DECISION **2025 NSRAB 93**
M12207

NOVA SCOTIA REGULATORY AND APPEALS BOARD

IN THE MATTER OF THE PUBLIC UTILITIES ACT

- and -

IN THE MATTER OF AN APPLICATION by the **ST. PETER'S-SAMSONVILLE & AREA WATER UTILITY**, for approval of amendments to its Schedule of Rates and Charges for Water and Water Services and amendments to its Schedule of Rules and Regulations

BEFORE: M. Kathleen McManus, K.C., Ph.D., Member

APPLICANT: **ST. PETER'S-SAMSONVILLE & AREA WATER UTILITY**

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

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

Amanda Martell
Director of Public Works

Meghan Hayter
Administrator

HEARING DATE: July 9, 2025

FINAL SUBMISSIONS: July 14, 2025

DECISION DATE: **September 22, 2025**

DECISION: **The application is approved, subject as outlined in this decision and a compliance filing.**

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1.0 SUMMARY

[1] On April 8, 2025, the St. Peter's-Samsonville & Area Water Utility applied to the Nova Scotia Regulatory and Appeals Board to amend its Schedule of Rates and Charges for Water and Water Services and its Schedule of Rules and Regulations under the *Public Utilities Act*, R.S.N.S. 1989, c. 380.

[2] The utility's existing rates and charges have been in effect since April 1, 2019, and its Schedule of Rules and Regulations has been in effect since October 1, 2017. The utility's consultants, G.A. Isenor Consulting Limited and Blaine S. Rooney Consulting Limited, prepared a rate study supporting the application.

[3] The rate study proposed rates for fiscal years 2025/2026, 2026/2027, and 2027/2028 (test years) for its customers. The proposed increases are to take effect on October 1, 2025, April 1, 2026, and April 1, 2027, for each of the test years. For 5/8" metered customers, most of whom are residential customers, the proposed increases were, based on average quarterly consumption, 19.5% in 2025, 5.6% in 2026, and 5.8% in 2027. For all other metered customers, based on the average quarterly consumption for each meter size, the proposed rate increases were between 29.3% and 55.2% in 2025, 7.4% to 10.4% in 2026, and 6.4% to 7.4% in 2027.

[4] The utility provides fire protection services, which are paid for by the Village of St. Peter's and the Municipality of the County of Richmond (Municipality). The total fire protection charge was proposed to increase in each of the test years by 2.4% in 2025, 25.7% in 2026, and 8.6% in 2027.

[5] The Board held a public hearing on Wednesday July 9, 2025, at the St. Peter's United Church Hall in St. Peter's, Nova Scotia, after due public notice. The utility's consultants, Gerry Isenor, P.Eng., and Blaine Rooney, CPA, CA, represented the utility,

accompanied by the following representatives from the Municipality: Meghan Hayter, Administrator, and Amanda Martell, Director of Public Works. There were no formal intervenors in the matter, and the Board did not receive any requests to speak at the hearing. One letter of comment was received from the Honourable John A. Lohr, Minister of Municipal Affairs.

[6] The Board reviewed the rate study and the information filed in response to the Information Requests (IRs) before the hearing. During the hearing, the filed information was further examined, leading the Board to request that the utility submit additional information and a revised rate study, which the utility subsequently undertook to file following the hearing.

[7] The utility filed its undertaking responses, including the revised rate study, on July 14, 2025. It is this revised rate study that will be referred to in this decision, unless otherwise noted. The revised rate study led to several changes to the Schedule of Rates and Charges.

[8] The average rate increases for 5/8” metered customers calculated in the revised rate study are 17.0% in 2025, 5.9% in 2026, and 5.9% in 2027. For all other metered customers, average rate increases are projected to be between 26.7% and 52.3% in 2025, 7.6% to 10.4% in 2026, and 6.6% to 7.5% in 2027. The first-year increases are lower than the original rate study. In addition to customer rates, the fire protection charge increases were amended to increase by 1.3% in 2025, 23.3% in 2026, and 8.8% in 2027.

