



Agenda No: 9.5
Mtg. Date: June 24/13

Regional Board Report

TO: Regional Board
FROM: Manager of Environmental Services
DATE: June 14, 2013
SUBJECT: Residential Water Consumption Fee Amendment

RECOMMENDATION:

THAT the Regional Board endorse a reduction in the RDCO Water Consumption Fee threshold to >90 m³/billing period from >235 m³/billing period effective July 1, 2013;

AND THAT Regional District of Central Okanagan Water Systems Fees and Regulations Amendment Bylaw be given first, second and third readings and adopted.

Purpose: To adopt an amendment to the RDCO Water Consumption Fee threshold.

Implications of Recommendation:

Strategic Plan: Sustainability
Social: More equitable water rate structure.
Environmental: Water conservation
Financial: Potential for increased revenue.

Background:

In March, 2012 the Regional Board approved a new water rate structure and new water rates for all RDCO water systems. The new water rate structure and water rates included User and Asset Renewal Fees and Water Consumption Fees. User and Asset Renewal Fees were established for the 2012 to 2016 period and are not the focus of this report. However, the Consumption Fee for residential users, specifically the threshold at which the consumption fee applies, was to be reevaluated in 2013 after additional water meter data was collected and analyzed.

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Currently, the Consumption Fee for residential users is \$0.35/m³ for water consumption exceeding 235 m³ per billing period (quarter). The 235 m³ threshold has only been exceeded 149 times in the last 1.5 years (six quarters). This represents only 3% of the 4,978 quarterly utility bills sent out during this time.

A threshold of 90 m³ per quarter, over the same 1.5 year time period, would have resulted in 698 quarterly meter readings going over the threshold, which represents approximately 14% of quarterly utility bills.

Establishing a new Consumption Fee threshold of 90 m³ for all RDCO water utilities is supported by several factors:

- Firstly, many RDCO customers have been demanding that the Consumption Fee threshold be significantly reduced to encourage water conservation and ensure that heavy water users are paying for the extra costs associated with heavy water use (eg. electricity, treatment).
- Secondly, a 90 m³ quarterly threshold is in line with the second tier Consumption Fee threshold within all of our member municipalities, with the exception of the District of Peachland (Table 1). Table 1 shows the second tier Consumption Fee for RDCO member municipalities. Given the timing of water utility billing is different amongst our member municipalities (Kelowna: monthly, West Kelowna: quarterly, Lake Country: biannually) second tier Consumption Fees in Table 1 were annualized for comparison purposes (eg. second tier consumption rate threshold for the City of Kelowna is actually 30 m³ per month, which equates to 360 m³ per year).
- Thirdly, the 90 m³ quarterly threshold (360 m³ annualized) is close to Environment Canada's average household water consumption estimate for British Columbia of 325 m³/year.
- Lastly, based on a scatter plot of the 4,978 quarterly water consumption values for RDCO water utilities over the last 1.5 years (Figure 1), 90 m³ per quarter threshold represents a clear transition between heavy water users and average to below average water users.

It is difficult to estimate the financial implications of the proposed reduction in the Consumption Fee threshold given the short historic water consumption record and the potential for behavior change in the future due to the threshold reduction. However, assuming that water consumption remains similar to the last 1.5 years the additional revenue generated in 2013 would be between \$3,500 and \$5,000, which represents approximately 1% of the total annual operating budgets of our water utilities. As a result, it is not expected that additional Consumption Fee revenue will be substantial enough to justify a reduction in User or Asset Renewal Fees, particularly considering it may not be realized due to conservation efforts.

As more water meter and financial data is collected and analyzed staff will continue to re-examine the current water rate structure and fees.

Information on the proposed change to the Consumption Fee threshold was sent out to all RDCO water utility customers as part of the Spring, 2013 edition of the RDCO Water Talk newsletter. Subsequently, a letter was also sent out West Electoral Area customers providing further information. In addition, information was also provided to customers of the East Electoral Area during a series of public presentations to Sunset Ranch water utility customers. Overall, we received approximately thirty-five responses to the information, which represents approximately 4% of our water utility customers. The key concern from those that responded to

the letters relates the misconception that the proposed change to the Consumption Fee threshold will result in a significant revenue increase.

