



**TOWN OF THE BLUE MOUNTAINS
WATER/SEWER RATES REVIEW
JUNE 12, 2007**

PUBLIC MEETING JUNE 16, 2007

A new interim rate structure has been introduced to recover the cost of providing water and sewer services in 2007. On April 23rd Council set rates for the period January through June. At that time Council committed to a review of the rate structure after two billing periods (January/February and March/April) in order to review the impacts of the charges based on actual water consumption.

The goals of billing for water and sewer services include, amongst many others, water conservation, equity amongst utility customers, reduced flows per unit which may result in lower capital costs for infrastructure replacement, revenue stability, rate stability, and the ability to identify and correct water loss problems more quickly by comparing production and consumption records. The preferred billing structure to meet those needs is a mixed rate structure, with a portion being a fixed monthly rate and the remainder being a variable charge based on consumption.

Council has reviewed results from the two billing periods. They have also received considerable verbal and written feedback from utility customers. Council has considered these suggestions and others presented by Town staff and the Town's consultant, HEMSON Consulting Ltd. As a result, several billing structure alternatives are outlined below. Council invites utility customers to review these alternatives and provide comments back to Council by June 22nd.

It is anticipated that Council will set the rates for the period July through December at the July 9th Regular Council Meeting. Council will not be making any adjustments to the January through June bills which were based on the rate structure approved April 23rd. Council is reviewing two charges, the "Fixed Charge Per Month", and the "Tiered Incremental Rates Per m³ Per Two Month Period" for water supply and for sewer service. Other water supply rates, water related charges, sewer system use rates and sewer related charges as set out in By-law No 2007-38 will remain unchanged.

WATER AND SEWER RATE SCENARIOS OPTIONS

(potential changes to current rate structure, to come into effect for the period July through December)

Reduce the Fixed Charge / Consumption Charge Split

Currently 50% of the annual budget is recovered through the fixed charge, and is apportioned to customers based on the size of the water meter. The other 50% of the annual budget is recovered through the consumption charge, and is apportioned to customers based on actual water flow.

Options being considered are 40/60 and 30/70 allocations. With these options the total budget remains unchanged. The total of all amounts charged to utility customers remains the same and is simply being recovered in a different manner.

Pros

- a lower fixed charge / higher consumption charge promotes water conservation by providing incentive to reduce consumption – as less water is used a lower consumption charge will result
- those that use lower volumes of water see this as more equitable, as they believe consumers of higher volumes of water should contribute more to the cost of providing the services

Cons

- as the amount of the budget recovered through consumption charges increases, there is less certainty of collecting the correct amount of revenue – higher than estimated consumption would result in a surplus, lower consumption would result in a deficit

Reduce the 2007 Budget

Rate Stabilization Reserves ensure that in the event water flows are not as high as estimated, there is money available to “top up” the annual revenues in order to cover all expenditures for the year.

Asset Replacement Reserves are established to ensure that there will be money available in the future for major repairs and replacement of the existing infrastructure. The contributions are not meant to provide for expansion to accommodate new growth.

Options include:

- eliminate the Rate Stabilization Reserve Contribution (5% of the total 2007 budgets) for both water and sewer purposes
(2007 Budget, water = \$125,500, sewer = \$113,300); and
- reduce the contributions to the Asset Replacement Reserves
(2007 Budget, water = \$202,000, sewer = \$580,000)

Pros

- any reduction to the 2007 budget would reduce both the fixed charge and the consumption charge per cubic meter
- for the short term, there are existing Town reserves for both purposes, and in 2008 the Town could re-evaluate the ability to contribute to these reserves through the 2008 budget process

Cons

- reducing contributions to the asset replacement reserve increases the risk that insufficient funds will be available to pay for major repairs or replacement – this might result in sharp increases to user rates in any one year

Adjust the approach to billing condominium units serviced by one meter

In past years individually owned condominium units were levied one flat water rate and one flat sewer rate. With the change to billing based on metered flow, the fixed charge is allocated based on the size of the water meter, and the consumption charge is based on the amount of water flow. Some condominium units are individually metered with 5/8" meters, whereas in other situations there may be as many as 187 condominium units metered with one 4" meter. If water consumption was 180 cubic meters per unit per year in both situations, the individually metered unit would be billed \$463 (water) plus \$597 (sewer) for a total of \$1,060. The unit metered through the 4" meter would be billed, on average, about \$290 (water) plus \$300 (sewer) for a total of \$590.

