DECISION **2026 NSRAB 88**
M12759

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 LUNENBURG** 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:	Julia E. Clark, LL.B., Vice Chair
APPLICANT:	**TOWN OF LUNENBURG** Gerry Isenor, P.Eng. G.A. Isenor Consulting Limited Blaine Rooney, CPA, CA Blaine S. Rooney Consulting Limited Lisa Dagley Director of Finance Tyson Joyce Director of Public Works / Town Engineer
HEARING DATE:	May 27, 2026
FINAL SUBMISSIONS:	May 27, 2026
DECISION DATE:	**June 24, 2026**
DECISION:	**Schedule of Rates and Charges approved as amended in this decision.** **Schedule of Rules and Regulations approved as filed.**

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1.0 SUMMARY

[1] On March 20, 2026, the Town of Lunenburg, on behalf of its water utility, applied to increase both water rates for its customers and fire protection charges billed to the Town of Lunenburg, effective July 1, 2026, with further changes coming into effect April 1, 2027, and April 1, 2028.

[2] A rate study to support the application dated March 6, 2026, was prepared by G.A. Isenor Consulting Limited, in association with Blaine S. Rooney Consulting Limited, and was submitted to the Nova Scotia Regulatory and Appeals Board on March 20, 2026. Information Requests (IRs) were issued by Board staff on April 27, 2026, and responses were filed on May 13, 2026.

[3] In the 2024/25 fiscal year under its existing rates, the utility had an operating surplus of just $786 and projects a deficit of almost $53,000 for 2025/26, leaving it with an accumulated surplus of $202,869. The utility is projecting larger deficits over the test period of around $171,500 for the 2026/27 fiscal year, $346,800 in 2027/28, and almost $500,000 in 2028/29. This would leave the utility with an estimated accumulated deficit of over $900,000 on March 31, 2029.

[4] The rate study proposed amendments to rates for all unmetered and metered customers for fiscal years 2026/27, 2027/28, and 2028/29. For unmetered residential customers with one dwelling unit, the proposed increases in the quarterly bill in each of the test years are 8.5%, 9.8% and 7.5%, respectively, based on quarterly consumption of 12,500 gallons. For each additional unmetered dwelling unit on the same account, which are generally apartment suites, the proposed increases are 13.1% in the first test year, followed by increases of 10.8% and 7.9%, based upon a quarterly consumption of 9,375 gallons.

[5] For 5/8” metered customers, based upon average quarterly consumption, the proposed increases in each of the test years are 8.9%, 9.4%, and 7%, respectively. For all other metered customers, based upon average quarterly consumption of each meter size, the proposed rate increases are between 9.2% and 12.5% in 2026/27, 10.2% and 10.7% in 2027/28, and 7.7% and 7.9% in 2028/29.

[6] The application also proposed increases to the annual charge paid by the Town for water for its fire protection service. The total annual public fire protection charge, currently $328,900, is proposed to increase to $330,989 in 2026/27, $418,269 in 2027/28, and $499,093 in 2028/29.

[7] The utility is proposing to use some of its accumulated surplus to help keep rate increases lower in the first two test years. The Town is proposing to forego dividend payments in 2025/26 through 2027/28. This will allow the utility to use some of its accumulated surplus to offset the increases. The utility proposed to resume payment of a $50,000 dividend to the Town starting in the final test year.

[8] Following public notice, the Board held a public hearing at the Lunenburg Town Hall at 10:30 a.m. on Wednesday, May 27, 2026. The utility’s consultants, Gerry Isenor and Blaine S. Rooney, represented the utility, accompanied by Lisa Dagley, Director of Finance, and Tyson Joyce, Director of Public Works/Town Engineer. No members of the public requested to speak during the hearing, and the Board received no letters of comment.

[9] The utility projects a deficit of $31,994 in 2026/27, due to proposed rate increases coming into effect in the second quarter, and before accounting for the use of $70,000 of the accumulated surplus to offset the increase in that year. The utility projects

a balanced budget in 2027/28, before accounting for $30,000 of the accumulated surplus being used to partially offset the increase in that year, and a balanced budget in 2028/29. The utility projects an accumulated surplus of $70,965 at the end of the test period.

[10] The utility's operating costs are increasing. Its costs of capital improvements and replacing aging infrastructure must also be included in rates. These capital improvements and any associated funding over the test period were budgeted in the rate study submitted with the application. The utility's planned spending for capital projects includes $1,825,000 in 2026/27, $1,935,000 in 2027/28, and $1,590,000 in 2028/29.