Conclusion: Regional District staff recommend that the Regional Board proceed with the recommended reduction in the Consumption Fee threshold.

This is for your consideration.

Submitted by:

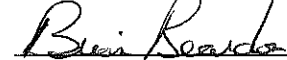


Peter Rotheisler, M.Sc., P.Ag.
Manager of Environmental Services

Considerations not applicable to this report:

Legal/Statutory Consideration
Organizational

Approved for Board's Consideration

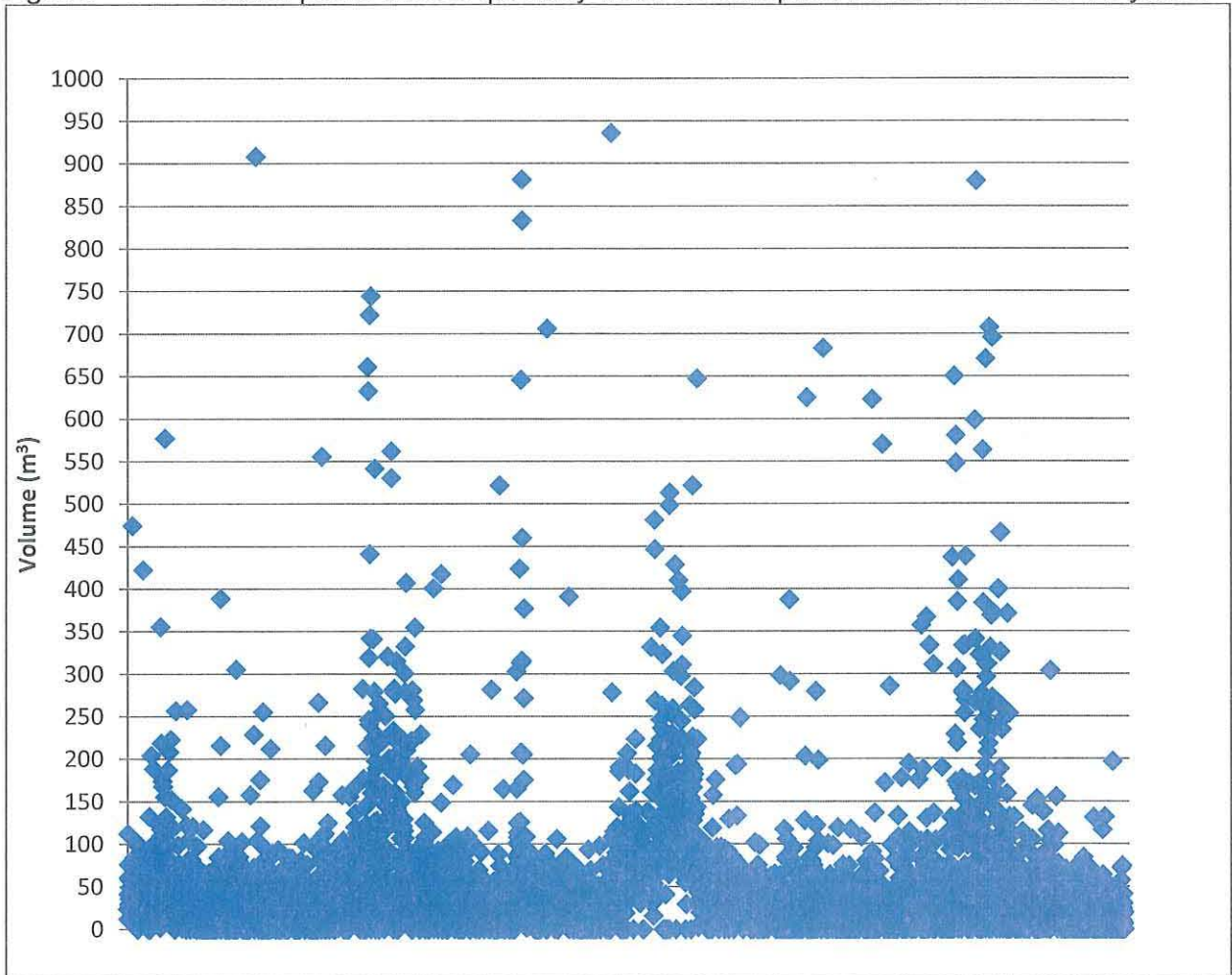


Brian Reardon, CAO

Table 1 A summary of User and Consumption Fees for RDCO member municipalities.

