DECISION **2026 NSRAB 49**
M12543

NOVA SCOTIA REGULATORY AND APPEALS BOARD

IN THE MATTER OF THE PUBLIC UTILITIES ACT

- and -

IN THE MATTER OF AN APPLICATION by the **MUNICIPALITY of the DISTRICT of EAST HANTS**, 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: Jennifer L. Nicholson, CPA, CA Member

APPLICANT: **MUNICIPALITY of the DISTRICT of EAST HANTS**

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

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

Wade Tattrie
Director of Finance

Jordan Baltzer
Manager of Finance

Kim Ramsay
Chief Administrative Officer

Jesse Hulsman
Director of Infrastructure

HEARING DATE: February 18, 2026

FINAL SUBMISSIONS: February 18, 2026

DECISION DATE: **April 1, 2026**

DECISION: **The Schedules of Rates for water and water service are approved, effective April 1, 2026, April 1, 2027, and April 1, 2028. The Schedule of Rules and Regulations is approved, effective April 1, 2026.**

TABLE OF CONTENTS

1.0 SUMMARY

[1] In November 2025, the Municipality of the District of East Hants applied to increase the rates for its water utility by an average of 25% for residential customers, effective April 1, 2026. The utility proposed further amendments to rates effective April 1, 2027, and April 1, 2028. The application also proposed rate increases for customers with other meter sizes, ranging, on average, from 27.5% to 32.4% for April 1, 2026, and like for its residential customers, further amendments on April 1, 2027, and April 1, 2028. The utility's current rates came into effect on April 1, 2019.

[2] In the 2024/25 fiscal year, the utility had an operating deficit of over $320,000 and was projecting a larger deficit of almost $905,000 in the 2025/26 fiscal year, leaving it with an accumulated surplus of $313,211. Without a rate increase, the utility projects operating deficits of over $600,000 in 2026/27, $700,000 in 2027/28, and almost $1 million in 2028/29, leaving the utility with an accumulated deficit of almost $2 million on March 31, 2029. Thus far, the utility has been able to cover the annual operating deficits by using its accumulated surplus.

[3] In addition to operating cost pressures, 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 $970,000 on capital projects in 2026/27, $3,595,000 in 2027/28, and $3,140,000 in 2028/29.

[4] Based on questions raised by the Board in its Information Requests (IRs), the utility prepared a revised rate study, where the utility is proposing to use some of its accumulated surplus to lower the rate increases in the first test year and spread out the increases more evenly over the test period. This proposal has increases for the utility's

customers in the second test year, as opposed to decreases, and smaller increases in the final test year. This also results in slightly lower rates at the end of the test period.

[5] The revised rate study also updated the projected deficit for 2025/26 to $720,000, leaving it with a larger accumulated surplus at the start of the test period. It is the revised rate study that is referenced in this decision, unless otherwise noted.

[6] The Board has reviewed the rate study and approves the Schedules of Rates for Water and Water Service and the Schedule of Rules and Regulations as filed by the utility in its IR responses.

2.0 BACKGROUND

[7] The utility is comprised of two water systems. The Regional Water System services the communities of Enfield, Elmsdale, and Lantz, and the Shubenacadie Water System services the community of Shubenacadie.

[8] The Shubenacadie River acts as the source of water for the area serviced by the former Regional Water System, which is piped to the Enfield water treatment plant. A pumping station in Horne Settlement pumps water from Grand Lake to the Shubenacadie River during low flow conditions, to allow a minimum supply of raw water to the Enfield plant. The treatment plant uses dissolved air flotation as its primary method of treatment. This system has three water towers, and the utility has a bulk water station in Enfield.

[9] Shubenacadie Water System services the community of Shubenacadie within the Municipality of East Hants. This system sources its water from an underground

aquifer that is accessed using wells. The Shubenacadie system has one water tower that supports pressure management and fire flows.

[10] The utility's existing rates and charges have been in effect since April 1, 2019, and its regulations have been in effect since July 1, 2017. The utility has made many updates and changes to its systems since its last rate application. The utility has also added several new service areas within its service boundaries over the same period.

[11] The utility requires rate adjustments to continue meeting its operational obligations, address its operating deficit, 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 October 17, 2025, supporting the application.

