DECISION **2026 NSRAB 80**
M12643

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 ANNAPOLIS ROYAL** on behalf of its **WATER UTILITY**, for approval of amendments to its Schedule of Rates for Water and Water Services and amendments to its Schedule of Rules and Regulations

BEFORE: Jennifer L. Nicholson, CPA, CA, Member

APPLICANT: **TOWN OF ANNAPOLIS ROYAL**
Gerry Isenor, P.Eng.
G.A. Isenor Consulting Limited

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

Sandi Millett-Campbell
Chief Administrative Officer

Melony Robinson, CPA, MBA
Director of Finance

Ken Knox,
Director of Public Works

I CERTIFY THAT THE WITHIN IS A TRUE
AND CORRECT COPY OF THE ORIGINAL

HEARING DATE: March 19, 2026

DATED THIS 12th DAY OF June, 2026

FINAL SUBMISSIONS: March 25, 2026

Pamela McGarrigle
Pamela E. McGarrigle, Clerk of the Board
Nova Scotia Regulatory and Appeals Board

DECISION DATE: **June 12, 2026**

DECISION: The Rates for Water and Water Services are approved as provided in Schedule A of the revised rate study in response to Undertaking U-1, effective July 1, 2026. The Rules and

Regulations are approved as provided in Schedule D of the original application. A compliance filing is required as directed in this decision.

TABLE OF CONTENTS

1.0 SUMMARY

[1] On December 18, 2025, the Town of Annapolis Royal (Town), on behalf of its water utility, applied to the Nova Scotia Regulatory and Appeals Board (Board) to amend its Schedule of Rates for Water and Water Services and its Schedule of Rules and Regulations.

[2] The utility's existing rates have been in effect since April 1, 2010, and its Schedule of Rules and Regulations since April 1, 2008. The utility purchases its water supply from the Annapolis County Water Utility (County), which has implemented three rate increases during that period. The utility has historically managed these increases through customer growth but now requires a rate adjustment due to projected increases in County wholesale costs, ongoing operational requirements, and necessary capital improvements. The application was supported by a rate study prepared by G.A. Isenor Consulting Limited and Blaine S. Rooney Consulting Limited.

[3] The Board issued Information Requests (IRs) on February 2, 2026, and received responses from the utility on February 17, 2026.

[4] The Board held a public hearing on March 19, 2026, following due public notice. The utility was represented by its consultants, Gerry Isenor and Blaine Rooney, together with Sandi Millett-Campbell, Chief Administrative Officer; Melony Robinson, Director of Finance; and Ken Knox, Director of Public Works. The Board received one letter of comment and one request to speak from the same member of the public.

[5] During the hearing, the Board reviewed the rate study and the responses to IRs. The sole public comment requested deferral of the proposed rate increases until the County completed its rate study and any resulting adjustments were approved. There was

also a request to even out the percentage increases between the different meter sized customers as there is a wide range of increases between customer classes.

[6] The utility recommended that the Board approve the proposed rates for the first test year only, based on the County's currently approved wholesale water rates, and approve all other assumptions underlying the rate study for the subsequent two test years, except for the County's wholesale water costs. The utility further proposed that, following the conclusion of the County's rate proceeding, it would submit a compliance filing incorporating the approved wholesale water costs while maintaining all other elements of the current application. This approach would avoid the need for a further hearing and allow the utility to manage its operating budgets and deficit until the County's rates are finalized.

[7] The Board agreed and directed the utility to file a revised rate study reflecting the County's currently approved wholesale water rates instead of estimates and to submit a revised Schedule A for rates effective July 1, 2026. The Board also requested an additional undertaking providing further detail on the utility's water system. The undertakings were filed on March 25, 2026.

[8] For residential customers with a 5/8-inch meter, the average quarterly water bill based on average consumption is $131.03 and is proposed to increase to $156.04 in 2026/27, an increase of 19.1%. For other customer classes, based on average quarterly consumption by meter size, proposed increases range from 0% to 51.1% in 2026/27. The annual fire protection charge is proposed to increase from $110,130 to $117,645, an increase of 6.8%.