[11] The utility has been rolling out a program to install new meters for residential customers and replacement meters for commercial customers. The utility expects all non-metered customers will have a meter by late 2026. It is not proposing to transfer those customers to a metered rate during the test period. Rather, the utility will start collecting usage data from the meters once the project is complete and will return with a new rate study after collecting at least one year of data.

[12] The Board reviewed the rate study and the other evidence provided. The Board finds that the proposed rate changes are reasonable and approves the Schedules of Rates for Water and Water Services. The utility proposed limited changes to its Schedule of Rules and Regulations and the Board approves it as filed, other than a change to correct certain after-hours service charges.

2.0 BACKGROUND

[13] The utility sources its water from Dares Lake, which has a watershed area of 800 acres. The raw water is screened at the intake, then pumped and treated in the

utility's water treatment plant. The water treatment plant is designed to produce a maximum of 5,451 cubic metres per day. The treatment process includes pre-treatment (flocculation), membrane filtration, disinfection, pH adjustment and corrosion control.

[14] There are two reservoirs on the distribution system, both with a volume of approximately 3,425 cubic metres (750,000 IG). One reservoir is located next to the water treatment plant, and the other is in Garden Lots near the end of the distribution system. Treated water flows by gravity to the Town's distribution system, which includes cast iron, ductile iron, and PVC pipes, ranging in size from 6 to 12 inches in diameter. The service area includes the Town of Lunenburg, as well as Northwest and Garden Lots, which are adjacent areas within the Municipality of the District of Lunenburg.

[15] The water treatment plant was built in 2010, along with new pumps, a new distribution line for customers in Northwest, and a disinfection building in Garden Lots. Old cast-iron distribution pipes were replaced with PVC pipes in 2014. Since the last rate application in 2022, the utility has focused its capital work on asset replacement, including distribution main renewal, water meter rollout, water main looping on Morash/Harbourview, and water treatment upgrades and replacements.

[16] The utility serves a total of 1,391 residential, commercial and industrial customers within its service boundary. Besides metering the unmetered customers, the utility is projecting an increase of two 5/8" metered customers in both 2027/28 and 2028/29. At the time of the last rate study, the utility had 1,358 customers. 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 its rate study dated March 6, 2026, supporting the application.

[17] The rate study calculated quarterly rate increases for unmetered residential customers. The quarterly bill (based on quarterly consumption of 12,500 gallons) for the first dwelling unit is currently $170.39 and it is proposed to increase to $184.85 in 2026/27 (8.5%), $202.98 in 2027/28 (9.8%) and $218.25 in 2028/29 (7.5%). For each additional dwelling unit (based on quarterly consumption of 9,375 gallons), the current flat rate of $53.66 is proposed to increase to $60.68 (13.1%) in 2026/27, $67.22 (10.8%) in 2027/28, and $72.52 (7.9%) in 2028/29.

[18] For 5/8" metered customers, based on average usage, the proposed increases are 8.9% in 2026/27, 9.4% in 2027/28, and 7.0% in 2028/29. For all other metered customers, based on average usage for each meter size, average rate increases are proposed to be between 9.2% and 12.5% in 2026/27, 10.2% and 10.7% in 2027/28, and 7.7% and 7.9% in 2028/29.

[19] The utility also provides water to the Town for fire protection. The fire protection charge is currently $328,900 and is proposed to increase by 0.6% to $330,989 in 2026/27, 26.4% to $418,269 in 2027/28, and 19.3% to $499,093 in 2028/29. The utility's calculation of the charge is based on the cost-of-service allocation methodology set out in the Board's *Water Utility Accounting and Reporting Handbook* (*Handbook*).

[20] During its last rate application, the utility noted that non-revenue water was approximately 23.8% of total water produced. In response to IR-7, the utility noted that the most recent estimate of non-revenue water is 25.9%. The utility credited water main work completed in 2023/24 as helping with non-revenue water. The utility's residential

customers are still primarily unmetered, so their consumption is estimated. Changes in non-revenue water from year to year are not significant. The utility will be able to better track its non-revenue water once all customers are metered and the actual consumption is known.

