DECISION **2025 NSUARB 58**
M11940

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE PUBLIC UTILITIES ACT

- and -

IN THE MATTER OF AN APPLICATION by the **VILLAGE OF LAWRENCETOWN,** on behalf of its **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: Julia E. Clark, LL.B., Panel Chair
Bruce H. Fisher, MPA, CPA, Member
M. Kathleen McManus, K.C., Ph.D., Member

APPLICANT: **VILLAGE OF LAWRENCETOWN WATER UTILITY**

Melony Robinson, MBA, CPA
Consultant

Melissa Roscoe
Clerk/Treasurer

Brian Reid
Chair of Village Commission

HEARING DATE: February 26, 2025

DECISION DATE: **March 31, 2025**

DECISION: **Schedules of Rates and Charges effective April 1, 2025, are approved, as amended by the Utility in Response to the Undertakings**

Schedule of Rules and Regulations effective April 1, 2025, are approved, as amended by the Utility in Response to the Undertakings

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I SUMMARY

[1] The Village of Lawrencetown (Village) applied to the Nova Scotia Utility and Review Board (Board) on behalf of its water utility (Utility) 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. The existing rates and charges have been in effect since April 1, 2013, while the Schedule of Rules and Regulations has been in effect since July 1, 2011.

[2] The Utility said it needed to adjust rates due to its current financial requirements, specifically to continue to meet operational obligations and to carry out necessary capital improvements. A rate study to support the application, dated October 2024, prepared by the Utility's consultant, Melony Robinson, MBA, CPA, was submitted to the Board on October 23, 2024.

[3] Board staff issued Information Requests (IRs) on January 6, 2025, and the Utility filed its responses on January 20, 2025. The Utility's IR responses included several revised schedules to the rate study amending various items, including the projected depreciation expense, number of customers, projected consumption volume and allocations to the base and consumption charges. These amendments resulted in changes to the rates proposed in the application. The IR responses further identified a typo in the Schedule of Rules and Regulations.

[4] The Board held a public hearing on February 26, 2025, at the Nova Scotia Community College, Centre of Geographic Sciences (COGS) in Lawrencetown, after due public notice. Melony Robinson represented the Utility, along with Melissa Roscoe, Village of Lawrencetown Clerk, and Brian Reid, Chair of the Village of Lawrencetown

Commission. The Board received two requests to speak at the hearing, one of which was withdrawn. There were no letters of comment received and no formal intervenors in the matter.

[5] The Board reviewed the rate study, and the amendments made in responses to the IRs during the hearing. The Board requested the Utility file additional information and answers to Board questions in a series of Undertakings, including a revised rate study that consolidates the amendments reflected in both the IR responses and as agreed in the hearing.

[6] The Utility filed its response to the Undertakings on March 5, 2025, including the final revised water rate study. It is this final study referred to in this decision, unless otherwise noted.

[7] The rate study proposed amendments to rates for the fiscal years 2025/2026, 2026/2027 and 2027/2028 (test years) for all customers. These rates are proposed to come into effect on April 1, 2025, April 1, 2026, and April 1, 2027, respectively. Based on average quarterly consumption for 5/8” meter customers, the proposed increases in each test year are 21.97% in 2025/2026, 1.30% in 2026/2027, and 1.96% in 2027/2028 for those customers. For all other metered customers, based on the average quarterly consumption of each meter size, the proposed rate increases are between 19.78% and 21.90% in 2025/2026, 1.82% to 2.10% in 2026/2027, and 1.92% to 1.95% in 2027/2028.

[8] The Utility also proposes amendments to its quarterly unmetered rate, based on an assumed quarterly consumption of 68 m^3. The proposed increases to the unmetered rate in each of the test years are 21.14% in 2025/2026, 2.00% in 2026/2027,

and 1.89% in 2027/2028. The Utility currently has one unmetered customer, the Fire Department, which is not currently billed for water use.

[9] The Utility proposes to amend the annual public fire protection charge paid by the Village for the provision of water for fire protection services. The current annual public fire protection charge of $64,747 is proposed to increase by 6.36%, 2.36% and 1.52%, respectively, in each of the three test years

[10] As set out in this Decision, the Board approves the Utility's requested Schedule of Rates for Water and Water Services and Schedule of Rules and Regulations, as amended by the Utility in response to the Undertakings.