[9] The Board finds that the utility has justified its revenue requirements and approves the Schedule of Rates for the first test year only, as set out in the revised rate

study filed in response to Undertaking U-1, effective July 1, 2026. The Board further directs that rates for the subsequent two test years be determined through a compliance filing following the County's approved water rates. The Schedule of Rules and Regulations is also approved as filed, effective July 1, 2026.

2.0 INTRODUCTION

[10] The Town purchases treated water from the County, which supplies water from three non-groundwater-under-direct-influence (non-GUDI) wells located at the Granville Ferry Canadian Forces Rifle Range. Water is chlorinated by the County and delivered to the Town through a 200 mm transmission main crossing the causeway.

[11] The Town's system includes a 400,000-imperial-gallon storage tank working in conjunction with Granville Ferry's storage tank, and a booster station that maintains system pressure and chlorine residuals. The distribution network consists of approximately 13.7 km of water mains, primarily PVC pipe in good condition, with some older ductile iron mains in poor condition. The system also includes 52 fire hydrants, three of which are privately owned.

[12] The utility meets all Nova Scotia Environment and Climate Change regulations for public drinking water. There have been no boil order advisories or complaints regarding water quality and pressure in the past three years. The utility does not operate any dams or have any bulk fill stations. The utility does annual lead testing but there are no known lead pipes or laterals in the system.

[13] The utility currently serves 398 customers, of which 368 are residential (5/8" meter size). It is projected that the number of utility customers will increase by six residential customers in 2027/28 and remain steady in 2028/29. The six new customers

are based on the new duplex development (four customers), a new home construction (one) and a building lot for sale (one).

[14] The utility's last rate application was filed in 2008. The utility explained that, following that application, it recorded operating surpluses in most years and, as a result, council deferred filing for new rates. The utility noted that the last surplus was recorded in March 2023. Growth and new development have increased water sales, helping offset successive wholesale rate increases from the County. However, rising wholesale water costs, increasing operating expenses, and the need for capital investment have reduced the utility's financial capacity and prompted the need for a comprehensive rate review.

3.0 REVENUE REQUIREMENTS

3.1 Operating Expenditures

[15] For the fiscal year ended March 31, 2025, the utility had an excess of expenditure over revenue of $55,432 and an accumulated operating surplus of $57,738. The rate study projects that without a rate increase, the utility will go into operating deficits of $64,858, $138,435, and $224,101 for the test years, assuming the current County wholesale rates.

[16] In response to IR-26 and IR-27, the utility explained the projected changes in expense line items between its actual expenditures in 2024/25 and its projected expenses for 2025/26.

[17] In response to IR-17, the utility described its budgeting process, noting that the Director of Finance meets with the Public Works Superintendent and the Chief Administrative Officer to identify operational and regulatory requirements, with the budget

approved by Council in the spring of each year. Approximately 35% of the Town's general administrative costs, power, and shop costs are allocated to the utility based on time sheets. No operating or capital costs are shared with the County, and there have been no changes to the budgeting or cost allocation methodology since the previous rate application.

[18] Operating expenses are expected to increase, and the utility has assumed an inflation rate of 3% per year over the test years. These assumptions are consistent with the inflation factors recently used by most water utilities in Nova Scotia. Higher increases are seen in salaries and benefits as Council approved a new salary scale and pension plan as well as the addition of a seasonal employee.

[19] Under the line-item "Source of Supply", the share of operating maintenance cost (well field) is flat at $110,000 assuming the currently approved County wholesale rates. This is an estimated amount that the utility pays for the water it purchases from the County. These values will change once the County water rate application is approved.

[20] Non-revenue water is treated as water that is lost within the system (leaks) or used but not sold. The utility estimates its current level of non-revenue water is currently in the range of 13% to 15%. The utility is small so it can monitor for leaks through visual inspections and by tracking tank levels and system pressure daily. While all customers are metered, the utility does not utilize smart meter technology due to the cost. No additional expenses related to leak detection or non-revenue water reduction initiatives are included in the current application.

[21] The utility maintains a depreciation reserve account, with depreciation calculated annually. The annual depreciation expense is based on the utility's existing assets and proposed capital additions. The minor increase in capital spending over the

test years will increase the payments to the depreciation account from $65,983 in 2025/26 to $76,182 in 2026/27, to $80,332 in 2027/28 and to $81,781 in 2028/29.

