



PRINCE EDWARD ISLAND

Regulatory & Appeals Commission

Commission de réglementation et d'appels

ÎLE-DU-PRINCE-ÉDOUARD

Docket: UW 25 304
Order: UW 26-03

CERTIFIED A TRUE COPY

Cheryl Bradley,
Director of Finance & Regulatory Affairs
Island Regulatory & Appeals Commission

IN THE MATTER of an application by The Rural Municipality of St. Peter's Bay Sewer Utility 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 September 25, 2026.

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

Background

1. The Rural Municipality of St. Peter's Bay Sewer Utility Corporation (the "Utility") filed an application with the Prince Edward Island Regulatory and Appeals Commission (the "Commission") on October 16, 2025 requesting approval of revised sewer rates.
2. The Utility's last rate increase was effective June 1, 2006.
3. On December 2, 2025, the Commission posted details of the application on its website.
4. Public notice of the application was issued in *The Guardian* on December 4, 2025,¹ with written comments due December 19, 2025. No comments were received by the Commission or Utility.
5. The Utility previously advised customers via a statement on customer invoices in September 2025, that the Utility was expecting to raise sewer rates by 5% in 2026.²
6. The Commission reviewed the application and, on March 30, 2026,³ issued interrogatories to the Utility to obtain additional information in support of the application.
7. The Utility requested clarification in regard to the questions on April 9, 2026, and subsequently provided initial responses on June 15, 2026. These responses were consolidated into a more complete submission on June 16, 2026.⁴
8. Additional interrogatories were issued on July 22, 2026,⁵ and the Utility provided responses on July 27, 2026.⁶
9. A further set of interrogatories were issued on August 6, 2026,⁷ with the Utility submitting its responses on August 7, 2026.⁸

Application

10. The Utility seeks approval to increase annual sewer rates effective December 1, 2025.
11. The proposed rate increase is summarized below:⁹

Service	Rate Type	Current Rate	Proposed Rate	Increase (\$)	Increase (%)
Sewer	Unmetered	\$ 325.00	\$ 341.25	\$16.25	5%

¹ The Guardian – December 4, 2025

² Utility Interrogatory Responses – June 16, 2026

³ Commission Interrogatories – March 30, 2026

⁴ Utility Interrogatory Responses – June 16, 2026

⁵ Commission Interrogatories – July 22, 2026

⁶ Utility Interrogatory Responses – July 27, 2026

⁷ Commission Interrogatories – August 6, 2026

⁸ Utility Interrogatory Responses – August 7, 2026

⁹ Rate Application – October 16, 2025

12. The Utility's rationale for the proposed rate increase is to address rising operating costs. The Utility has stated that the widening gap between system construction, maintenance costs and current revenues will result in the existing rates becoming unsustainable.¹⁰
13. The Utility's application states that without a rate adjustment, the Utility is forecasting that it will begin to incur an annual deficit in Fiscal 2026.¹¹

Commission's Authority under the Water and Sewerage Act

14. 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*.¹² In doing so, the Commission is required to follow legislative requirements and administrative law principles.
15. Public utility regulation seeks to ensure reliable service for customers at fair prices. The Commission is guided by this purpose when considering an application for rate increases by a public utility. In doing so, the Commission must balance the utility's need to recover its costs in order to provide reliable service to customers, with the requirement that rates be just and reasonable – or fair – in the circumstances.
16. As set out in Commission Order UW26-01, the *Act* provides that all rates and charges for supplying water or sewerage disposal shall be: 1) determined or approved by the Commission,¹³ and 2) established in accordance with generally accepted public utility practices, taking into consideration local conditions and circumstances.¹⁴
17. A utility seeking to vary existing rates or establish new rates must submit a schedule of proposed rates and charges for approval.¹⁵ 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*.
18. In this application, the Commission must determine whether the proposed rates should be approved, either as filed or with modification.