Options include:

- recover fixed charge through one large meter as is the current situation, and average the consumption charge amongst all condos in each complex, effectively applying the tiered consumption rate to the average condo consumption, instead of applying the tiered rates to the total flow – results in a bill of about \$190 (water) plus \$225 (sewer) for a total of \$415
- treat multiple condo units serviced by one large meter, similar to condos serviced by individual 5/8" meters – results in a bill of \$463 (water) plus \$597 (sewer) for a total of \$1,060

Pros

- the second option brings the multiple condo unit bill in line with other similar condo units that are serviced with a 5/8" meter, creating a more equitable situation

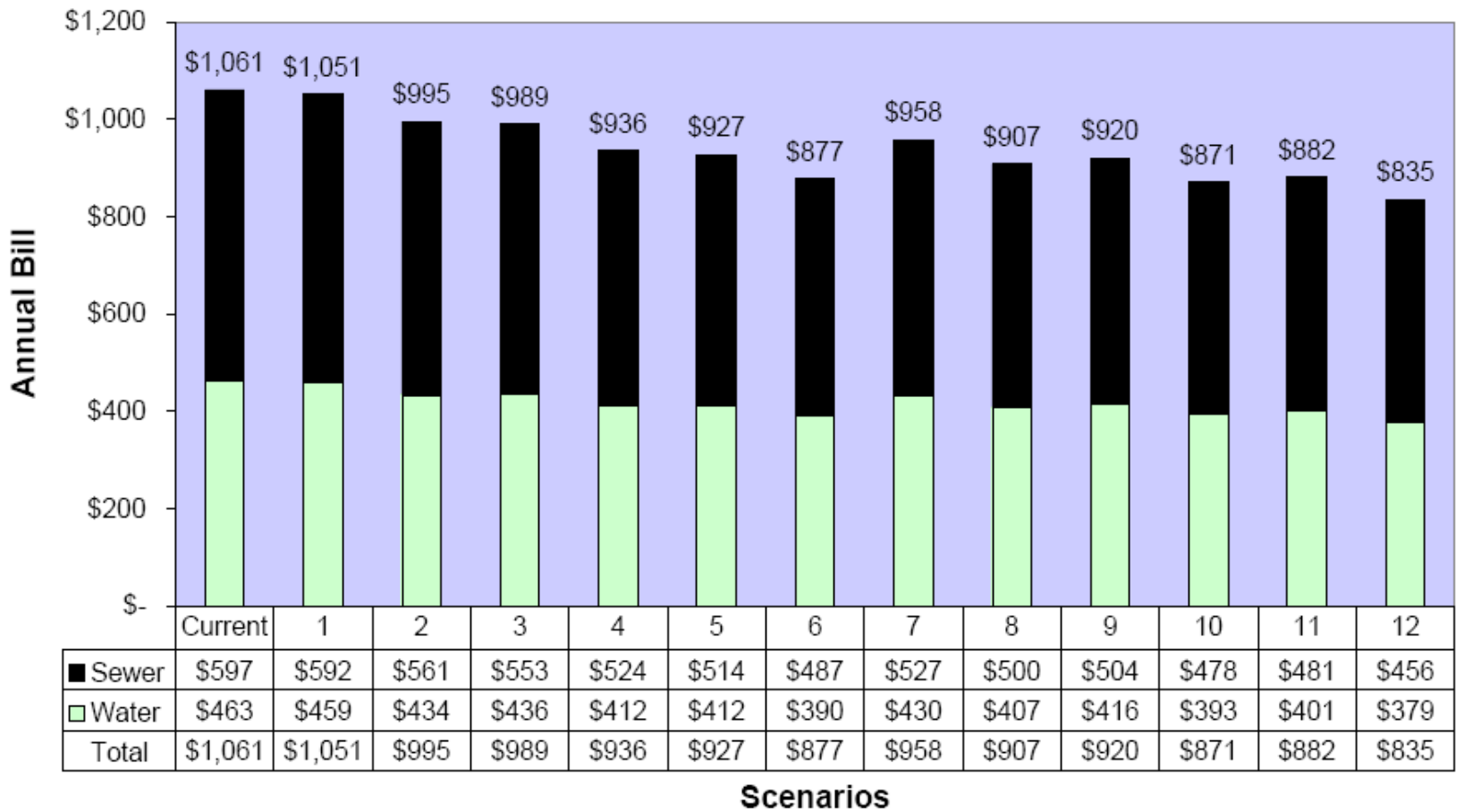
Cons

- any adjustment to the apportionment of costs will result in a decrease to some accounts and an increase to others

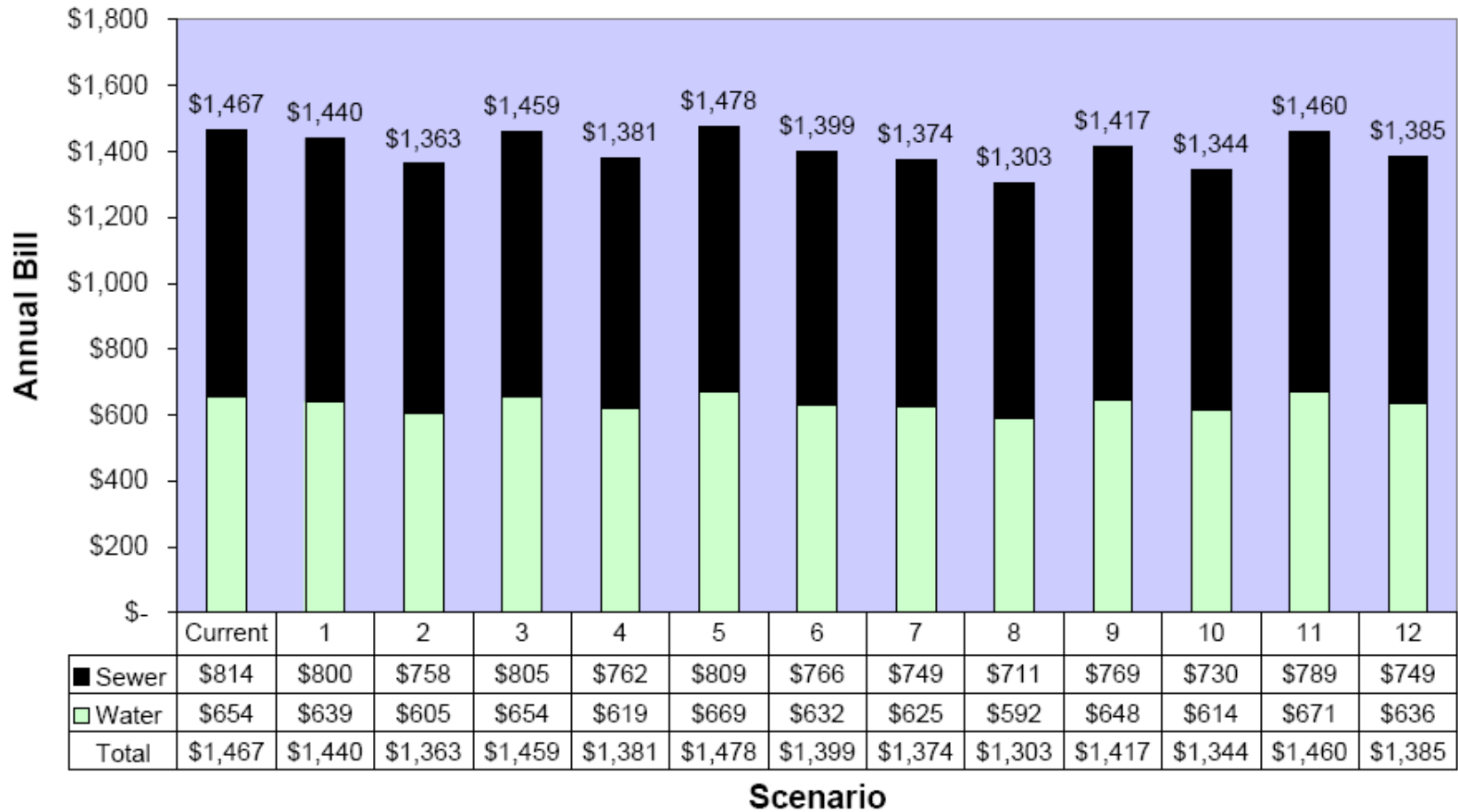
**TOWN OF THE BLUE MOUNTAINS
 WATER RATE STUDY
 SUMMARY OF WATER AND SEWER RATE SCENARIOS**

