



PRINCE EDWARD ISLAND

Regulatory & Appeals Commission

Commission de réglementation et d'appels

ÎLE-DU-PRINCE-ÉDOUARD

Docket: UW 23 213
Order: UW26-01

CERTIFIED A TRUE COPY

Cheryl Bradley

Cheryl Bradley,
Senior Financial Advisor
Island Regulatory & Appeals Commission

IN THE MATTER of an application by Victoria Water and Sewage Corporation for approval to increase annual sewer rates and charges, pursuant to the *Water and Sewerage Act*, RSPEI 1988, c. W-2;

Order

BEFORE THE COMMISSION ON April 10, 2026.

Pamela Williams, K.C., Chair
Kerri Carpenter, Vice-Chair
Gordon MacFarlane, Commissioner

Background

1. The Victoria Water & Sewage Corporation (the “Utility”) filed its application with the Commission on May 8, 2025, requesting approval of revised water and sewer rates.
2. The application requested an effective date of April 1, 2025, which precedes the filing of the application and coincides with the effective date of a prior Commission Order approving rate increases for the Utility.
3. The Commission reviewed the application and subsequently issued interrogatories and held discussions with the Utility to obtain additional information in support of the application.
4. Public notice of the application was issued on February 5, 2026, with written comments due by February 20, 2026. No written comments were received.¹
5. The Commission issued interrogatories on February 17, 2026², and responses were received on March 10, 2026³.

Application

6. The Utility seeks approval to increase annual water and sewer rates and charges effective April 1, 2025.
7. Unmetered rates are fixed annual charges for connected customers, while service availability charges are applied to properties with access to water and sewer services that are not currently connected.
8. The proposed rate increases are summarized below⁴:

Service	Rate Type	Current Rate	Proposed Rate	Increase (\$)	Increase (%)
Water	Unmetered	\$ 361.00	\$ 365.00	\$ 4.00	1%
Water	Service Availability	\$ 180.00	\$ 274.00	\$ 94.00	52%
Sewer	Unmetered	\$ 654.00	\$ 661.00	\$ 7.00	1%
Sewer	Service Availability	\$ 328.00	\$ 496.00	\$ 168.00	52%

9. The Utility indicated that the proposed increases are required to address rising operating costs and to support ongoing system operations, including costs associated with maintaining and operating aging infrastructure and recent system improvements.⁵

¹ The Guardian – February 5, 2026

² Commission Interrogatories – February 17, 2026

³ Utility Interrogatory Responses – March 10, 2026

⁴ Rate Application – May 8, 2025

⁵ Rate Application – May 8, 2025

10. The Utility further indicated that increases to service availability charges are intended, in part, to encourage development of currently undeveloped properties with access to water and sewer services and promote connections to the system.⁶
11. The Utility further indicated that both water and sewer systems have experienced growth in the number of customers over time, and that service availability charges were introduced to ensure that properties with access to the system contributed to its ongoing costs.⁷

Commission's Authority under the Water and Sewerage Act

12. The Commission is an independent, quasi-judicial tribunal. It exercises appellate, adjudicative, and regulatory authority under a number of provincial statutes, including the *Water and Sewerage Act*.⁸ In doing so, the Commission is required to follow legislative requirements and administrative law principles.
13. Section 9 of the *Act* provides that all rates and charges for the supplying of water or sewage disposal shall be fixed and determined by or approved by the Commission.
14. Section 10 of the *Act* provides that rates and charges are to be established in accordance with generally accepted public utility practices, taking into consideration local conditions and circumstances. The *Act* further permits the Commission to classify and prescribe different types of rates and charges, including connection charges and periodic charges for water and sewer services.
15. Section 15 of the *Act* provides that a utility seeking to vary existing rates or establish new rates must submit a schedule of proposed rates and charges for approval. The Commission may approve the proposed rates in whole or in part, or may amend them, and the approved rates become the lawful rates of the utility until changed in accordance with the *Act*.
16. In considering this application, the Commission must determine whether the proposed rates should be approved as filed or with modification. In doing so, the Commission must balance the Utility's need to recover its costs with the requirement that rates be appropriate in the circumstances.

Analysis

Revenue and Expenditures

17. The Commission has reviewed the Utility's application, financial information (including historical results) and projected revenues and expenditures.
18. The Commission finds that revenue projections are reasonable and consistent with the number of customers and billing assumptions.
19. The Commission further finds that projected expenditures are generally reasonable and supported.

⁶ Rate Application – May 8, 2025

⁷ Rate Application – May 8, 2025

⁸ *Water and Sewerage Act*, RSPEI 1988, W-2.