[12] The initial rate study proposed rates for the test years 2026/2027, 2027/2028, and 2028/2029. For a 5/8" meter, mostly residential customers, the proposed changes in each test year (based on average quarterly consumption) are an increase of 25% in 2026/27 (April 1, 2026), a decrease of 1.4% in 2027/28 (April 1, 2027), and an increase of 3.6% in 2028/29 (April 1, 2028). For all other metered customers, based on the average quarterly consumption for each meter size, the proposed rate amendments are increases of between 27.5% and 32.4% in 2026/27, a decrease of 1.0% in 2027/28, and increases of between 3.3% to 3.8% in 2028/29.

[13] Board staff issued IRs on November 27, 2025. The utility responded to the IRs on December 18, 2025. A revised rate study was filed with the IR responses.

[14] The average rate increases for 5/8" meter customers calculated in the utility's revised rate study are 17.2% in 2026/27, 7.4% in 2027/28, and 0.4% in 2028/29. For all other metered customers, average rate increases are between 19.1% and 23.2%

in 2026/27, 8.5% and 9.8% in 2027/28, and 0.6% to 0.7% in 2028/29. The utility proposed April 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 coming into effect on April 1, 2028. It is the revised rate study that is referenced in this decision unless otherwise noted.

[15] The Board held a public hearing on February 18, 2026, at the Municipality's Council Chambers in Elmsdale, Nova Scotia, after due public notice. The utility's consultants, Gerry Isenor and Blaine Rooney, represented the utility, accompanied by the following representatives from the Municipality: Kim Ramsay, Chief Administrative Officer; Wade Tattrie, Director of Finance; Jordan Balltzer, Manager of Finance; and Jesse Hulsman, Director of Operations and Infrastructure.

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

[17] At the time of the previous rate application, the utility noted that the non-revenue treated water was approximately 30.5%. In response to IR-4, the utility noted that the most recent estimate of non-revenue water is 35% of the water produced. In the same IR response, the utility provided a list of activities and capital expenditures it is undertaking in the test period to address non-revenue water.

[18] The utility noted the ongoing district metering area project, which will help narrow down the location of any leaks in the system. The application also includes a water meter program for $55,000 per year, which is for the replacement of defective water meters and meters for new customers.

[19] The utility has approximately 3,200 metered customers, up from approximately 2,700 at the time of the previous application. About 95% of the utility's customers are residential, the remainder being commercial or industrial customers. The application projects growth of eighty-five 5/8" residential metered customers and two 1.5" meter customers in each test year, with an increase of one 3" metered customer in 2026/27, resulting in an estimated total customer base of 3,468 at the end of the test period.

3.0 REVENUE REQUIREMENTS

3.1 Operating Expenditures

[20] For the fiscal year ended March 31, 2025, the utility had an excess of expenses over revenue of $320,986 and an accumulated operating surplus of $1,539,004. For the year ended March 31, 2026, the utility projects an excess of expenses over revenue of $720,012, lowering the accumulated surplus to $498,006.

[21] The utility rate study projects that at current rates, the utility's expenses will exceed revenues by $298,574 in 2026/27. This assumes that the utility recognizes $450,000 of its accumulated surplus as non-operating revenue to reduce the deficit. Without this measure the deficit is forecast to increase to $748,574. The deficit is forecast to be $703,466 in 2027/28, and $847,589 in 2028/29. This would lead to an accumulated deficit of $1,351,622 at the end of the test period.

[22] Board staff asked several questions on changes in cost items from the actual 2024/25 amounts to the 2025/26 projected, as 2025/26 is the basis for the test years' 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 2.0% to 3.0%, depending on the expense line item. The utility described its budgeting process in response to IR-17:

> The municipal budget process normally begins in late September or early October and normally finishes by late February or early March. The water utility budgeting process follows the same processes as the municipal operating and capital budgeting processes.
>
> Municipal Finance staff prepare draft documents for the upcoming fiscal year (April 1 to March 31) for each of the respective operating departments to complete. Finance staff complete the sections related to staffing and benefits. Finance staff schedule meetings with each of the responsible departmental staff (budget managers) to review and discuss the draft budget documents (both operating and capital). Changes are made as appropriate. Normally these meetings are held in November and December. Once all departmental meetings are completed and documents revised – meetings are again held with Finance staff, departmental staff and the CAO to review in detail (mid to late December). The CAO makes decisions on budgets prior to completing various documents that are prepared for Council members to review. This normally happens in late January through to early March. There are several special budget meetings with Finance staff, departmental staff, the CAO and Council members to review the draft budget documents. Council asks questions and makes decisions on changes they want to see made. Council will then vote on the revised budget documents. After a budget is approved for a fiscal year, Finance staff and departmental staff (budget managers) meet several times a year to review actuals and discuss issues arising during the year. Issues of significance will be brought to the attention of the CAO or Council as appropriate. There is a budget policy document that guides the budgeting processes.
>
> There has not been any substantial changes in this process since the last rate review.
>
> [Exhibit E-4, p. 9]

[23] In response to IR-18, the utility explained how costs are allocated between the utility and the Municipality and addressed changes made from previous rate studies, as follows:

> a) allocation of 7.5% of certain Information Technology costs are allocated to the Water Utility as a computer support fee
>
> A calculation is prepared where 5% of administrative costs and 10% of finance costs are allocated to the Water Utility and sewer systems. The Water Utility receives 44% of this amount as an administrative fee.
>
> Many of the Municipality's staff who have partial connection to Water Utility operations have a portion of their salary allocated to the Utility.
>
> An allocation is prepared to split certain water and sewer costs relating to the Milford Wastewater Treatment Plant as it contains an administrative building that is used by Water Utility staff. In addition, the Water Distribution truck is kept at this facility. The Allocation to the Water Utility is 44%.

> Landscaping costs are also allocated within the Municipality. The Water Utility receives an allocation of 10% total, with 6% being Water Treatment and 4% being Transmission and Distribution.
>
> Internal custodial services are allocated to the Water Utility at 2.56% of the total custodial costs.
>
> i. Both the custodial allocation and landscaping allocations are new since the last rate application as these services were brought in-house for the Municipality after 2016.
>
> …
>
> Salary allocations, custodial and landscaping costs are reviewed annually to determine if the percentage is reasonable.
>
> The computer support fee and administrative fee percentages do not change; however, the costs that are part of the initial calculation are scrutinized annually and if it is determined that a large expenditure was not relevant to the Water Utility, it would be removed from the calculation.
>
> The allocation for Milford Wastewater Treatment Plant has remained consistent at 44% and is reviewed occasionally to determine if it is still reasonable.
>
> [Exhibit E-4, p. 9-10]

[24] Non-revenue water was calculated to be approximately 35% in 2025 (year-to-date from April to September). In response to IR-4, the utility outlined measures it has taken to address non-revenue water and included further planned operating and capital works that would also help address water loss. When asked by the Board if any reduction in non-revenue water was budgeted, the utility confirmed that it did not include any reductions during the test period.

[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 the capital items that were not explicit in the Handbook are being depreciated based on their estimated useful lives.

3.1.1 Findings

[26] The utility is projecting that its accumulated surplus will be eliminated during the second test year, without an amendment to its rates, and will face a growing accumulated deficit at the end of the test period.

[27] 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 unaccounted for water and encourages the utility to continue with 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.

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

[29] The Board notes that once the planned capital projects are completed, there should be some positive impact on non-revenue water. Any savings from the reduction in non-revenue water will be captured in the next rate study.

[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.

3.2 Capital Budget and Funding

[31] The rate study included the utility's proposed capital additions of $557,000 in 2025/26. For the test years, this increases to $676,000 in 2026/27, $1,105,000 in 2027/28, and $3,405,000 in 2028/29.

[32] In response to IR-23, the utility provided a list 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
Outside Funding	$0	$0	$500,000
Depreciation Funds	621,000	1,050,000	2,850,000
Capital out of Revenue	55,000	55,000	55,000

[33] The utility noted that the outside source of funding for the test period is from the Canadian Community Building Fund, and the agreement covering this program was renewed with the Federal government in 2024. The utility further noted that the Municipality sets these funds aside annually in a reserve. As of March 31, 2025, the reserve had a balance of over $4.4 million, with additional funding received each year.