Scenario	Cost Recovery through:		Budget Reduction of 5%
	Fixed Charge	Consumption Charge	
1	50%	50%	No
2	50%	50%	Yes
3	40%	60%	No
4	40%	60%	Yes
5	30%	70%	No
6	30%	70%	Yes
7	50%	50%	No
8	50%	50%	Yes
9	40%	60%	No
10	40%	60%	Yes
11	30%	70%	No
12	30%	70%	Yes
<p>For scenarios 7-12, treat multiple condo units serviced by one meter, similar to condo units serviced by one 5/8" meter. Recover fixed charge through 5/8" meter rates, and average consumption charges amongst all condos in each complex.</p>			

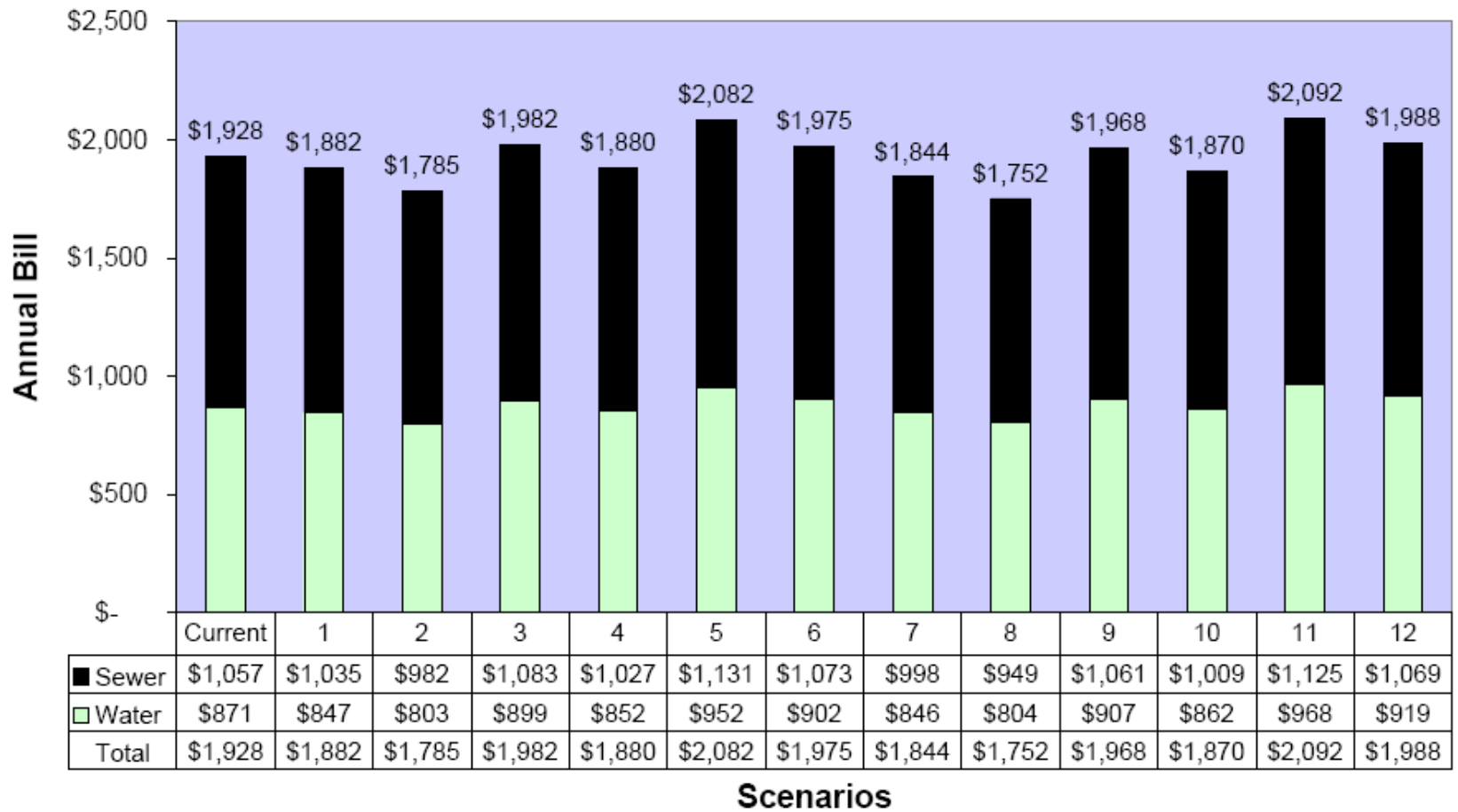
Annual Water & Sewer Bill for Residential Users
Annual Water Use = 180 m³ (5/8" meter)