20. The Commission notes that increases in expenditures are primarily related to repairs and maintenance, electricity, contractual services, and insurance. The increase in repairs and maintenance costs is driven by aging infrastructure and expected additional repair requirements. The Commission further notes that certain project costs in the 2026 year are non-recurring in nature.⁹
21. The Commission further notes that historical financial reporting did not consistently allocate costs between water and sewer services, as prior filings grouped certain expenses. The Utility has made efforts to improve cost allocation in its forecasts; however, limitations remain in how shared costs are allocated between water and sewer services, as discussed with the Utility on March 23, 2026 and documented in Commission Staff notes.

Financial Performance

22. The Commission finds that current rates are not sufficient to recover the Utility's forecast costs. However, the proposed rates will improve the Utility's financial position relative to current rates.
23. The Commission notes that the Utility is expected to continue operating at a loss, with accumulated surplus declining and moving into a deficit position.¹⁰
24. On April 1, 2026, the Utility indicated that it intends to hire a part-time water and sewer manager; however, this has not yet occurred. As a result, the Utility expects salary-related savings in 2027 due to the timing of the hire. The Utility further indicated that reduced time allocation from the Chief Administrative Officer is expected to result in additional salary savings. Based on these changes, the Utility projects improved financial performance in 2027, including a potential breakeven or modest surplus position, as documented in Commission Staff notes.
25. As a general principle, rates should be designed to achieve full cost recovery over time, recognizing that there may be modest deviations in individual years. Based on the information provided, including the Utility's expectation of improved financial performance in 2027, the Commission expects that the Utility will take steps to achieve financial sustainability. If the Utility continues to operate at a deficit, the Commission expects that the Utility will file a subsequent rate application by end of fiscal 2028.

Rate Design and Cost Allocation

26. The Commission has considered the proposed rate design.
27. The application proposes a significant increase to service availability charges (52%) and minimal increases to unmetered rates (1%).¹¹
28. The application is not supported by a formal cost allocation methodology, and shared costs, including administrative and salary-related expenses, have not been clearly allocated between water and sewer services.¹²

⁹ Utility Interrogatory Responses – March 10, 2026

¹⁰ Utility Interrogatory Responses – March 10, 2026

¹¹ Rate Application – May 8, 2025

¹² Utility Interrogatory Responses – March 10, 2026

29. The Commission is unable to conclude with certainty that the proposed distribution of costs between rate components fully reflects how costs are incurred but accepts the allocation as reasonable and encourages the Utility to continue to monitor and review the allocations on a regular basis.
30. There are two rate classes for both water and sewer in the Utility's proposal, Service availability charges are generally intended to recover fixed costs associated with providing access to service, while usage-based charges (in this case "unmetered") are intended to recover costs that vary with usage.
31. The Commission notes that the proposed increase to service availability charges results in a disproportionate percentage increase for these customers, with the overall monthly impact is approximately \$7.83 for water customers and \$14.00 for sewer customers. The Utility advises that this impact is limited to relatively small number of customers, estimated to be approximately 30-40. The Utility submits that the proposed increase will encourage development and promote system connections which will provide for better financial planning for the utility.
32. Under s. 10 of the *Act*, the Commission is to consider generally accepted public utility practices after "taking into consideration local conditions and circumstances". In the case of Victoria, this is a small utility with limited resources and the proposed rates represent an incremental step toward improved financial sustainability. In considering the application, the Commission finds the proposed increase for the usage (unmetered) rates of 1%, is negligible given the current inflationary pressures.
33. With respect to the service availability charge, the Commission finds that the Utility's rationale of encouraging development and promoting system connections is a "local condition and circumstance" and should be given strong consideration in its assessment. The Commission reviewed generally accepted public utility practices against this finding, including fairness, rate stability (with appropriate revenue requirements) and avoiding undue discrimination in rates. In this case, despite the concern noted with respect to the disproportionate percentage increase for service availability charges, the Commission finds that the proposed rate is aligned with the Utility's policy objectives for revenue requirements, will work to create rate stability and is generally fair. Therefore, the Commission finds the proposed increases are just and reasonable in the circumstances.

Effective Date

34. The Utility requested an effective date of April 1, 2025.¹³
35. The Commission notes that rates are generally established on a prospective basis and that the requested effective date precedes both the filing of the application and the completion of the regulatory review process.
36. The Commission further finds that approving a retroactive effective date would not be appropriate in this case.

¹³ Utility Interrogatory Responses – March 10, 2026

37. The Commission notes that customers did not have the benefit of the Commission's review process prior to the requested implementation date.
38. The Commission recognizes that the Utility has incurred, or may incur, operating losses during the period prior to the implementation of revised rates. The Commission notes that the Utility may seek to address such impacts in a future application.
39. The Commission determines that the approved rates shall be effective April 1, 2026.