II INTRODUCTION

[11] The Utility's source of water supply is from two working wells, with one well that can be used for firefighting. The water goes to a 500,000 US gallon storage tank where it is gravity-fed to the transmission main and then distributed to the Utility's customers. The Utility describes both its transmission and distribution mains as being in excellent condition, as there was significant work done on the system since the early 1990's. The Utility produces water that meets the *Guidelines for Canadian Drinking Water Quality.*

[12] At the time of the Utility's last rate application in 2011, the Utility's amount of non-revenue water was approximately 16% of total production, and in its decision in that matter [*Lawrencetown (Village) (Re),* 2011 NSUARB 97], the Board reminded the Utility to remain active in its leak detection efforts. The Utility's current non-revenue water is approximately 9%, which it noted is mainly related to fire department use and filling a recreational pool. The Utility explained the reduction in non-revenue water since the

previous application as being due to unmetered water use at the Exhibition Grounds, which has since been metered.

[13] The Utility further noted that it continues to have a leak detection program, which is a daily activity consisting of nighttime flow monitoring between 2:00 am and 4:00 am when flows are typically between 0 and 5 gallons per minute (gpm). When nighttime flows exceed 5 gpm, the Utility investigates to determine if the flows are persistent. If so, sections of the distribution system are isolated until the source of the high flow is determined. Mr. Reid further described the leak detection program during the hearing, noting that the cost of the program is covered in the Utility’s operating expenses in the environmental salaries line item.

[14] The Utility currently has 324 metered customers, an increase of two customers since the 2011 rate application. The current mix of customers consists of 292-5/8” meter size (residential customers), 22- 3/4” meter size, four-1” meter size, three – 1 ½” meter size, two-2” meter size and one-3” meter size.

[15] The application projects that the number of metered customers will increase to 332 by the end of the test years. This is based on an increase of four new 5/8” meter size (residential) customers in each of 2025/26 and 2026/27. It is also expected that there will be a loss of a 1” meter size customer in 2025/26, which will be replaced by the addition of a 1 ½” meter size customer. The Utility explained that this meter size change is due to the conversion of an old County of Annapolis Building into a multi-unit residential complex, although it is unlikely that this project will be complete in the next two to three years. In comparing the increase in the number of customers in the 14 years since the last rate application to the projected increase included in the current application, the Utility

explained that since the COVID pandemic, the Village has had new builds, which it expects will continue at a modest level.

[16] While many water utilities in the Province have recently experienced decreases in average residential consumption, the Utility is projecting the average residential consumption to remain constant over the test years. The rate study notes that consumption is projected to have a modest increase during the next several years due to system growth of a possible eight to ten new homes. However, given uncertainty with the building conversion, and the trend of decreasing residential consumption in other water utilities, the rate study assumed that the total Utility water consumption will remain constant over the test years.

[17] The Utility was questioned on its contingency/emergency planning in the IRs. The Utility explained that it has a contingency plan that addresses items like power outages, distribution line breaks, watershed contamination and forest fires. Every employee has had frequent exposure to power interruptions, necessitating the implementation of the plan, with supervision provided during these interruptions to ensure that steps are being followed. Mr. Reid further noted that the power lines in the area are old, and the outages have been an issue for several years, adding that the Village has its own generators to supply power independent of the grid.

[18] The Utility indicated that it has a source water protection plan in place that is reviewed annually. It is also in the process of creating a protected water area document with regulations for areas within the Utility’s watershed. With respect to cybersecurity, Mr. Reid explained that the Utility has back-up systems in place and is currently looking at firewalls.

[19] In response to Board questions relating to the 14 years since its last rate application, the Utility noted that it had not experienced any significant changes or losses during that time. However, for the past two years, the Utility has experienced an excess of expenditures over revenues, prompting the current application and proposed increases.

III REVENUE REQUIREMENTS

a) Operating Expenditures

[20] For the year ended March 31, 2024, the Utility had an excess of expenditures over revenues of $24,964, and an accumulated operating surplus of $81,887. The rate study filed in response to the Undertakings projects that at current rates, the Utility will have increasing expenditures over revenues, ranging from $62,256 in 2024/25 to $79,515 in 2027/28. These annual operating deficit amounts are slightly higher than those included in the original application, due to revisions to the annual depreciation expense associated with changes to the timing of the proposed capital additions in the test years.

[21] The Utility explained the projected changes in some of the operating expense line items between 2023/24 (actual) and 2024/25 in response to the IRs. The Utility stated that the approximate $20,000 increase in transmission and distribution expense projected in 2024/25 is due to the reallocation of the casual public works expense and benefit costs to transmission and distribution expense, as well as increased training, electricity and fuel costs. It further noted that an approximate $5,000 projected increase in the administration and general expense line item in 2024/25 is due mainly to

increases in insurance costs. The Utility further confirmed that there are no significant changes to the 2024/25 operating projections since the rate study was prepared.