[9] The change in rates over the test period in the rate study, as indicated in the utility's response to the undertakings, was due to a correction in applying the correct depreciation expenses for the test period.

[10] The utility proposes an effective date for the increases in the first test year to be October 1, 2025, with later increases effective on April 1 in the other two test years. The Board approves Schedules A, B, C, and D from the revised rate study, as requested by the Board in undertaking U-1.

2.0 INTRODUCTION

[11] The utility's current source of water supply is from four production wells that are disinfected. Water enters a storage tank (located at the wellfield) and is gravity fed to the Village of St. Peter's and the Community of Samsonville.

[12] The utility began operating a groundwater source located in Samsonville in 2009.At first, there were five production wells (PW). PW#1 and PW#2 failed early on, and the utility dug two additional PW (PW#6 and PW#7). PW #7 has been put into service. PW#6 has low quantity and has not been put into service. Consequently, PW#3, 4, 5 and 7 are the four wells currently in operation. There are also seven observation wells in and around the wellfield. The water utility extended water service to the community of French Cove and began distributing water to that community in March 2018.

[13] The utility currently serves approximately 560 customers. This is an increase of 63 new customers over the beginning of the previous test period, mainly due to the connection of the French Cove system. The utility is projecting that two new 5/8" metered customers will be added to the system in each of the final two test years, for a total of 564 in 2027/28. The higher rates are required to continue to meet increasing

operating costs, carry out necessary capital additions, and phase in the full depreciation being transferred to the depreciation fund by phasing out the amortization of capital contributions by the end of the test period.

3.0 REVENUE REQUIREMENTS

3.1 Operating Expenditures

[14] For the fiscal year ended March 31, 2024, the utility had an excess of expenditures over revenues of $100,089 and an accumulated operating surplus of $265,137. These amounts included the amortization of contributed capital of $117,972, which, if it were not included, would have further increased the annual deficit and lowered accumulated surpluses by that same amount. For the year ended March 31, 2025, the utility projects that it had an excess of expenditures over revenues of $57,841, reducing the accumulated surplus to $207,296.

[15] The *Water Utility Accounting and Reporting Handbook (Handbook)* requires that “An amount of cash equal to the depreciation claimed is to be set aside annually out of earnings and carried in a Depreciation Fund.” At the time of the previous rate study, the utility was not transferring the full amount of the depreciation expense into the depreciation fund. As part of that previous application, the utility requested the phasing out of the amortization of contributed capital by the final test year, so that the full amount of depreciation would be included in rates.

[16] After the final test year of the previous rate study, the utility stopped transferring the equivalent of the full depreciation expense into the depreciation reserve fund and only transferred the net depreciation amount, after accounting for the

amortization of contributed capital. The utility took this approach instead of applying for amendments to rates to allow it to have the cash flow to transfer the full amount. The approved rates at that time included the full cost of depreciation.

[17] In response to Board staff IR-8, the utility noted that it did not use the accumulated surplus to fully fund the depreciation fund after the final test year of the previous application, as the accumulated surplus was quite old, and could not have absorbed the difference in funding the full amount. The same IR response noted that "the net funding was done based on the previous water rate study."

[18] In the current rate study, the utility is proposing to phase out the amortization of contributed capital over the first two test years, so that it can transfer the full amount of the depreciation expense in and after the final test year.

[19] The rate study projects that, at current rates, the utility's expenditures will increasingly exceed revenues by $73,409 in 2025/26, $142,625 in 2026/27, and $190,205 in 2027/28, resulting in an accumulated deficit of $183,738 by the end of the test period.

[20] For the most part, the rate study's operating expenses for the test years are based on the utility's 2024/25 budget, with annual increases of approximately 3% for inflation.