[34] In the previous application, the utility explained that the Obligatory Reserve (Water Infrastructure) is funded through a charge to new development, which is collected by the Municipality and set aside to be used to fund projects that extend the current infrastructure. The utility confirmed in this matter that the reserve account balance was $1,228,361 as of March 31, 2025, and is projected to be $1,373,765 on March 31, 2026. The utility confirmed that it no longer has a separate fire protection reserve.

3.2.1 Findings

[35] 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 $634,158, due to the majority of the funding of the

capital budget coming from the depreciation fund. The Board notes that although the balance in the depreciation fund is relatively low, the amount of capital spending and associated depreciation expense and transfers to the depreciation fund will increase the depreciation funding available in future years.

[36] The utility is reminded that the inclusion of the proposed capital projects in the rate study does not constitute Board approval of these projects. Separate Board approval is required for projects in excess of $250,000 as set out in s. 35 of the *Public Utilities Act (Act).*

3.3 Non-Operating/Other Revenues and Expenditures

[37] The miscellaneous operating revenue of $24,375 projected in each of the test years relates to administration fees (meter installations and reconnection fees), water account statement and bill reprints, NSF and late fees, as well as sprinkler system, disconnection, and private hydrant fees.

[38] The non-operating revenue consists of investment income and interest. In the first test year, 2026/27, an amount of $450,000 is indicated as a transfer from operating surplus. In response to IR-29, the utility noted that the transfer from accumulated surplus is being proposed to assist in smoothing rates from what they were proposed to do in the original rate study.

[39] The rate study includes non-operating expenses as the debt charges associated with the utility's existing debt, capital out of revenue, and bank and finance charges. The capital out of revenue was noted in the utility's capital budgets for the test years, as discussed above. The capital out of revenue is $55,000 per year, which the

utility notes is to fund various small capital projects that happen every year (i.e. new meters). No new debt is projected in the test period.

[40] The utility's calculated return on rate base, using the assumptions and projections in the rate study, are 0.09%, 2.19% and 2.01%, in each of the three test years, respectively.

3.3.1 Findings

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

[42] The Board accepts the non-operating expenditures, including the capital from revenue amounts. The Board also accepts the use of the accumulated surplus in the first test year to smooth rates over the test period.

[43] The Board advises the utility to take into consideration its operating position when preparing capital budgets, to ensure that capital from revenue is not used as a funding source at a time when there is an excess of expenses over revenue (operating deficit), when other sources of funding, such as from the Depreciation Fund, are available.

[44] The utility is projecting no new debt in the Test Years to fund its capital budget. The Board accepts the calculated rates of return as reasonable.

3.4 Bulk Water Rates

[45] In response to IR-8b, the utility noted that it currently has 640 account holders for bulk water services. This number increased significantly over the past summer and fall due to the drought conditions. Many account holders are not regular users of bulk water but have open accounts. For a normal weather year, the utility would estimate an annual increase of about 30 new accounts.

[46] Worksheet C-9 of the rate study calculates the rate for bulk water as operating and non-operating expenses divided by total water consumption, then marked up by 20%. During the hearing, the utility noted that the bulk water rate is calculated the same as other utilities that have bulk water rates, but uses a mark-up of 20%, where most use a 30% mark-up. The utility noted that a 20% mark-up is reasonable given its circumstances.

[47] The utility is projecting a decrease in bulk water revenue from 2025/26 when it hit $245,000, to $175,000 in each of the test years. This decrease brings the revenue more in line with a normal year, as 2025/26 was higher due to an increase in the number of people requiring water during the drought periods in 2025.

3.4.1 Findings

[48] The Board approves the utility's proposed bulk water rates for each of the test years. The Board notes that a 20% markup, though lower than the 30% most utilities use for bulk water stations, appears to be reasonable. The Board also accepts the utility's assumption that the bulk water revenue will return to a more normal level, unless the area is hit with drought again.

4.0 REVENUE REQUIREMENT ALLOCATION

4.1 Public Fire Protection

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

[50] In response to IR-7, the utility noted that it has been working to provide adequate fire protection to all areas and that all new development meets the current

standards. The utility added 11 hydrants in areas with gaps in the spacing of hydrants. Three hydrants were installed in Elmsdale and eight in Lantz.

