



Halifax Water Proposed Rate Increase-Frequently Asked Questions

On December 5, 2011 Halifax Water filed a rate application with the Nova Scotia Utility and Review Board (NSUARB). The rate application includes a request for an increase in water, wastewater and stormwater rates.

Below are some questions and answers to provide more insight into the various challenges facing Halifax Water and the need for an increase in rates.

1. Why must the rates increase? Halifax Water faces a number of challenges that create the need for an increase in rates, such as insufficient revenues; the introduction of depreciation, and full operating costs and maintenance costs now that the Harbour Solutions Project plants are fully operational; declining consumption; a significant infrastructure deficit; and pending CCME regulations. Operating expenses such as electricity, chemical costs, and wages are increasing, and the utility does not have the ability to absorb the projected cost increases. For the fiscal year ended March 31, 2011 Halifax Water had a loss of \$6.0 million dollars. Halifax Water is projecting an operating loss of \$4.5 million dollars for 2011/12 for the Urban Core and Satellite Systems.

2. What does this increase mean for homeowners?

While increases will vary based on usage, we have projected cost increases for the average homeowner. The average household in HRM would see rates rise by \$5.75/month or \$0.19 cents/day effective June 1, 2012

3. Why has HRM let the infrastructure get to this state of disrepair?

It is important to note that this is not a unique scenario. Municipalities across North America are facing this challenge as wastewater and stormwater infrastructure has degraded over the years. The important point is that the infrastructure will only get worse if we don't do something about it now. The rate increase is about protecting the health of HRM residents and our environment now and well into the future. The cost of not moving ahead far outweighs the cost of fixing the problems.

4. How much of this money is going to fund the Harbour Solutions Project?

This rate increase is intended to better fund the entire water, wastewater and stormwater system in a fair, equitable and sustainable way. The Harbour Solutions Project is essentially complete and came in \$3 million under the budgeted \$333 million. Now that plants are fully operational, Harbour Solutions Project costs such as the introduction of depreciation, and full operating costs and maintenance costs are a factor for Halifax Water. The annual depreciation on the Harbour Solutions assets is approximately \$6.2 million. With the approval of the NSUARB, depreciation is based on 2/3 of the asset value. No depreciation was realized on the 1/3 that was grant funded. The depreciation has been phased in over three years, with 1/3 of the full amount recorded in 2010/11, 2/3 in 2011/12, and 2012/13 will be the first year in which the full depreciation expense of \$6.2 million is absorbed.

5. How much revenue will Halifax Water generate through the proposed rate increase?



Halifax Water currently does not have sufficient revenue for the operating and capital needs of the utility. For the fiscal year ended March 31, 2011 Halifax Water had a loss of \$6.0 million dollars.

If approved, the rate increases are projected to generate approximately \$10.3 million.

6. When were the last rate changes for these services?

The last wastewater/stormwater rate increase granted by the NSUARB was in December 2010. The increase was less than requested and did not provide sufficient revenue for the operating and capital needs of the utility. The current water rates date back to April 1, 2008.

7. How long will the rehabilitation of our wastewater and stormwater system take?

The condition of our underground wastewater and stormwater pipes and infrastructure has deteriorated over the course of a century. A rehabilitation process of this size will not be an overnight fix. Upgrading the infrastructure to today's standards and beyond will take time and require significant investment. Some estimates quote \$1-2 billion over 30 years. The work will take some time, but the time to act is now.

8. What is the NSUARB role? What is the process of this rate application?

The NSUARB is, in effect, the public's watchdog in this process. Halifax Water is a regulated utility and is held fiscally accountable for our actions by the NSUARB. Any rate application has to be applied for and approved by the NSUARB. The current rate application was submitted December 5th, 2011. Public and interested parties were welcomed to contribute to the process. The NSUARB has scheduled a hearing for the week of March 26, 2012. For more details on the application/hearing process please visit www.nsuarb.ca

9. Is there another option to a rate increase?

As a regulated water, wastewater and stormwater utility, Halifax Water must have sufficient revenues to meet day-to-day operation and maintenance expenses, debt obligations and future infrastructure needs to maintain a high level of service to our customers and the environment.

10. What if we want to contest this decision – do we have any recourse?

The rate application process is designed to be a fair and open process with the NSUARB ensuring an opportunity to voice opinions on the matter. The current application was submitted December 5, 2011. Public and interested parties are welcome to contribute in the process. The NSUARB has scheduled a hearing for the week of March 26, 2012. For more details on the application/hearing process please visit www.nsuarb.ca

11. What about those who simply can't afford this significant rate increase?

Halifax Water has established a third-party managed fund through the Salvation Army to assist those that may not be able to afford this vital service as a result of the rate increase. Details on the H2O(Help to Others) Fund can be found on our website at www.halifaxwater.ca and www.salvationarmy.ca/maritime. There are also water conservation measures customers can take to reduce consumption and lower their water, wastewater, stormwater bill. For water conservation tips visit our website at www.halifaxwater.ca and click on the "Halifax Water-Rate Application" front page icon.