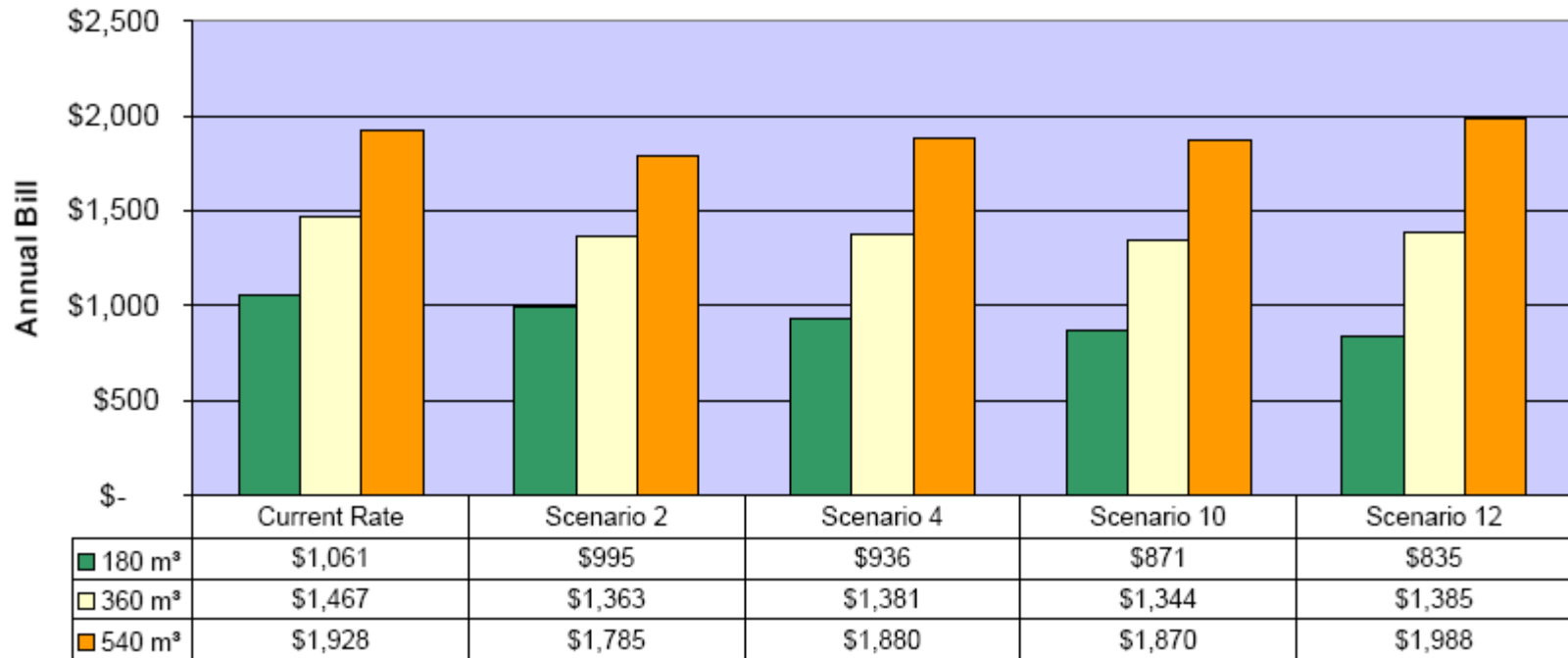
Annual Water & Sewer Bill for Residential Users Annual Water Use = 360 m³ (5/8" meter)



