

## Interrogatories of Commission Staff

**TO:** The Rural Municipality of Crapaud Sewer and Water Utility

**FROM:** Kelli Cook, Regulatory Officer

**DATE:** June 12, 2026

**RE:** 2026 Rate Application

**DOCKET:** UW 16 307

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The Island Regulatory and Appeals Commission (the “Commission”), in its review of the 2026 Rate Application submitted by The Rural Municipality of Crapaud Sewer and Water Utility (the “Utility”), requests responses to the following interrogatories in order to assess the proposed rate increases.

### General & Application Clarification:

1. The application indicates that the first increase is requested to be effective April 1, 2026 as that date has now passed, please confirm how the Utility intends to proceed.  
Specifically:
  - a. Does the Utility continue to request that the initial rate increase be applied effective April 1, 2026 (retroactively)? **Yes, council has requested for the increase to be retroactively. Our billing is Jan to Dec so we will have to prorate if the increase is approved.**
  - b. Rates are generally established on a prospective basis. If you are requesting rates be approved retroactively, please provide a rationale to support this request. **This rate increase was requested by council in 2023 which was then approved for MRSB to process the application which took time. Council does not feel we can wait another year. Plus, council would like to have this dealt with prior to a new council coming in.**
  - c. Does the Utility wish to revise the proposed effective date for the first increase? **The only change would be to make it effective Jan 1, 2026 to match our billing cycle.**
  - d. If the Utility intends to revise the proposed effective date for the first increase, will this impact the financial projections submitted? **Yes, we will have another year of a deficit.**

2. Schedule 2 of the rate application, states that you have 222 customers being billed a flat rate of \$385.00 annually for sewer services.

a. Please confirm if this is the number of current customers as of the time of submission of the application (March 2026).

It is 127 customers as of March 2026 and 222 total units billed as of March 2026

- b. Please confirm if all 222 customers are being billed at the flat rate of \$385.00 annually. **It is combination of customers and units that are billed at \$385**
  - c. If customers are being billed based on segments i.e single family dwelling, individual apartment etc, please verify which segments are being used and the number of sewer customers being billed within each segment? **There are 99 single family residential units at \$385 flat rate. The remainder are units billed at \$385 rate as follows: commercial 53.6 units at \$385 per unit, non-profit 40.1 units at \$385 per unit and seniors/ apartments 29.6 units at \$385**
  - d. If customers are being billed based on segments, please verify if this will lead to a material difference in your revenue projections for sewer? **No material change to the revenue projections**
3. Please describe how and when the Utility bills its customers.
  - a. How often are customers billed (e.g. monthly, quarterly, annually)? **Annually**
  - b. When are bills typically issued during the year? **Sewer are issued in June with Water issues in July**
  - c. How would a change in rates be implemented (for example, at the next billing cycle)? **A change in the rate would be retroactive so I would reissue the bills for the increased amount.**
  - d. If rates were approved with an effective date in the past, how would the Utility apply that change to customers? **We requested January 1, 2026 but the information kept saying April 1, 2026 so I will need to go back to April 1, 2026 then do the calculation of the increase from that date.**
4. Schedule 2 of the rate application indicates that the rate charged for water services for individual apartment units is \$228.00 annually. Please verify that the correct rate that is being charged is \$304.00 annually as per the currently approved tariff. **Correct rate is \$304 and this is correct calculation at \$3,952 based on 13 units**
5. Schedule 6 provides information on proposed infrastructure development. Please provide further details related to these projects including:
  - a. Timeline for each project. **Planning \$250,000 in 2026/27, drinking water system \$650,000 in 2026/27, wastewater/stormwater/silt fence for sewer for \$1,320,000 in 2026/27 and 28/2029 sewer \$300,000 and 2030/31 sewer \$500,000**
  - b. Do you have a breakdown of the specific funding as it applies to each project (source and amount)? **CCBF funds \$496,459 for sewer, CCBF funds \$205,541 for water, CHIF \$912,200 sewer, CHIF \$377,700 for water. The sale of lots and lot with cover the remaining costs**
  - c. Has the funding been applied for and or approved? **CCBF funding already allocated**
  - d. It has been indicated that \$300,000 of the projected cost is being sourced from the sale of land held for development. Is this land owned by the Municipality or Utility? **Owned by the municipality**
  - e. It has been indicated that a loan will be obtained and is estimated to bear an interest rate of 4.7% over 15 years.
    - i. How will the loan and associated costs be allocated i.e. to water, sewer or to both? **All being allocated to sewer**
    - ii. When do you expect the loan to be executed? **Expect \$228,180 in 26/27**

and \$500,000 in 2029

6. On schedule 7, under the projected sewer revenue for 2026, it indicates the Utility has 221 customers. For our records, can you confirm that this is the result of one home being torn down? **It should be 222 units/ customers**
7. The public notice ran in the Guardian on May 9, 2026. Please advise if the Utility has received any comments in regard to the notice. If so, please provide our office with the comments received. **We had one resident email us questions. I forwarded the questions to IRAC already with another email which was my responses to the resident.**
8. The Utility has provided us with a letter that was to be distributed to customers regarding the rate increase application. Please advise of the following:
  - a. When was the letter issued to customers? **Yes.**
  - b. The letter extended the date for customer responses to June 19, 2026. Please advise if any responses were received by the Utility and if so, forward for our records. **No additional responses.**