[51] The allocation of utility plant in service to public fire protection is calculated in Worksheet B-5 as 28.6% in 2026/27, 29.3% in 2027/28, and 31.3% in 2028/29. These allocations, along with 10% of all other expenses, result in total costs allocated to fire protection of 19.5%, 20.6%, and 21.8% for each of the three years, respectively.

[52] Based upon the rate study's calculations, the fire protection charge is proposed to decrease by 1.9% in 2026/27. The decrease is mainly due to the portion of the $450,000 of non-operating revenue from the accumulated surplus, allocated to fire protection. The fire protection is proposed to increase by 18.4% in 2027/28 and 10.7% in 2028/29.

4.1.1 Findings

[53] 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.

4.2 Utility Customers

[54] The remainder of the utility's revenue requirement, after the allocation to fire protection service, is to be recovered from customers. The methodology the utility used to allocate revenue requirement to customer, base, delivery and production charges is consistent with the *Handbook*. These allocations cause the revenue from the fixed charges to be 24.3% in 2026/27, 22.9% in 2027/28, and 23.1% in 2028/29.

[55] The application projects that the number of customers will increase by 85 5/8" metered customers and two 1.5" customers per year, with one 3" customer being

added in the first test year over the test period. This results in an estimated total of 3,468 customers at the end of the test period.

[56] 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 over the most recent 12-month period, adjusted for the growth of new customers assuming average usage for those customers. It incorporates a reduction of 0.5% per year for 5/8” customers. The utility noted that the consumption for 5/8” metered customers is down by about 0.7% per year to 144 cubic metres, since the previous rate study.

4.2.1 Findings

[57] 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*’s suggested allocations were requested by the utility.

[58] 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.

[59] Based on the information filed, the Board approves the methodology for setting customer rates as presented in the rate study submitted with its IR responses.

5.0 SCHEDULE OF RATES FOR WATER AND WATER SERVICES

[60] In addition to the rates for water supply to its customers, the application proposed amendments to several existing miscellaneous rates and charges to both better reflect the cost to provide the service and to be more in line with rates charged by other water utilities in the province.

[61] In addition to updating fees, the utility is proposing to move the charge for Meter Testing from the Rules and Regulations to the schedule containing rates, where it more appropriately belongs.

5.1 Findings

[62] The Board has reviewed the proposed amendments, as filed in response to the IRs, and finds them to be reasonable. The Schedules of Rates and Charges for the Test Years are approved as included in the rate study.

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

6.0 SCHEDULE OF RULES AND REGULATIONS

[64] The utility's response to IR-31 listed the proposed changes to the Schedule of Rules and Regulations, which are generally administrative in nature. The changes or additions made to the schedule were to be in line with other water utilities that had recent rate applications, provide greater clarity, or move references to any charges to the Schedule of Rates.

[65] The Board reminds the utility that it can request Board approval to update its Rules or 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.

6.1.1.1 Findings

[66] The Board finds that the proposed changes to the Schedule of Rules and Regulations are reasonable and approves them as filed attached to the rate study filed with the IR responses.

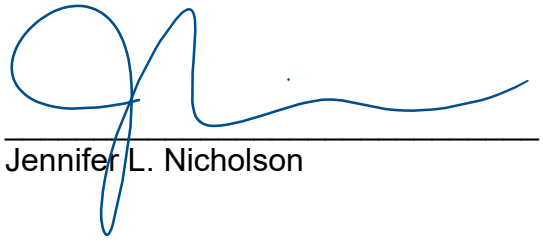
7.0 CONCLUSION

[67] The Board approves the Rates for Water and Water Services, as Schedules A, B, and C, as attached to the rate study filed with the utility's IR responses. The schedules will come into effect on April 1, 2026, April 1, 2027, and April 1, 2028, respectively.

[68] The Board approves the Schedule of Rules and Regulations, as Schedule C, as attached to the rate study filed with the utility's IR responses. The updated schedule will be effective on April 1, 2026.

[69] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 1st day of April 2026.



Jennifer L. Nicholson