Analysis

Revenue and Expenditures

19. The Commission has reviewed the Utility's application, financial information (including historical results) and projected revenues and expenditures.
20. The Commission identified a discrepancy in the revenue projections included in the application. The Fiscal 2026 revenue forecast was calculated using the proposed rate increase for a full twelve-month period, although the application requests the rate increase to take effect December 1, 2025. The Commission staff recalculated the projected revenue

¹⁰ Rate Application – October 16, 2025

¹¹ Rate Application – October 16, 2025

¹² *Water and Sewerage Act*, RSPEI 1988, W-2

¹³ *Water and Sewerage Act*, RSPEI 1988, W-2, Section 9

¹⁴ *Water and Sewerage Act*, RSPEI 1988, W-2, Section 10

¹⁵ *Water and Sewerage Act*, RSPEI 1988, W-2, Section 15

using the appropriate billing units, rates and adjusted the timing of the proposed increase to reflect a December 1, 2025 implementation date. The Commission is satisfied that the revised revenue projections are reasonable, as they reflect the applicable rates for each period and are consistent with the customer and billing assumptions underlying the application.

21. The Commission identified year-over-year variations in repair and maintenance expenses, as well as an error in the depreciation figures reported in the Utility's Fiscal 2025 annual reporting to the Commission. The Commission reviewed historical repair and maintenance information previously submitted by the Utility, along with the Utility's explanation for the variances, to assess the reasonableness of the amounts forecasted in the application. The Utility explained that the higher repair and maintenance expenses in Fiscal 2023 and 2024 were attributable to Fiona-related cleanup, lift station and septic system repairs. Based on the historical information reviewed, the Commission is satisfied that the forecast repair and maintenance expenses are reasonable and reflect only modest increases for anticipated operating costs. The depreciation issue has also been addressed through the submission of corrected Fiscal 2025 annual reporting. For clarity, the depreciation error was contained in the annual reports filed with the Commission and not in the Utility's audited financial statements.
22. The Commission notes that the Utility intends to incur approximately \$300,000 in costs to improve and expand its sewer services over the next four years. In 2026, \$100,000 will be spent to reinvigorate the lagoon. In 2028, an additional \$200,000 will be spent to extend the sewer line on Cardigan Road to support the development of a housing project. The Utility intends to fund these projects through the Canada Community Building Fund, so there is no anticipated direct cost for the construction to the Utility or customers.¹⁶

Financial Performance

23. The Utility's current rates have been sufficient to recover the Utility's operating costs through Fiscal 2025.
24. Due to increasing operating expenditures, the Utility will not be able to sustain full cost recovery under existing rates and will move into a deficit position as of Fiscal 2026.
25. The Commission notes that the Utility has an accumulated surplus of approximately \$126,000. An accumulated surplus represents the Utility's cumulative financial position and does not mean that the same amount is available as cash or working capital to fund ongoing operations. The Utility's available cash and other liquid resources must therefore be considered separately when assessing its ability to meet current operating costs.
26. The Commission observes that the Utility's liquidity is constrained due to carrying a consistently high customer accounts receivable balance. Although these amounts are recorded as assets of the Utility, they do not provide cash for operations until they are collected. The level of outstanding receivables therefore reduces the Utility's available working capital and its ability to respond to unexpected operating costs.
27. In light of these factors, the Commission is satisfied that the proposed 5% rate increase would strengthen the Utility's financial position and support its ongoing service obligations to its customers. The Commission tested the proposed increase against the Utility's historical and

¹⁶ Rate Application – October 16, 2025

projected revenues and expenditures to determine whether the additional revenue is reasonably required to support full cost recovery. This analysis indicates that the existing rates are no longer sufficient to recover the Utility's projected operating costs and that the proposed increase will reduce the projected shortfall without generating revenues materially above the Utility's expected cost of providing service.

28. As a general principle, the Commission accepts that rates should be structured to achieve full cost recovery over time, allowing for modest year-to-year deviations. Based on the information provided, the Utility is taking steps to continue to achieve financial stability by proceeding with this application.

