Agenda – Executive Policy Committee – December 7, 2011

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – December 1, 2011

Item No. 1 2012 to 2014 Hauled Wastewater Disposal Fee Increases

STANDING COMMITTEE RECOMMENDATION:

On December 1, 2011, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and recommends to Council:

1. That the disposal fee for household hauled wastewater fee be increased, as follows:
   A. To $4.50 from $2.51/kilolitre as of July 1, 2012
   B. To $6.50/kilolitre as of July 1, 2013
   C. To $8.50/kilolitre as of July 1, 2014

2. That the disposal fee for non-household hauled wastewater be increased, as follows:
   A. To $7.25 from $7.15/kilolitre as of July 1, 2012
   B. To $7.50/kilolitre as of July 1, 2014
   C. To $7.70/kilolitre as of July 1, 2014

3. That the Proper Officers of the City do all things necessary to implement the intent of the foregoing.

Agenda – Executive Policy Committee – December 7, 2011

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – December 1, 2011

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On December 1, 2011, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

ADMINISTRATIVE REPORT

ISSUE: 2012 TO 2014 HAULED WASTEWATER DISPOSAL FEE INCREASES

Critical Path: Standing Policy Committee on Infrastructure Renewal and Public Works - Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
L. Szkwarek, C.G.A Acting Manager of Finance and Administration	D. Sacher, M. Eng. Director, Water and Waste Department	M. Ruta, FCA, Chief Financial Officer	D. Joshi, Chief Operating Officer

RECOMMENDATIONS

It is recommended that disposal fee for household hauled wastewater fee be increased:

1. to $4.50 from $2.51/kilolitre July 1 2012, to $6.50/kilolitre July 1, 2013, and to $8.50/kilolitre July 1, 2014.

It is recommended that disposal fee for non-household hauled wastewater be increased:

2. to $7.25 from $7.15/kilolitre July 1, 2012, to $7.50/kilolitre July 1, 2014 to $7.70/kilolitre July 1, 2014.

3. That the proper officers of the City do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Changes to the Hauled Wastewater rates require Council approval.

IMPLICATIONS OF THE RECOMMENDATIONS

- The current fees for hauled wastewater, both household strength and non-household strength, represents a cost recovery of about 60% of the full cost of treating household strength hauled wastewater based on the median data results. The 2014 proposed fees represent full cost recovery.

- The recommended rate increase is necessary to more fully recover the cost of treating hauled wastewater. Winnipeg residents paying a water/sewer bill are currently subsidizing the balance of the cost of treating hauled wastewater.

- Wastewater haulers charge all hauled waste customers (household and non-household strength) a fee to pump out a tank. The fee includes their pump-out service and the per kilolitre household strength disposal fee the haulers pay to the City. Haulers will likely pass on any increase in the per kilolitre disposal fee to their customers.

- The average holding tank for household waste is 5,000 litres (5 kilolitres) and is pumped out 6 to 12 times a year. Septic fields are serviced once or twice a year. At the 2011 rate of $2.51 the average amount paid to the City is $12.55 per pump out. In 2012 that would increase to $22.50 per pump out.

- In addition to the base fee for household strength wastewater, a fee is charged for non-household strength hauled waste by the Department, directly to hauled non-household strength wastewater generators. This is a means of recovering over-strength wastewater costs and therefore will have no impact on wastewater haulers.

The full cost and prior year fee are listed in Appendix A. A fee comparison to other selected western Cities is in Appendix B.

HISTORY

These fees currently exist in the Fees and Charges Manual. They have been costed, based on full cost recovery, with the increases being phased in over three years. Phasing the increases over several years is recommended to address sewer subsidies while allowing for a gradual transition to full cost of service fees.

By way of background, hauled wastewater is:

- A term for hauled sewage
- All matter (liquid and solid) that is pumped out of septic tanks, holding tanks, and tanks/interceptors from household or non-household (commercial/industrial) properties
- Raw and untreated
- More concentrated than regular sewered wastewater (the higher the concentration, the more costly the treatment)
- More taxing on the treatment processes than regular sewered wastewater

Hauled wastewater comes from:

- Properties, primarily household, within the City but not serviced by the wastewater sewer system (e.g., properties south of Wilkes)
- Properties outside of the City
- Businesses and industries connected to the City's wastewater sewer system that also have pump out tanks/interceptors containing wastewater from their business processes
- Biosolids from neighbouring treatment plants
- Portable toilets

Haulers must obtain an annual licence from the Water and Waste Department to use the City's hauled wastewater disposal facilities, which are located at the South and North End Wastewater Pollution Control Centres. In 2011 81 wastewater hauling vehicles are licensed with 43 vehicle owners.