[22] The rate study's operating expenses in the test years are based on the Utility's 2024/25 budget, with annual increases of approximately 3% for inflation for the following line items: electricity, water treatment, transmission and distribution, and administration and general operating expense. The professional services operating expense is projected to remain constant throughout the test years. The Utility has no long-term debt and none planned, so there are no principal or interest charges in the test years.

[23] The Utility explained its budgeting process in response to IR-24a). A draft budget is prepared by the Clerk based on the actual costs from the previous year and any known anticipated costs for the upcoming year. The draft is presented to the Village Commission for review. A second draft budget is prepared to include any suggestions or changes. Once there is an agreement on the draft budget, it is passed by the Village Commission. The Utility noted that there have been no changes to its budgeting process since the last rate application.

[24] During the last rate application, the Utility provided a breakdown of the cost allocations between the Village and the Utility showing a 70% allocation to the Utility of the Village's salaries and office expenses. The Board directed the Utility to review these allocations and revise them if necessary. The Utility indicated that it reviewed these allocations when preparing the current rate application and 70% of the Village salaries and office expenses continue to be allocated to the Utility. The Board asked more questions about this allocation during the public hearing. Both Mr. Reid and Ms. Robinson confirmed that the 70% allocation is accurate as most of the staff's time is spent on the

water system. The Utility added that these allocations are reviewed every year as part of the budgeting process.

[25] Ms. Robinson noted during the public hearing that the Utility had been under budgeting for its annual depreciation expense, based on the amount from the last rate application. In the Utility's 2023/24 financial statements, the annual depreciation expense was budgeted at $42,000 and the actual depreciation expense was $77,495. The actual depreciation expense in 2023/24 was used as the starting point for the projected annual depreciation expense in the rate study.

[26] The annual depreciation expense in each of the test years is based on the Utility's capital projects. The timing of the capital projects was revised in the IR responses and in the rate study filed with the Undertakings, resulting in amendments to the annual depreciation expense. In response to IR-26, the Utility stated that the depreciation rates used for the proposed capital additions over the test years conforms to the *Water Utility Accounting and Reporting Handbook* (Handbook). The Utility noted in response to IR-27c) that it intends to depreciate the gross capital project cost if a portion of the cost is funded through the gas tax funds the Village will receive from the Municipality of the County of Annapolis. The Utility confirmed at the hearing that the proposed capital projects in the test years will be funded entirely through gas tax.

Findings

[27] The Utility's recent operating deficits, caused in part by increases in insurance, wages, water testing and electricity, prompted this appeal. Fourteen years have passed since the Utility's last rate application. The Utility has been in a stable financial position. It is debt-free and has not experienced significant operating deficits. However, during this period there could have been many other changes impacting the

Utility's rate structure and revenue requirements. Rate studies provide the opportunity for a Utility, and the Board, to examine these aspects and accurately set a rate base. The Board expects that the Utility will file rate applications more frequently in the future, as it has committed to do.

[28] The Board accepts the Utility's explanation for the percentage allocation of expenses between the Village and the Utility. The Board reminds the Utility to review these allocations periodically and revise them accordingly.

[29] Based on the information provided, the Board accepts the operating expenses as contained in the rate study.

[30] The Board accepts the depreciation expenses for the test period, which are based on the current actual depreciation expense plus annual depreciation for the gross capital additions over the test period.

b) **Capital Budget and Funding**

[31] The rate study included the Utility's proposed capital additions in the test years, totaling $140,000. The capital additions consist of a chlorine analyzer ($10,000), Ford Ranger Truck ($45,000), the replacement of reservoir road culverts with a bridge ($15,000), watershed storage facility ($45,000) and a tree nursery ($25,000). The Utility's response to IR-19 b) described why each of the five capital additions is necessary.

[32] At the time of the original application, the Utility indicated that the proposed capital additions would be funded through depreciation and gas tax funding when available. In response to IR-12b), the Utility provided the projected depreciation fund balances in each of the test years, with the capital additions funded entirely through gas tax, which was confirmed during the public hearing will be the source of funding for the

test years' capital projects. The table contained some differences from the depreciation expenses shown in the rate study. The differences were discussed during the public hearing.

