

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Carl D. Yates, General Manager, Halifax Water

DATE: March 19, 2008

SUBJECT: Nova Scotia Utility and Review Board (NSUARB) Order on
Wastewater/Stormwater Rate Application

INFORMATION REPORT

ORIGIN

Halifax Water's rate application to the NSUARB for approval of a schedule of rates and charges and rules and regulations for wastewater and stormwater service following the asset transfer on August 1, 2007.

BACKGROUND

On July 26, 2007, the NSUARB approved the transfer of wastewater and stormwater assets from HRM to Halifax Water after an ex parte hearing. Subsequently, a public hearing was held on October 23 and 24, 2007, as part of the process for the approval of rates and charges and rules and regulations for wastewater and stormwater service. The NSUARB issued its decision on January 23, 2008, followed by an Order on March 3, 2008.

DISCUSSION

In terms of process, Halifax Water submitted the application to the NSUARB with the goal to translate HRM's bylaws pertaining to wastewater and stormwater service into rates and regulations with the same look and feel as the water service rates and regulations previously approved by the NSUARB. In general terms, a schedule of rates and charges, and rules and regulations were approved as submitted, including an increase in the Environmental Protection Charge (EPC) of \$.09 per cubic metre on October 1, 2007, in line with Council's previous rate approval. However, the requested increase in the EPC of \$.035 per cubic metre scheduled for October 1, 2008, for the Eastern Passage wastewater plant expansion was not approved as part of the application. This was not a surprise to Halifax Water staff as the NSUARB generally does not approve rate increases until costs are firmly established and the plant construction is

completed. This is not to be viewed in a negative light as the NSUARB are clearly in support of the project, but wish to deal with it in the traditional way in conformance with the Public Utilities Act. In this regard, the NSUARB has already approved \$2 million for the Eastern Passage treatment facility upgrade such that Halifax Water has hired an Owners Engineer to develop specifications for a design/build contract through a request for qualifications and subsequent request for proposals.

The NSUARB also approved the Sewer Redevelopment Charge and Wastewater Treatment CCC at the rates previously approved by HRM Council.

There were some minor changes to the rules and regulations by the NSUARB to ensure customers with equal service are treated the same, but all substantive rules and regulations needed for the operation of the utility were approved as requested. These minor amendments include the equitable treatment of customers as it pertains to the maintenance of service laterals. The NSUARB has ruled that all customers must be treated the same independent of the number of units serviced by the system. The NSUARB also insisted on equitable treatment for pollution control rebates to customers who demonstrate that their wastewater discharge is significantly less than their water consumption irrespective of their water usage. In addition to these amendments, the NSUARB also ordered that sewer lateral maintenance as a result of root infiltration from trees be dealt with in a consistent manner. In this regard, both private homeowners and the Municipality will be required to make repairs to the sewer laterals should they be infiltrated and damaged from tree roots. All of these amendments are in line with cost causation principles in conformance with the Public Utilities Act.

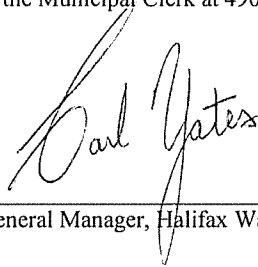
In addition to the findings on rates and charges, and rules and regulations, the NSUARB also understood and accepted our intention to do a formal cost of service study, but have requested that this be done in an earlier timeframe than originally envisioned. The NSUARB has ordered a cost of service study be filed by November 1, 2008. The NSUARB also ordered that the Aerotech wastewater/stormwater system be treated as a stand alone system similar to their previous finding with regard to the Aerotech water system. They have ordered a separate rate application to be filed no later than April 30, 2008, and it is expected that the application will be filed within this timeframe.

The recent Order from the NSUARB is the last key milestone to complete the process to transfer wastewater and stormwater assets to Halifax Water. Halifax Water wishes to acknowledge the cooperation from HRM staff and the support of Council as this process unfolded over the last two years. We believe the decision to transfer the wastewater and stormwater assets was based on sound governance and sustainability principles, and look forward to serving the residents of HRM in the years to come.

ATTACHMENTS

None

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

A handwritten signature in black ink that reads "Carl Yates". The signature is written in a cursive style with a large, sweeping initial "C".

Report Prepared by:

Carl Yates, General Manager, Halifax Water, 490-4840