3.1.1 Findings

[22] Based on the information provided, the Board finds the operating expenses contained in the rate study to be reasonable. The Board also finds the test period depreciation expense to be reasonable, as they reflect actual current depreciation expense together with the annual depreciation associated with capital additions.

[23] The Board accepts the utility's explanation for the allocation of expenses between the Town and the utility. The Board reminds the utility to review these allocations periodically and revise them as necessary.

3.2 Capital Budget and Funding

[24] The utility maintains a long-term asset replacement strategy and provided its five-year capital program in response to IR-28. Planned capital expenditures total $197,000 over the test years, with proposed additions of $90,000 in 2026/27, $67,000 in 2027/28, and $40,000 in 2028/29. Projects are prioritized based on condition, criticality, and operational need.

[25] The planned capital additions and funding for the test years is summarized in the table below which Board staff prepared based on Worksheet B-3 from the rate study:

Capital	**2025/26**	**2026/27**	**2027/28**	**2028/29**
Structures and Improvements		$ 15,000	$ 12,000	
Equipment		$ 25,000	$ 15,000	
Mains				
Meters	$ 32,000	$ 20,000	$ 25,000	$ 25,000
Hydrants		$ 15,000	$ 15,000	$ 15,000
Services				
Other		15,000		
	$ 32,000	$ 90,000	$ 67,000	$ 40,000

Funding	**2025/26**	**2026/27**	**2027/28**	**2028/29**
Outside Sources	$ 32,000			
Depreciation fund		90,000	67,000	40,000
Long Term Debt				
Capital out of revenue				
	$ 32,000	$ 90,000	$ 67,000	$ 40,000

[26] The utility described the major capital expenditures in response to IR-29, IR-30 and IR-31. The spending in “Structures and Improvements” relates to the purchase of a drone for water tower inspections and the construction of a building/shed at the end of the line in Lequille where the water line terminates. Capital projects under the “Equipment” line item include purchases for a valve exerciser, lateral replacements, chlorine injector pump and water pumps at the water tower. The “Mains” line item includes replacement of existing meters due to age, and the “Hydrants” line item is replacement of existing water hydrants.

[27] The proposed approach to funding for the test years is to first seek grant funding when available, then use depreciation funding. A $32,000 grant from the water utility’s Capital Reserve Fund maintained by the Town will be used with the remaining funding coming from the depreciation fund. The depreciation fund balance as of March 31, 2025, was $711,943 and is estimated to have a balance of $857,816 at the end of the test years. If projects go over budget the excess funds will come from the Capital Reserve Fund.

[28] The depreciation rates for capital additions align with the Board's *Water Utility Accounting and Reporting Handbook (Handbook)* except for items that are not identified in the *Handbook* for which the projected useful life of the asset is used.

3.2.1 Findings

[29] The Board finds the utility's proposed capital program and funding as set out in the revised rate study to be reasonable given the age of the infrastructure and the need for repairs.

[30] The Board finds that the utility's projected depreciation fund balance at the end of the test period is adequate, based on the utility's size and the current state of its assets.

[31] The Board reminds the utility that if any capital expenditure is over $250,000, it requires separate Board approval.

3.3 Non-Operating/Other Revenues and Expenditures

[32] The rate study included projections of non-operating revenues and expenditures for the test years. Non-operating expenditures include debt charges on principal and interest payments and earnings. There is no debt in any of the test years, but it is noted that in 2025 an existing debt was paid off in full. The utility is proposing to use $2,000 in earnings in the last test year to smooth out the rate increases based on current projections.

[33] Other operating revenues include sprinkler services, interest on accounts receivable and a "wheeling charge" to the County. This charge relates to a subdivision that has left the billing system and is now served by the County. The Town still delivers

water to them through its distribution system and charges the County a wheeling charge for transporting the water.

[34] The utility's rate base in each of the test years is the gross utility plant in service, less the accumulated depreciation and unamortized capital contributions. Its return on rate base is determined from its non-operating expenses less non-operating revenue. The utility is projected to earn a negative return on rate base throughout the test years.

