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Halifax Regional Council
December 13, 2005

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

Carl D. Yates, M.A.Sc., P.Eng., General Manager
Halifax Regional Water Commission

DATE: December 7, 2005

SUBJECT: Rate Application to Nova Scotia Utility and Review Board

INFORMATION REPORT

ORIGIN

HRWC Board motion of October 27, 2005, and December 1, 2005.

RECOMMENDATION

N/A – Information Report

BACKGROUND

The Halifax Regional Water Commission Board has recently approved a Five Year Business Plan which was prepared by staff after reviewing the fundamental changes in the water utility profession since 2001. In conjunction with the Business Plan, the HRWC Board has approved a rate application to the Nova Scotia Utility and Review Board (NSURB) to put the Commission on a sustainable footing with full cost recovery as mandated by the Public Utilities Act.

DISCUSSION

Since compilation of a Five Year Business Plan in 2001 by HRWC, the landscape of the water utility profession has changed significantly. These changes have necessitated the development of a new business plan with associated rate increases. Some of the key drivers associated with the business plan are:

- New provincial regulations introduced in December 2002 which had immediate operational impacts, and stipulated capital upgrades which must be in place by April 1, 2008
- Increased costs for electricity, treatment chemicals and fuel
- Heightened focus on security after terrorist attacks in the United States in September 2001
- The need to increase the level of investment in an aging distribution system; the Commission proposes to increase its water distribution renewal plan from 0.4% of the system to 0.8% over a five year period
- Capital upgrades for the J.D. Kline Water Supply Plant at Pockwock Lake which has completed its 28th year of operation
- New dam safety requirements which will require a new dam at Lake Major
- Standardization of rates for existing systems owned by HRWC to ensure sustainability of small systems
- Decreasing consumption associated with customer conservation efforts

Considerable review has taken place over the last two years to understand and ground truth implications. This review culminated in the approval of a five year business plan on October 27, 2005, and associated rate application to the NSURB. On December 1, 2005, the HRWC Board approved the specific rate increases as indicated on the attached schedule. The rate application includes an allowance for 950 new customer connections per year with a 1% annual reduction in metered water sold, year after year. This information has been shared with HRM EMS and Finance departments for their business planning. The projected operating expenses include increases to meet new regulations, an annual inflation increase of 3%, treatment chemical increases of 10% in 2006, and projected electricity increases of 10% in 2006 and another 5% in 2008. The capital budget for the Water Commission will be in the order of \$9.0 million per year to cover the initiatives of the Business Plan.

Based on the proposed rate application, the annual average residential water rate will increase from \$211 to \$269 over four years based on 240 cubic metres of water per year (20 cubic metres of water per month). These rates do not include future pollution control charges which are billed and collected by HRWC on behalf of HRM. With these projected rate increases, the average residential water rate will still be less than 75 cents per day, which we believe demonstrates great value. A review of water rates within the province and the nation indicates that HRWC still has one of the lowest water rates for systems with filtration plants. Although HRWC rates are low in comparison to other utilities, it is amongst the leaders for high quality water and levels of service. The rate application to the Nova Scotia Utility and Review Board will be filed on December 12, 2005, with a public hearing tentatively scheduled for the week of February 13, 2006.

BUDGET IMPLICATIONS

The rate application will provide sufficient revenue to meet the initiatives in the Business Plan so that the Commission can pay for all costs associated with the operation of a safe, reliable, and sustainable water supply system.

ALTERNATIVES

N/A

ATTACHMENTS

Schedule 13 of Rate Application showing comparison of proposed rates on April 1, 2009 with current rate structure

Report Prepared by: Carl D. Yates, M.A.Sc., P.Eng., General Manager, HRWC, 490-4840

Halifax Regional Water Commission
Comparison of Proposed Rates April 1, 2006 with Current Rates
Based on Average Quarterly Consumption