[21] The Board advertised public notice of the hearing in the South Shore Bulletin for three consecutive weeks on April 8, 15 and 22, 2026 [Exhibit L-3]. The notice was also published on the Board's website and social media platforms, and the Town's website. The utility also distributed an information bulletin to customers in advance of the hearing [Exhibit L-3, p. 25].

3.0 REVENUE REQUIREMENTS

3.1 Operating Expenditures

[22] For the fiscal year ended March 31, 2025, the utility had an excess of revenue over expenses of $786 and an accumulated operating surplus of $255,673. For the year ended March 31, 2026, the utility projects an excess of expenses over revenues of $52,804, lowering the accumulated surplus to $202,869.

[23] The rate study projects that, at current rates, the utility's expenses will exceed revenues by $171,507 in 2026/27, $346,806 in 2027/28, and $499,106 in 2028/29. The utility proposes to use $70,000 of its accumulated surplus in 2026/27 and $30,000 in 2027/28 to offset the increased expenses in those years. To further offset the larger increases in the first two test years, the utility is also proposing not to pay the dividend of $50,000 per year to the Town for 2025/26 and 2027/28. It intends to resume that dividend in the final test year. Without a rate adjustment, after accounting for these

measures the utility projects an accumulated deficit of $914,550 at the end of the test period.

[24] Board staff asked for additional information about any significant changes in cost items from the actual 2024/25 amounts to the 2025/26 projected amounts. For the most part, the operating expenses in the test years are based on the utility's 2025/26 budget, applying annual increases of approximately 3% to 5%, depending on the expense line item. The utility described its budgeting process in response to IR-15 as follows: "Annually the Utility's budget is reviewed by the Management Team and presented to Council for approval. There has been no significant change in the process."

[25] In response to IR-16, the utility explained how costs are allocated between the utility and the Town and provided a table listing the shared staff and the percentage of expenses allocated to the utility relative to the electric utility and the Town in general. The utility confirmed that it reviews the allocations annually and "is confident that the current allocations are an accurate reflection of the time spent supporting Utility activities" [Exhibit L-3, p. 15]. Staff track their time and expenses, keeping water, wastewater, and electric utility work separate. Similarly, expenses for other material, equipment and office space are shared and are reviewed to reflect the cost of the services or supplies to the utilities and the Town.

[26] The projected depreciation expense in each of the test years is based on the current depreciation expense and projected depreciation on planned capital additions in each of the test years. The utility noted that the depreciation rates used for the various asset classes are consistent with the guidelines set out in the *Handbook*. Capital items,

not identified in the *Handbook,* are depreciated based on the estimated useful life of the asset.

3.1.1 Findings

[27] Without an increase in rates, the utility's accumulated surplus will likely be eliminated in the first test year, and it will face a growing accumulated deficit in each of the next two test years.

[28] The Board reviewed the various operating expenses and the explanations provided for the budgeted amounts. The annual increases in operating expenses are generally based on increases between 3% and 5%. The Board accepts the explanations for the increases and assumptions provided by the utility. The operating expenses requested by the utility over the test period are reasonable and required for the proper functioning of the utility.

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

[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 capital additions of $1,444,000 in 2025/26 and its proposed capital additions for each of the three test years. The proposed capital additions for the test years are $1,825,000 in 2026/27, $1,935,000 in 2027/28, and $1,590,000 in 2028/29.

[32] Worksheet B-3 in the rate study included the funding sources for the projects for the test years as follows:

	2026/27	2027/28	2028/29
External Funding	$0	$775,000	$775,000
Depreciation Funds	$1,825,000	$600,000	$500,000
Long Term Debt	$0	$560,000	$315,000

[33] The utility noted that the external funding for planned projects during the test period had not yet been received or approved at the time of the filing of the IR responses.

[34] The balance in the depreciation fund on March 31, 2025, was $1,779,947, as provided in Worksheet B-3. After the contributions and expenditures over the test period, the fund is expected to have a balance of just $30,356 at the end of the last test year.

3.2.1 Findings

[35] The utility explained its planned capital projects and their anticipated timelines. The Board accepts the utility's proposed level of capital spending as filed in the rate study. The utility's projected depreciation fund balance will be reduced from its current balance to just $30,356, due to the proportion of funding for its proposed capital program coming from this fund. Although the balance in the depreciation fund will be relatively depleted at the end of the test period, the amount of capital spending, depreciation expense and associated transfers to the depreciation fund will increase the amount of funding available each year after the test period.