3.3.1 Findings

[35] The utility will use outside funding sources and its depreciation reserve to fund its capital program over the test period. The Board finds the utility's non-operating revenue and expenses as presented in the rate study to be reasonable.

[36] For this application, the Board finds that using $2,000 in earnings in the final test year to smooth rates as proposed in the rate study is reasonable. The utility is directed to provide any changes to earnings in the compliance filing.

4.0 REVENUE REQUIREMENT ALLOCATION

4.1 Public Fire Protection

[37] The fire protection charge is the annual charge to the Town for water for fire protection service. The annual fire protection charge, currently $110,130, is proposed to increase to $117,645 (+7%) in 2026/27, $121,151 (+3%) in 2027/28 and $124,864 (+3%) in 2028/29 assuming current County wholesale rates.

[38] The methodology the utility used to allocate the utility plant in service costs between general service and fire protection is consistent with the Board's *Handbook.*

General service is 51.9% in 2026/27, 51.4% in 2027/28 and 51.3% in 2028/29. The total expenses allocated to fire protection are 25.8% in 2026/27 and 2027/28, and 26.0% in 2028/29.

[39] The remaining revenue requirement, after the allocation to fire protection charges, is to be recovered from the utility's customers. The methodology the utility used to allocate revenue requirement to customer, base, delivery, and production charges, is consistent with the *Handbook* except for the transmission and distribution allocation which recommends a phased approach over the test years. In response to IR-42, the utility stated transmission and distribution allocations are different to stabilize the revenue stream due to the size of the customer base (398 customers) and to keep the revenue from base charges in the 40% range for the test years for financial stability of the utility. The allocations the utility used for these expenses, and under the *Handbook*, are set out in the table below:

Transmission and Distribution		Customer	Base	Delivery	Production
2026/27	Utility		30%	70%	
	Handbook			100%	
2027/28	Utility		20%	80%	
	Handbook			100%	
2028/29	Utility			100%	
	Handbook			100%	

4.1.1 Findings

[40] The methodology used to determine the total public fire protection charge conforms to the methodology set out in the *Handbook*. The Board approves the utility's proposed fire protection charges. The Board approves the proposed allocation of transmission and distribution expenses, which were set to reduce revenue risk to the

utility by moving the balance between base and consumption closer to the 40% base and 60% consumption. This approach is common among utilities with a small customer base.

4.2 Utility Customers

[41] The utility currently serves 398 customers, an increase of 32 since the 2008 rate application. This growth has resulted from the addition of customers in new condominiums developed within a repurposed high school, as well as the Fortier Mills subdivision. The application forecasts an increase of six residential customers in 2027/28, driven by new duplex developments at Royal Estates, a newly constructed home, and the development of a building lot. Customer numbers are then expected to remain stable in 2028/29. The utility used the projected number of customers to calculate the proposed base charges in each of the test years.

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

Customer Meter Size	Number of Customers
Unmetered	
⅝”	368
¾”	7
1”	11
1 ½”	4
2”	7
3”	1
4”	
6”	
8”	
Total	398

[Exhibit A-6, p. 23]

[43] The calculation of overall consumption charges in the rate study is based on an annual water consumption of 93,141 m3 in 2025/26. There has been a 5% decrease since the last rate application in 2008. The average quarterly water usage for residential customers with 5/8” meters is currently 37 m³, which is comparable to other utilities in the province. The utility recommends assuming no change in annual consumption over the

test years given that many of the homes are older and there are limited areas for improvement.

[44] The utility has not developed a demand side management program to assist customers in reducing consumption but has included capital funding for meter replacement as part of an ongoing program. The utility performs full system leak detection on a regular basis and monitors tank levels and pressure for fluctuations in consumption.

[45] A public comment requested that the percentage rate increases be more evenly distributed among customer classes. The Board notes that residential customer rates are projected to increase 19.1% in 2026/27, while customers with 1.5-inch meters are projected to experience an average increase of 51.1%.

