

Long-Term Utility Financial Plan

Rate Structure

Regional Council Presentation
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Problem Statement



Water and wastewater **revenue is variable** based on consumption



Over 80% of annual utility **operating budget are fixed costs**



Increasing total cost of providing water and wastewater services



Lack of an **integrated financial planning model**

Work Streams

1

Utility Rate Structure

- Revenue stability
- Invoice predictability
- Customer equity

2

Financial Planning Model

- Long-term funding needs
- Financial impacts of policy decisions

The Utility Plan will ensure a **predictable and stable revenue stream** to **cover the long-term funding requirements** for providing water and wastewater services to residents and businesses in Peel.

Pricing Objectives

**Billing &
Revenue
Predictability**

**Customer
Understanding &
Administrative Ease**

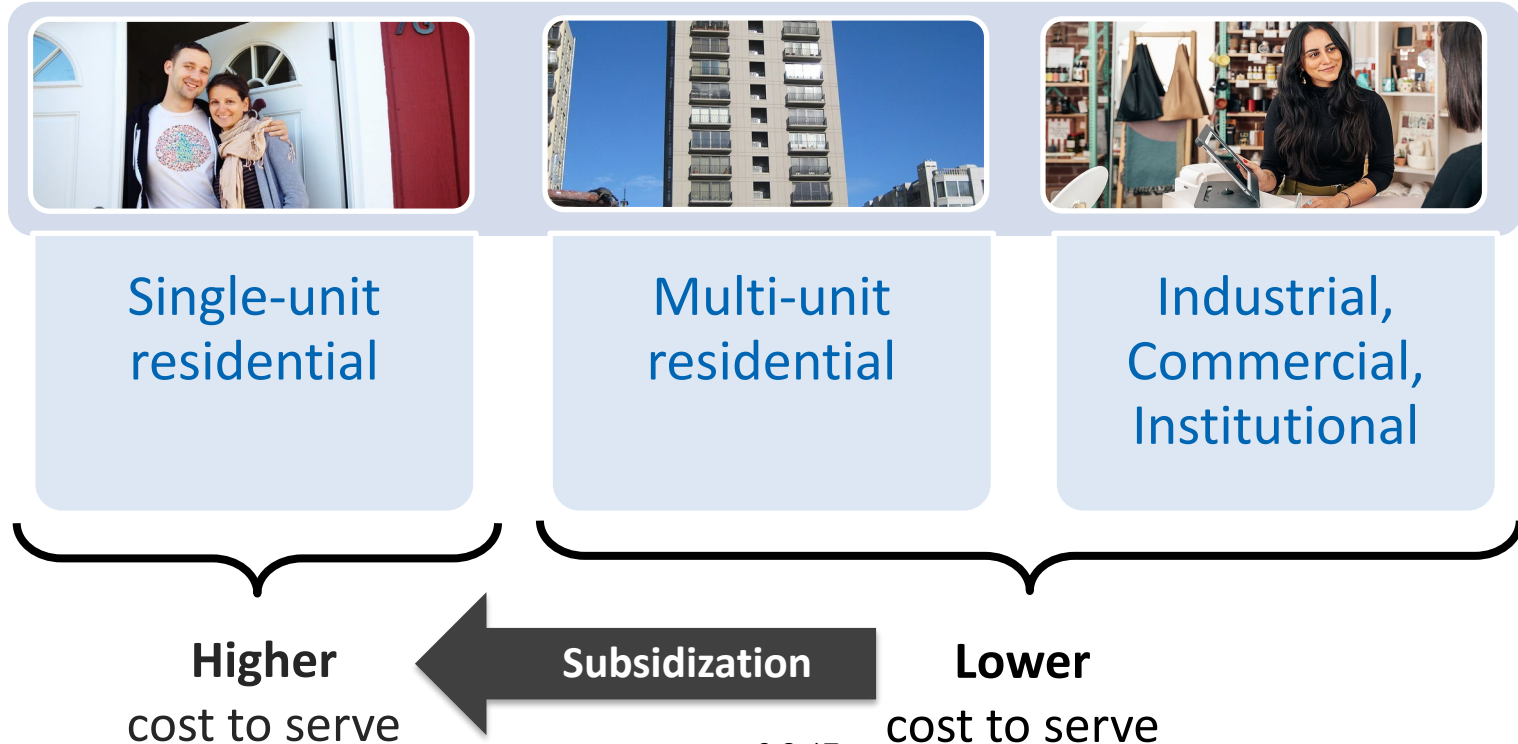
Equity

**Bill Impacts
Water Conservation**

Rate Structure Approach

- ✓ Industry **best practices**
- ✓ Balance of **pricing objectives**
- ✓ Community **feedback**
- ✓ Long-Term Utility Financial Plan
Working Group input and **endorsement**

Cost to Serve Differences



Fixed Service Charge

Fixed Costs



>80%

of total annual costs



Fixed Service Charge

- Common industry practice
- Scaled to meter size
- Recovers 20% of revenue
 - ✓ Lowers volumetric rate
 - ✓ Smooths customer bills
- Ability to increase over time to align with industry range