[33] The Utility explained that the decrease in its depreciation fund balance from $448,203 in 2023 to $141,781 in 2024 was due to an investment of $350,000 in a Guaranteed Investment Certificate (GIC) in 2024. Ms. Robinson noted that the interest earned on the one-year term GIC is 4% compared with 1% interest on the bank account. The Utility added that the GIC matures in June 2025.

[34] In response to Undertaking U-1, the Utility provided a revised statement of continuity on the depreciation funds, including updated assumptions on the timing of capital addition assumptions during the test years, as follows:

U-1 Assumptions

Balance Depreciation funds March 31, 2024		$ 525,742
Depreciation Expense funded from Water Utility March 2025		$ 78,495
Interest		$ 13,189
Gas tax funds used -$ 10,000		
Chlorine Analyzer purchased		
	Mar-25	**$ 617,426**
Depreciation Expense funded from Water Utility March 2026		$ 84,495
Interest		$ 15,444
Gas tax funds used -$ 60,000		
Replace Resevoir/Culverts, Ford Ranger		
	Mar-26	**$ 717,364**
Depreciation Expense funded from Water Utility March 2027		$ 86,295
Interest		$ 16,446
Gas tax funds used -$ 45,000		
Water Shed Storage Facility		
	Mar-27	**$ 820,104**
Depreciation Expense funded from Water Utility March 2028		$ 86,295
Interest		$ 17,939
Gas tax funds used -$ 25,000		
Tree Nursery to replace watershed trees		
	Mar-28	**$ 924,338**

Capital Assumptions

Mar-25	
Clorine Analyzer	$ 10,000
Mar-26	
Replace Resevoir & C	$ 15,000
Replace Truck	$ 45,000
Mar-27	
New Watershed Stora	$ 45,000
Mar-28	
Tree Nursery to replac	$ 25,000
No depreciation taken in first year to ensure trees grow	
Total capital additions	$ 140,000

	Mar-24
Beginning Capital Assets	1,725,382.00
Additions	$ 140,000
Ending Capital Assets	1,865,382.00

[Exhibit L-5]

[35] Based upon these revisions, the Utility further updated the accumulated depreciation amounts for its fixed assets for each of the three test years in response to Undertaking U-2.

[36] Based upon the response to Undertaking U-1, with the proposed funding from the gas tax, the depreciation fund balance at the end of the test years is estimated to be $924,338. In response to IR-27b), the Utility stated that, given the depreciation fund balance of approximately $500,000 in December 2024, there would be no concerns about the adequacy of the depreciation fund balance at the end of the test years, even if there

was no gas tax funding and depreciation funding had to be used. It referred to the Utility being debt free.

Findings

[37] The Utility indicated during the public hearing that its assets are in good condition, and the proposed capital budget in the test years is not large. The capital budget is to be funded entirely from gas tax. The Board notes that the Utility's projected depreciation fund balance appears adequate for a utility of this size.

[38] The Board accepts the updated depreciation fund information that was filed with the Undertaking responses. The Board also accepts the Utility's proposed capital program and funding as set out in the rate study.

[39] Although not relevant to the Utility's projected capital projects in the test years, each of which have projected capital costs significantly below $250,000, the Utility is reminded that the inclusion of proposed capital projects in the rate study does not constitute Board approval of these projects. Separate Board approval is required for projects exceeding $250,000, as set out in s. 35 of the *Act*.

c) **Non-Operating/Other Revenues and Expenditures**

[40] The Utility has not included any non-operating expenses over the test years, which the Board finds reasonable given that the Utility is currently debt free and does not plan to take on any long-term debt during the test years. The Utility is not projecting any non-operating revenues during the test years. The projected other operating revenue includes $700 in miscellaneous revenue in each of the test years, the magnitude of which is based on the previous years' averages.

[41] The Utility's rate base in each of the test years is calculated as the utility plant in service, based on the projected capital additions in the test years, less the estimated accumulated depreciation. Due to the changes in the timing of the capital additions and the annual depreciation expense, as discussed above, the calculated rate base was revised in the rate study filed in response to the Undertakings.

[42] The Utility calculates its return on rate base using its non-operating expenditures less other revenue. As the Utility has no debt or other non-operating expenditures, the rates of return are all calculated as negative amounts for the test years.

[43] The calculations in the rate study filed in the Undertaking response result in return on rate base calculations of (0.20%) in 2025/2026, (0.22%) in 2026/2027, and (0.28%) in 2027/2028. The Utility commented that the calculated return on rate base in each of the test years can be said to be nil.

Findings

[44] The Board finds the Utility's other operating revenue over the test years to be reasonable and accepts it as presented in the rate study provided in the Undertakings.