[21] The utility noted that there have been no changes to its budgeting process since its last rate application. The utility described its budgeting process in response to IR-12:

> The Utility works with its auditor, using the previous year's information, to budget for the current year. The budget is then submitted to the Water Utility Board for approval.
>
> [Exhibit S-4, p. 9]

[22] The utility also noted that cost allocations between it and the Village are reviewed annually. In response to IR-13a), the utility stated:

> The Water Utility is billed by the Village for the Utility's portion of shared expenses, including administration, office, vehicles, and employee wages.
>
> [Exhibit S-4, p. 10]

[23] During the hearing, the utility noted that it has no dedicated staff and that costs are allocated to the utility based on time sheets.

[24] The depreciation expense is based on the previous year's depreciation plus depreciation on capital additions in each of the test years. In response to IR-17, the utility stated that the depreciation rates used for the proposed capital additions over the test period conform to the *Handbook*.

[25] During the hearing, Mr. Rooney noted a mistake in the original rate study related to the depreciation on a previously undepreciated asset, in which its associated depreciation was added twice. This error was corrected in the response to undertakings and was the primary reason for the reduction in rates from the original rate study to the revised rate study.

[26] At the time of the utility's last rate application in 2018, the amount of treated water lost (non-revenue water) was approximately 40% of total production (50,000 m^3). In response to IR-5, the utility provided an update on non-revenue water as follows:

> During construction of the new Pepperell St water main Jan - July 2024, there were a lot of water losses due to breakage of existing infrastructure and work in the area making it difficult to locate existing leakage. The Utility documents all leak repairs done on the system, about 45% of the water lost last year was a result of the work being done for the watermain. Current calculations 2025 indicate that we are still at 40% non-revenue water. As of Jun 15th 2025 our daily distribution demand is 80m3/day less than in 2024.
>
> [Exhibit S-4, p. 4]

Findings

[27] The Board accepts the utility's explanation for the allocation of expenses between the Municipality and the utility, which is based on time sheets for allocating staff time and related expenses. The Board reminds it to review the allocations periodically and revise them as necessary.

[28] Based on the information provided, the Board accepts the operating expenses contained in the rate study. The Board also accepts the depreciation expenses for the test period, which are based on the current actual depreciation expense plus annual depreciation on the gross cost of capital additions.

[29] The Board notes that the utility's failure to transfer the full amount of depreciation after the final test year of the previous rate study is contrary to the *Handbook* and the Board's decision in the utility's last rate application. The Board understands that it is a general accounting standard to recognize net depreciation for accounting purposes. This general standard does not supersede the *Handbook*, which the Board has approved, or the Board's past decisions. The utility should recognize the amortization of contributed capital in its financial statements, but that does not remove the obligation of the utility to transfer the full amount of depreciation to the depreciation fund, though it will result in a higher surplus or smaller deficit in its financial statements than if not recognized.

[30] The utility also noted that the net funding of depreciation was based on the previous rate study. In that case, the rate study suggested, and the decision approved the utility transferring the full depreciation expense into the depreciation fund in the final test year. If the practice was based on that rate study, the transfer of the full depreciation should have continued after that test period. If the utility found it did not have the cash flow to transfer the full amount, the proper thing for it to do would have been to set up an

account payable from the operating fund to the capital fund (depreciation fund) and file a rate application promptly.

[31] The Board reminds the utility that it should closely monitor its financial position and apply for rate relief before it incurs accumulated deficits. A utility should file timely rate applications for a variety of reasons, including, but not limited to, when:

- it is in a deficit position;
- it does not have the funds to transfer the full depreciation expense to the depreciation fund; and,
- changes in costs or cost allocations (eg. fire protection allocations, base and commodity allocations) over time.

