DECISION **2024 NSUARB 49**
M11345

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE PUBLIC UTILITIES ACT

- and -

IN THE MATTER OF AN APPLICATION by the **NEW MINAS WATER COMMISSION** for Approval of Amendments to its Schedule of Rates for Water and Water Services and its Schedule of Rules and Regulations

BEFORE: Bruce H. Fisher, MPA, CPA, CMA, Member

APPLICANTS: **NEW MINAS WATER COMMISSION**
John Gallant, P. Eng., FEC
Stantec Consulting Services Inc.

Jeff Dykstra
Stantec Consulting Services Inc.

Tim Bouter, P.Eng.
Clerk Treasurer/ CAO

Gerard Hamilton
Municipal Operations Manager

HEARING DATE: January 9, 2024

FINAL SUBMISSIONS: January 10, 2024

DECISION DATE: **March 15, 2024**

DECISION: **Schedules of Rates and Charges effective April 1, 2024, are approved.**

Schedule of Rules and Regulations effective April 1, 2024, are approved, as included by the Utility in response to IRs.

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I SUMMARY

[1] The New Minas Water Commission (the Utility) applied to the Nova Scotia Utility and Review Board (the Board) for amendments to its Schedule of Rates for Water and Water Services and its Schedule of Rules and Regulations. The existing rates have been in effect since April 1, 2009, while the Schedule of Rules and Regulations has been in effect since September 8, 2021.

[2] A rate study to support the application, dated September 8, 2023, was prepared by Stantec Consulting Services Inc. (Stantec), and was submitted to the Board on September 27, 2023.

[3] Information Requests (IRs) were issued by Board staff on November 3, 2023, and responses were filed by the Utility on November 22, 2023.

[4] The rate study proposed amendments to rates for all customers for water services rendered on and after April 1, 2024. The proposed increase for April 1, 2024, based on average quarterly consumption was 19% for 5/8” meter customers, 17% for 1” meter customers, 18% for 2” meter customers, and 14% for 3” meter customers.

[5] The Utility also proposed amendments to the annual public fire protection charge paid by the Village of New Minas (the Village) and the County of Kings (the County) for the provision of water for fire protection services. The total annual public fire protection charge shared by the Village and the County, currently $336,063, was proposed to increase to $415,687 (a 23.7% increase) on April 1, 2024. It increases over the following years, as defined by a formula incorporating depreciation charges, operating expenses, and rate base.

[6] Following public notice, the Board held a virtual hearing at 10:00 a.m., on Tuesday, January 9, 2024. This was originally scheduled to take place at a commercial complex in New Minas, but due to expected poor weather conditions, the Board decided to hold the hearing virtually. John Gallant and Jeff Dykstra of Stantec Consulting Services Inc. represented the Utility. In addition, the Utility was represented by Tim Bouter, Clerk Treasurer/CAO of the Village, and Gerard Hamilton, Municipal Operations Manager of the Utility.

[7] No members of the public requested to speak during the hearing, and the Board did not receive any letters of comment from residents of the Village.

[8] The Board approves the rates and charges as filed in the rate case for April 1, 2024.

II INTRODUCTION

[9] The Utility's source of supply is groundwater through 10 wells, constructed between 1991 and 2014. Six of these wells draw from the Sand & Gravel Aquifer and have an average depth of 24 meters. The remaining four wells draw from the Sandstone Aquifer and have an average depth of 79 meters. Water from the wells is pumped to two reservoirs, each having a capacity of approximately 4,500 cubic metres (~1 million gallons), which are connected by a transmission main. The water is then distributed to the Utility's customers.

[10] Since the Utility’s last rate hearing, in 2008, there have been several notable additions to its distribution system. The Utility has added approximately 910 metres of distribution piping, serving areas such as the Home Depot development and Moore’s Landing in the Village, and added 455 metres of distribution piping in the County.

[11] The Utility currently serves approximately 1,792 customers, of which 285 are located outside of the Village. At the time of the last rate case, the customer numbers were 1,460 and 121, respectively. The rate study forecast an annual growth rate of 1.5% across all meter sizes for each year the test year was calculated from, based on Village staff expectations.