[45] The Utility has no long-term debt and is using the outside funding source of gas tax to fund its capital budget over the test years. The Board accepts the calculated rates of return.

IV REVENUE REQUIREMENT ALLOCATION

a) Public Fire Protection

[46] The methodology used in the rate study to determine the public fire protection charge is generally consistent with the *Handbook.* In response to IR-30 b), the Utility confirmed that the allocations to general and fire protection are the same as the

previous rate study, except for the allocation of tools. In the 2011 application, tools were allocated at 40%/60% to general service and fire protection, which has been amended to 90%/10% in the current application. The Utility explained that with this change, the allocations used are consistent with those set out in the *Handbook*.

[47] The application uses the utility plant in service amount from only one year, 2023/24, to calculate the utility plant in service to fire protection as 33.09%. This percentage is used to determine the public fire protection charge in each of the three test years. This methodology is consistent with that used in the Utility's last rate application but differs from that used by the majority of Board-regulated water utilities in the Province. Most water rate applications submitted to the Board use the projected utility plant in service amounts for each of the test years to calculate a percentage for each test year. In response to IR-29, the Utility explained that it did not do a separate calculation for each test year as the projected capital additions are small, resulting in minimal changes to the percentage calculations. It further showed that if the calculation was done for each test year, the resulting percentages would be 32.6%, 33.3% and 33.7%, in each of 2025/26, 2026/27 and 2027/28, respectively, which equates to an average of approximately 33% over the test years.

[48] In the Utility's last rate application, the allocation of utility plant in service to fire protection was approximately 41%, compared with approximately 33% in the current application. In response to IR-30a) the Utility explained that since its last rate application, the value of production assets has nearly doubled, making them greater in value than demand assets. As production assets have a lower percentage allocation than demand assets to fire protection, the overall allocation has decreased.

[49] The calculated 33.09 % allocation of overall utility plant in service to public fire protection is used in the allocation of estimated expenses to fire protection in each of the test years. In response to IR-32, the Utility explained that the allocation of the professional services expense line to public fire protection is consistent with the previous application. It further noted that it did not include the return on rate base amount, calculated at $700, as the Utility is debt free, which differs from the last rate application, when the Utility carried a debt load.

[50] Based upon the rate study filed with the Undertakings, the Utility's proposed fire protection charges are $68,867 in 2025/26, $70,497 in 2026/27 and $71,566 in 2027/28. These amounts are slightly higher than those originally proposed due to the amendments in each of the test years, resulting in increased annual depreciation expense allocated to the calculation of the public fire protection charge.

[51] The Board noted in its last decision that 44 fire hydrants are located in the Village and three within the Municipality of the County of Annapolis are served by the Utility. The Utility confirmed that the three hydrants within the Municipality, which the Municipality has not agreed to pay for, have not been removed due to the high cost of removal and operational firefighting needs.

Findings

[52] The Board accepts the methodology used to determine the allocation of costs to general service and public fire protection as set out in the rate study. This includes using the same overall percentage allocation of utility plants in service to calculate the public fire protection in each of the test years, due to the magnitude of the test years' capital budget, and the omission of the return on base in the calculation, which is negative

due to the Utility being debt free. The Board further accepts the explanation for the Village continuing to pay all of the public fire protection charge, as proposed, on the basis that the Utility has accounted for the total amount of public fire protection charge due.

[53] The Board finds the revised rate study filed with the Undertakings to be reasonable and approves the public fire protection charges, as amended.

b) **Utility Customers**

[54] After the allocation to fire protection, the remaining revenue requirement is recovered from the customers of the Utility. The revenue requirement is allocated to customer, base, delivery and production charges, using the same methodology as was used in the Utility's previous rate application. The allocations are consistent with the *Handbook*, except for the allocation of the transmission and distribution expense as 50%/50% to base and delivery, whereas the *Handbook* suggests an allocation of 100% to delivery. The Utility noted that smaller utilities generally allocate the transmission and distribution expense this way to provide a better balance between base and commodity charges.

[55] The electricity costs were not included as a separate line item in the allocations to customer, base, delivery and commodity charges. In response to the Undertakings, the Utility confirmed that the electricity expenses are included in the transmission and distribution expense line item and are allocated at 50%/50% to base and delivery.

[56] The Utility currently has 324 customers, with the rate study projecting growth of eight new 5/8" meter size (residential customers) by the end of the test years. It is also expected that there will be a loss of one 1" meter size customer with a new 1.5"

meter size customer, once an old County of Annapolis building is converted, as planned, to a multi-unit complex. The Utility used the projected number of customers to calculate the proposed base charges in each of the test years.