DECISION

40. Based on the foregoing, the Commission finds that current rates are not sufficient to recover the Utility's costs.
41. The Commission further finds that the proposed rates improve the Utility's financial position but does not currently demonstrate full cost recovery.
42. The Commission finds that the proposed rate design raises concerns regarding cost allocation and the distribution of costs between rate components.
43. Despite these concerns, the Commission finds that the proposed rates represent a reasonable and necessary step toward improving the Utility's financial sustainability at this time.
44. The Commission determines that it is appropriate to approve revised rates on a prospective basis effective April 1, 2026, even though the Utility has incurred, or may incur, operating losses prior to the implementation of revised rates.
45. The Commission expects that the Utility will file a subsequent rate application by the end of fiscal 2028 if it continues to operate at a deficit.
46. The Commission expects that future applications will include a cost allocation methodology that clearly allocates shared costs between water and sewer services.

ORDER

The Commission Orders as follows:

1. The water and sewer tariffs of the Victoria Water and Sewage Corporation, as set out in Schedules 1 and 2, annexed hereto and forming part of this Order, are approved and declared effective beginning April 1, 2026, and shall remain in effect until otherwise ordered by the Commission.
2. The Utility shall implement the approved rates for all billing issued on or after April 1, 2026.
3. The Commission expects that, if the Utility continues to operate at a deficit, it will file a subsequent rate application by end of fiscal 2028.

DATED at Charlottetown, Prince Edward Island, Friday, April 10, 2026.

BY THE COMMISSION:

(Sgd) Pamela Williams

Pamela Williams, K.C., Chair

(Sgd) Kerri Carpenter

Kerri Carpenter, Vice-Chair

(Sgd) Gordon MacFarlane

Gordon MacFarlane, Commissioner

SEWER RATE TARIFF

Victoria Water and Sewage Corporation

Effective: April 1, 2026

This rate tariff is issued pursuant to Commission Order UW26-01 and specifies the rates and charges applicable to services provided by the **VICTORIA WATER AND SEWAGE CORPORATION**.

Rules and regulations governing the types of services and manner in which such services are provided are contained in **VICTORIA WATER AND SEWAGE COMMISSION SEWERAGE AND WATER GENERAL RULES AND REGULATIONS**, approved effective January 1, 2013 (per Order UW13-04).

Sanitary Sewage Rates and Charges

Application:

Rates and charges apply to sanitary sewage services provided to premises served, or capable of being served, by the Victoria Water and Sewage Corporation.

Rate:

\$661.00 per unit, per year, in accordance with the *Proportionate Sewage Charges* on page 2 of this tariff.

Service Availability Charge:

An annual rate of **\$496.00** shall apply to all properties that are not developed but where sewer service is available for use.

Proportionate Sewage Charges

TYPE OF CUSTOMER	UNIT VALUE	ANNUAL SEWAGE CHARGE	TYPE OF CUSTOMER	UNIT VALUE	ANNUAL SEWAGE CHARGE
SINGLE-FAMILY DWELLING	1.00	\$661.00	DOCTORS' & DENTISTS' OFFICES AND BEAUTY & BARBER SHOPS		
INDIVIDUAL APARTMENT	0.80	\$528.80	With Separate Service	1.00	\$661.00
MOBILE HOME	0.70	\$462.70	Combined With Other Service	0.50	\$330.50
SENIOR CITIZENS HOME, Per Unit	0.60	\$396.60	LAUNDROMAT WITH MACHINES USING OVER 30 GALLONS PER WASH		
CONVENT, INSTITUTIONAL DORMITORY, ROOMING OR BOARDING HOUSE			For First Machine	3.00	\$1,983.00
For Up to Five Persons	1.00	\$661.00	For Second Machine	2.00	\$1,322.00
For Each Additional Person	0.20	\$132.20	For Each Additional Machine	1.00	\$661.00
MOTELS AND TOURIST COTTAGES			LAUNDROMAT WITH MACHINES USING 30 OR FEWER GALLONS PER WASH		
With Housekeeping Facilities, Each Unit	0.50	\$330.50	For First Machine	2.00	\$1,322.00
With Bathroom Facilities Only, Each Unit	0.30	\$198.30	For Second Machine	1.50	\$991.50
TOURIST HOME			For Each Additional Machine	0.75	\$495.75
For First Bathroom	1.00	\$661.00	SERVICE STATION		
For Each Additional Bathroom or Washroom	0.30	\$198.30	Without Carwash	1.00	\$661.00
HOSPITAL			With Carwash	2.00	\$1,322.00
Without Laundry Facilities, Per Bed	0.50	\$330.50	RESTAURANTS AND SNACK BARS	1.00	\$661.00
With Laundry Facilities, Per Bed	0.75	\$495.75	For Each Ten Seats an Additional Amount of	0.25	\$165.25
SCHOOLS, Per Classroom	1.00	\$661.00	PREMISES LICENSED BY THE P.E.I. LIQUOR CONTROL COMMISSION:		
STORES, BANKS, CLUBS, CHURCHES, HALLS, RECREATIONAL FACILITIES AND PLACES OF BUSINESS			Restaurant, Lounge, Dining Room or Club	1.00	\$661.00
For First Washroom Facility	1.00	\$661.00	SEAT CHARGE: Calculate 75% of Fire Marshal's rating OR the actual seat count, then charge, for each five seats, an additional amount of	0.25	\$165.25
For Each Additional Toilet or Urinal	0.50	\$330.50	DRIVE-IN RESTAURANT OR THEATRE		
			With Canteen	1.00	\$661.00
			For First Washroom and Toilet Facility	1.00	\$661.00
			For Each Additional Washroom and Toilet Facility	0.50	\$330.50