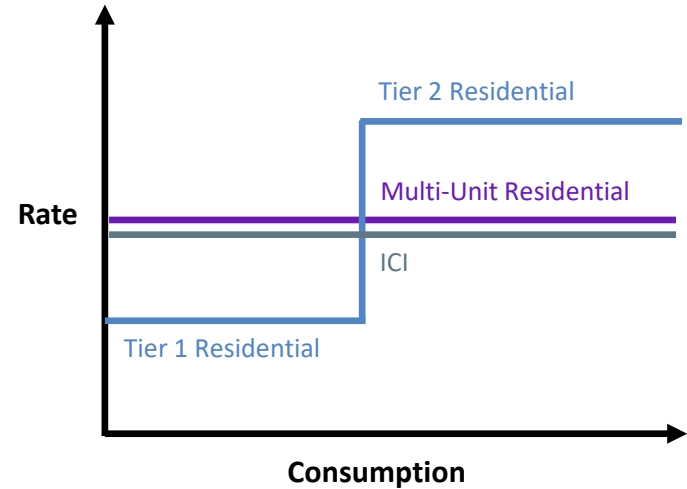
Volumetric Rate

Single-Unit Residential: 2-tier rate

Multi-Unit Residential: 1 rate

ICI: 1 rate

ICI = Industrial, Commercial, Institutional



*Rates shown calculated for 2021

Bill Impacts

Customer Type	% of Customers	2021 Quarterly Bill	Quarterly Bill Change ²	
Single-Unit Residential	95%	\$165	\$7	4%
Multi-Unit Residential	1%	\$983	-\$42	-4%
Small Commercial	4%	\$294	\$16	6%
Medium Commercial ¹	<1%	\$7,542	-\$810	-11%
Large Industrial ¹	<1%	\$126,070	-\$16,823	-13%

¹ Impacts for these customers are shown quarterly but are typically billed monthly.

² Quarterly bill changes based on 2021 rates. Actual bill changes to be determined.

Wastewater Rate Structure

Fixed Service Charge

- Scaled to meter size



Volumetric Rate

- **Volumetric rate will be lower with fixed service charge**

Residential: 85% of water consumption

ICI: 100% of water consumption

Water & Wastewater Rate Structure



Improves **bill predictability** and **revenue stability**



Aligns **fixed costs** with **revenue recovery**



Provides **customer equity** based on cost to serve

Next Steps

1. Complete financial planning model

- Revenue required for infrastructure and state of good repair

2. Identify impact on rates

- Combine recommended rate structure and financial planning model

3. Develop implementation and communications plan

- Potential phased-in rate implementation
- Implementation begins in 2024/2025

Recommendation to Council in 2023

Thank you

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