[12] The portion of the Utility's distribution system which is located outside of the Village's boundary consists of donated assets which were constructed by the County in 2004 and handed over to the Utility. The donated assets, consisting of distribution mains, laterals, hydrants, valves, and fittings were constructed to extend the Utility's service to the Greenwich area and to the Canaan Heights Subdivision development.

[13] This system was designed to meet the Guidelines for Canadian Drinking Water Quality and complies with the provisions of Nova Scotia Environment’s (NSE) “A Drinking Water Strategy for Nova Scotia”.

[14] The rate study projected expenditures for fiscal year (FY) 2025 through to FY 2028, and then calculated an average of FY 2025 through FY 2027, determined to be the test year for the study. In the notes to the study, it advised that this period was selected because the annual changes in projected operating expenditures in FY 2026 and 2027 are relatively consistent based upon assumptions for future inflation and that they represented a reasonable rate cycle.

[15] When asked why the Utility did not incorporate the FY 2028 amounts to calculate the test year average, it advised that the inclusion of FY 2028 as part of the test year would not materially impact the rate request. It also noted that the reason the 2028

year was included in the forecast was part of a longer-range financial planning exercise for the Utility's financial sustainability[1].

[16] In the Board's Decision from the Utility's last rate case, the Board expressed concerns about the Utility's water losses and encouraged the Utility to investigate and reduce the losses. At that time, the application calculated a figure of 32.54% as lost and unaccounted-for water, further stating that, "it is thought that losses and unsold water probably account for not more than 15% of production and that meter troubles account for the remainder of the apparent losses"[2].

[17] The current study notes that a water meter replacement program was implemented, and that the Utility plans to implement a leak detection program. In the rate study, *Section 2.4 Water Consumption and Losses* notes that gross non-revenue water is calculated as 26.1% in 2021, and 40.7% in 2022. The study also states that Utility staff have taken efforts to identify sources of unaccounted-for water, and to correct errors in billings. These efforts identified errors for several large customers, contributing significantly to unaccounted-for water. The study notes that these errors have been addressed and are reflected in the revenue adjustment for the FY 2023/2024.

[18] In response to IR-6, the Utility noted that from January to September of 2023 its non-revenue water was 35% of production, and that it expects this percentage to be representative for the remainder of the fiscal year. It also stated that it recognizes that non-revenue water is higher than desired and has made identifying and addressing the causes a priority. When asked in IR-6 c) what the Utility's long-term plan to reduce water losses was, it advised that it "plans to implement a leak detection program, hire an engineering

[1] M11345 - Exhibit N-6, Response to IR-31, page 30
[2] M11361 – Cost of Service and Rate Study, August 2007, Hiltz & Seamone Co. Ltd., page 3

consultant to assist with system planning and reviews, and hire an additional water operator to allow more staff focus on the issue, the costs of which are included in the rate study."

[19] In response to IR-6 i), the Utility noted that its historical metered/billed use data includes negative billed volume, stemming from errors either in the billing or reading of the meter or issues with the meter itself. The Board asked for clarification surrounding these issues in the hearing, and the Utility advised that it has been focusing on reducing billing errors through analyzing historical data. The Utility advised that through this analysis it found instances where meters were read with a digit or a decimal misplaced, so a five-digit meter reading may have been mistakenly recorded as a four-digit meter reading. The result of this was that the new meter reading, when compared to the last meter reading, came out as a negative amount. Although this was an obvious error, the billing system recorded this type of reading as zero water consumption with no associated payable. The Utility has been working on these types of issues to ensure more accurate meter readings and reduce its non-revenue water amount.

[20] The rate study was filed by the Utility based upon the need to adjust the rates on April 1, 2024, due to the Utility's present and upcoming financial requirements. The Utility stated that a rate increase was necessary to offset increases in operating expenditures and to minimize the projected annual revenue deficiency. Additionally, the Utility noted that since its last rate study in 2007, the Utility's total operating expenses (including the costs of chemicals for purification, electricity, personnel, and overall system operation and maintenance) have increased by approximately 50%.

III REVENUE REQUIREMENTS

a) Operating Expenditures

[21] Worksheet B-1 of the rate study indicated that the Utility's operating expenses were estimated to exceed operating revenues by $110,803 in 2023/2024, decreasing the Utility's existing accumulated surplus to $771,689. Without a rate adjustment, the Utility expects expenses to exceed revenues by $205,549 in 2024/2025, and by $312,929 in 2027/2028. These annual deficits would lead to an estimated accumulated deficit of $189,935 at the end of the 2027/2028 fiscal year.