Meter Size	BASE CHARGE		Percent Increase	AVERAGE QUARTERLY CONSUMPTION CUBIC METERS		COMMODITY CHARGE		Percent Increase	Total		Percent Increase
	Current	1-Apr-06		1-Apr-06	CURRENT	1-Apr-06	Current		1-Apr-06	Current	
15 mm (5/8")	\$35.26	\$34.75	-1.45%	60	\$23.04	\$17.46	31.96%	\$57.79	\$52.72	9.62%	
20 mm (3/4")	\$67.86	\$61.03	-10.06%	218	\$83.71	\$63.44	31.95%	\$144.74	\$131.30	10.24%	
25 mm (1")	\$111.32	\$96.07	-13.70%	408	\$156.67	\$118.73	31.95%	\$252.74	\$230.05	9.86%	
40mm (1 1/2")	\$219.97	\$183.67	-16.50%	915	\$351.36	\$266.27	31.96%	\$535.03	\$486.24	10.03%	
50 mm (2")	\$350.35	\$288.79	-17.57%	2,045	\$785.28	\$595.10	31.96%	\$1,074.07	\$945.45	13.60%	
75 mm (3")	\$698.04	\$569.11	-18.47%	5,140	\$1,973.76	\$1,495.74	31.96%	\$2,542.87	\$2,193.78	15.91%	
100 mm (4")	\$1,089.18	\$884.47	-18.79%	12,262	\$4,708.61	\$3,568.24	31.96%	\$5,593.08	\$4,657.42	20.09%	
150 mm (6")	\$2,175.66	\$1,760.47	-19.08%	28,452	\$10,925.57	\$8,279.53	31.96%	\$12,686.04	\$10,455.19	21.34%	
200 mm (8")	\$3,914.07	\$3,162.07	-19.21%	22,305	\$8,565.12	\$6,490.76	31.96%	\$11,727.19	\$10,404.83	12.71%	
250 mm (10")	\$4,348.68	\$3,512.47	-19.23%	57,326	\$22,013.18	\$16,681.87	31.96%	\$25,525.65	\$21,030.55	21.37%	

Halifax Regional Water Commission
Comparison of Proposed Rates April 1, 2007, With Proposed Rates April 1, 2006
Based on Average Quarterly Consumption

Meter Size	BASE CHARGE		Percent Increase	AVERAGE QUARTERLY CONSUMPTION CUBIC METERS		COMMODITY CHARGE		Percent Increase	Total		Percent Increase
	1-Apr-07	1-Apr-06		1-Apr-07	1-Apr-06	1-Apr-07	1-Apr-06		1-Apr-07	1-Apr-06	
15 mm (5/8")	\$38.01	\$34.75	9.38%	60	\$25.26	\$23.04	9.64%	\$63.27	\$57.79	9.48%	
20 mm (3/4")	\$67.52	\$61.03	10.63%	218	\$91.78	\$83.71	9.64%	\$159.30	\$144.74	10.06%	
25 mm (1")	\$106.87	\$96.07	11.24%	408	\$171.77	\$156.67	9.64%	\$278.64	\$252.74	10.25%	
40mm (1 1/2")	\$205.25	\$183.67	11.75%	915	\$385.22	\$351.36	9.64%	\$590.47	\$535.03	10.36%	
50 mm (2")	\$323.30	\$288.79	11.95%	2,045	\$860.95	\$785.28	9.64%	\$1,184.25	\$1,074.07	10.26%	
75 mm (3")	\$638.10	\$569.11	12.12%	5,140	\$2,163.94	\$1,973.76	9.64%	\$2,802.04	\$2,542.87	10.19%	
100 mm (4")	\$992.25	\$884.47	12.19%	12,262	\$5,162.30	\$4,708.61	9.64%	\$6,154.55	\$5,593.08	10.04%	
150 mm (6")	\$1,976.00	\$1,760.47	12.24%	28,452	\$11,978.29	\$10,925.57	9.64%	\$13,954.29	\$12,686.04	10.00%	
200 mm (8")	\$3,550.00	\$3,162.07	12.27%	22,305	\$9,390.41	\$8,565.12	9.64%	\$12,940.41	\$11,727.19	10.35%	
250 mm (10")	\$3,943.50	\$3,512.47	12.27%	57,326	\$24,134.25	\$22,013.18	9.64%	\$28,077.75	\$25,525.65	10.00%	

Halifax Regional Water Commission
Comparison of Proposed Rates April 1, 2008, With Proposed Rates April 1, 2007
Based on Average Quarterly Consumption