Hauled wastewater customers are separated into two categories:

1. Household (considered normal strength) represents 60% of total number of loads hauled.

- usually residential or domestic and some commercial/industrial
- can be two to five times more concentrated than regular sewered wastewater (based on the median values of actual data from the hauled wastewater sampling program)

2. Non-household (over-strength) represents 40% of total number of loads hauled, and exceeds oxygen demand, solids and/or phosphorus levels in normal strength hauled wastewater
   - usually from commercial/industrial properties
   - can be 70 to 340 times more concentrated than regular sewered wastewater (based on actual data from the hauled wastewater sampling program)

Cost of Service:

The Department conducted a Cost of Service Rate Study (COSR) of the City's water, sewer and hauled wastewater services. The objective of this study was to determine service rates by class of customer, using industry standard cost allocation practices.

The scope of the COSR was to conduct a study and develop analytical models to develop financial plans for delivery of water, sewer and hauled wastewater services. The proposed rates in this report are based on the results of this study.

One result of the study was that capital costs specific to the hauled wastewater acceptance facilities are now being funded by the hauled wastewater disposal fee. In the past these costs were subsidized by the sewer rate. These costs are part of the household fee, resulting in greater increases in this base charge assessed to all types of hauled waste.

The Cost of Service Study included the development of over-strength rates, hauled waste units of service, and determination of specific costs related to hauled waste customers. The cost of service rates have been updated based on current financial and system data, including current flow and load data for household and non-household hauled waste customers.

Hauled waste rates are determined based on estimated concentrations of contributed loads for household and non-household waste types. These strength loading assignments are based on analyses of a sampling of loads received by the City over selected periods.

Given concerns over the variability of the data where, due to a few outliers, the use of averages could result in unduly high strength loading assignments, the median or mid range was selected as the basis for the analysis. Use of median values will tend to reduce the impact of exceptionally high samples within the available data sets.

The revised rates are based on the same structure as the current rates – including a base household charge assessed to all types of hauled waste, and a non-household charge applicable to over-strength waste. The revised rates include allocation of nitrogen and phosphorus costs to hauled waste customers in proportion to their share of the total system units of service.

In addition to the strength charges associated with treating waste loads at the City's facilities and capital costs specific to hauled wastewater, the rates presented also provide for recovery of costs specific to administration of hauled waste services.

COMMUNICATION:

The Water and Waste Department will use notices to inform customers affected by the rate increases.

FINANCIAL IMPACT

Financial Impact Statement **Date:** November 14, 2011

Project Name:

2012 TO 2014 HAULED WASTEWATER DISPOSAL FEE INCREASES

COMMENTS:

There is no financial impact to the Sewer Utility associated with the changes discussed in this report. Operating costs and total revenue will not be impacted. The source from which costs are recovered will change, but total cost recovery will not increase.

The proposed rate increases are part of a longer term plan to have full cost of service recovery for all miscellaneous services provided by the Water and Sewer utilities, eliminating the need for residential rates to fund any portion of these services.

"Original signed by N. Neumann, C.G.A. for"
Lucy Szkwarek, C.G.A.
Acting Manager of Finance and Administration

CONSULTATION

In preparing this Report there was consultation with:

Legal Services Division

SUBMITTED BY

Water and Waste Department
Finance and Administration Division
Prepared by: Darlene Capp
Date: November 18, 2011
Fax. No. 986-3745
File No. 010-08-20-01-00
010-08-20-01-01

APPENDICES:

The following appendices are attached as additional information:

APPENDIX A: Schedule of Fees and Charges

APPENDIX B: 2011 Hauled Wastewater Rates – Western Canada

Appendix A

Description	Proposed July 1, 2012	Proposed July 1, 2013	Proposed July 1, 2014	2011 Fee	Last Increase	Cost of Service @ 2014	Units	Authority
SEWAGE DISPOSAL SYSTEM								
Hauled Wastewater								
- Household hauled wastewater (normal strength)	*$ 4.50*	*$ 6.50*	*$ 8.50*	$ 2.51	**2007**	$ 8.57	Per Kilolitre	Resolution
- Non-household hauled wastewater (Over-strength)	$ 7.25	$ 7.50	$ 7.70	$ 7.15	**2010**	$ 7.63	Per Kilolitre	Resolution

2011 Hauled Wastewater Rates - Western Canada

	Winnipeg	Brandon	Calgary	Saskatoon	Regina
Current Disposal Rate	$2.51/kilolitre	$5.00/kilolitre	$10.2863/kilolitre	$9.24/kilolitre	-
Rate Effective Since	2007	1-Jul-11	2011	2011	2005
Separate Rate For: Domestic; Industrial	$7.15/kilolitre	No	No	No	Septic only
Volume Determination	Flowmeter	Flowmeter	Vehicle Capacity		Vehicle Capacity
Other Fees	$140 licence, subsequent annual renewal $70	$20 for annual permit	$14.08/month admin fee		Annual permit=$4.40 x vehicle capacity(kilolitres)