



TOWN OF HINTON

Administrative Report

DIRECTION REQUEST REQUEST FOR DECISION INFORMATION ITEM

DATE Committee of the Whole Meeting of July 23, 2024
PRESENTED BY: Trent McLaughlin, Director of Development and Infrastructure Services
SUBMITTED BY: Jordan Panasiuk, Chief Administrative Officer
RE: **UTILITY RATES**

Recommended Action

That Committee reach consensus for Administration to draft new Utility Bylaws, including the following rates and to bring back to a future Committee of the Whole Meeting:

- Water Admin Fee = \$30.00
- Sewer Admin Fee = \$10.00
- Water Consumption Rate = \$3.25
- Unmetered Water Consumption Rate ($25m^3 \times 3.25$) = \$81.25
- Sewer Consumption Rate = \$2.25
- Unmetered Sewer Consumption Rate ($25m^3 \times 2.25$) = \$56.25
- Bulk Water Consumption Rate = \$6.00
- Residential Refundable Service Charge (Deposit) = \$150.00

Background

Since the construction of the Pulp Mill in Hinton in the late 1950s, the facility has supplied water and sewer services to the town's residents and businesses. Weldwood, who operated the Pulp Mill, agreed to supply and treat water from their treatment plant and dispose of sewage at no charge. The pulp mill later came under the ownership of West Fraser Mills Ltd. in 2004.

In 2015, West Fraser informed the Town of Hinton that they wished to remove their liability regarding supplying potable water to the Town of Hinton's residents and businesses. The Town and West Fraser agreed that the Town would take over the Water Treatment plant process in two phases. In March 2018, the Town commenced the potable water treatment plant components operation, while West Fraser continued to operate the pretreatment processes. The Town was to take the pretreatment or alternatively construct its own water treatment plant by 2022, but this never occurred.

On January 30, 2024, the Town entered into Water and Wastewater Services Agreements with Mondi as part of their purchase of the pulp mill. A 20-year agreement has been established between the Town and Mondi to treat Hinton's municipal wastewater and supply process water. The agreements require the Town to participate in upgrades to the water and sewer infrastructure. In addition, the Town agrees to construct its own water treatment plant, which needs to be operational in 2046. To cover the water treatment plant reserves and create cost recovery for the service provided, the Town must generate appropriate revenue for its water and sewer services to cover increased yearly operational costs and put enough money away for the construction of sewer infrastructure upgrades and a new water treatment plant.

The total operational costs of water pretreatment and sewer treatment are divided between Mondi and the Town based on water usage. Therefore, the town has a financial incentive to try to lower its water usage. To accomplish this, the town will consider using water meters and maintaining its distribution system.

The short-term capital requirement for water from Mondi Agreements is \$6,055,000, which covers upgrades to the stave line, raw water clarifier gearbox, and power generation backup systems. Of this amount, \$4,990,000 is provided through provincial funding, leaving the net Town capital at \$1,065,000. The estimated cost of constructing the future Water Treatment Plant (WTP) is currently \$80 million. Assuming that 35% of the cost is covered by grants (\$28 million), the required municipal contribution is \$52 million.

The capital requirement for sewer from Mondi Agreements is \$15,700,000 within four years. Assuming that 35% of the cost is covered by grants (\$5,495,000), the required sewer capital is \$10,205,000.

Analysis

Utility Rate Model

Administration has created a spreadsheet to help determine the utility rates that need to be charged to equal the operational costs and future capital costs. The spreadsheet allows for calculations depending on other decisions that Council will need to consider when setting rates.

In the utility rate model spreadsheet, the unmetered assumed consumption for residential is $25\ m^3$ per month, and the metered assumed consumption for residential is $15\ m^3$ per month. Water and Sewer Admin fees are both assumed to be \$30/month. The proposed consumption rates are calculated as \$3.25 for water and \$2.25 for sewer. Predicted total monthly bill for single residential based on recommendations for updating the Water Management Bylaw.