Meter Size	BASE CHARGE		Percent Increase	AVERAGE QUARTERLY CONSUMPTION CUBIC METERS		COMMODITY CHARGE		Percent Increase	Total		Percent Increase
	1-Apr-08	1-Apr-07		1-Apr-08	1-Apr-07	1-Apr-08	1-Apr-07		\$ Increase in Quarterly Bill		
15 mm (5/8")	\$38.93	\$38.01	2.42%	60	\$26.52	\$25.26	4.99%	\$65.45	\$63.27	3.45%	
20 mm (3/4")	\$69.33	\$67.52	2.66%	218	\$96.36	\$91.78	4.99%	\$165.69	\$159.30	4.01%	
25 mm (1")	\$109.86	\$106.87	2.80%	408	\$180.34	\$171.77	4.99%	\$290.20	\$278.64	4.15%	
40mm (1 1/2")	\$211.18	\$205.25	2.89%	915	\$404.43	\$385.22	4.99%	\$615.61	\$590.47	4.26%	
50 mm (2")	\$332.77	\$323.30	2.93%	2,045	\$903.89	\$860.95	4.99%	\$1,236.66	\$1,184.25	4.43%	
75 mm (3")	\$657.01	\$638.10	2.96%	5,140	\$2,271.88	\$2,163.94	4.99%	\$2,928.89	\$2,802.04	4.53%	
100 mm (4")	\$1,021.78	\$992.25	2.98%	12,262	\$5,419.80	\$5,162.30	4.99%	\$6,441.58	\$6,154.55	4.66%	
150 mm (6")	\$2,035.03	\$1,976.00	2.99%	28,452	\$12,575.78	\$11,978.29	4.99%	\$14,610.81	\$13,954.29	4.70%	
200 mm (8")	\$3,656.23	\$3,550.00	2.99%	22,305	\$9,858.81	\$9,390.41	4.99%	\$13,515.04	\$12,940.41	4.44%	
250 mm (10")	\$4,061.53	\$3,943.50	2.99%	57,326	\$25,338.09	\$24,134.25	4.99%	\$29,399.62	\$28,077.75	4.71%	

Halifax Regional Water Commission
Comparison of Proposed Rates April 1, 2009, With Proposed Rates April 1, 2008
Based on Average Quarterly Consumption

Meter Size	BASE CHARGE		Percent Increase	AVERAGE QUARTERLY CONSUMPTION		Percent Increase	COMMODITY CHARGE		Percent Increase	Total		Percent Increase
	1-Apr-09	1-Apr-08		CUBIC METERS	1-Apr-09		1-Apr-09	1-Apr-08		1-Apr-09	1-Apr-08	
15 mm (5/8")	\$39.82	\$38.93	2.29%	60	\$27.54	\$26.52	\$27.54	\$26.52	3.85%	\$67.36	\$65.45	2.92%
20 mm (3/4")	\$70.97	\$69.33	2.37%	218	\$100.06	\$96.36	\$100.06	\$96.36	3.85%	\$171.03	\$165.69	3.23%
25 mm (1")	\$112.50	\$109.86	2.40%	408	\$187.27	\$180.34	\$187.27	\$180.34	3.85%	\$299.77	\$290.20	3.30%
40mm (1 1/2")	\$216.32	\$211.18	2.43%	915	\$419.99	\$404.43	\$419.99	\$404.43	3.85%	\$636.31	\$615.61	3.36%
50 mm (2")	\$340.90	\$332.77	2.44%	2,045	\$938.66	\$903.89	\$938.66	\$903.89	3.85%	\$1,279.56	\$1,236.66	3.47%
75 mm (3")	\$673.12	\$657.01	2.45%	5,140	\$2,359.26	\$2,271.88	\$2,359.26	\$2,271.88	3.85%	\$3,032.38	\$2,928.89	3.53%
100 mm (4")	\$1,046.87	\$1,021.78	2.46%	12,262	\$5,628.26	\$5,419.80	\$5,628.26	\$5,419.80	3.85%	\$6,675.13	\$6,441.58	3.63%
150 mm (6")	\$2,085.05	\$2,035.03	2.46%	28,452	\$13,059.47	\$12,575.78	\$13,059.47	\$12,575.78	3.85%	\$15,144.52	\$14,610.81	3.65%
200 mm (8")	\$3,746.15	\$3,656.23	2.46%	22,305	\$10,238.00	\$9,858.81	\$10,238.00	\$9,858.81	3.85%	\$13,984.15	\$13,515.04	3.47%
250 mm (10")	\$4,161.43	\$4,061.53	2.46%	57,326	\$26,312.63	\$25,338.09	\$26,312.63	\$25,338.09	3.85%	\$30,474.06	\$29,399.62	3.65%

Halifax Regional Water Commission
Comparison of Proposed Rates April 1, 2009, With Current Rates
Based on Average Quarterly Consumption