[57] The Utility has one unmetered customer. The anticipated revenue from this customer is included in the rate study, though the utility noted that the customer is the Fire Department and is not billed directly. Its consumption is estimated based on the actual consumption for 2023/24. The Utility explained that it maintains the unmetered 4” line to refill fire trucks rather than install and maintain an external hydrant, which reduces the Utility’s costs.

[58] The calculation of overall consumption charges is based on the total current annual water consumption of 85,766 m^2, which is projected to remain constant over the test years. The Utility explained this volume has been used as an estimate for the purpose of the rate study as the new connections have not yet been realized and there is uncertainty regarding their timing. Ms. Robinson further noted that it was not feasible to project any consumption volume associated with the apartment complex conversion as there is much work to be done on the building, which may not be occupied for some time. The number of units planned for the building is also unknown.

[59] In response to IR-39b) the Utility explained that it did not consider trends such as decreases in average residential water consumption when preparing the rate study, because there is no indication that trend is happening in Lawrencetown. It added:

> Fifteen years ago, Lawrencetown was predominantly an older generation back then. The Village of Lawrencetown has had quite a few younger family's move in since then. The other reason is that the old meters did a really poor job of recording low flow rates in a household. The Lawrencetown Water Utility has been replacing those old meters regularly over the last 15 years with new Sensus meters which are promoted to capture more of the actual water flow. The Utility also has quite a few apartment buildings that are only running on a single 5/8 line. (Renovated 200 year old homes)
>
> [Exhibit L-3, Response to IR-39b)i)]

[60] Based on the assumptions in number of customers and consumption volumes in the test years, the Utility has proposed rate increases in each of the three test years, with the majority of the overall three - year increase occurring in the first test year. The Utility defended its approach, noting that in the past it had underbudgeted its depreciation expense, which is to be annually contributed to the depreciation bank account. It indicated that transferring past due funds creates difficulties on its operating bank account. It added that its customers have had no increases for many years, and the proposed increase in the first-year amounts to a 2% average annual increase since the last rate increase.

[61] The Utility proposed a substantial rate increase in the first year of the test period. With this sort of increase, the Board is concerned about rate shock for customers. With respect to smoothing out the rate increases over the three test years, in response to the IRs, the Utility stated that it had not considered this in preparing the rate application, but it could be considered. However, it noted that it has had deficits for the past two years which need to be eliminated as soon as possible. When asked about smoothing during the public hearing, Ms. Robinson explained that the Utility is concerned that smoothing the rates will worsen the cash flow issue caused by correcting the transfer of depreciation expense to the depreciation fund. The Board questioned the impact of the approximately 20% increase in average residential rates in 2025/26 on customers. Mr. Reid noted that there were public meetings on this and there was no strong opposition. The last rate increase was significantly higher, and the Utility did not face opposition or collections difficulties at that time.

[62] The Board noted in the IRs that the Utility's current 5/8" meter size base charge is approximately 55% of the total average charge and this percentage will increase slightly with the rates proposed. Given the Utility's high average residential consumption, the Board questioned if the Utility had considered lowering the base charge and increasing the consumption charge. In response to IR-47, the Utility stated that it did not consider this, but it may be willing to do so.

Findings

[63] The Board accepts the methodology used by the Utility to distribute expenses to base, customer, delivery, and production charges. The Board also accepts the proposed allocation of the transmission and distribution expense, noting that it is set to reduce revenue risk to the Utility.

[64] The Board accepts the projected number of customers over the test period and finds the projected consumption amounts to be reasonable, given the uncertainties with new customers and the timing of the apartment conversion.

[65] The Board has concerns that most of the proposed rate increases occur in the first test year. The Board understands the Utility's cash flow issues and the need to reduce the deficit. The Board notes that it did not receive any letters of comment on the rates and one speaker did not refer to the magnitude of the rate increase proposed in the first test year. The Board has considered the Utility's comment that the proposed increase amounts to an average 2% annual increase in residential rates since the last increase. The Board agrees that the Utility's customers have benefitted from stable rates over the past 14 years. However, an earlier rate application could have allowed the Utility to smooth the increases over multiple years and avoided a steep increase in the first test

year. The Board sees this as further justification to maintain a regular schedule of rates review.

[66] Based upon the information filed, the Board approves the customer rates as presented in the rate study submitted with the responses to the Undertakings.

