

2019 Utility Rates



FREQUENTLY ASKED QUESTIONS

1. What do my utility invoice payments cover?

Utility invoices cover a variety of services, including:

Drinking water services

- 24-hour access to high-quality drinking water
- Water that meets or exceeds regulatory requirements
- Fire flows for public safety

Wastewater services

- Access to wastewater collection and disposal services 24-hours per day
- Environmental and public health protection

Utility management

- Planning
- Billing
- Customer service

2. Why did the rate structure change?

In 2016/2017, it was determined Leduc County's utility rate structure would not be able to meet future capital demands, and a new rate structure would be needed to ensure the long-term viability of the system.

Leduc County council directed administration to conduct a cost-of-service analysis and rate structure evaluation for water and wastewater utilities in Leduc County. Administration examined how the utilities, both water and wastewater, were recovering the cost of operating and maintaining the systems.

In short, costs were not being recovered. The old rate system did not collect enough reserves to protect the infrastructure. By not having a fixed fee as part of the utility bill, fixed expenses of the utility, including natural gas, labour, repairs and maintenance and insurance, had to be paid for by the variable consumption rate, which contributed to potentially unpredictable rates. If a major infrastructure problem arose, it would dramatically affect the consumption rate and therefore also the end user.

3. What was wrong with the previous rate structure?

- The previous rate structure was 100% consumption based, which created financial instability for the utility, which could result in the potential for large rate fluctuations. Again, if a major infrastructure problem arose, it would dramatically affect the consumption rate. This was not sustainable for residents or businesses.
- The previous rate structure did not allocate customer fixed expenses fairly. More than 50% of utility operating costs are fixed expenses that do not fluctuate with customer water usage.
- The previous rate structure did not adequately plan for future replacement and renewal of the utility infrastructure. The new rate structure will allow for future infrastructure planning.

4. How did Leduc County determine the new rates?

Leduc County conducted a comprehensive review of rate structures through a series of six council workshops. At the workshops, six rate-setting objectives were set, which provided guidance for the creation of the new rate structure as well as policy development. The six rate setting objectives are as follows:

1. Revenue Stability

- Yielding necessary revenue in a stable and predictable matter. Promotes long-term revenue stability for the utility. The fixed service charge will help build:
 - **capital reserves**, which are funds designated for capital improvement projects,
 - **operating repair and replacement reserves**, which are funds outside of the typical repair provision designated for emergency repairs or other response events or shortfalls, and
 - **operating rate stabilization reserves**, which are funds designated to smooth out rate increases over time in situations when there is fluctuation in revenues and expenses due to demand reduction, economic downturn, weather-related events and other factors.

2. Equity (fairness)

- Rate structure that is cost-based, promotes fairness and avoids discrimination. Allocates cost to individual utility and/or customer class. Applied to all customer groups and utilities.

3. Affordability

- Rate structure that considers low income customers' ability to make payments. *This is usually applied to residential customers.*

4. Economic Growth

- Rate structure that attracts and retains commercial and industrial business and development. *This applies to commercial and industrial customers.*

5. Simplicity of Rate Structure

- Customers can easily understand the fees and charges on their invoice.

6. Water Conservation

- Rate structure that discourages wasteful uses of water and instead promotes efficient uses of water.

After the six workshops, it was decided Leduc County would move to a utility rate structure that is both fixed and variable. The fixed costs include a monthly service charge that is based on water meter size. The variable costs are based on monthly consumption. When reviewing these rate structures, Leduc County took into account affordability, equity and the long-term sustainability of its utility system. The new rate system will help to stabilize rates and will prevent severe rate fluctuations in the future.

While a monthly service charge was added, its worth noting the consumption rate decreased for both water and wastewater. The 2018 consumption rate for water was \$3.44/m³. The 2019 rate is \$1.93/m³, which is a reduction of \$1.51/m³. For wastewater, the 2018 rate was \$2.19/m³ and the 2019 rate is \$1.39/m³, which is a reduction of \$0.80/m³.

5. Was household affordability considered?

Yes. Leduc County conducted a thorough affordability review to ensure household affordability was within an acceptable range. Leduc County took into account the American Water Works Association (AWWA) affordability scale; Leduc County's rate structures for both water and wastewater falls within the recommended affordability range.

6. What do the new rates cover?

- Current operations
- Emergency repairs
- Future infrastructure replacement and renewal
- Wholesale purchases from the water and wastewater commission

7. What are the 2019 utility rates?

The new rate structure is based on both fixed and variable costs. The fixed operating costs will be funded by a monthly service charge. The variable costs will be based on consumption.

The 2019 uniform **water** rate is **\$1.93/m³**. The 2019 uniform **wastewater** rate is **\$1.39/m³**. The monthly services charges are based on meter size, as highlighted in the tables below:

Water

Water meter size	Monthly service charge	Uniform rate
5/8"	\$32.27	\$1.93/m ³
3/4"	\$48.41	\$1.93/m ³
1"	\$80.68	\$1.93/m ³
1 1/2"	\$161.36	\$1.93/m ³
2"	\$258.17	\$1.93/m ³
3"	\$516.34	\$1.93/m ³
4"	\$806.78	\$1.93/m ³
6"	\$1,613.56	\$1.93/m ³

Wastewater

Water meter size	Monthly service charge	Uniform rate
5/8"	\$18.30	\$1.39/m ³
3/4"	\$27.46	\$1.39/m ³
1"	\$45.76	\$1.39/m ³
1 1/2"	\$91.52	\$1.39/m ³
2"	\$146.43	\$1.39/m ³
3"	\$292.86	\$1.39/m ³
4"	\$457.59	\$1.39/m ³
6"	\$915.18	\$1.39/m ³

For more information, please call Leduc County at 780-955-3555 or visit leduc-county.com.