Municipality	User and Consumption Fee structure	Second tier Consumption Fee threshold (annualized)	Second Tier Consumption Fee	Annual User Fee
Kelowna	Flat rate User Fee. Consumption Fee applied to all water consumed. Four Consumption Fee tiers.	360 m ³	\$0.522/m ³	\$125.40
West Kelowna	Flat rate User Fee. Consumption Fee applied to all water consumed. Three Consumption Fee tiers.	400 m ³	\$0.38(\$0.51)/m ³	\$168 to \$228
Lake Country	Flat rate User Fee. Consumption Fee applies to water consumed over 130 m ³ per six months.	260 m ³	\$0.44/m ³	\$506.00
Peachland	Flat rate User Fee. Consumption Fee applied to all water consumed. Two Consumption Fee tiers.	1,600 m ³	\$0.50/m ³	\$222
RDCO (current)	Flat rate User Fee. Consumption Fee applies to water consumed over 235 m ³ per quarter (3 months).	940 m ³	\$0.35/m ³	\$314 to \$1300
RDCO (proposed)	Flat rate User Fee. Consumption Fee applies to water consumed over 90 m³ per quarter (3 months).	360 m³	\$0.35/m³	\$314 to \$1300

Figure1 Scatter plot of RDCO quarterly water consumption values for the last 1.5 years.



Note: Each of the 4,978 data points represents an RDCO customer's quarterly water consumption.

REGIONAL DISTRICT OF CENTRAL OKANAGAN

BYLAW NO.

Being a bylaw to amend the Regional District of Central Okanagan Water Systems Fees and Regulations Bylaw No. 1268, 2009

WHEREAS the Regional Board of the Regional District of Central Okanagan established Bylaw No. 1268, 2009, as amended by Bylaw Nos. 1301-2011, 1307-2012 and 1309-2012, a bylaw to establish regulations under which water will be provided and to establish fees and charges which may be imposed against the owner of any parcel located within a Regional District of Central Okanagan water system service area;

AND WHEREAS the Regional Board deems it necessary to amend the said bylaw;

NOW THEREFORE THE REGIONAL DISTRICT OF CENTRAL OKANAGAN IN OPEN MEETING ASSEMBLED ENACTS AS FOLLOWS:

1. The Regional District of Central Okanagan Water Systems Bylaw No. 1268 is hereby amended by deleting SCHEDULE "B" FEES & CHARGES, Section 4. Water Rates (/Parcel):
b) Consumption Fees

Water Consumer / Type	Consumption Fee
Residential Users	\$ 0.35 / m ³ (consumption > 235 m ³ / billing period)
Commercial Users (Sunset Ranch Club House)	\$ 0.20 / m ³ (all consumption)

and replacing it with:

Water Consumer / Type	Consumption Fee
Residential Users	\$ 0.35 / m ³ (consumption > 90 m ³ / billing period)
Commercial Users (Sunset Ranch Club House)	\$ 0.20 / m ³ (all consumption)

2. This bylaw may be cited as the "Regional District of Central Okanagan Water Systems Fees and Regulations Amending Bylaw No. 13XX, 2013".

READ A FIRST TIME THIS 24th DAY OF June 2013

READ A SECOND TIME THIS 24th DAY OF June 2013

READ A THIRD TIME THIS 24th DAY OF June 2013

RECONSIDERED AND ADOPTED THIS 24th DAY OF June 2013

CHAIR

DIRECTOR OF CORPORATE SERVICES

I hereby certify the foregoing to be a true and correct copy of Bylaw No. 13XX cited as the "Regional District of Central Okanagan Water Systems Fees and Regulations Amending Bylaw No. 13XX, 2013", as read a third time and adopted by the Regional Board on the 24th day of June 2013.

Dated at Kelowna, B.C.
this 24th day of June 2013

DIRECTOR OF CORPORATE SERVICES