V SCHEDULE OF RATES AND CHARGES

[67] Other than the amendments for the rates for water supply to its customers and the fire protection charges, the application proposed one change to the Utility's Schedule of Rates and Charges.

[68] The Utility is proposing to increase the interest charge for payments made after 30 days from the date rendered as shown on the bill from 1% to 3%. In response to the IRs, the Utility explained that the proposed interest charge continues to be low and represents a modest increase from the rate that existed over many years.

[69] In response to an IR questioning only one change proposed to the miscellaneous charges given the 14 years since the Utility's last rate application, the Utility confirmed that it reviewed recently approved Board water rate decisions when developing the miscellaneous charges. It added that it found nothing had changed in relation to miscellaneous charges since its last rate application, other than the Utility is now debt free.

[70] As noted above, the Utility said that it does not currently bill the Fire Department for water consumption through its 4" unmetered line, described as an internal hydrant line used for filling fire trucks when the fire department comes back from a fire. The Board questioned the Utility on whether it had any authority to "exempt" the Fire Department from charges for its water use. The Utility responded that it believes that the

Fire Department should be exempt from the charge, and it requested that the Board update the regulations to reflect this.

[71] The application does not propose the inclusion of a formula to calculate the public fire protection charge for years after the test years, which differs from the practice of most water rate applications reviewed and approved by the Board. The Utility explained that it has continued to use the same public fire protection charge that was approved for the final test year of its previous rate application and it did not consider anything other than keeping the status quo. The Utility confirmed that it intends to keep the fire protection charge at the rate calculated for the final test year of 2027/28 until the next rate application, which is consistent with the previous rate study.

Findings

[72] From the information presented, the Board finds that the proposed Utility's Schedule of Rates and Charges is reasonable.

[73] The Board understands that the current application's proposed methodology to continue to use the same annual public fire protection charge after the final test year is consistent with the previous rate application that the Board approved. The Board notes that without a formula to calculate the fire protection charge in years past the final test year, changes in the Utility's expense items may not be appropriately recovered in the charge. This could become more of an issue the longer there is until the Utility's next rate application. While the Board accepts the Utility's proposed methodology and fire protection charges as set out in the Schedule of Rates included in the Undertaking response, the Board sees this issue as another reason to submit timely rate applications.

[74] The Board recognizes the Utility's pragmatic approach regarding issuing bills to the Village Fire Department, however we find no authority in the *Public Utilities Act* to exempt any class of customer from the payment of their assessed rates. Rates are set for each category of customer based on the cost of providing that type of service. The Utility has accounted for the cost of providing water to the Fire Department in its rate study and no further adjustments are needed in this respect. The Board has no role in determining which entity ultimately pays for these costs.

[75] The Board approves Schedule A, B, and C as filed in response to the Undertakings with the effective dates of April 1, 2025, April 1, 2026, and April 1, 2027, respectively.

VI PUBLIC COMMENT

[76] Brad Redden, Municipal Councillor, spoke at an evening session of the public hearing. He referred to several of the Utility's responses to the IRs in his presentation. He expressed four principal concerns. First, he calculates the projected depreciation fund to increase over the three-year test period by an amount less than the previous six years. He also noted that the response to IR-15f) indicates that the Village invested $350,000 of the Utility's depreciation fund balance into a GIC thereby significantly reducing the depreciation fund balance shown in the 2023/24 financial statements from the previous year. He questioned whether there was a proper motion about moving the money back and forth.

[77] Second, respecting the Utility's response to IR-36 about the annual fire protection charge paid to the Utility by the Village, he questioned the Village paying for

water use. He further commented on the relatively small annual increases to the public fire protection charges proposed in the application.

[78] Mr. Redden raised the same concern the Board raised in the Utility’s 2011 rate application about the allocation of Village expenses to the Utility. He referred to a decrease in transmission and distribution wage expense in 2022/23 from the previous year, noting that significant volunteer time of Village staff and Commissioners related to the Utility is not recorded in the budget, which represents an unquantified cost to the Utility. Mr. Redden also raised the ordinary direct report person (ODRP) position at the Utility. He noted that the Village Chair, Mr. Reid, occupies this position at times which could be seen as poor optics and poor structure given the Village appoints and supervises the ODRP position, adding that there is built-in trust as Lawrencetown is a small Village.

[79] Mr. Redden noted the 14 years since the Utility’s last rate application, noting the Utility’s response that it had a deficit in the last two years. He commented that there have been other years since the 2011 application that the Utility has experienced an operating deficit. He added that these deficits, together with his concerns previously noted of depreciation being underfunded, emphasizes the need to have rate reviews every three years and he asked the Board to explicitly order a regular rate review schedule in its decision.

