

Water & Wastewater Billing Exemptions Study

October 2, 2017

**Infrastructure, Development and Enterprise
Committee of the Whole Meeting**

Background

- Late 2015, Water and Wastewater began a multi- phase Water and Wastewater Rate Review
- Aim was to continue to ensure equity and fairness amongst the City's customers while ensuring long-term financial sustainability of both utilities.
- Significant time is spent by staff, senior management and Council addressing "grey areas" with respect to current billing practices.
- To address these, the Billing Exemption Study was commissioned in the Spring of 2017. Study included:
 - Peer Municipal Comparator Review
 - Community and Stakeholder Engagement
- Staff are seeking support to initiate next steps to implement recommended programs based on the outcome of this study.

Peer Municipal Comparator Review

- Peer municipal comparator analysis and benchmarking competed to determine potential billing exemption programs.
- Reviewed programs from the 16 Council approved comparator municipalities.
- Focus on understanding the general community metric benchmarking of comparator utilities, summary of the feasibility of high water bill forgiveness and social assistance policies, quantification of each customer sector to support various programs and analysis of anticipated revenue loss or operational impacts associated with policy/ program implementation.
- Strategies reviewed included: equalized billing plans, early payment discounts, temporary payment plans, lifeline rates, low/ no fixed monthly fee, social assistance programs, sewer abatement and water leak forgiveness programs.

Residential Community Engagement

- Focus was to explore the awareness of water and wastewater systems and associated billing structures; understand perceptions and feelings with respect to specific billing exemption programs; and determine the level of support for these programs.
- 500 telephone surveys (statistically significant) and four focus groups completed.

Key Results:

- Water Conservation is important and many residents have implemented programs today!
- Only 12 percent of residents feel they are knowledgeable about Guelph's water and wastewater systems
- Strongest support was for implementation of a water leak forgiveness program followed by temporary payment plans and lifeline rates
- Less support for a business exemption program when compared to residential programs

IC&I Engagement

- Focus was to explore what the customers rely on the City for, the desire for a sewer abatement program and determine potential impacts on the program would have on the City's revenue.
- Completion of eight interviews representing 30 IC&I customers (not statistically significant)- focus was on high water users and representation for all sectors.

Key Results:

- Most customer rely on the City for water supply and many make adjustments to the water for their process needs
- Estimated that 50 to 80 percent of water purchased is returned to the sanitary system
- Most IC&I customers are willing to complete the requirements of a sewer abatement program
- Most customers already have practices in place to conserve water
- Many are non-committal regarding paying higher rates to provide programming such as lifeline rates for households

Exemption Alternatives for City Customer Service Policy Reform

- Based on the overall goal to provide equity and fairness in billing practices and results of these three studies, two programs are recommended for implementation at this time pending program development, legal review and Council approved changes to the water and wastewater bylaws.
- Other programs will be included in the full rate review due to the complexity and greater impact on all customer groups and water/wastewater rates.

Water Leak Billing Forgiveness Program

- The intent of this program would be to provide billing forgiveness for water leaks that occur on a customer's property which result in an unexpected high consumption water bill.
- The studies indicated that this program is not common with respect to the peer municipal groups (4 of 16 have programs), however, was favored highly by the residential sector in the market research (overall 75 percent support).
- Funds currently received from leaks are not forecasted as incoming base revenues as part of the Water and Wastewater User Rate Forecasting process. Therefore, there is an opportunity to implement billing forgiveness without a negative impact on the water/wastewater volume revenue.

Water Leak Billing Forgiveness Program

Staff recommend the water leak billing forgiveness program is instituted for residential customers, not-for profits and institution customers where key program features include the following:

- A minimum water consumption increase of two times the average water consumption.
- A maximum of a 50 percent forgiveness adjustment.
- No financial cap for residential customers based on the developed adjustment criteria.
- A maximum financial cap for not-for-profits and institutional customers at \$5000.
- A limit of once per calendar year and two adjustments within a 10 year period.
- This program would not be retroactive once implemented.

Financial Impact

- The revenue the City receives from water leaks is currently unbudgeted.
- Therefore, no budget adjustment is required to be made to the 2018 budget.
- The City will see a reduction of approximately \$60,000 in surplus revenue once the water leak program is implemented.

Sewer Abatement Program

- Currently, the City has no provision for adjustments to the wastewater bill for water volumes that are consumed by product development, evaporated as a result of IC&I processes and other end use action(s) and not discharged to the sanitary sewer.
- This includes adjustments for pool filling and/or water used for irrigation.
- 9 of the 16 municipalities were found to provide a formal sewer abatement policy/ procedure that is offered to the IC&I sectors only.
- This type of program was strongly supported by all IC&I customers interviewed.
- Analysis of residential customers were somewhat supportive of this type of program for ICI customers (49 percent).

Sewer Abatement Program

Staff recommend that a sewer abatement program be instituted for City of Guelph for IC&I customers in alignment with the following industry best practices.

- Requirement for permanent flow meter installation for sewer outflows to be installed which would provide continuous measurements.
- Annual submission of an application for relief including an independent engineering consultant hired by the customer to determine any rebate.
- A 25 percent minimum level of inlet water use being diverted away from discharge to the sanitary sewer. The maximum amount of diversion eligible for a refund is 75 percent.
- Outdoor irrigation is excluded from this diversion amount.
- Water abated must come from a City source.