Meter Size	BASE CHARGE		Percent Increase	AVERAGE QUARTERLY CONSUMPTION		Percent Increase	COMMODITY CHARGE		Percent Increase	Total		Percent Increase
	1-Apr-09	Current		CUBIC METERS	1-Apr-09		1-Apr-09	Current		1-Apr-09	Current	
15 mm (5/8")	\$39.82	\$35.26	12.93%	60	\$27.54	\$17.46	\$27.54	\$17.46	57.73%	\$67.36	\$52.72	27.77%
20 mm (3/4")	\$70.97	\$67.86	4.58%	218	\$100.06	\$63.44	\$100.06	\$63.44	57.73%	\$171.03	\$131.30	30.26%
25 mm (1")	\$112.50	\$111.32	1.06%	408	\$187.27	\$118.73	\$187.27	\$118.73	57.73%	\$299.77	\$230.05	30.31%
40mm (1 1/2")	\$216.32	\$219.97	-1.66%	915	\$419.99	\$266.27	\$419.99	\$266.27	57.73%	\$636.31	\$486.24	30.86%
50 mm (2")	\$340.90	\$350.35	-2.70%	2,045	\$938.66	\$595.10	\$938.66	\$595.10	57.73%	\$1,279.56	\$945.45	35.34%
75 mm (3")	\$673.12	\$698.04	-3.57%	5,140	\$2,359.26	\$1,465.74	\$2,359.26	\$1,465.74	57.73%	\$3,032.38	\$2,193.78	38.23%
100 mm (4")	\$1,046.87	\$1,089.18	-3.88%	12,262	\$5,628.26	\$3,568.24	\$5,628.26	\$3,568.24	57.73%	\$6,675.13	\$4,657.42	43.32%
150 mm (6")	\$2,085.05	\$2,175.66	-4.16%	28,452	\$13,059.47	\$8,279.53	\$13,059.47	\$8,279.53	57.73%	\$15,144.52	\$10,455.19	44.85%
200 mm (8")	\$3,746.15	\$3,914.07	-4.29%	22,305	\$10,238.00	\$6,490.76	\$10,238.00	\$6,490.76	57.73%	\$13,984.15	\$10,404.83	34.40%
250 mm (10")	\$4,161.43	\$4,348.68	-4.31%	57,326	\$26,312.63	\$16,681.87	\$26,312.63	\$16,681.87	57.73%	\$30,474.06	\$21,030.55	44.90%

Halifax Regional Water Commission
Comparison of Proposed Rates April 1, 2009, With Current Rates
Based on Average Yearly Consumption

Meter Size	BASE CHARGE		Percent Increase	AVERAGE YEARLY CONSUMPTION		Percent Increase	COMMODITY CHARGE		Percent Increase	Total		Percent Increase
	1-Apr-09	Current		CUBIC METERS	1-Apr-09		1-Apr-09	Current		1-Apr-09	Current	
15 mm (5/8")	\$159.28	\$141.04	12.93%	240	\$110.16	\$69.84	\$110.16	\$69.84	57.73%	\$269.44	\$210.88	27.77%
20 mm (3/4")	\$283.88	\$271.44	4.58%	872	\$400.25	\$253.75	\$400.25	\$253.75	57.73%	\$684.13	\$525.20	30.26%
25 mm (1")	\$490.00	\$445.28	1.06%	1,632	\$749.09	\$474.91	\$749.09	\$474.91	57.73%	\$1,199.09	\$920.20	30.31%
40mm (1 1/2")	\$865.28	\$879.06	-1.66%	3,660	\$1,679.94	\$1,065.06	\$1,679.94	\$1,065.06	57.73%	\$2,545.22	\$1,944.96	30.86%
50 mm (2")	\$1,363.60	\$1,401.40	-2.70%	8,180	\$3,754.62	\$2,380.38	\$3,754.62	\$2,380.38	57.73%	\$5,118.22	\$3,781.80	35.34%
75 mm (3")	\$2,692.48	\$2,792.16	-3.57%	20,560	\$9,437.04	\$5,982.96	\$9,437.04	\$5,982.96	57.73%	\$12,129.52	\$8,775.12	38.23%
100 mm (4")	\$4,187.48	\$4,356.72	-3.88%	49,048	\$22,513.03	\$14,272.97	\$22,513.03	\$14,272.97	57.73%	\$26,700.51	\$18,629.68	43.32%
150 mm (6")	\$8,340.20	\$8,702.64	-4.16%	113,808	\$52,237.87	\$33,118.13	\$52,237.87	\$33,118.13	57.73%	\$60,578.07	\$41,820.76	44.85%
200 mm (8")	\$14,984.60	\$15,656.28	-4.29%	89,220	\$40,951.98	\$25,963.02	\$40,951.98	\$25,963.02	57.73%	\$56,936.58	\$41,619.32	34.40%
250 mm (10")	\$16,645.72	\$17,394.72	-4.31%	229,304	\$105,250.54	\$66,727.46	\$105,250.54	\$66,727.46	57.73%	\$121,896.26	\$84,122.20	44.90%