WATER RATE TARIFF

Victoria Water and Sewage Corporation

Effective: April 1, 2026

This rate tariff is issued pursuant to Commission Order UW26-01 and specifies the rates and charges applicable to services provided by the **VICTORIA WATER AND SEWAGE CORPORATION**.

Rules and regulations governing the types of services and manner in which such services are provided are contained in **VICTORIA WATER AND SEWAGE COMMISSION SEWERAGE AND WATER GENERAL RULES AND REGULATIONS**, approved effective January 1, 2013 (per Order UW13-04).

Water Rates and Charges

Application:

Rates and charges apply to water services provided to premises served, or capable of being served, by the Victoria Water and Sewage Corporation.

Rate:

\$365.00 per unit, per year, in accordance with the *Proportionate Water Charges* on page 2 of this tariff.

Service Availability Charge:

An annual rate of **\$274.00** shall apply to all properties that are not developed but where sewer service is available for use.

Proportionate Water Charges

TYPE OF CUSTOMER	UNIT VALUE	ANNUAL WATER CHARGE	TYPE OF CUSTOMER	UNIT VALUE	ANNUAL WATER CHARGE
SINGLE-FAMILY DWELLING	1.00	\$365.00	DOCTORS' & DENTISTS' OFFICES AND BEAUTY & BARBER SHOPS		
INDIVIDUAL APARTMENT	0.80	\$292.00	With Separate Service	1.00	\$365.00
MOBILE HOME	0.70	\$255.50	Combined With Other Service	0.50	\$182.50
SENIOR CITIZENS HOME, Per Unit	0.60	\$219.00	LAUNDROMAT WITH MACHINES USING OVER 30 GALLONS PER WASH		
CONVENT, INSTITUTIONAL DORMITORY, ROOMING OR BOARDING HOUSE			For First Machine	3.00	\$1,095.00
For Up to Five Persons	1.00	\$365.00	For Second Machine	2.00	\$730.00
For Each Additional Person	0.20	\$73.00	For Each Additional Machine	1.00	\$365.00
MOTELS AND TOURIST COTTAGES			LAUNDROMAT WITH MACHINES USING 30 OR FEWER GALLONS PER WASH		
With Housekeeping Facilities, Each Unit	0.50	\$182.50	For First Machine	2.00	\$730.00
With Bathroom Facilities Only, Each Unit	0.30	\$109.50	For Second Machine	1.50	\$547.50
TOURIST HOME			For Each Additional Machine	0.75	\$273.75
For First Bathroom	1.00	\$365.00	SERVICE STATION		
For Each Additional Bathroom or Washroom	0.30	\$109.50	Without Carwash	1.00	\$365.00
HOSPITAL			With Carwash	2.00	\$730.00
Without Laundry Facilities, Per Bed	0.50	\$182.50	RESTAURANTS AND SNACK BARS	1.00	\$365.00
With Laundry Facilities, Per Bed	0.75	\$273.75	For Each Ten Seats an Additional Amount of	0.25	\$91.25
SCHOOLS, Per Classroom	1.00	\$365.00	PREMISES LICENSED BY THE P.E.I. LIQUOR CONTROL COMMISSION:		
STORES, BANKS, CLUBS, CHURCHES, HALLS, RECREATIONAL FACILITIES AND PLACES OF BUSINESS			Restaurant, Lounge, Dining Room or Club	1.00	\$365.00
For First Washroom Facility	1.00	\$365.00	SEAT CHARGE: Calculate 75% of Fire Marshal's rating OR the actual seat count, then charge, for each five seats, an additional amount of	0.25	\$91.25
For Each Additional Toilet or Urinal	0.50	\$182.50	DRIVE-IN RESTAURANT OR THEATRE		
			With Canteen	1.00	\$365.00
			For First Washroom and Toilet Facility	1.00	\$365.00
			For Each Additional Washroom and Toilet Facility	0.50	\$182.50