[22] In response to IR-26, the Utility indicated that costs between the Village and the Utility are allocated as 50% for the following positions; Village Manager of Finance, Finance officers, and the Manager of Municipal Operations; as well as the operating costs for the public works garage. The Utility stated that it is not aware of any changes in the allocation methodology of these expenses since the last rate study.

[23] In response to IR-27, the Utility summarized its budgeting process as follows:

> The Utility's budget is typically prepared in December and January each year. For the Operating Budget, historical costs and trends are reviewed for each line item. Costing from suppliers and external agencies such as Nova Scotia Power is incorporated into the budget, along with specific requirements for items that vary year-to-year (such as vehicle tires, water testing, etc.). Revenue projections are based on actuals from the previous year and adjusted for growth. The Capital Budget is prepared based on needs identified by the Water Utility Operator and Manager of Municipal Operations. The Clerk Treasurer/CAO and Manager of Municipal Operations typically present the budget to the New Minas Water Commission in February.
>
> [Exhibit N-6, pp. 28-29]

[24] The Utility confirmed that this rate study includes the full depreciation of existing and proposed additions to plant and equipment, and that it has been funding its depreciation fund based upon the annual depreciation expense from the capital assets-in service. When asked if all depreciation rates conform to the Nova Scotia Utility and Review

Board Water Utility Accounting and Reporting Handbook (*Handbook*), in IR-32, the Utility responded with the following:

> Generally, yes, with a couple of exceptions based upon the Utility's expected life of the asset or that were previously approved in the Utility's prior rate study. For example, pumping structures were depreciated over 40 years, a 2.5% depreciation rate compared to 2% in the Handbook. Similarly, distribution mains were depreciated over 50 years (2%) compared with 1.3% in the Handbook. For transportation equipment, the depreciation rate of 10% is consistent with the Utility's current practice and varies from 20% as presented in the Handbook.
>
> [Exhibit N-6, p. 30]

[25] The Utility stated that this rate application shows the actual costs of operating the Utility, from a repair and maintenance perspective, as well as inflationary pressures. The rate study noted that annual cost escalation of 3.5% was applied for all operating expenditures, beginning in 2024/2025, except for power purchases and fuel expenses. The study noted that power purchases increased by 9% in FY 2025, and 5% annually thereafter, reflecting the Utility's discussions with their electric provider. Fuel expenses increased by 10% in FY 2025, and 3.5% annually thereafter, reflecting increased inflationary pressure on the commodity.

[26] As per Note 3 of the Expenditures information provided in Section 4.2 of the rate study, Utility staff have identified the need to hire a second full-time operator position beginning in FY 2025. This position will assist in the maintenance and management of the water system and added a salary cost of approximately $69,000 and vehicle operating expenses of approximately $3,200 to the Transmission & Distribution operating expenditures. The rate study also stated that the associated benefits from this position are included in Administrative & General expenses and are estimated to be approximately $20,000 beginning in FY 2025.

[27] The Board asked about the need for this position in the hearing, and the Utility advised that while the current operator is performing their regular workload, they are having trouble staying on top of other issues, such as meter upgrades, troubleshooting, or replacements. Given that there's a lot of logistics involved in accessing people's homes or businesses, this is time consuming and continuous work. The Utility advised that currently when the operator requires additional help, they are assisted by a member of Public Works, but the Utility has found that when this occurs, Public Works experiences a lack of manpower. Currently, the Utility allocates 25% of the Lead Hand's salary from Public Works to the Utility, and the Utility confirmed that this cost will be eliminated when the cost for the second operator is added.

[28] In IR-24, Board Staff inquired about the reasoning behind an increase in the "Water Treatment" operating expenditure between FY 2023 and 2024, and then a decrease in that same expense from FY 2024 onward. In response, the Utility advised that it experienced a significant increase in the cost of its chemical additives, specifically its caustic soda contract costs associated with water treatment in FY 2023, which the Utility then incorporated into its budget for FY 2024. In explaining the decreased cost going forward, the Utility advised that the projected expenses also included the cost of the rate consultant, which it did not anticipate budgeting in the future fiscal years.