Annual Water & Sewer Bill for Residential Users Annual Water Use = 540 m³ (5/8" meter)



**Annual Sewer & Water Bill for Residential Users
(with 5/8" meter)**



Breakdown of residential consumption patterns			
Monthly Consumption	Annual Consumption	# of Users	Percentage
0 - 15 m³	0 - 180 m³	2,771	69%
16 - 30 m³	181 - 360 m³	882	22%
31 - 45 m³	361 - 540 m³	182	5%
45+ m³	541+ m³	176	4%
Totals		4,011	100%

**TOWN OF THE BLUE MOUNTAINS
WATER RATE STUDY
WATER USER RATE OPTIONS**

SUMMARY OF CALCULATED RATES

Fixed Monthly Rates

Meter Size	Charge Per Month Scenario												Currently
	1	2	3	4	5	6	7	8	9	10	11	12	
5/8"	\$ 25.45	\$ 24.16	\$ 20.36	\$ 19.33	\$ 15.27	\$ 14.50	\$ 21.93	\$ 20.82	\$ 17.54	\$ 16.65	\$ 13.16	\$ 12.49	\$ 25.00
3/4"	\$ 27.99	\$ 26.58	\$ 22.40	\$ 21.26	\$ 16.80	\$ 15.95	\$ 24.12	\$ 22.90	\$ 19.30	\$ 18.32	\$ 14.47	\$ 13.74	\$ 28.00
1"	\$ 35.63	\$ 33.82	\$ 28.50	\$ 27.06	\$ 21.38	\$ 20.29	\$ 30.70	\$ 29.14	\$ 24.56	\$ 23.31	\$ 18.42	\$ 17.49	\$ 36.00
1 1/2"	\$ 45.81	\$ 43.49	\$ 36.65	\$ 34.79	\$ 27.49	\$ 26.09	\$ 39.47	\$ 37.47	\$ 31.58	\$ 29.97	\$ 23.68	\$ 22.48	\$ 46.00
2"	\$ 73.80	\$ 70.06	\$ 59.04	\$ 56.05	\$ 44.28	\$ 42.04	\$ 63.59	\$ 60.37	\$ 50.87	\$ 48.29	\$ 38.15	\$ 36.22	\$ 74.00
3"	\$279.95	\$265.76	\$223.96	\$212.60	\$167.97	\$159.45	\$241.21	\$228.98	\$192.96	\$183.18	\$144.72	\$137.39	\$280.00
4"	\$356.30	\$338.23	\$285.04	\$270.59	\$213.78	\$202.94	\$306.99	\$291.42	\$245.59	\$233.14	\$184.19	\$174.85	\$356.00
6"	\$534.45	\$507.35	\$427.56	\$405.88	\$320.67	\$304.41	\$460.48	\$437.14	\$368.39	\$349.71	\$276.29	\$262.28	\$534.00

Consumption Charges

Monthly Consumption	Charge Per Cubic Metre Scenario												Currently
	1	2	3	4	5	6	7	8	9	10	11	12	
w/ up to 15 m ³	\$ 0.85	\$ 0.80	\$ 1.06	\$ 1.00	\$ 1.27	\$ 1.20	\$ 0.93	\$ 0.88	\$ 1.14	\$ 1.08	\$ 1.35	\$ 1.27	\$ 0.91
16 - 30 m ³	\$ 1.00	\$ 0.95	\$ 1.21	\$ 1.15	\$ 1.42	\$ 1.35	\$ 1.08	\$ 1.03	\$ 1.29	\$ 1.23	\$ 1.50	\$ 1.42	\$ 1.06
31 - 45 m ³	\$ 1.15	\$ 1.10	\$ 1.36	\$ 1.30	\$ 1.57	\$ 1.50	\$ 1.23	\$ 1.18	\$ 1.44	\$ 1.38	\$ 1.65	\$ 1.57	\$ 1.21
above 45 m ³	\$ 1.30	\$ 1.25	\$ 1.51	\$ 1.45	\$ 1.72	\$ 1.65	\$ 1.38	\$ 1.33	\$ 1.59	\$ 1.53	\$ 1.80	\$ 1.72	\$ 1.36

