

April 23, 2025

VIA EMAIL (Pamela.McGarrigle@novascotia.ca)

Ms. Pamela McGarrigle, Clerk of the Board
N.S. Utility and Review Board
3rd Floor, Summit Place, 1601 Lower Water Street
P. O. Box 1692, Postal Unit M
Halifax, NS B3J 3S3

Re: Requested changes to section 51(A) of Halifax Water Regulations

Dear Ms. McGarrigle:

Further to the Nova Scotia Regulatory and Appeals Board's (the "Board") letter dated April 10, 2025, (M12101) directing Halifax Water to apply to the Board by April 23, 2025, to amend Regulation 51(A) (5), with respect to the \$10,000 cap on private lead service lateral replacement, Halifax Water submits the following application to the Board for approval to amend Regulation 51 (A) (3) (4) (5) (6) and (7), more particularly set out in Schedule "A" (the "Proposed Amendments").

Halifax Water is applying to the Board for approval of the Proposed Amendments in response to changing market conditions since this section was added through M09589 on October 1, 2020. Market conditions that have impacted capital delivery costs across the organization include, high inflation, supply chain disruptions, labor shortages, requirements around traffic control and other factors. These market conditions have resulted in increased costs of private lead service line replacements. The existing Regulation 51(A) authorizes Halifax Water to pay up to a maximum of \$10,000 (inclusive of tax) per private line replacement. The existing \$10,000 cap was based on private replacement cost data collected by Halifax Water from 2017–2019 and was intended to cover reasonable costs associated with replacement, recognizing there are some situations that may incur exceptional costs due to site specific circumstances on the private side that would be the responsibility of the property owner to pay for.

The average cost of private lead service line replacements has nearly doubled since program initiation and an increasing percentage of private lead service line replacements are now being quoted near or above the \$10,000 cap as shown in Figures 1 and 2 below. Requiring property owners to pay above the capped amount significantly increases the risk that they will opt out of replacing the private portion of the lead service line. This may either discourage participation in the program or leave property owners with a partial lead service line when the public portion is replaced as part of a project. Creation of a partial lead service line has been shown to increase

lead concentrations at the tap and was a major driver for establishing the Get the Lead Out Program. Requiring property owners to pay for reasonable costs of private lead service line replacement contradicts the program’s intent and threatens Halifax Water’s ability to meet the goal of removing all lead service lines by 2038. Furthermore, having property owners opt out of the program will have an impact on contracts and may lead to less competition, potentially increasing the cost of the program overall.