Findings

[29] The Board understands that inflationary pressures are driving the increased costs of the operating expenses, in addition to the salary and benefits of the second operator being added in FY 2025. The Board accepts the explanations for the changes provided by the Utility.

[30] The Board accepts the allocation of expenses between the Village and the Utility for this rate study.

[31] The Board commends the Utility in its planned efforts for leak detection, given the high amount of non-revenue water in its systems. The Board expects to have an update on non-revenue water at the next general rate hearing.

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

b) Capital Budget and Funding

[33] The rate study included the Utility's capital budgets for the fiscal years 2024 to 2028, totalling $315,000, $700,000, $480,000, $280,000 and $1,280,000, respectively. In response to IR-7 h), the Utility provided a list of the planned projects over the test years.

[34] The capital budget consists of distribution main work, replacement of aging water system equipment and water towers, a system assessment report, and installation of replacement meters. The proposed funding for the capital budget is summarized in the following table:

Funding Source	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**
CCBF	$290,000	$350,000	$200,000	$80,000	$380,000
Water Utility Capital Fund	$25,000	$350,000	$280,000	$200,000	$900,000
Total	**$315,000**	**$700,000**	**$480,000**	**$280,000**	**$1,280,000**

[35] The capital expenditures are funded partially by the Canada Community Building Fund (CCBF), with the remainder funded by the Utility’s Capital Fund. The Village

receives an allocation of CCBF funding through the County every year, based on the value of its infrastructure relative to other Villages in the County. Although the Utility does not have direct input on this annual amount, all the Villages in the County have agreed to the funding allocation model, administered by the County. The Utility advised that each year the Village is provided notification of any changes from the prior fiscal year, and that it does not have any reason to expect changes in the funding levels.

[36] The rate study indicated that the Utility's depreciation fund balance at the beginning of FY 2025 is projected to be $3,272,219. The Utility included approximately $376,000 in depreciation for the test year and the rate study projects that with the proposed funding, the depreciation fund balance will be $3,823,614 at the end of FY 2027.

[37] Some of the most notable capital expenditures in the projected years include the Aalders Avenue water laterals, and water tower upgrades. The budget allows for $500,000 in FY 2025 for the Aalders Avenue Water Laterals. In response to IR-13 b), the Utility advised that the laterals along Aalders Avenue have had consistent problems with leaks from the main to the property line within the road right-of-way. The Utility stated that it expects the capital projects will rectify the leak issue and reduce water leaks in the system.

[38] When asked about the purpose and need for the water tower upgrades, the Utility stated that the purpose is to refurbish the tank and repair deficiencies identified, extending the life expectancy of this critical major asset.

Findings

[39] The Utility is focused on repairing and replacing problem laterals, replacement of aging meters and water system equipment, upgrading its water tower, and undertaking a system assessment report. The Board accepts that these projects are

necessary to keep the systems in proper working order, and that the new meters and laterals should increase accuracy of meter readings and reduce non-revenue water. The system assessment report is a necessary expenditure for the Utility to gain a better understanding of the overall costs and needs of the system. The Board also accepts the Utility's proposed capital program and funding as set out in the rate study.

c) Non-Operating/Other Revenues and Expenditures

[40] Non-operating revenue for the Utility consists solely of interest income from investments in the amount of $16,865 in the test year. There are no other non-operating revenue or expenses over the test year.

[41] The test year does not include any return on rate base for the test year. The rate study advised that this was selected considering the Utility's existing and projected cumulative fund balances and its lack of debt and other non-operating expenditures. The study also stated that incorporating a return greater than 0% would result in additional rate increases beyond what are required.

Findings

[42] The Board finds the Utility's non-operating revenue to be reasonable and accepts it as presented for the test year.

[43] The Board finds the proposed return on rate base for the test year to be reasonable, given that the Utility has no non-operating expenditures during the year.

IV REVENUE REQUIREMENT ALLOCATION

a) Public Fire Protection

[44] The Utility provides public fire protection to both the Village and the County. There have been no major changes in public fire protection since the last rate hearing, other than the distribution system additions to serve new development and the associated 36 fire hydrants, bringing the total of hydrants to 210.

