[94] Westville raised various concerns about its water supply agreement with the Town, including its view that quarterly allocation limits would be more appropriate than the seven-day average, and concerns about the quantity of water that Westville can purchase from the Utility. The Board will not consider these issues, as they are beyond the scope of this rate application.

[95] Westville also stated that the province recently approved a new 96 bed long-term care facility in Westville that is expected to open in 2028 and will require additional water from the Utility. At the hearing, the Board asked the Utility if Westville's consumption should be increased in the rate study because of this new facility. Mr. Isenor responded that the facility must be occupied for a year before it can be added into the rate study. Accordingly, this new facility's water consumption would not be captured in this rate study.

4.3.1 Findings

[96] The Board finds the projected number of customers over the test period and the projected consumption amounts to be reasonable, given the Utility's recent history.

[97] Given the size of the rate increases proposed in this application, the Board is concerned about rate shock for customers. However, these customers have also benefited from having stable rates for almost a decade and the Utility is proposing to use \$1,060,000 from surplus to help reduce rate increases. The Board carefully considered the impacts to the Utility and its ratepayers, both in absolute dollars and in percentage terms, and to similar situations it has reviewed.

[98] The Board finds that the methodology used by the Utility in the calculation of base rates and consumption charges in the test years is appropriate. The Board notes that a large portion of the proposed capital work relates to upgrading the Utility's water supply and distribution mains, to ensure all customers will have safe water reliably delivered. These are necessary costs and the revenue must come from customers to properly finance the operations. The Board understands that there may be concerns with respect to the proposed rate increases, but is required to ensure the ongoing, sustainable, safe operation of the Utility. As the Board found in *Amherst (Town), Re*, 2006 NSUARB 85:

[14] ... in setting rates, it is not the Board's role to provide the cheapest rates possible for minimal service. Rather, it is the Board's role to ensure that the rates are sufficiently robust to enable the Utility to provide reasonable, adequate and safe service.

[99] Based on the information filed, the Board approves the customer rates as presented in the revised rate study filed in response to Undertaking U-1, including using a substantial amount of accumulated surplus in the first two test years to help reduce rate increases to customers. This reduces the projected accumulated surplus from \$1,884,269 in 2025/26 to \$824,269 in 2028/29.

[100] The Board is satisfied that the Utility has managed its finances well since its last rate application. However, filing a rate application earlier could have reduced the increases that will be experienced by customers. While rising costs would still have caused customer rates to rise, an earlier rate application could have produced more gradual rate increases.

[101] The Board encourages the Utility to file a rate application before the end of the final test year and not wait as long between rate applications.

5.0 SCHEDULE OF RATES AND CHARGES

[102] In addition to the proposed rate changes for water supply to its customers, the Utility proposed changes to its charges, including adding a new charge for bulk water sales, providing guidance for haulers, providing clarity on responsibility for private fire lines and sprinkler services, and increasing the charge for missed appointments from \$25 to \$55 to reflect the higher cost of providing the service.

5.1 Findings

[103] From the information presented, the Board finds that the Utility's proposed Schedule of Rates for Water and Water Services is reasonable. The Board approves Schedules A, B, and C in the revised study filed in response to Undertaking U-1 [Exhibit T-7, p. 61 – 63]. The rates in these schedules will come into effect on April 1, 2026, April 1, 2027, and April 1, 2028, respectively.

6.0 SCHEDULE OF RULES AND REGULATIONS

[104] In response to IR-63, the Utility listed proposed amendments to 10 of its Rules and Regulations and proposed 11 new ones. In most cases the changes are being proposed to make them consistent with other water utilities in Nova Scotia. The proposed new rules are provided in response to Undertaking U-10 and are summarized below:

- Rule 10 – Fire Hydrant Flow Testing: Provides guidance and cost for the Utility flow testing of private hydrants;
- Rule 11 – Special Service Supplied from Fire Hydrants: Clarification on the use of fire hydrants;
- Rule 14 – Water Meter Installation: Installation process and cost of installing a water meter;

- Rule 15 – AMI Meters: Installation process and reading of AMI meters including the cost if an AMI meter is not installed;
- Rule 16 – Master Water Meters: Provides clarification on responsibilities when a master meter is installed or a customer is served by multiple water meters;
- Rule 29 – Lead Water Service Connection Replacement: Provides guidance on replacement of lead water service pipes;
- Rule 32 – Theft of Service: Establish penalties for theft of service;
- Rule 42 – Designated Bulk Water Fill Station: Establishes the cost and usage of bulk water fill stations;
- Rule 43 – Alternative Water Supply Prohibited: Establishes the use of water supplies by customers;
- Rule 44 – Water Service Control Valves: Clarifies the owners' responsibility to maintain clear access to water service control valves; and
- Rule 45 – Water Conservation: Clarifies the consequences of failing to comply with water conservation measures.