**TOWN OF THE BLUE MOUNTAINS
WATER RATE STUDY
SEWER USER RATE OPTIONS**

SUMMARY OF CALCULATED RATES

Fixed Monthly Rates

Meter Size	Charge Per Month Scenario												Currently
	1	2	3	4	5	6	7	8	9	10	11	12	
5/8"	\$ 34.29	\$ 32.58	\$ 27.43	\$ 26.06	\$ 20.58	\$ 19.55	\$ 27.74	\$ 26.35	\$ 22.19	\$ 21.08	\$ 16.64	\$ 15.81	\$ 34.00
3/4"	\$ 37.72	\$ 35.84	\$ 30.18	\$ 28.67	\$ 22.63	\$ 21.50	\$ 30.51	\$ 28.99	\$ 24.41	\$ 23.19	\$ 18.31	\$ 17.39	\$ 38.00
1"	\$ 48.01	\$ 45.61	\$ 38.41	\$ 36.49	\$ 28.81	\$ 27.37	\$ 38.83	\$ 36.89	\$ 31.07	\$ 29.51	\$ 23.30	\$ 22.14	\$ 48.00
1 1/2"	\$ 61.73	\$ 58.64	\$ 49.38	\$ 46.91	\$ 37.04	\$ 35.19	\$ 49.93	\$ 47.43	\$ 39.94	\$ 37.95	\$ 29.96	\$ 28.46	\$ 62.00
2"	\$ 99.45	\$ 94.48	\$ 79.56	\$ 75.58	\$ 59.67	\$ 56.69	\$ 80.44	\$ 76.42	\$ 64.35	\$ 61.13	\$ 48.26	\$ 45.85	\$ 99.00
3"	\$ 377.23	\$ 358.37	\$ 301.78	\$ 286.69	\$ 226.34	\$ 215.02	\$ 305.12	\$ 289.86	\$ 244.10	\$ 231.89	\$ 183.07	\$ 173.92	\$ 377.00
4"	\$ 480.11	\$ 456.11	\$ 384.09	\$ 364.88	\$ 288.07	\$ 273.66	\$ 388.33	\$ 368.92	\$ 310.67	\$ 295.13	\$ 233.00	\$ 221.35	\$ 480.00
6"	\$ 720.17	\$ 684.16	\$ 576.13	\$ 547.33	\$ 432.10	\$ 410.49	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 720.00

Consumption Charges

Monthly Consumption	Charge Per Cubic Metre Scenario												Currently
	1	2	3	4	5	6	7	8	9	10	11	12	
w/ up to 15 m ³	\$ 1.01	\$ 0.94	\$ 1.25	\$ 1.17	\$ 1.49	\$ 1.40	\$ 1.08	\$ 1.02	\$ 1.32	\$ 1.25	\$ 1.56	\$ 1.48	\$ 1.05
16 - 30 m ³	\$ 1.16	\$ 1.09	\$ 1.40	\$ 1.32	\$ 1.64	\$ 1.55	\$ 1.23	\$ 1.17	\$ 1.47	\$ 1.40	\$ 1.71	\$ 1.63	\$ 1.20
31 - 45 m ³	\$ 1.31	\$ 1.24	\$ 1.55	\$ 1.47	\$ 1.79	\$ 1.70	\$ 1.38	\$ 1.32	\$ 1.62	\$ 1.55	\$ 1.86	\$ 1.78	\$ 1.35
above 45 m ³	\$ 1.46	\$ 1.39	\$ 1.70	\$ 1.62	\$ 1.94	\$ 1.85	\$ 1.53	\$ 1.47	\$ 1.77	\$ 1.70	\$ 2.01	\$ 1.93	\$ 1.50