[45] The rate study notes that fire underwriters completed a survey of the New Minas Fire Department in May 2021. New Minas received a Public Fire Protection Classification of 4, and a Dwelling Protection Grade of 3A for the hydrant protected area.

[46] When asked why the percentage of the depreciation charged to expense had increased since the last rate case, the Utility provided the following response to IR-39 a):

> The primary difference is that the rate study utilized the overall percentage of allocated utility plant to fire protection as the basis for the allocation of depreciation expense to fire protection which is consistent with the approach shown in the Handbook, whereas the prior rate case developed a separate allocation for depreciation expense which was utilized. The Utility doesn't have knowledge of why the prior rate case deviated from this approach. The result is a greater portion of depreciation expense allocated to fire protection aligned with the allocation of utility plant.
>
> [Exhibit N-6, p. 34]

[47] The Utility also provided the following in response to IR-39 b):

> The Utility's overall amount and composition of operating expenses as well as the allocations to fire protection have been updated since the prior rate case in 2007/2008 based on the Utility's current information.
>
> A notable difference relates to administrative and general expenses. Specifically, the amount included in the rate study represents 26.9% of the total operating expense excluding depreciation with 31.9% of those expenses allocated to fire protection. Administrative and general operating expenses in the prior rate case represented 10.5% of total operating expense excluding depreciation and a 28.5% allocation to fire protection.
>
> This increase is offset most notably because this rate study did not include a reallocation of 9.5% of total production related operating expenses to fire protection charges as was included in the Utility's prior rate case in 2007/2008.
>
> [Exhibit N-6, pp. 34-35]

[48] During the hearing, the Board asked some questions about these allocations. The Board noted that the Utility used some of the same allocations as the prior rate study, as opposed to utilizing the allocations recommended by the *Handbook*. The Board did note, however, that the actual bottom-line totals for allocation of utility plant (Worksheet B-5) were very similar whether the Utility used the *Handbook* or not – 40.4% of utility assets charged to fire protection, versus 40.6%, respectively.

[49] The individual allocations within this total, however, did differ significantly, affecting the final charge calculations in Worksheet C-1. Major differences were observed in three calculations: reservoirs and standpipes, transmission, and distribution. The Board asked some clarifying questions on the respective allocations of the individual asset groups to fire protection in the IRs and during the hearing.

[50] The Utility explained that there were two reservoirs in its system. The first is used for the storage of regular water but the second has a “higher dedicated purpose for fire flow”. The methodology used in the previous rate study reflected this design. When undertaking the current rate study, the same methodology was used, but the costs and the flows for major items were updated including recent investments in the first reservoir. For instance, the Distributions of Reservoirs and Standpipes was allocated as 48.8% versus the *Handbook* recommendation of 60%, and the Utility explained that it utilized the same allocation methodology as was approved in the last rate case, adjusted for the most recent utility and customer data.

[51] Likewise, in the transmission calculations, the transmission line between the reservoirs was allocated 100% to fire protection ($426,557 in Note C, Worksheet B-5), and the remaining utility plant ($821,774 in Note C, Worksheet B-5), was allocated 68% to fire

protection. The Board asked the Utility to explain where the 68% came from. The Utility noted that the 68% allocation was carried over from the rate study prior to the most recent one, completed in 2003 and that there had not been an updated analysis or engineering opinion since that time. Similarly, calculations for the distribution system were based on the previous methodology but were updated.

[52] In the hearing, the Board asked if it was Stantec's professional opinion that the methodology noted above was superior to the methodology included in the *Handbook* and Stantec commented that "superior" would not be the correct term. Stantec noted that as with any kind of cost allocation analysis, a Utility is trying to representatively allocate costs appropriately and given that this is what the Utility has used historically, Stantec believes that this percentage is still appropriate.

[53] In the calculation of fire protection charges (Worksheet C-1), the Utility used 31.9% to allocate Administration and General expenses, rather than the 10% recommended in the Handbook, although it did not allocate any consumer accounting and collection costs to fire protection. The Utility explained that the 31.9% reflected the bottom line for Worksheet C-1 (including assumptions it had made on transmission and distribution), prior to depreciation and any return. As fire protection is a major component of the system, the Utility felt this was appropriate.

[54] The fire protection calculation results in a notable increase in the charges paid to the Utility from the Village and the County. The fire protection charge is proposed to increase from the current $336,063 in FY 2024, to $448,441 in the test year.