[46] At the hearing, Mr. Isenor and Mr. Rooney explained that the proposed rate design is intended to recover approximately 40% of revenues through base charges and 60% through commodity charges. They stated that this balance promotes the financial stability of the utility while preserving customers' ability to influence their bills through water conservation. Under the existing rate structure, nearly 60% of revenues were recovered through base charges. The proposed rates reduce the utility's reliance on fixed charges and move the revenue mix closer to the recommended 40/60 balance, thereby increasing the proportion of a customer's bill that is based on actual consumption. They further noted that the 1.5-inch meter customer class includes several high-volume users and that the projected 51.1% increase represents the average impact across the class. As a result, the actual increase experienced by individual customers within the class may vary significantly depending on their level of water consumption.

4.2.1 Findings

[47] The Board finds the projected number of customers over the test period and the projected consumption amounts to be reasonable, given the utility's size and history.

[48] Given the size of the rate increases proposed in this application, the Board is concerned about rate shock for customers. However, these customers have also benefited from having stable rates for almost two decades. The Board carefully considered the impacts to the utility and its ratepayers, both in absolute dollars and in percentage terms, and to similar situations it has reviewed.

[49] The Board finds that the methodology used by the utility in the calculation of base rates and consumption charges in the test years is appropriate. The Board notes that the allocation of joint use in the County rate application will have significant impacts on the utility rates. The Board understands that there may be concerns with respect to the proposed rate increases, but is required to ensure the ongoing, sustainable, safe operation of the utility. As the Board found in *Amherst (Town), Re*, 2006 NSUARB 85:

> [14] … in setting rates, it is not the Board's role to provide the cheapest rates possible for minimal service. Rather, it is the Board's role to ensure that the rates are sufficiently robust to enable the Utility to provide reasonable, adequate and safe service.

[50] Based on the evidence filed, the Board approves the customer rates for 2026/27 as set out in the revised rate study submitted in response to Undertaking U-1. The Board also approves the rate study assumptions and inputs for 2027/28 and 2028/29, including the application of $2,000 in retained earnings in the final test year to help moderate rate increases. The utility projects an accumulated deficit of $3,820 in 2026/27, decreasing to $1,820 by 2028/29, assuming no change in the County's wholesale water charges. The Board notes that these projections remain subject to revision pending approval of the County's wholesale water rates.

[51] The Board is satisfied that the utility has managed its finances well since its last rate application. However, filing a rate application earlier could have reduced the increases that will be experienced by customers. While rising costs would still have caused customer rates to rise, an earlier rate application could have produced more gradual rate increases.

[52] The Board encourages the utility to file a rate application before the end of the final test year and not wait as long between rate applications.

5.0 SCHEDULE OF RATES AND CHARGES

[53] In addition to the proposed rate changes for water supply to its customers, the utility proposed changes to its charges. The sprinkler service charge will increase from $320 to $350 per building served. The private hydrant connection charge has been revised to include water supplied for building works and other non-firefighting purposes and includes a $50 connection fee.

[54] The charges for re-establishing water service and installing a water meter will increase from $20 to $50 during regular working hours, with a new after-hours charge of $150. A new on/off service charge of $50 during regular hours and $150 after hours is also proposed. In addition, the charge for non-negotiable cheques has been revised to $20 per occurrence.

5.1 Findings

[55] From the information presented, the Board finds that the utility's proposed Schedule of Rates for Water and Water Services is reasonable. The Board approves

Schedule A in the revised rate study filed in response to Undertaking U-1 [Exhibit A-6, pp. 34–36]. The rates in this schedule will come into effect on July 1, 2026.

6.0 SCHEDULE OF RULES AND REGULATIONS

[56] In response to IR-51, the utility listed proposed amendments to eight of its Rules and Regulations and proposed seven new ones. In most cases the changes are being proposed to make them consistent with other water utilities in Nova Scotia. The proposed new rules are summarized below:

- Rule 20 – Dangerous Connections: Prohibits any connection that could allow contamination to enter the water system and may discontinue water service if such a connection exists.
- Rule 31 – Reselling of Water: Customers require the utility's prior written approval and may suspend service until the activity ceases or approval is obtained.
- Rule 35 – Pressure Reducing Valves: Customers may be required to install and maintain a pressure reducing valve, at their own expense, where the utility determines it is necessary to ensure proper water service.
- Rule 36 – Pressure Relief Valves: Customers who install a pressure reducing valve must also install and maintain approved pressure relief valves and temperature-limiting devices on hot water equipment to ensure safe operation of the plumbing system.
- Rule 37 – Extensions: Property owners may apply to the utility for a water main extension. If approved, the extension must be constructed at the owner's expense, subject to all required approvals and utility specifications. Once completed, ownership of the extension is transferred to the utility, and it becomes part of the utility's water system.
- Rule 38 – Curb Stop/Control Valve Service Box: Customers are responsible for ensuring curb stop/control valve service boxes remain accessible and

unobstructed at all times. Any required adjustments, repairs, or restoration work resulting from customer actions or failure to maintain access shall be performed by the utility at the customer's expense.

- Rule 39 – Water Conservation Directives: The utility may implement water conservation directives when necessary to maintain a reliable and continuous water supply. Customers who fail to comply may have their water service suspended until compliance is achieved or the directive is lifted, and any reconnection costs will be charged to the customer.

6.1 Findings

[57] The proposed Schedule of Rules and Regulations is generally consistent with other water utilities in the province that have had recent rate applications. The Board approves the amendments to the Schedule of Rules and Regulations noted above, filed as Schedule D in the original application [Exhibit A-1, pp. 49-58]. The schedule will come into effect on July 1, 2026.

[58] The Board reminds the utility to regularly review its Rules and Regulations to ensure that they meet its needs and provide certainty for its customers. The Board notes that the utility can request Board approval to update existing Rules and Regulations or add new ones at times other than a general rate application.

7.0 CONTINGENCY PLANNING

[59] In response to IR-55, the utility provided general information regarding its contingency planning, emergency preparedness, and cybersecurity efforts. The utility has developed a risk assessment to guide the capital program and support project prioritization, which was included in IR-28. A contingency and emergency preparedness

plan is also in place, addressing events such as emergency notifications, bacteriological contamination, water quality exceedances, and power outages. The utility indicated that these plans are reviewed and discussed with staff on an annual basis.

[60] The utility has cyber insurance coverage, but multi-factor authentication is not required when authenticating to the system as the online access only allows for status monitoring and no adjustments. The utility has a third-party manage parts of its information technology and cybersecurity functions. Utility staff are not trained in cyber security measures, and no external cybersecurity assessment has been conducted.

7.1 Findings

[61] The Board notes that the utility has taken steps to review risks to the system and has a risk assessment document that prioritizes projects. The Board reminds the utility of the importance of maintaining and updating its contingency, cyber security, and emergency preparedness strategies and the associated communication plans. The Board encourages the utility to regularly review cybersecurity risks and provide staff with training.

8.0 CONCLUSION

[62] The Board approves the Rates for Water and Water Services, effective July 1, 2026, as shown in Schedule A from the revised rate study filed in response to Undertaking U-1 [Exhibit A-6, pp. 34-36].

[63] The Board approves the inputs and methodology for the final two test years and directs the utility to file a compliance filing including an updated rate study and revised Schedules B and C reflecting the approved County wholesale rates. The compliance filing

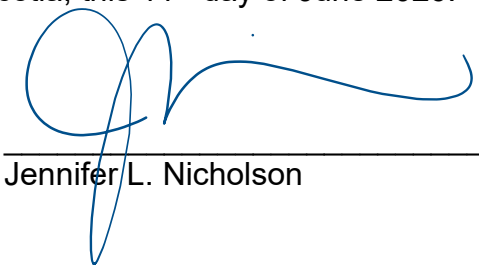
shall be filed no later than 15 days after the issuance of the County's water rates Order. Upon receipt and review of the compliance filing, the Board will issue a further Order for Schedules B and C as required.

[64] The Board approves the Schedule of Rules and Regulations, as shown in Schedule D filed in the original application [Exhibit A-1, pp. 49-58], with an effective date of July 1, 2026.

[65] The Board further encourages the utility to file its next rate application before the end of the final test year (March 31, 2029).

[66] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 11th day of June 2026.



Jennifer L. Nicholson