

Report

To: Waterworks Committee (New Business)
From: Administration
File #: CT-200-5
Date: June 11, 2012
Re: **Utility Rates for 2013 and on**



ISSUE:

To adopt By-Law No. #12-8562 to amend the water & sewer rates for 2013 and on.

ALTERNATIVES:

1. Give the By-law first reading.
2. Do not give the By-law first reading.

BACKGROUND:

Utility rates have been reviewed for the next 3 years. The City's Debt Management Plan in 2012 included rate increases for nutrient removal and other capital projects.

Over the next ten years, the City Portage la Prairie is planning to spend \$57 million in capital projects, with approximately \$38 million of it funded from its reserves or from borrowing. The most significant capital project in the near future is the removal of nutrients from the wastewater effluent. The cost of this project is estimated at \$29 Million and funding 50% of one component and 2/3 of the remaining project components through grants to the Canada Manitoba Infrastructure is expected. The City's share of \$9.7 Million has been built into the 10 year capital plan, with funding sources of \$6.7 Million from its reserves and \$3 Million issued as debt. The project is scheduled to take place over the next 5 years, with engineering and design work in 2013 to 2016 and construction from 2015 to 2017.

Rate increases are required in both water and sewer rates and this plan proposes to increase these rates for capital and operating purposes by:

- 5% in Step 1 (domestic level) and
- 7% in Step 2 (wholesale and variable levels)

in each of the years 2013 to 2015 inclusive. Rate increases of 1% for operating costs are included. Also included are increases in the charges for special services like water turn on and meter calibrations which haven't been updated for at least 10 years.

By 2015, an additional \$1.7 Million will be raised annually under this proposal. The annual water and sewer rate increases of 4% for domestic and 6% for industry will generate an annual \$1.4 Million for capital projects and the annual 1% increase in water and sewer rates across the board will generate an annual \$287,000 to meet operating increases.

By-Law 12-8562 lists the utility rates for 2013, 2014 and 2015 and on. Rate increases are as follows:

Schedule of
Quarterly
Rates:

		2013 Proposed	2014 Proposed	2015+ Proposed
Proposed Water	Increase in Service Charges	5%	5%	5%
	1st & 2nd Step	5%	5%	5%
	3rd & 4th Step	7%	7%	7%
Proposed Sewer	1st Step	5%	5%	5%
	2nd Step	7%	7%	7%

- Impact

**CITY OF PORTAGE LA PRAIRIE
SEWER & WATER UTILITY RATE REVIEW**

Impact on a family with consumption of 15,000 gallons per quarter

	2012 Annual	2013 Annual	2014 Annual	2015 Annual	
Water & Sewer	\$771	\$809	\$849	\$892	
Annual Increase		\$38	\$40	\$43	
Increase Per Year		4.9%	5.0%	5.1%	<u>Avg</u> 5.0%

Impact on a mid -sized industry with consumption of 1,000,000 gallons per quarter

	2012 Annual	2013 Annual	2014 Annual	2015 Annual	
Water & Sewer	\$37,886	\$40,097	\$42,451	\$44,945	
Annual Increase		\$2,211	\$2,354	\$2,494	
Increase Per Year		5.8%	5.9%	5.9%	<u>Avg</u> 5.9%

Impact on a large industry based on 75,907,542 gallons per quarter

	2012 Annual	2013 Annual	2014 Annual	2015 Annual	
Water & Sewer Annual Increase	\$1,786,266	\$1,911,657	\$2,045,988	\$2,186,486	
		\$125,391	\$134,332	\$140,498	
Increase Per Year		7.0%	7.0%	6.9%	<u>Avg</u> 7.0%

- Comparison – In 2013, the following listing indicates how these users compare in price to Portage users:

2013 Comparison to Portage:

Domestic - Brandon	87% of Portage Rate
Domestic - Winnipeg	229% of Portage Rate
Mid Size - Brandon	94% of Portage Rate
Mid Size - Winnipeg	292% of Portage Rate
Large Industry - Brandon	136% of Portage Rate
Large Industry - Winnipeg	447% of Portage Rate

The PUB has strongly suggested in the past years that the rate differential between the users should be narrowed. The proposed rates are structured for higher percentage increases for the larger volume users than the domestic level users. The previous utility rate increases were set up this way as well.

- Process
Once Council gives first reading to the by-law, the PUB will review the proposal and call for either a returnable date notice (mailing) or a public hearing. Thereafter, the PUB will make its decision (through an order) regarding the proposed rate increases. The current timeline with the PUB is about 5 months. Should there be a delay in approval; rate increases will take effect at later than January 1, 2013.

The enclosed study includes the by-law and several reports and schedules that will be forwarded to the PUB.

RECOMMENDATION:

June 11, 2012:

THAT By-Law No. 12-8562 being a by-law to authorize the change in water and sewer rates effective January 1, 2013 be given first reading