[55] The fire protection charge is derived from a formula, resulting in different charges in each projected year. The Board asked the Utility during the hearing if it made

more sense to set the fire protection charge as $448,441 in each year that the rate case covers, and that in any subsequent year, the Utility could use the formula to determine the appropriate charge for that year. The Utility agreed that it could make sense to do that but expressed some concerns. The Utility stated that with the General Operating Budget, if the Utility used a fixed amount, it would have a bigger effect in year 1 on the Village and County, and it may help to have a slowly increasing fire protection charge to cover the increasing operating costs.

[56] The total fire protection charge payment to the Utility is apportioned to the Village and the County, based upon the number of hydrants in each jurisdiction of each year.

Findings

[57] Although the Board recognizes that the methodology used to determine the allocation of costs to general service and public fire protection differs from that contained in the *Handbook*, the Board finds the use of allocations approved in prior rate cases remains appropriate, and accepts the changes made by the Utility in updating the costs to reflect more current amounts. The Board accepts the methodology used for these allocations as set out in the rate study. The Board further accepts and approves the use of a formula for the fire protection charge, and the methodology used to apportion the total charge between the Village and the County, which is consistent with the methodology used by other utilities.

b) Utility Customers

[58] After the allocation to fire protection, the remaining revenue requirement is recovered from the customers of the Utility. The Utility currently has 1,792 customers,

1,501 of which are 5/8” customers. The rate study shows 1.5% growth in customers for all meter sizes during the projected years, with the test year showing a 3% increase to overall customers from the current amounts. In the hearing, the Utility discussed the potential for much higher growth, stating that recently the lands to the south of Highway 101, which have been sitting in a holding period for a number of years, have now been zoned for “development”. The Utility also noted other areas of the County that are planning for higher-density growth.

[59] When asked in IR-12 b), the Utility stated that it does not have the water consumption by meter size readily available for the fiscal years 2018 to 2022. The Board inquired about this in the hearing, and the Utility advised that acquiring the data by meter size was difficult using their current systems. It noted that historical water meter errors or readings led to numerous negative consumption readings which skews the resulting data.

[60] The Utility stated in the hearing that it believed its base rate and consumption charge are among the lowest in the province. When asked by the Board if the Utility benchmarked its rates against other utilities in the province, the Utility noted that it included an insert in its customer’s latest water bills to advise that the rate study is taking place, and to compare the proposed rates with other water utility rates in Nova Scotia.

[61] The Board asked for this insert as Undertaking #1, which it received from the Utility on January 10, 2024.

[62] The methodology used to allocate the remainder of the expense items to determine the base and consumption charges was generally consistent with the *Handbook*. There are a few areas where the methodologies differ, and these are similar to what was approved in the Utility’s last rate case. When asked to highlight the differences between

the allocations in the rate study when compared to the *Handbook*, the Utility provided the following response in IR-17 b):

> Power & Pumping: 90.0% was allocated directly to the commodity charge. 75.0% of the remaining 10.0% (2.5%), was allocated to the commodity rate for a total of 92.5%. The remainder is allocated to the base charge. This approach is consistent with the Utility's prior rate study and determined by the Utility to still be appropriate.
>
> Transmission & Distribution:
> - Maintenance of Distribution Reservoirs & Standpipes and Maintenance of Mains = 75.0% is allocated to base and 25.0% to delivery & production which is recovered through the commodity rate, is consistent with the Utility's prior rate study, and determined by the Utility to still be appropriate.
> - Services Maintenance and Meters Maintenance = 100.0% to the customer billing category.
>
> Administration & General: The allocation in the rate study is 9% to customer, 23% to base and 68% to delivery & production (recovered through the commodity rate). This allocation is based on the overall portion of allocated general service revenue requirements between billing categories.
>
> [Exhibit N-6, p. 23]

[63] As per the *Handbook* recommendations, Power & Pumping, Maintenance of Distribution Reservoirs & Standpipes, Maintenance of Mains, Services Maintenance, and Meters Maintenance are all to be allocated 100% to the commodity charge. Administration & General is recommended to be allocated 10% to customer, and 90% to the base charge.