Effective Date

29. The Utility has requested an effective date of December 1, 2025.¹⁷ As that date has now passed, approving the requested effective date would require the Commission to approve the new rates on a retroactive basis.
30. As the Commission has previously noted,¹⁸ rates are generally established on a prospective basis to ensure customers are aware of approved rates before they take effect. In order to consider the Utility's request, the Commission must determine if the request is appropriate when balanced against the general principle of prospective rate increases.
31. A review of the file indicates that approval of the proposed rates on a retroactive basis would allow the Utility to achieve full cost recovery beginning in Fiscal 2026 as opposed to operating at a small shortfall until the effective date of the approved rates. This shortfall would reduce the Utility's accumulated surplus rather than being recovered from customers through retroactive rates.
32. The Utility's 2025–26 fiscal year has concluded and the Commission finds that the proposed effective date of December 1, 2025, for implementation of the sewer rates does raise concerns in regard to applying new sewer rates to a prior fiscal year, as it would result in additional revenue being attributed to a period that is already complete and could complicate the Utility's year-end financial reporting and audit process.
33. As the requested December 1, 2025 effective date had already passed before the public notice process was completed, customers did not have an opportunity to comment on the proposed rate increase before the date on which the Utility requested that the new rates take effect.
34. The Commission finds that while there may be circumstances where recovery of prior-period costs is appropriate, the evidence in this proceeding does not support the application of a retroactive rate.
35. The Commission therefore concludes that a retroactive effective date of December 1, 2025 would not be appropriate in this case and finds while the current accumulated surplus does not represent available cash, the relatively small shortfall projected for Fiscal 2026 can be absorbed without placing the Utility in an accumulated deficit position or creating an immediate need to recover prior-period losses from customers.

¹⁷ Rate Application – October 16, 2025

¹⁸ Order UW26-01

36. In finding that the proposed effective date should not be retroactive to December 1, 2025, the Commission needs to determine the appropriate effective date. The Commission, in making this finding has considered the timing of this proceeding. The application was filed in October 2025, with time required for the Commission's review and for the Utility to respond to information requests. While these circumstances do not support applying rates retroactively to December 1, 2025, the Commission also considers it appropriate to avoid delaying implementation of the approved rates any further than necessary. July 1, 2026 aligns the effective date with a regular billing cycle and reasonably balances the Utility's need to begin recovering its ongoing costs with the interests of customers. The Commission therefore determines that the requested 5% rate increase shall be effective July 1, 2026.

DECISION

37. The Commission finds that the Utility's current rate structure fails to provide sufficient revenue for full cost recovery beyond Fiscal 2025 and that the Utility requires the proposed increase to ensure it can adequately fund operations and provide service to its customers.
38. 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 The Rural Municipality of St. Peter's Bay Sewer Utility Corporation, this is a small utility with limited resources and the proposed rate increase will assist the Utility in achieving financial stability and avoid entering into a prolonged deficit position.
39. Having considered the Utility's financial position, projected revenues and expenditures, and the impact of the proposed increase on customers, the Commission finds that the proposed 5% sewer rate increase is necessary and equitable in the circumstances. The increase will provide additional revenue to address rising operating costs and assist the Utility in maintaining full cost recovery over time, while limiting the immediate impact on customers. The Commission has also considered that the Utility's sewer rates have not increased since 2006.
40. In approving the application, the Commission also takes the opportunity in this Order to provide the following general guidance and expectations to the Utility:
- a. The Commission expects that the Utility will develop a long-term strategy to reduce outstanding customer receivables to improve liquidity.
 - b. The Commission expects that the Utility will assesses potential future revenue and expense impacts, including those attached to the planned 2028 housing development, as it may need to consider filing a subsequent rate application to ensure the Utility is achieving full cost recovery.
 - c. The Commission would like to remind the Utility of the of the requirement under s. 3 of the *Water & Sewerage Act*, to file an application with the Commission for constructions projects. Applications should be filed in a timely manner to ensure Commission staff have sufficient time to process the application in order to avoid delays in commencing the project for the Utility.