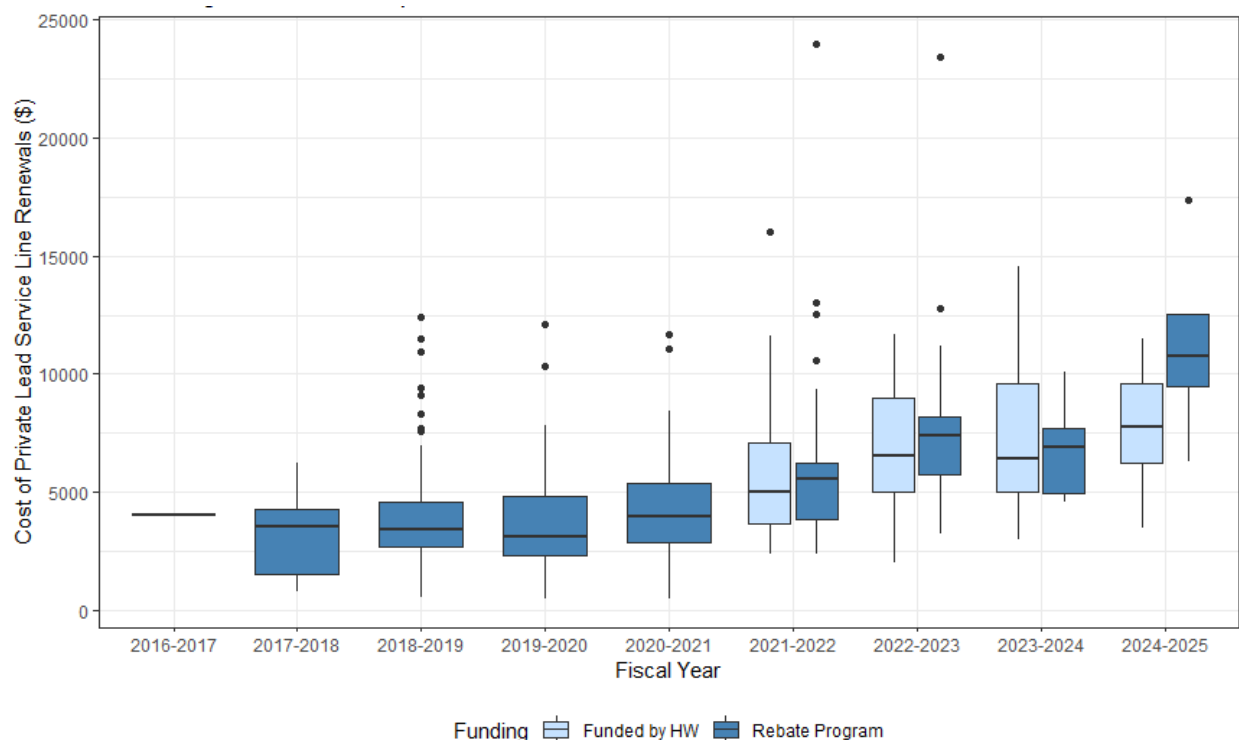


Figure 1 Box plots showing the costs for Private Lead Service Line renewals over time. Data is separated into renewals facilitated by the homeowner (Rebate Program 51A (7)) and renewals facilitated by HW through the Get the Lead Out program 51A (4) (5) & (6).

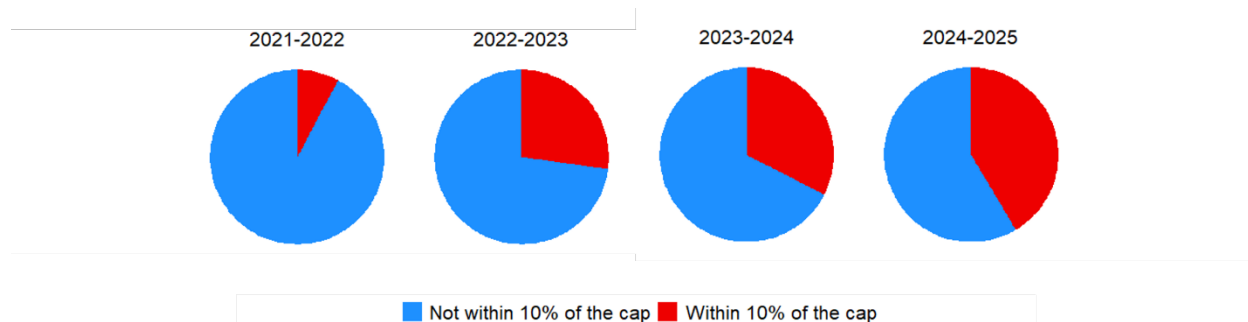


Figure 2- Percentage of private lead service line replacements by year that are within 10% of the \$10,000 cap.

To address escalating cost¹ and program challenges, Halifax Water is recommending that the cap for private lead service line replacement be increased to \$20,000 (plus tax) per replacement (51(A) (4) (6)). This proposed increased cap on reasonable expenses would better reflect current market realities, maintain contractor interest, and ensure fair cost distribution. There is a proposed doubling of the rebate amount (51(A) (7)) to also reflect increasing costs. Additional proposed amendments, such as removing the cap for HRM-integrated projects and Halifax Water capital projects (51(A) (5)), and allowing for a \$20,000 cap on service replacements caused by a disturbance by Halifax Water would facilitate replacement of leaking service lines as well as two-in one trench lead service lines (51(A) (3)), allows greater flexibility in planned and adjacent service replacements, and will also improve operational efficiency and avoid partial replacements, minimizing public health concerns. These amendments are essential for sustaining momentum toward the program's public health objectives while ensuring regulatory compliance, fiscal responsibility, and long-term service reliability.

