

Priorities Committee Meeting_Jun18_2019

STRATEGIC INITIATIVE AND UPDATE**Highway 14 Regional Water Services Commission – Implementation of a transmission pipeline fixed charge****Report Purpose**

To provide Priorities Committee with information regarding a new transmission pipeline fixed charge implemented by the Highway 14 Regional Water Services Commission.

Our Prioritized Strategic Goals

Goal 2 - Manage, invest and plan for sustainable municipal infrastructure

Goal 4 - Ensure effective stewardship of water, land, air and energy resources

Report

The Highway 14 Regional Water System (H14RWSC) formed in 1991 and provides water to rural residents in the Expanded Services Policy Area. The H14RWSC are in the process of acquiring reserve funds for the maintenance, upgrading and eventual replacement of their pipeline system, as well as upgrades required in the near future. Currently the H14RWSC have no reserves held to address replacements or upgrades to their water system.

To address the lack of reserves, the H14RWSC has approved a transmission pipeline reserve fund accumulation of \$426,713 per year to be collected from all customers connected to their system. The H14RWSC have indicated that contribution to this fund is based upon the annual percentage of total flow through the pipeline. Strathcona County currently uses 12.24% of the H14RWSC's water annual flow; equating to a monthly fixed charge of \$4,352.

On March 4, 2019, Utilities met with the H14RWSC's Chief Administrative Officer (CAO) and Operations Director to seek clarification of this change. Key points of the conversation included:

- The CAO of the H14RWSC will likely recommend a status quo fee until 2020;
- The H14RWSC has concerns with its water supply, water storage and lack of lifecycle replacement reserves;
- The H14RWSC has a significant debt load, which limits their ability to use debt to fund replacements or upgrades to their infrastructure;
- The H14RWSC believes the rate is fair to ensure long term sustainability of the system;
- Immediate upgrades to the H14RWSC's North Cooking Lake Station and Garden Station are required;
- The H14RWSC have been unable to complete a rate model, but hope to complete one by 2022.

Utilities will address the 2019 costs through accessing the Utilities Stabilization and Contingency Reserve (11.4425) to protect the 1,322 rural customers with water service in the Country Residential Policy Area and Expanded Service Area. The Country Residential and Expanded Service Areas are one water customer class per the May 20, 2014 Council Motion #187/2014.

As part of the 2020 business plan and budget, to recover the fixed charge, Utilities recommend phasing in the fixed charge over three years (2020 - 2022). The table below shows how Utilities propose to phase in the rate increase of \$1.10 per month per year.

Priorities Committee Meeting_Jun18_2019

Year	Water Fixed Rate
2019	\$6.46
2020	\$7.56
2021	\$8.66
2022	\$9.76
2023 and beyond	\$9.76

The \$3.30 per month rate increase will stay on the utility bill until the H14RWSC removes the fixed charge.

The County will formally request that by the end of 2019, the H14RWSC provide an approved reserve fund policy in relation to the transmission pipeline fixed charge and wish to ensure any fixed charges collected will replace and upgrade the assets providing water services to County residents.

The County will also formally request that the H14RWSC provide a rate model for Strathcona County's review by the end of 2021. This will help the County ensure the cost of water charged is reasonable and pays for the service provided by the H14RWSC. The County will work with the H14RWSC to look for any possible cost savings to help minimize the impact on the residents in future years.

Council and Committee History

November 8, 2011	That Council support a resolution to remove Strathcona County from the Highway 14 Regional Water Services Commission's (H14RWSC) membership.
August 16, 2011	That Council give second and third reading to Borrowing Bylaw 36-2011, a bylaw to approve the incurrence of indebtedness on behalf of the County by the issuance of debentures or loans for the purpose of constructing Utility Infrastructure (H14RWSC Water Transmission & Distribution Assets).
June 28, 2011	That Council amend the 2009 Capital Budget to cancel the Purchase of Water Transmission and Distribution Assets from the H14RWSC project in the amount of (\$4,150,000) and release the funding commitment against the Utility Operations Capital Asset Management Reserve (1.4440). That Council amend the 2011 Capital Budget to Purchase Water Transmission and Distribution Assets from the H14RWSC to a maximum amount of \$5,400,000 to be funded \$3,400,000 from new debt and \$2,000,000 from the Utility Operations Capital Asset Management Reserve (1.4440). That Council give first reading to Borrowing Bylaw 36-2011, a bylaw to approve the incurrence of indebtedness on behalf of the County by the issuance of debentures or loans for the purpose of constructing Utility infrastructure.

Priorities Committee Meeting_Jun18_2019

Other Impacts**Policy:** n/a**Legislative/Legal:** n/a**Interdepartmental:** Corporate Finance; Corporate Planning; Utilities**Master Plan/Framework:** n/a**Communication Plan**

Affected residents will be notified through a letter and informational handout.

Enclosure**1** Highway 14 Water Service Map