#### Revenue & Forecast Integrity:

9. The application notes the intention to expand water and sewer services over the next four years.
  - a. Will the projects increase the number of customers served by the Utility? **Yes**
  - b. If yes, are these numbers included in your current customer projections? **Yes**
  - c. If yes, will expansion of water and sewer service result in an increase in operating expenses? **Yes**
  - d. If yes, will the 3% increase per year in operating expenditures that has been projected satisfy the anticipated expenses? **Yes**
  - e. If an increase in the number of customers has not been included in the projections, please confirm whether this is because they will not be connected before the end of the projection period. **The increased number has been included in the projections. Please see schedule 7 table 3 and table 4 for the increase number of units for water and sewer**
10. The revenue reported in your 2025 annual report for water was \$21,135. The revenue reported in the audited financial statements was \$21,981. It appears the difference was \$846 in interest. Please verify what this was for and why it was not included in the annual report. **The \$846 was included in the annual report line 474 as other water revenues \$846 and total revenues \$21,981. This is the amounts on the copy forwarded to IRAC**

#### Expense & Allocations:

11. Please explain, in plain language, how the Municipality decides whether an expense belongs to

- Water, *Anything related to the water system is a water expense – such as chlorine, well maintenance, separate bank account for interest charges, separate loans for interest on long term debt, also separate Maritime Electric bills for utilities*
- Sewer, or *Anything related to the sewer system is a sewer expense – such as lagoon maintenance, sewer line repairs, separate bank account for interest charges and separate loans for interest on long term debt, also separate Maritime Electric bills for utilities*
- Both. *The Utility Operator's salary would be split between the two utilities as he manages both of them and 50% allocated between sewer and water. Also annual allocation of general government and professional centre costs allocated \$21,000 to sewer and \$5,000 to water based on historical costs and time required to administer operations. Insurance is allocated from the Municipality umbrella policy allocating insurance premiums covering assets and liability for water and sewer*

In your response, please describe whether there is a written policy or consistent method used to allocate costs.

12. Please explain the decrease in salaries for operational employees from 2023 to 2025.

*Based on operator hours worked, no capital projects so less time worked*

13. Insurance expense

- a. Please explain why the cost was significantly higher in 2024 than in 2023.  
*Increase in premiums by insurance company*
- b. Why did the insurance expense decrease in 2025? *Decrease in overall premiums*

14. Transportation expense

- a. Please describe the expense incurred in 2023 of \$1454 under water expenses. **Travel expenses for operator**
- b. Is this a one-time expense that is not expected to reoccur? **Included in office supplies on IRAC annual report in other years, \$810 in 2024 and \$1215 in 2025**

15. Miscellaneous expense (Transfers)

- a. Please provide details on what the transfers include. **These are annual allocation to Municipality for water and sewer share of various expenses including costs such as CAO and admin wages, municipal office operating costs, professional fees, and office supplies. These are based on historical costs and estimates of time involved for water and sewer**

16. Office Supplies and Other Office Expenses

- a. Please explain the increase from 2023 to 2024 for both water and sewer. **As per above 14 a includes travel for operator and as well increase in water testing supplies of \$804 in 2024**
- b. Why did the expense decreased for sewer for 2025 however, continued to increase for water? **Travel for operator increased to \$1215 in 2025 from \$810 included in water**

17. Bad Debt expense

- a. Please explain what would be included in this expense. **Dawson Funeral Home account not collectible due to legal issues**
- b. Please verify that there was no bad debt expense for water or sewer in 2024 as reported in your annual report and financial statements. **Correct no bad debts in 2024 and 2025**
- c. Please explain the discrepancy between the 2025 annual report that states no bad debt reported for water or sewer and the financial statements which state a bad debt expense for sewer of \$4,542. **IRAC annual report copy we have on file includes \$4,542 on line 795 for bad debt expense for sewer**
- d. Please explain what you anticipate to be included in bad debt expense projections for 2026-2030. **Included in sewer estimated amount to cover any possible uncollectible accounts due to bankruptcies etc.**

18. Depreciation expense

- a. Please explain the decrease in 2026 sewer expense and reasoning for increase in 2027-2030. **Some small equipment fully amortized in 2026, increase due to expected capital asset additions from 2027- 2030**
- b. Please explain the reasoning for no change in the water expense for 2026. **No capital asset purchases**
- c. Please explain the reasoning for no change in the water expense year over year for 2027-2030. **Increase from \$2391 in 2026 to \$3,192 in 2027- 2030 due to capital additions expected in 26/27**

19. Interest on long-term debt.

- a. Please explain the projected increase in interest on long-term debt for sewer for 2026-2030. **New loan as per #5 above for sewer to cover capital costs after considering funding available**
- b. Please verify that you do not have any projected interest on long-term debt for

water for 2026-2030. **Correct all allocated to sewer, funding to cover all capital costs for water**

20. Operating surplus.

- a. According to your annual reporting for 2023, the annual surplus for sewer at end of year is \$321,424. For 2024, the surplus at beginning of year is noted as being \$324,685. Please explain the discrepancy. **Correction relating to prior period adjustments after audit and annual report was filed**

Additional interrogatories may follow. Please provide responses to the Commission by **June 29, 2026.**

**Additional interrogatories may follow.**

Kelli Cook  
Regulatory Officer  
Prince Edward Island Regulatory & Appeals Commission