3.2 Capital Budget and Funding

[32] The rate study included capital additions of $679,860 in 2024/25, $12,500 in 2025/26, $12,500 in 2026/27, and $12,000 in 2027/28. The amounts for each of the test years include $2,500 for new meters and $10,000 for new hydrants. No other capital additions are planned for the test period. The utility proposes to use depreciation funds to fund the capital program for the test period.

[33] The utility said it expects its depreciation fund balance to increase from $93,351 at the end of 2023/24 to $428,945 at the end of the test period.

Findings

[34] The Board accepts the utility's proposed capital program and funding as set out in the rate study. The Board finds that the utility's projected depreciation fund balance by the end of the test period appears adequate for a utility of this size and capital requirements.

3.3 Non-Operating/Other Revenues and Expenditures

[35] The utility included non-operating expenses for principal and interest on existing debt that was used to fund part of its capital assets, which continues for the test period. For 2023/24, the utility also included $19,724 for capital out of revenue. There are no other non-operating expenses for the test period being projected.

[36] As discussed above, for 2023/24 and 2024/25, the utility included amortization of capital contributions of $117,972 as non-operating revenue to offset the amount of depreciation being transferred to the depreciation fund. The utility wants to phase out the amortization of capital contributions by the third test year by recognizing $100,000 in 2025/26 and $40,000 in 2026/27.

[37] 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 revenue less non-operating expenses. For the years 2024/25 through to 2027/28, the utility has calculated its projected return on rate base as -0.97%, -0.16%, 2.28%, and 3.93%, respectively. The return on rate base is primarily being used to fund the utility's debt servicing costs.

Findings

[38] The Board accepts the utility's proposal to phase out the amortization of contributed capital by the final test year. The Board reminds the utility that it is to transfer the full amount of the depreciation expense to the depreciation fund after the final test year and must transfer the equivalent of depreciation on any new capital additions, whether in rates or not.

[39] The Board finds the utility's non-operating revenue and expenses to be reasonable and accepts them as presented in the rate study provided with the undertakings. The Board also accepts the rates of return, as calculated in the rate study.

[40] The Board reiterates that if the utility finds itself in a similar position in which it does not have the cash flow to fully fund the depreciation fund, it is to apply for rate relief, provided a surplus is insufficient to cover the amount. Leading up to an application, and subsequent hearing, the utility must set up an account payable from the operating fund to the depreciation fund for any amount of the depreciation expense on gross assets' depreciation not transferred.

[41] The Board notes that the utility did not want to use the accumulated surplus to continue transferring the full depreciation into the depreciation fund, citing intergenerational equity concerns. The Board reminds the utility that it is past rate payers who were responsible for the accumulated surplus, and the longer the surplus sits on the books, the bigger the intergenerational inequity becomes. Using the surplus to transfer to the depreciation fund would have provided more intergenerational equity than allowing the surplus to sit and delay rate increases for future customers that may not have contributed to the surplus.

4.0 REVENUE REQUIREMENT ALLOCATION

4.1 Public Fire Protection

[42] 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.

[43] The allocation of utility plant in service to public fire protection is calculated as 43.8% in 2025/26, 44.8% in 2026/27, and 43.9% in 2027/28. In worksheet C-1, for 2025/26, the utility used an allocation of utility plant in service of 40.5%, as opposed to 43.8% as calculated in worksheet B-5. These allocations (with 40.5% used for 2025/26), along with 10% of all other expenses, result in total costs allocated to fire protection of 29.1%, 32.1%, and 32.6%, respectively.

[44] Based upon the rate study's calculations, the fire protection charge is proposed to increase by 1.3%, 23.3%, and 8.8%, respectively, in each of the test years.

[45] After the hearing, the utility confirmed that it should have used the 43.8% allocation as calculated in Worksheet B-5, not the 40.5% used to calculate the fire protection rates in the rate study for 2025/26. Using the 43.8% allocation to fire protection would have the effect of increasing the fire protection charge in the first year, with an offset (lowering) of the revenue requirement for the utility's customers. The utility agreed to correct this allocation in a compliance filing after the decision.