ORDER

The Commission Orders as follows:

1. The sewer tariff of The Rural Municipality of St. Peter's Bay Sewer Utility Corporation, as set out in Schedule 1, annexed hereto and forming part of this Order, is approved and declared effective beginning July 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 July 1, 2026.
3. The Utility shall notify its customers of this Order and the resulting rate increase as soon as reasonably possible and provide a copy of that notification to the Commission.

DATED at Charlottetown, Prince Edward Island, Friday, September 25, 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

The Rural Municipality of St. Peter's Bay Sewer Utility Corporation

Effective: July 1, 2026

This rate tariff is issued pursuant to Commission Order UW26-03 and specifies the rates and charges applicable to services provided by the **THE RURAL MUNICIPALITY OF ST. PETER'S SEWER UTILITY CORPORATION**.

Rules and regulations governing the types of services and manner in which such services are provided are contained in **THE PRINCE EDWARD ISLAND MUNICIPAL SEWERAGE UTILITIES GENERAL RULES AND REGULATIONS**.

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 The Rural Municipality of St. Peter's Bay Sewer Utility Corporation.

Rate:

\$341.25 per unit, per year, in accordance with the *Proportionate Sewage Charges* on page 2 of this tariff.

Proportionate Sewage Charges

TYPE OF CUSTOMER	UNIT VALUE	ANNUAL SEWAGE CHARGE	TYPE OF CUSTOMER	UNIT VALUE	ANNUAL SEWAGE CHARGE
SINGLE-FAMILY DWELLING	1.00	\$341.25	DOCTORS' & DENTISTS' OFFICES AND BEAUTY & BARBER SHOPS		
INDIVIDUAL APARTMENT	0.80	\$273.00	With Separate Service	1.00	\$341.25
MOBILE HOME	0.70	\$238.88	Combined With Other Service	0.50	\$170.63
SENIOR CITIZENS HOME, Per Unit	0.60	\$204.75	LAUNDROMAT WITH MACHINES USING OVER 30 GALLONS PER WASH		
CONVENT, INSTITUTIONAL DORMITORY, ROOMING OR BOARDING HOUSE			For First Machine	3.00	\$1,023.75
For Up to Five Persons	1.00	\$341.25	For Second Machine	2.00	\$682.50
For Each Additional Person	0.20	\$68.25	For Each Additional Machine	1.00	\$341.25
MOTELS AND TOURIST COTTAGES			LAUNDROMAT WITH MACHINES USING 30 OR FEWER GALLONS PER WASH		
With Housekeeping Facilities, Each Unit	0.50	\$170.63	For First Machine	2.00	\$682.50
With Bathroom Facilities Only, Each Unit	0.30	\$102.38	For Second Machine	1.50	\$511.88
TOURIST HOME			For Each Additional Machine	0.75	\$255.94
For First Bathroom	1.00	\$341.25	SERVICE STATION		
For Each Additional Bathroom or Washroom	0.30	\$102.38	Without Carwash	1.00	\$341.25
HOSPITAL			With Carwash	2.00	\$682.50
Without Laundry Facilities, Per Bed	0.50	\$170.63	RESTAURANTS AND SNACK BARS	1.00	\$341.25
With Laundry Facilities, Per Bed	0.75	\$255.94	For Each Ten Seats an Additional Amount of	0.25	\$85.31
SCHOOLS, Per Classroom	1.00	\$341.25	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	\$341.25
For First Washroom Facility	1.00	\$341.25	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	\$85.31
For Each Additional Toilet or Urinal	0.50	\$170.63	DRIVE-IN RESTAURANT OR THEATRE		
			With Canteen	1.00	\$341.25
			For First Washroom and Toilet Facility	1.00	\$341.25
			For Each Additional Washroom and Toilet Facility	0.50	\$170.63