



**Covehead**  
development inc. PO Box 367  
Charlottetown, PE  
C1A 7K7

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AUG 12 2009

The Island Regulatory  
and Appeals Commission

August 12, 2009

Island Regulatory and Appeals Commission  
501 - 134 Kent Street  
P. O. Box 577  
Charlottetown, P.E.I. C1A 7L1

Attention: Heather Walker, Research Analyst

Dear Ms. Walker:

Re: MacMillan Point Water System

On behalf of MacMillan Point Water System, this letter is further to our recent discussions regarding water rates for 2009 and following. The existing interim water rates, having been in effect for three years, expired December 31, 2008. IRAC is requested to issue an order to maintain the existing water rates.

#### Background

The MacMillan Point Water System is owned by Covehead Development Inc. (CDI) and serves customers who purchase land from CDI. One customer is on the east side of the MacMillan Point Road and the balance are located at MacMillan Point and west of the MacMillan Point Road.

There are 14 customers connected out of the approximately 76 properties serviced, of which six are year round plus one customer who has a rented residence. CDI owns nominally 43% of the 76 properties.

#### Chlorination and System Test Results

The chlorination system installed in 2006 remains in a “standby” mode. Water samples are taken at three locations four times annually and tested by the Provincial Lab. Following are the respective test results for the last three years:

<u>Date</u>	<u>Control Building</u>	<u>Ellis</u>	<u>MacLauchlan</u>
July 17, 2006	1, 0, 0	0, 0, 0	3, 0, 3
July 27, 2006	0, 0, -		2, 0, -
October 4, 2006	28, 0, 5	5, 0, 0	28, 0, 0
October 31, 2006	21, 0, 8	0, 0, 0	0, 0, 0
Nov. 7, 2006	0, 0, 0		
January, 2007	0, 0, 0	0, 0, 0	0, 0, 0
April, 2007	0, 0, 0	0, 0, 0	0, 0, 0
July, 2007	0, 0, 0	0, 0, 0	0, 0, 0
October 10, 2007	35, 0, 0	1, 0, 0	13, 0, 0
October 15, 2007	0, 0, 0	0, 0, 0	0, 0, 0
October 16, 2007	0, 0, 0	0, 0, 0	0, 0, 0
January, 2008	0, 0, 0	0, 0, 0	0, 0, 0
April 3, 2008	1, 0, 0	0, 0, 0	0, 0, 0
April 8, 2008	0, 0, 0		
July, 2008	0, 0, 0	0, 0, 0	0, 0, 0
October, 2008	0, 0, 0	0, 0, 0	0, 0, 0
January, 2009	0, 0, 0	0, 0, 0	0, 0, 0
April, 2009	0, 0, 0	0, 0, 0	0, 0, 0
July, 2009	0, 0, 0	0, 0, 0	0, 0, 0

Following receipt of the October 10, 2007 test results, the system was placed on a boil order, a cracked/defective well cap was replaced and the system disinfected; the two successive rounds of subsequent bacteriological testing yielded clear results.

#### Financial Statements

The Financial Statements are attached for your information.

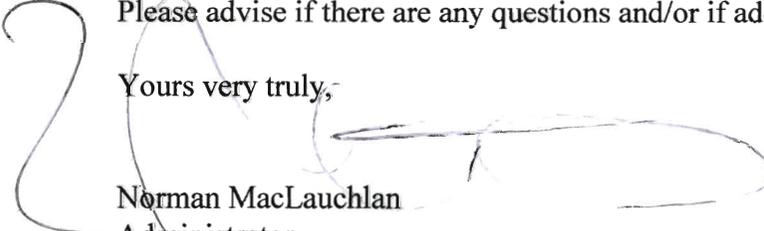
Basically the annual revenues are in the order of \$17,000 while total expenses are approximately \$12,000 thereby resulting in annual surpluses of roughly \$5,000. The 2008 end-of-year accumulated

surplus was \$18,678. Looking forward, the Utility's existing expenses are not expected to change markedly from current levels.

Nitrate levels are monitored annually and, although relatively high, remain within Canadian Drinking Water Guidelines. Should it become necessary to provide treatment to reduce nitrate levels and/or put the chlorination system into operation, then the surplus would be reduced accordingly. Rather than reduce the existing water rates, thereby reducing the surplus, and then to potentially have to subsequently request an increase in rates, is not the Utility's first choice. Rather, at this time, the MPWS prefers to maintain the existing water rates.

Please advise if there are any questions and/or if additional information is required.

Yours very truly,



Norman MacLauchlan  
Administrator  
(902) 672-2861  
[nemacl@farmsidepei.com](mailto:nemacl@farmsidepei.com)

c.c. Mark Lannigan, CA (Encl.)  
David Abbott, CA (Encl.)  
Bev Simpson, Chairman (Encl.)

**MacMILLAN POINT WATER SYSTEM**  
**Financial Statements**  
**(Unaudited - For Management Purposes Only)**  
**December 31, 2008**

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**MacMILLAN POINT WATER SYSTEM****Statement of Financial Activities and Surplus  
(Unaudited - For Management Purposes Only)**

<b>For the year ended</b>	<b>December 31, 2008</b>	<b>2008</b>	<b>2007</b>
<b>Revenue</b>			
Flat rate charges		\$ 17,100	\$ 17,148
Interest		271	233
		<u>17,371</u>	<u>17,381</u>
<b>Operating Expenses</b>			
Depreciation		694	694
Electricity		1,365	1,037
Repairs & maintenance		2,456	941
Telephone		576	515
Water testing		368	503
		<u>5,459</u>	<u>3,690</u>
<b>Administrative Expenses</b>			
Insurance		1,232	292
Interest and bank charges		33	75
Management fees		4,500	4,500
Office supplies		-	128
Professional fees		-	2,536
Regulatory fees		717	717
		<u>6,482</u>	<u>8,248</u>
<b>Total Expenses</b>		<u>11,941</u>	<u>11,938</u>
<b>Increase in Current Surplus</b>		<u>5,430</u>	<u>5,443</u>
<b>Surplus, Beginning of Year - as previously reported</b>		9,914	6,138
<b>Prior Period Adjustment</b>		<u>3,334</u>	<u>1,667</u>
<b>Surplus, Beginning of Year - as adjusted</b>		<u>13,248</u>	<u>7,805</u>
<b>Surplus, End of Year</b>		<u>\$ 18,678</u>	<u>\$ 13,248</u>

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**MacMILLAN POINT WATER SYSTEM****Statement of Financial Position****(Unaudited - For Management Purposes Only)**

<b>As At</b>	<b>December 31, 2008</b>	<b>2008</b>	<b>2007</b>
<b>Assets</b>			
Cash		\$ 1,665	\$ 14,134
Accounts receivable		16,413	1,185
<b>Capital Assets</b> (net of accumulated depreciation \$2,082; 2007 \$1,388)		8,332	9,026
		<u>\$ 26,410</u>	<u>\$ 24,345</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities		\$ 7,732	\$ 11,097
<b>Surplus</b>		18,678	13,248
		<u>\$ 26,410</u>	<u>\$ 24,345</u>

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