[46] The total fire protection charge is billed to the Village of St. Peter's and the Municipality of the County of Richmond. The amount applicable to each municipal unit is based upon the number of hydrants serving each, which is the same methodology used in the utility's previous rate studies.

Findings

[47] The methodology used to determine the total public fire protection charge conforms to the methodology set out in the *Handbook*.

[48] As discussed above, the fire protection allocation applied in worksheet C-1 does not match the percentage calculated in worksheet B-5 of the rate study. Given that

the utility undertook to correct this error in a compliance filing, the Board directs the utility to submit a compliance filing of a revised rate study with an amended Schedule A, using the fire protection allocation as calculated in Worksheet B-5 for 2025/26 (43.8%).

[49] The Board understands that this change will affect other rates calculated for 2025/26, as well as percentage increases for the first and second test years. The first test year's fire protection charge will be based on six months of the current rate and six months of the new rate and is to be calculated as such in the compliance filing's Worksheet D-2.

4.2 Utility Customers

[50] The remainder of the utility's revenue requirement, after the allocation to Fire Protection service, is to be recovered from its customers.

[51] The methodology the utility used to allocate revenue requirement to customer, base, delivery, and production charges was similar to what it used in its last rate application. The allocations are consistent with the *Handbook*, except for depreciation for the first two test years. For the final test year, all the allocations follow the Handbook. The allocations the utility used that do not follow the *Handbook* are as follows:

Depreciation	Customer	Base	Delivery	Production
Handbook		40%	30%	30%
2025/26		56%	22%	22%
2026/27		44%	28%	28%

[52] These allocations allow the revenue from the customer and base charges to be 48% in 2025/26, 44% in 2026/27, and 43% 2027/28.

[53] The utility currently has 560 customers, 547 of which are 5/8” metered customers. In the previous rate study, the utility had 497 customers and projected that to increase to 547 by the end of that test period, due to the connection of the French Cove system. This application projects that the utility will gain two 5/8” metered customers in each of the final two test years. The utility used the projected number of customers to calculate the proposed base charges in each of the test years.

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

Customer Meter Size	Number of Customers
Unmetered	1
⅝”	547
¾”	0
1”	7
1 ½”	2
2”	3
Total	560

[55] The calculation of overall consumption charges in the rate study is based on the estimated annual water consumption of 87,290m^3 in 2024/25. Although other water utilities in the province have recently experienced decreases in average residential consumption, the utility projects that average residential consumption will stay the same over the test years. The utility noted that the current consumption of 122 cubic meters per year, for an average customer, is at the low end compared to other utilities in the province and that reductions in average usage tend to level off around 130 cubic meters per year.

[56] Based on its assumptions about the number of customers and consumption volumes in the test years, the utility proposed rate increases in each of the three test years. The largest of the increases is proposed to occur in the first test year.

[57] Given the percentage increases proposed in the first test year, the Board was concerned about rate shock for some customers. The revised rate study's projection of an increase of 17% for 5/8" metered customers represents an average increase of $23.97 per quarter, or $7.99 per month. The Board notes that rate increases for the first test year have been reduced from the original rate study and will be further reduced in the compliance filing. In addition, as noted in the utility's IR-4 response, it notified customers of the proposed rate increases and did not receive any customer feedback.

Findings

[58] The Board accepts the method used by the utility to distribute expenses to base, customer, delivery, and production charges. The Board also accepts the proposed allocation of depreciation, which differed from the *Handbook* for the first two test years.

[59] 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. Based on the information filed, the Board approves the methodology used in the rate study, but the final rates are subject to a compliance filing, as noted above.

[60] The Board notes that the change to the fire protection charge, discussed above, will lower the revenue requirement from the utility's customers, bringing the first year's increase down from what is included in the rate study filed in the undertakings.

