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Item No. 6

Halifax Regional Council
November 25, 2008

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

A handwritten signature in cursive script, appearing to read "M. E. Donovan".

M. E. Donovan, Director, Legal Services & Risk Management

DATE: November 21, 2008

SUBJECT: Heritage Gas Application for Rate Increase

INFORMATION REPORT

ORIGIN

Heritage Gas Limited has applied to the Nova Scotia Utility and Review Board ("UARB") pursuant to the *Gas Distribution Act* for approval of increased rates for consumers.

BACKGROUND/DISCUSSION

Heritage Gas Limited has applied to the UARB for a rate increase for a three year test period running from January 1, 2009 until December 31, 2011. On December 21, 2006 the UARB had approved tariffs and rates for Heritage Gas Limited for a five year test period from January 1, 2007 to December 31, 2011. The rationale for the requested increase is that the customer base has not grown as quickly as was anticipated and the cost of installing the infrastructure to service customers is greater than anticipated.

The increase, which applies to the distribution portion as opposed to the energy portion of rates, varies between customer classes. These classes are based on the amount of consumption and equate to residential/commercial; commercial; and institutional/industrial. HRM uses approximately \$600,000.00 worth of gas from the different rate classes. The effect of the increase on HRM consumption will be approximately \$40,000.00 or 7% spread over 3 years. The effect on residential customers will be approximately 10% over the same period. The proposed increase is likely to be adopted as it has been reviewed by and is supported by the UARB's consultant. Gas remains a less expensive source of energy than oil despite the proposed increase and the falling price of oil.

HRM intervened in the application in order to monitor the proceedings and receive copies of all the filed material. Staff did not file evidence separately and it is not proposed to take a separate position at the hearing.

BUDGET IMPLICATIONS

The proposed rate increase would increase expenditures for gas consumption by approximately \$40,000.00.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

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.

Report Prepared by : Martin C. Ward, Q.C., General Counsel, Legal Services