Yours truly,

Signed by:

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Kenda MacKenzie, P.Eng.
General Manager/CEO

¹ In 2024, Halifax Water received approval from the Board to pay \$11,500 for private replacements on Vienna Street as part of an integrated project (M11200) when the cost of private replacement came in above \$10,000. The tender pricing for three private lead service line replacements in M12088 this spring were 14,600. In M12101, Halifax Water made another request to allow for reasonable costs exceeding 10,000 for an integrated project on Lawrence St. in anticipation of tender pricing in excess of the capped amount. The Board approved the additional costs, contingent on Halifax Water applying for and being approved for changes to s. 51(A).

Schedule "A"

Proposed Amendments:

Lead Water Service Connection Replacement

51A. (1) The Commission shall implement a program to replace all public and Customer-owned lead Water Service Connections within its water Service boundary, which shall consider:

- (a) Overall cost to the Commission;
 - (b) Disturbance to the public and environment;
 - (c) Public health impacts;
 - (d) Sensitive and vulnerable populations; and
 - (e) Other factors as determined by the Commission.
- (2) For the purposes of this section, a Customer-owned lead Water Service Connection is deemed to begin at the Customer's property line abutting the street right of way and terminate at the point it connects to the water meter on the Customer's premises.
- (3) Where the Commission causes a disturbance of a lead Water Service Connection, the Commission shall replace any disturbed Customer-owned lead Water Service Connections as soon as practicable at the Commission's expense.
- (4) Where the Commission determines in its sole discretion, that replacement of a Customer-owned lead Water Service Connection should be undertaken on a priority basis, the Commission shall replace such lead Water Service Connection as soon as practicable. The Commission is authorized to pay reasonable expenses for replacements pursuant to this subsection up to a maximum of twenty thousand dollars (\$20,000.00) plus tax per replacement.
- (5) The Commission shall integrate replacement of public and Customer-owned lead Water Service Connections with HRM paving renewal programs as well as large scale capital projects which may not be integrated with HRM, where such integration would be cost-effective and practical. The Commission is authorized to pay reasonable expenses as deemed by the Commission, for replacements of Customer-owned lead Water Service Connections pursuant to this subsection.
- (6) The Commission shall consider replacement of Customer-owned lead Water Service Connections where an application has been submitted to the Commission for replacement, and the Commission has, in its discretion approved such application. The Commission is authorized to pay reasonable expenses for replacements pursuant to this subsection up to a maximum of twenty thousand dollars (\$20,000.00) plus tax per replacement.

- (7) The Commission shall offer reimbursement of reasonable expenses for replacements of Customer-owned Water Service Connections done at the Customer's expense. Reimbursements pursuant to this subsection shall not exceed 25% of the total reasonable expenses up to a maximum of five thousand dollars (\$5000.00) plus tax per replacement.
- (8) Where a Customer-owned lead Water Service Connection is replaced, the Commission shall replace the lead Water Service Connection leading to such Customer's property as soon as practicable thereafter.
- (9) The Commission shall obtain the consent of the Customer in advance of the Commission replacing any Customer-owned lead Water Service Connection. In the event a Customer refuses such consent, and the Commission determines refusal of consent may result in an increase in lead levels in drinking water within the Customer's premises, the Commission may suspend water service until such time as consent is provided.
- (10) Upon receipt of consent pursuant to subsection (9), the Customer shall grant access to the Commission to such portions of the Customer's lead Water Service Connection as deemed necessary by the Commission. Such access shall be at the Customer's expense, including any costs associated with restorations inside the Customer's premises.
- (11) A Customer who refuses consent pursuant to subsection (9) may not be entitled to the benefit of any payment or reimbursement by the Commission pursuant to this section.