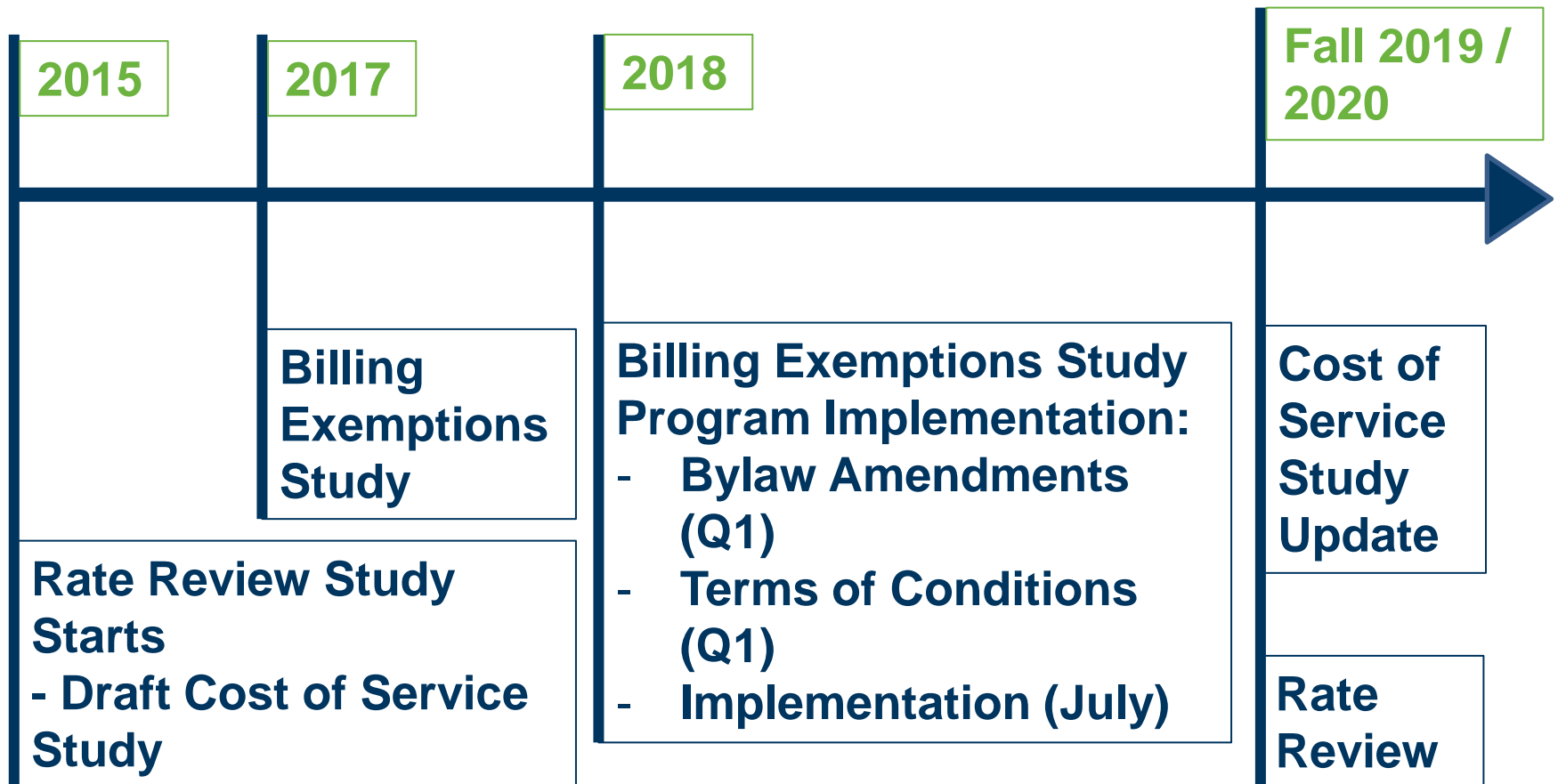
Sewer Abatement Program

- An administrative fee will be charged for program participation to support implementation.
- A 25 percent Inflow and Infiltration (I&I) percentage to be added back to the actual sewage discharge volume to ensure that all customers contribute to equally to I&I received by the City's Wastewater Treatment Plant.
- This program would not be retroactive once implemented.
- Program would be staged to monitor impacts on revenue and adjusted as necessary to avoid revenue risk.

Financial Impact

- It is anticipated that the implementation of the sewer abatement policy change recommendations will see an ongoing reduction of approximately \$720,000 in Wastewater Services revenues commencing in 2019.
- The impact to the 2018 budget would be approximately \$360,000 in lost revenue based on a July 1, 2018 implementation.
- At this time, the sewer abatement program has not been included in the 2018 Budget.
- Due to the timing of this program being brought forward for approval and implementation, staff are recommending that any deficit resulting from lost revenue related to this program will be offset by a transfer from the Wastewater Contingency Reserve in 2018.
- Further budget adjustments will be made as part of the 2019 budget.

Timeline- Water and Wastewater Rate Review



Resolutions for Council Approval:

1. That the report titled Water and Wastewater Rate Review- Billing Exemptions Study (IDE-17-XX) be received.
2. That staff prepare Terms and Conditions and revisions to the Water and Wastewater by-laws for Council approval in Q1 2018 for the two program recommendations: Sewer Abatement Rebate Program and Water Leak Forgiveness Program.

Thank you!

Questions?

Further information can be found at:

<http://guelph.ca/living/environment/water/water-rates/water-wastewater-rate-review/>