[80] The Utility responded to Mr. Redden’s comments in written submissions to the Board dated March 5, 2025. Attached to the Utility’s response was a copy of the Village Commission’s June 6, 2023 Budget Meeting Minutes including a motion to invest $350,000 from the Utility’s depreciation fund into a one year non-redeemable GIC. The budget minutes were approved at a public meeting.

[81] The Utility stated that its ODRP position must be a certified person, which Mr. Reid is. This allows him to step into the Superintendent's position when the Superintendent is away. The Utility added that Mr. Reid takes a leave of absence from the Commission during the times that he is acting as the Superintendent.

[82] The Utility explained that the decrease in wages in 2022/23 noted by Mr. Redden is because the superintendent position was not occupied at that time. With respect to the comments regarding the fire protection charges. The Utility clarified that it does not pay for the Village's fire services. The fire protection charges in question are related to hydrants.

[83] Many of the issues raised by Mr. Redden that directly relate to the rate study have been reviewed and addressed in the decision, including the allocation of expenses between the Village and the Utility. The Utility's projected annual depreciation expense is directly related to its capital budget, with the asset additions depreciated accordingly. The fire protection charge paid by the Village to the Utility was calculated using the accepted methodology for regulated water utilities in the Province. Both during the public hearing and in this decision, the Board has stressed the importance of more frequent rate applications and its expectation that the Utility undertake regular reviews of its rates going forward.

[84] The Board appreciates Mr. Redden taking the time to speak during the proceeding. Engagement of ratepayers and interested persons adds a helpful perspective to the Board's review. The Board has considered the points he raised and the Utility's responses. The Board finds that the Utility has adequately addressed the issues raised.

VII SCHEDULE OF RULES AND REGULATIONS

[85] In response to the IRs, the Utility noted that the application proposes to increase the customer charges for excavating the laying of service pipe, backfilling and the replacement of street and sidewalk surfaces from the watermain in the street to the street line, as set out in Regulation 23, Service Pipes. This cost is currently set at a fixed fee of $1,000 and it is proposed to increase to $3,000, which the Utility explained is needed to cover rising costs. The Utility noted that it does such installations approximately twice per year.

[86] In the Schedule of Rates and Charges, the application proposes to increase the interest charge on overdue bills from 1% to 3% per month or part thereof. This change is also set out under Regulation 5, Payment of Bills.

[87] Regarding Regulation 19, Cross Connection Control and Backflow Prevention, the Utility explained that it has an active backflow prevention program, with a draft plan included in its system assessment report that meets its requirements. The Utility noted that it has recently hired a building inspector, on retainer, from another municipal unit to help with the implementation. The Utility further confirmed a typo in Regulation 19 which it corrected in the rate study filed in response to the Undertakings.

[88] The Board questioned the Utility on the limited number of requested changes to the Utility's Rules and Regulations, given they have not been reviewed by the board since the Utility's last rate application. The Utility responded that in preparing the proposed Schedule of Rules and Regulations, it reviewed the regulations from other utilities' recent water rate applications but decided only the few proposed changes were needed.

[89] During the hearing, the Board provided examples of some regulations that have been included in recent water rate applications, including those dealing with billing (prorating bills and seasonal customers), and curb stops/control valve service boxes, noting that it is prudent to have comprehensive regulations to help address common issues that arise between utilities and their customers.

Findings

[90] The proposed Schedule of Rules and Regulations is generally consistent with most other water utilities in the province which have had recent rate applications. The Board approves the amendments and additions to the Schedule of Rules and Regulations noted above and reminds the Utility to regularly review its Regulations to ensure that they meet its needs and provides 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. In most cases, the review can be accommodated without a formal public hearing process.

[91] The Board approves Schedule D, as presented in response to Undertaking U-6, effective April 1, 2025.

VIII CONCLUSION

[92] The Board approves the Rates and Charges for Water and Water Services, including the Public Fire Protection Charge, effective April 1, 2025, April 1, 2026, and April 1, 2027, as shown in Schedules A, B, and C, received by the Board in the Undertaking responses.

[93] The Board approves the Schedule of Rules and Regulations, as filed in response to the Undertakings, as Schedule D, with an effective date of April 1, 2025.

[94] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 31st day of March, 2025.

Julia E. Clark

Bruce H. Fisher

M. Kathleen McManus