[36] The utility is reminded that including the proposed capital projects in the rate study for the purpose of setting rates does not constitute Board approval of these projects. Section 35 of the *Public Utilities Act,* RSNS 1989, c 380, states that Board approval is required for any capital projects more than $250,000.

3.3 Non-Operating/Other Revenues and Expenditures

[37] The utility's other and non-operating revenues offset the amount of revenue required to be collected from customers and fire protection charges, while non-operating expenses increase the amount of revenue required from those sources.

[38] Other operating revenue totals $15,600 in each of the test years. This amount consists of $1,000 for private fire protection, $7,400 for sprinkler services, $6,000 in connection charges, and $1,200 for other.

[39] Non-operating revenue of $32,000 per test year includes $500 for jobbing and contracts, $19,500 for interest, and $12,000 in grants from the provincial government (HST offset). In addition to these categories, the utility proposes to recognize transfers from the accumulated surplus of $70,000 in 2026/27 and $30,000 in 2027/28 as other non-operating revenue.

[40] The rate study includes Non-Operating operating expenses consisting of debt charges associated with debt servicing costs for existing and new debt taken out by the utility over the test period, transfers to reserves, and a dividend to the owner. The utility proposes to continue to transfer $5,000 per year to the land purchase reserve. It proposes to increase transfers to the membrane replacement fund, seeking approval to transfer $40,000 per year in 2026/27 and 2027/28, and $75,000 in 2028/29. The utility says these increases in payments to the membrane replacement reserve are needed

because of the increased cost of the membrane and the anticipated replacement schedule.

[41] The Nova Scotia Utility and Review Board approved payment of a $50,000 dividend to the Town in each test year in the last rate decision [2022 NSUARB 158]. The utility proposes to forego payment of that dividend in the first two test years and to resume payout of a dividend of $50,000 in the final test year.

[42] The utility explained that the dividend is the distribution of a portion of any surplus paid to the Town as the owner of the utility, which the Town invests in “fire capital in the Town.” [Exhibit L-3, p. 13] The utility says the dividend is only paid out when there is a surplus, and there is no formal agreement for the payment.

[43] For existing debt, the utility bases the interest and principal payments on the actual cost of servicing the debt. For the new debt taken over the test period, the utility included a 6% interest rate over 15 years.

[44] The utility’s calculated rates of return on rate base, using the assumptions and projections in the rate study, are -0.02%, 1.06% and 1.86%, in each of the test years. The return on rate base is calculated based on non-operating expenditures less non-operating and other non-operating revenue. The first two test years' rates of return are lower mostly because of the transfers from the accumulated surplus to non-operating revenues.

3.3.1 Findings

[45] The Board finds the utility’s other operating and non-operating revenue to be reasonable, and accepts it as presented in the rate study, including recognizing the

transfer from the utility's accumulated surplus of $70,000 in 2026/27 and $30,000 in 2027/28.

[46] The Board accepts the non-operating expenditures as presented in the rate study, including the transfers to the reserve funds, and the dividend to the owner of $50,000 in the final test year. Although the dividend to the owner is included in the revenue requirement, the amount of a dividend payment must not put the utility into an accumulated deficit position. As in its last decision, the Board reminds the utility that approval of the dividend in the revenue requirement does not constitute approval of the dividend being paid out during a given year, whether during or after the test period. The utility should only pay out a dividend if it is in an accumulated surplus position. Payment of any portion of a dividend must not push the utility into an accumulated deficit position in any year.

[47] The utility has experienced some delays in finalizing its capital projects, including the complete rollout of its metering program. The Board is aware that in some cases planned capital projects may be delayed or cancelled, creating an unexpected surplus in a given year. The Board expects that when this happens, the funds will be held for future capital use and not be used for general operating expenses. Depending on context and financial circumstances, the Board may direct any such excess funds into capital reserves.

[48] The Board encourages the utility to consider applying to the Board to set up a capital reserve where it may deposit any unspent depreciation, transfers to reserves,

and the principal and interest expenses identified in a rate study as required for the test years but not expended during those years.

[49] The utility is entitled to a reasonable rate of return, and the Board accepts the calculated rates of return as reasonable.

4.0 REVENUE REQUIREMENT ALLOCATION

4.1 Public Fire Protection

[50] The methodology used in the rate study to determine the public fire protection charge follows the *Handbook* and is consistent with the previous rate application approved by the Board. The total fire protection charge is billed to the Town of Lunenburg.