[105] The Utility provided a correction to an incorrect reference in Rule 20 in response to Undertaking U-10.

6.1 Findings

[106] The proposed Schedule of Rules and Regulations is generally consistent with other water utilities in the province that have had recent rate applications. The Board approves the amendments to the Schedule of Rules and Regulations noted above, filed as Schedule D in response to Undertaking U-10 [Exhibit T-1, pp. 64-76].

[107] The Board reminds the Utility to regularly review its Rules and Regulations to ensure that they meet its needs and provide certainty for its customers. The Board notes that the Utility can request Board approval to update existing Rules and Regulations or add new ones at times other than a general rate application.

7.0 CONTINGENCY PLANNING

[108] In response to NSRAB IR-66 and IR-67, the Utility provided general information about its efforts related to contingency planning, emergency preparedness and cybersecurity. The Utility has not prepared a formal risk assessment but in its WTP Operations Manual has identified types of contingencies and emergencies that could occur. These will be reviewed and updated during the test period as part of the Utility's operating plan.

[109] The Utility has a watershed protection plan in place and has taken steps to protect its water source by purchasing watershed properties, having a strategy for forest management and spill containment for oil spills. The upgrades to the Dam, which is the only source of water for the Utility, will be done over the test years.

[110] The Utility has risk mitigation measures in place for critical equipment, including duplex pumps at the WTP and the distribution system for chemical dosing and chlorination. The Utility has installed backup generators at the WTP and at a pump station in the distribution system.

[111] Copies of the contingency and emergency preparedness plans were provided. The Utility stated that these plans are continuously reviewed and discussed with internal staff at least annually.

[112] The Utility's water conservation plan is ready to be implemented during water shortages or interruptions but has not yet been needed. The summer of 2025 was dry, but the Utility monitored the water levels closely and they did not reach the levels that would have required water conservation measures.

[113] The Utility received a few complaints with respect to water quality and pressure, but they were related to repairs on watermain breaks and routine hydrant flushing. There have been no boil-water advisories issued recently.

[114] The Utility has several cybersecurity and operational safeguards in place. Cyber insurance coverage is maintained, and multi-factor authentication is required for all external access to the Utility's IT systems. The Utility manages its IT and cybersecurity functions internally, with limited external support provided for the finance and billing system. There is annual cybersecurity training for staff. No external cybersecurity assessment has been conducted.

7.1 Findings

[115] The Board notes that the Utility has taken steps to protect its water source by purchasing watershed properties, implementing forest management practices, and maintaining spill containment measures for oil spills. The upgrades to the Dam, the Utility's only available water source, will ensure its compliance with the Canadian Dam Safety Guidelines. The Board notes the Utility's proactive steps to evaluate its cybersecurity protections and readiness and encourages it to work on continuous improvement in this area. The Board reminds the Utility of the importance of maintaining and updating its contingency and emergency preparedness strategies and associated communication plans.

8.0 CONCLUSION

[116] The Board approves the Rates for Water and Water Services, effective April 1, 2026, April 1, 2027, and April 1, 2028, as shown in Schedules A, B, and C, respectively, from the revised rate study filed in response to Undertaking U-1 [Exhibit T-7, pp. 52-63].

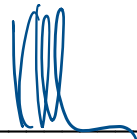
[117] The Board approves the Schedule of Rules and Regulations, as shown in Schedule D filed in response to Undertaking U-10 [Exhibit T-7, pp. 64-76], with an effective date of April 1, 2026.

[118] The Board encourages the Utility to apply to establish a capital reserve fund to save for capital projects and to deposit any unspent variances in depreciation, principal and interest expenses not expended for a project.

[119] The Board further encourages the Utility to file its next rate application before the end of the final test year (March 31, 2029).

[120] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 27th day of March 2026.



M. Kathleen McManus



Darlene Willcott



Marc L. Dunning