5.0 SCHEDULE OF RATES AND CHARGES

[61] In addition to the proposed rate changes for water supply to its customers, the utility proposed in its application to make one change to its Schedule of Rates and Charges. The utility proposed to move the Item #9 Disconnection Fee reference from the Schedule of Rates and Charges to the Schedule of Rules and Regulations.

Findings

[62] From the information presented, the Board finds that the utility's proposed change to the Schedule of Rates and Charges is reasonable. The Board withholds the approval of Schedules A, B, and C until the rates and charges can be reviewed in the compliance filing. The Board is working towards the approval of rates effective October 1, 2025, April 1, 2026, and April 1, 2027, respectively.

6.0 SCHEDULE OF RULES AND REGULATIONS

[63] In response to IR-27, the utility proposed other changes and additions to the Schedule of Rules and Regulations. In addition to moving Item #9, Disconnection Fee, the Schedule of Rules and Regulations, the utility proposed amendments to four items and the addition of four new items.

[64] The proposed amendments would apply to: Rule #2, Liability for Payment of Water Bills; Rule #11, Water to be Supplied by Meter; Rule #23, Service Pipes; and Rule #26 Unauthorized Extensions, Additions or Connections. These changes would align the utility with changes made by other water utilities, in recent rate applications, to reflect the actual costs of work. The proposed change to Rule #2, Liability for Payment of Water Bills, would make the property owner the customer of record, and removes the

utility's discretion to decide whether the owner or tenant be listed as the customer of record.

[65] The utility's proposed additions of new rules to the Schedule of Rules and Regulations also would align it with recent amendments made by other utilities in Nova Scotia. These new rules relate to the Reselling of Water, #30, Theft of Service, #33, Extensions, #39, and Curb Stop/Control Valve Service Box, #40.

[66] During the hearing, the Board had a discussion with the utility about the accuracy of numbering for some of the Rules in the Schedule. The numbering was corrected, as required, in the response to the undertakings.

Findings

[67] The Board understands that the utility wants the owner to be the customer of record when a property is rented or leased, due to the difficulty in collecting overdue accounts or accounts in arrears, especially if the tenant moves out. This change has been proposed and approved by the Board for several utilities when requested.

[68] The proposed Schedule of Rules and Regulations is generally consistent with most 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 and as filed in response to the undertakings.

[69] The Board reminds the utility to regularly review its Schedule of 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 regulations or add new ones at times other than a general rate application.

[70] The Board approves Schedule D, as presented in response to undertakings, effective October 1, 2025.

7.0 CONTINGENCY PLANNING

[71] In response to IR-29, the utility provided general information on its efforts related to contingency planning, cybersecurity, and emergency preparedness. The utility noted that it has a plan that considers the types of contingencies or emergencies. Although the utility has a plan, it does not have a regular schedule for its review.

[72] Since the previous rate application, the utility has installed cameras at the Water Treatment Plant, which covers the plant, production wells and the storage tank. Videos from the cameras are checked regularly. The utility also noted that it had been working on a source water protection plan with a draft that was ready for approval, before COVID put a stop to the meetings. Since then, it has not been brought back to the forefront, though the utility is planning to reassemble the working group later this year.

[73] The Board reminds the utility of the importance of maintaining and updating its contingency, cyber security, and emergency preparedness strategies and the associated communication plans, and encourages the utility to complete the work and review the plans regularly.

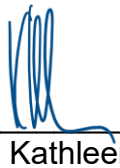
8.0 CONCLUSION

[74] The Board is prepared to approve the Rates and Charges for Water and Water Services, effective October 1, 2025, April 1, 2026, and April 1, 2027, as outlined in

this decision, and upon approval of the Board's directed compliance filing. The utility must submit its compliance filing to the Board no later than September 29, 2025.

[75] An Order will issue accordingly, upon approval of the compliance filing.

DATED at Halifax, Nova Scotia, this 22nd day of September 2025.



M. Kathleen McManus