recommendation to reduce potable water rate for saskwater and status update

TO: City Council
FROM: City Manager
DATE: October 5, 2020
PUBLIC: PUBLIC DOCUMENT

RECOMMENDATION

THAT City Council authorize a reduction in the external water user rate charged to SaskWater to 1.875 times the City rate retroactive to June 1, 2019 and that any penalties incurred be waived.

BACKGROUND

- On November 8, 2011, the City and SaskWater entered into a Potable Water Supply Agreement. A copy of the Agreement is attached to this report. (Attachment i)

- Clause 6.1 of the Agreement provides that the Water Supply Rate charged by the City shall be equal to the volumetric rate charged by the City to consumers plus a twenty-five percent (25%) surcharge (i.e. 1.25 times the rate charged to City consumers).

- As part of the 2019 Budget deliberations, City Council passed a motion to increase water rates to SaskWater, as follows:

  “THAT City Administration be directed to provide notice to external water users, such as water co-ops and SaskWater, advising the rate will be increased by 50% to 2.25 the in-City rate to recognize the contribution from the operating fund covered by the citizens of Moose Jaw; and

  THAT the revenue from the rate increase will be directed to water infrastructure upgrades effective June 2019.”
• The result was an increase in the rate from 1.25 times to 2.25 times the volumetric rate charged to City consumers.

• On January 17, 2019, Administration met with representatives of SaskWater and gave informal notice of the increase. Formal notice was sent February 28, 2019.

• SaskWater disputed the increase and suggested that the calculation was in error.

• A meeting was held between SaskWater and City Officials to discuss potable water rates. At the same time, SaskWater raised the City’s long-standing supply and disposal agreement for geothermal water. SaskWater advised that the wells needed rehabilitation due to their age and high-pressure operation.

• Since that time, the City and SaskWater have been working to resolve the potable water rate issue; and, to conduct an analysis of the infrastructure and complete required work for the geothermal wells.

• For that purpose, SaskWater secured Codeco-Vanco to oversee a team of Saskatchewan based contractors to assess and, if possible, rehabilitate the wells.

• The projected cost share to rehabilitate the injection well and decommission the supply well are as follows:

<table>
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<tr>
<th>Total estimated cost</th>
<th>City of Moose Jaw Cost</th>
<th>SaskWater Cost</th>
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<td>$501,719</td>
<td>$133,087</td>
<td>$368,632</td>
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• Accordingly, City Administration agreed to reduce the potable water rate charged to SaskWater to 1.875 times the City rate until the contract expires on November 8, 2021.

**DISCUSSION**

• If this recommendation is approved, the potable water supply rate for SaskWater will be calculated based on the volumetric rate charged by the City to consumers whose connection is within the boundaries of the City of Moose Jaw plus 87.5% surcharge (or **1.875 times** the rate charged to City consumers), effective June 1, 2019.

• Further, the City will issue new invoices to SaskWater adjusted to the new rate. The re-submitted invoices will credit the original invoice amounts to SaskWater; and the City will waive all penalties assessed for late payment.
BYLAW OR POLICY IMPLICATIONS

Acceptance of this proposal will require an amendment to Bylaw No. 5152, Sewer and Water Utility Bylaw to reduce potable water rates charged to SaskWater.

FINANCIAL IMPLICATIONS

The annual revenue variance for potable water from a rate of 2.25 times to 1.875 times would result in annual reduction of revenue in the amount of $95,000.00 annually with existing contract to expire on November 8, 2021. In addition, the City would discharge penalties in the amount of $6,986.54.

STRATEGIC PLAN

This report supports the long-term strategy to provide exceptional service to our customers; taking ownership and pride in what we do.

PRESENTATION

Mr. Jim Puffalt, City Manager, will provide a brief overview of this report.

ATTACHMENTS

i. Water Supply Agreement – SaskWater Nov 2011

REPORT APPROVAL

Written by: Elaine Anderson, Legal Counsel  
Reviewed by: Brian Acker, Director of Finance  
                                  Tracy Wittke, Assistant City Clerk  
Approved by: Jim Puffalt, City Manager  
Approved by: Fraser Tolmie, Mayor

To be completed by the Clerk’s Department only:

Presented to Regular Council or Executive Committee on ________________________________.

Resolution No. ________________________________
Report Approval Details

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<th>Recommendation to reduce potable water rate for SaskWater - CC-2020-0245.docx</th>
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<td>Final Approval Date:</td>
<td>Dec 2, 2020</td>
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This report and all of its attachments were approved and signed as outlined below:

No Signature - Task assigned to Tracy Wittke was completed by assistant Maureen Latta

Tracy Wittke

Jim Puffalt

Fraser Tolmie