[51] The allocation of utility plant in service to public fire protection is calculated in Worksheet B-5 as 31.0% in 2026/27, 33.0% in 2027/28, and 34.8% in 2028/29. These allocations, along with 10% of all other expenses, result in total costs allocated to fire protection of 17.7%, 19.8%, and 21.5% for each of the three test years, respectively.

[52] Based upon the rate study, the fire protection charge is proposed to increase from $328,900 to $330,989 (0.6%) in 2026/27, to $418,269 (26.4%) in 2027/28, and to $499,093 (19.3%) in 2028/29. Based on the anticipated timing of the rates coming into effect, the fire protection charge for the first test year would be prorated using one quarter of the year at the existing rate, and three quarters at the new rate.

4.1.1 Findings

[53] The Board accepts the methodology used to determine the total public fire protection charge. Given the effective date of new rates, the Board accepts the prorating

of the fire protection charge for the first test year, using one quarter of the existing rate and three quarters of the new rate.

4.2 Utility Customers

[54] After the allocation to fire protection, the remainder of the utility's revenue requirement is recovered from its customers. The cost-of-service methodology the utility used to allocate the revenue requirement to customer, base, delivery and production charges is consistent with the *Handbook*. These *Handbook* allocations keep the base charges in the 40% range of total revenue.

[55] The application projects that the number of customers will increase by two 5/8" metered customers in both the second and third test years. This results in an estimated 1,395 customers at the end of the test period.

[56] The utility used the projected customer count to calculate the proposed base charges. It assumes an estimated consumption of 12,500 imperial gallons for the residential customers with one dwelling unit and 9,375 imperial gallons for each additional dwelling unit when setting rates for the unmetered customers. The utility anticipates completing all metering of residential customers later this year and plans to file an updated rate study after it obtains actual usage for those customers.

[57] The utility based its calculation of overall consumption charges on the actual annual water consumption of its metered customers, adjusted for the growth of new customers, assuming average usage for those customers.

4.2.1 Findings

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

[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. However, after the meter rollout for residential customers is complete, the consumption for those customers may vary significantly from the 12,500 and 9,375 imperial gallons assumed in this rate study, which will require adjustments to rates for all customers. Based on the utility's proposed approach, the Board anticipates the updated rate study to be filed in 2028/29.

[60] Based on the information filed, the Board approves the methodology for setting customer rates as presented in the rate study and expects that an updated rate study will be filed before the final test year and based on actual metered consumption.

5.0 SCHEDULE OF RATES AND CHARGES

[61] In addition to the rates for water supply to its customers, the application proposed amendments to some miscellaneous rates and charges to better reflect the cost to provide the service. A table of the proposed changes was provided by the utility in response to IR-30, but contained errors in items 7, 9 and 10, where the response noted that the after-hours fee for establishing water service, disconnection, and special service calls, respectively, were also increasing, while the text indicated that the fees would decrease from $200 to $150. On questioning from the Board, the utility confirmed that $150 accurately reflects the utility's costs for after-hours "call outs".

5.1 Findings

[62] The Board has reviewed the proposed amendments to the schedules of rates and charges, as clarified at the hearing, and finds them to be reasonable. The Board

notes that Schedules A, B, and C filed with the rate study include a fee of $200 for service requests after regular working hours. Given the utility's evidence that the lower fee of $150 accurately reflects the costs of providing those services, the Board approves the after-regular working hours charges for reestablishing water service, disconnection and special services at $150 each. The updated Schedules of Rates for Water and Water Services are approved effective July 1, 2026.

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

6.0 SCHEDULE OF RULES AND REGULATIONS

[64] The utility's response to IR-29 listed the proposed changes to the Schedule of Rules and Regulations, which are generally administrative in nature. The utility says these changes were made to align with other water utilities that had recent rate applications or to clarify existing practices.

6.1 Findings

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

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

7.0 CONCLUSION

[67] The Board approves the Rates for Water and Water Services, as Schedules A, B and C to the rate study, as amended by this decision. The schedules will come into effect on July 1, 2026, April 1, 2027, and April 1, 2028, respectively.

[68] The Board approves the Schedule of Rules and Regulations, as Schedule D to the rate study. This schedule is effective on July 1, 2026.

[69] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 24th day of June 2026.

Julia E. Clark