[64] With the projected rates, about 68% of the Utility's revenue from customers will be derived from the consumption charges in the test year. This amount of revenue derived from base and commodity charges provides some revenue stability for the Utility while also providing incentive for the customers to reduce consumption.

Findings

[65] The Board accepts the methodology used by the Utility to distribute expenses to base, customer, delivery, and production charges, which follows the *Handbook* except for allocations determined through approved prior rate cases.

[66] Despite acknowledging the challenges the Utility faces in extracting this information from the existing billing system, the Board directs the Utility to include this data in the subsequent rate study to guarantee the comprehensiveness of the information provided and to act as a double-check on potential billing errors.

[67] The Board accepts the projected number of customers over the test period given the future plans for development in the area. The Board approves the customer rates as presented in the rate study.

V SCHEDULE OF RATES AND CHARGES

[68] The Utility included a Schedule of Rates for Water and Water Services within its original filing, labelled Schedule A.

[69] This Schedule updated the base charges per meter size for all customers, in addition to the consumption rate, based on the proposed rates determined in the rate study. Schedule A also provided an update to the allocations within the formula to determine the fire protection rate charged to the Village and County, based on the number of hydrants in the jurisdiction. The sprinkler rate charge remained unchanged since the prior rate study.

[70] The Board confirms that the base and consumption charges, as well as the allocations in the fire protection formula, align with the proposed rates and allocations in the rate study.

Findings

[71] The Board finds that the proposed changes to the Utility's Schedule of Rates for Water and Water Services are reasonable.

[72] The Board approves Schedule A with the effective date of April 1, 2024.

VI SCHEDULE OF RULES AND REGULATIONS

[73] The Utility did not include a Schedule of Rules and Regulations within its original filing, which the Board inquired about in IR-40. In response to the IR, the Utility filed a schedule which included a redline version of the proposed changes.

[74] The Utility proposes five changes and one addition to the Schedule of Rules and Regulations, effective April 1, 2024. The Utility provided the following summary of the changes:

> 1) Section 1 Definitions: Updated the definition from "Consumer" to "Customer" as requested by the Board in its decision M10747 in January 2023 and updated references throughout.
> 2) Section 5 (Section 4 in the requested update) Biling: Updated wording to clarify the Utility's option for monthly billing on high use customers.
> 3) New Section 6: Liability for Payment of Water Bill: Added a new Rule and Regulation regarding liability for payment of water bills. This section clarifies the Customer's liability for payment and the definition of account holders and responsibilities.
> 4) Section 4: Removal of the deposits rule based on the Utility's planned practice to establish the property owner as be the account holder, see previous item.
> 5) Section 10 Suspension of Services for Non-Payment of Bills: Increase of the reconnection fee after suspension for non-payment from $25 to $50.
> 6) Section 24 Extensions: Modified the extensions rule to simplify the wording to be applicable to all cases given the individual complexities of each.
>
> [Exhibit N-6, p. 36]

[75] The Board confirms that the updated wording of the customer definition reflects the Board's direction regarding M10747[3] and that the changes to Section 5 provide clarity for high-use customers. The Board also notes that the new Section 6 addition provides the rules surrounding liability of water bills, which is another area that the Board focused on when issuing its Decision letter in M10747.

[76] The Board notes that the increased reconnection fee appears reasonable and appears similar in magnitude to other utilities in the province that have increased fees surrounding connection and reconnection activities.

[3] M10747 – MacPherson – New Minas Water Utility – Billing Issues – Board Decision, January 4, 2023

Findings

[77] The Board finds that the proposed changes to the Utility's Schedule of Rules and Regulations are reasonable and finds them consistent with other water utilities charges and schedules.

[78] The Board approves Schedule B as filed in response to IR-40, with the effective date of April 1, 2024.

VII CONCLUSION

[79] The Board looks forward to receiving more timely water rate studies from the Utility in the future, to better align the water revenues with the operating costs of the Utility, and the capital needs of the system.

[80] The Board directs the Utility to include the water consumption by meter size data in the subsequent rate study.

[81] The Board approves the Schedules of Rates for Water and Water Services as Schedule A with an effective date of April 1, 2024.

[82] The Board approves the Schedule of Rules and Regulations, as filed in response to IR-40, as Schedule B with an effective date of April 1, 2024.

[83] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 15th day of March 2024.

Bruce H. Fisher