The spreadsheet assumes 35% of the Water Treatment Plant (WTP) cost would come from grants, which would be considered typical for a Town of our size. The percentage at the time of construction is set at 70%, which means we suggest the town save 70% (35% from grants, 35% from utility rates) of the Town's cost of building a WTP in 20 years. The percentage of savings impacts the utility rate at present, but the Town has legal restrictions on the extent of its borrowing capacity. If the Town plans to utilize most of its borrowing limit at the time of construction, it may mean the Town could not undertake other vital community projects. The cost of constructing the WTP is currently estimated at \$80 million, which is a rough estimate at this stage. The Total Yearly Water and Sewer Revenue Required to pay for the operational costs and fund the required future capital costs is calculated as \$9,951,650.81. Council needs to set the utility rates so that the collected utility fees will approximately equal this value.

Comparison with Other Municipalities

Our current utility rate for residential units is \$153.29 every two months, which is \$76.645/month. The total proposed monthly bill for metered single residential units is \$149.47.

Table: Comparison of Monthly Utility Bills with Other Municipalities in Alberta
Residential Metered Only

Town Name	Total Monthly Bill (Assuming 15 m ³ consumption)
Coledale	\$116.19
Edson	\$104.31
High River	\$106.81
Lacombe	\$170.66
Olds	\$175.48
Ponoka	\$121.78
Rocky Mountain House	\$118.52

Slave Lake	\$124.38
Stony Plain	\$142.93
Sylvan Lake	\$146.66
Westlock	\$107.76
Whitecourt	\$76.41
Edmonton (Assume smallest line sizes)	\$129.87
Calgary	\$109.00

* Some municipalities had storm drainage fees from \$2 to \$9.95 per month, which has not been included

Residential Deposit

Currently, new residential accounts are required to provide a deposit equivalent to one billing period (currently two months). We recommend that Council set a deposit at the flat rate deposit amount because with meters, the bills will vary per month, but a deposit should be consistent. Administration recommends \$150 as a good round number, slightly higher than the anticipated one-month bill.

Bulk Water

Bulk water is the rate at which water is sold at the Town's water truck fill station. The Town currently offers two rates: a commercial bulk water rate and a residential bulk water rate. Both rates include flat fees and charges based on consumption. Additionally, a credit card payment option has recently been introduced. It is recommended that flat rates for bulk water be eliminated, as residents who do not obtain any bulk water in a given month are not benefiting from any service.

Other Options

Refer to spreadsheet can be utilized for alternative utility options.

Implications of Decision

Financial Implications	An increase is necessary to meet our agreement obligations and cover the cost of the utility service.
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Level of Service Implications

- N/A

Communications/Public Engagement Implications

- Create a web page on the Town of Hinton website,
- Media releases and social media posts
- Develop and maintain a FAQ through the engagement process
- Engage in a public survey
- One Open House
- Completing a "What we heard Document" before first reading of new Utility Bylaws.

Risk/Liability Implications

- If changes are necessary to meet the Town's contractual obligations and to ensure long-term water and sewer services to the Town.

Legislative Implications

Conforms with:	Yes/No/ Partial/NA	Comments
2022 – 2026 Tactical Plan	Yes	4.1.5 Develop a utility rate structure in alignment with the asset management plan
Municipal Policies or Bylaws	Yes	Bylaw no. 859-25, Bylaw no. 858-19, Bylaw no. 933-6
Provincial Laws or MGA	Yes	The Town must meet provincial law for water services.
Long Term Capital Plan or Adopted budget	Yes	Water and Wastewater Services Agreements with Mondi

Options / Alternatives

1. That Committee reach consensus for Administration to draft new Utility Bylaws, including the following rates, and to bring back to a future Committee of the Whole Meeting:
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2. That Committee reach consensus on any other alternative set of rates using the Utility Rate Spreadsheet Committee reach consensus for Administration to set higher consumption rate and lower Admin Fee.

Attachment(s)

1. FAQ