ROCKY VIEW COUNTY

Governance Committee

Subject:	Utility Financial Model and Long-Term Rate Strategy
Date:	March 13, 2024
Presenter:	Mason Austen, Acting Manager
Department:	Utility Services

REPORT SUMMARY

This report provides the Governance Committee with an update on the Utility Financial Model and Long-Term Rate Strategy. Administration is seeking the Committee's input on rate revenue requirements, rate structure (blended vs. individual), common customer classes, and rate design (inclining block vs. seasonal).

In April 2023, Mooreview Management Consulting Inc. was hired to perform a Water and Wastewater Utility Rate Study. This work included a cost of service and rates study for each of the Water and Wastewater Utilities, review the current rate structure, and develop rate design recommendations.

Additionally, Mooreview Management Consulting Inc. was hired in 2020 to complete a cost of servicing analysis, as well as an analysis of funding model alternatives included in the Solid Waste Servicing Strategy (2021). In collaboration with the Utility Financial Model and Long-Term Rate Strategy, Mooreview Management Consulting Inc. updated the cost of servicing as well as the funding models options for Solid Waste.

Following the approval of the proposed 2024 Master Rates Bylaw, Administration will bring the complete Utility Financial Model and Long-Term Rate Strategy to Council for final approval to achieve full cost recovery by 2027.

ADMINISTRATION'S RECOMMENDATION

THAT the Governance Committee receive the Utility Financial Model and Long-Term Rate Strategy report as information.

BACKGROUND

At the September 12th, 2023, Governance Committee meeting, the first phase of the project was presented with Administration directed to proceed with the next phase:

> *MOVED by Deputy Reeve Samra that Administration be directed to return to the Governance Committee no later than June 30, 2024, to present a long-term rate structure strategy based on the recommendations outlined in the Utility Financial Modelling and Rate Design report to Governance Committee at the September 12, 2023 meeting;*
>
> *AND THAT Administration be directed to proceed with the next phase of utility rate design per the steps presented in Attachment 'E'.*

Additionally, at the November 29th, 2023, Special Council Meeting, Council requested an accelerated timeline of full cost recovery in three years and that an update on the Utility Financial Model be brought back to the Governance Committee.

> *MOVED by Deputy Reeve Kochan that in accordance with User Fee policy C-224, full cost recovery be established for utility customers and that they be implemented over the next three-year period;*
>
> *AND THAT a report on the results of the long-term utility rate strategy be brought back to the Governance Committee in Q1 2024.*

The supporting objectives of the Mooreview Management Consulting Inc. work included:

- Perform a strategic review regarding overarching municipal priorities for the County's utilities, including fiscal policies, target cost recovery model, and priority ratemaking objectives.

- Complete a detailed customer and cost analysis, including considerations for:
    - Customer servicing demands and potential adjustments to current customer class definitions.
    - Projected asset replacement requirements.
    - Cost of service allocations to different customer classes.

- Develop recommended "to-be" rates design and implementation (with consideration for County blended versus community-specific rates) and build a purposeful integrated financial forecasting and rates model.

The outcome of the project is a fit-for-purpose integrated cost of service and rates model to receive and update on a go-forward basis to support the three year full cost recovery ratemaking efforts in accordance with the User Fee Policy C-224.

DISCUSSION

The current County approach for determining cost recovery includes direct operations and maintenance (O&M) as incurred within the Utility Services Department and net debt servicing costs required for the recently acquired water and wastewater systems (Blazer and Cochrane Lake). Additional funding requirements were estimated to include Utility Billing, Corporate Project Management, other interdepartmental and corporate overhead administration costs, and asset replacement reserve contributions.

A cost of service analysis was performed both focused on each individual utility and based on combining all utilities into common functions and customer cost drivers across the County. This supported alternative analysis based on the present rates method (individual rates per system) versus a blended rates approach. Both operating and capital funding requirements were first functionalized based on the distinct function of work performed in the delivery of the utility services. From there, each function was assigned a relevant customer cost driver based on customer servicing demands. Based on each customer class' units of service, costs were then distributed across customer classes from cost driver categories.

In addition, a review of recent customer usage data was performed. This was completed to identify distinct servicing requirements from customers across the County and to inform potential adjustments to the current customer class definitions.

From this, an evaluation of blended versus community-specific rates was performed. A comparison of the average customer's monthly billing impact per community was provided. The impact to each customer type across the County was analyzed based on adjusting rates to achieve 100% cost recovery. The impact to current customers in a blended rate system is much more mitigated compared to maintaining individual rates per system and mandating each one to become cost recoverable by 2027.

Based on the entirety of the review, a series of recommendations for the County was provided. They include:

- Target Cost Recovery for Rate Revenue
    - It is recommended that the County target rate revenue cost recovery to fund direct O&M, debt servicing on acquired systems, utility billing, and initial capital replacement contributions.
    - It is recommended that the County establish a common Water reserve and a common Wastewater reserve for capital expenditures across its portfolio of utility systems.
- Blended Rates
    - It is recommended for the County to transition towards a blended rates approach with common customer classes across the County.
- Common Customer Classes
    - It is recommended for the County to further review and establish the following common customer classes across the County to support the blended rates approach:
        - Residential dwellings
        - Commercial buildings
        - "Seniors Living Residence"
- Inclining Block Rate Design
    - It is recommended that the County implement an inclining block model rates design for Residential customers.

Regarding the Solid Waste and Recycling portion of the Utility Department, a Preferred Funding Model was approved in the 2021 Solid Waste Servicing Strategy. The principles of the model are summarized as follows:

1. Those who realize the benefit of a standard level of service fund their fair share of the costs incurred to deliver it.

2. Putting garbage in the "right place" has a public benefit. This means options that are offered as a convenient way to properly dispose of waste or recycling should be considered eligible for subsidization.

3. Encouraging the right behaviours by keeping diversion programs to low/no costs to the user.

4. The Funding Model needs to support the program's operational sustainability (e.g., service consistency, commodity market fluctuations, hard-to-handle materials, etc.).

For 2023, applying these principles yields an overall 104% recovery rate for Langdon curbside collection and 19% recovery for the self-haul and special event programs. It is important to differentiate between curbside collection services and self-haul services when referencing full cost recovery. Since Self-Haul services are available and provided to all residents, they are typically tax funded (current model). If

higher recovery rates are preferred, the Committee is offered options of other funding methods that could be applied, as presented in the Servicing Strategy.

- Utility User Fee
    - Standard monthly fees charged to each Residential account to represent service availability.
    - Can maintain usage fees for select materials to encourage diversion.
    - Approximately $9 per Household per month.
- Site Based Entrance/Usage Fees
    - Charges customers based on actual usage/visits to County Transfer Sites and Chuck Wagons.
    - Site Entrance Fee on top of existing Tipping and Disposal Fees.
    - Approximately $30 per visit.

ALTERNATE DIRECTION

Administration does not have alternative direction for the Committee's consideration.

ATTACHMENTS

Attachment A: Mooreview Management Consulting Inc. Presentation

March 13, 2024

Rocky View County

Solid Waste Cost Recovery Update

2023 Water and Wastewater Utility Financial Model and Long-Term Rate Strategy

Governance Committee Presentation

MOOREVIEW
Management Consulting Inc.

Contents

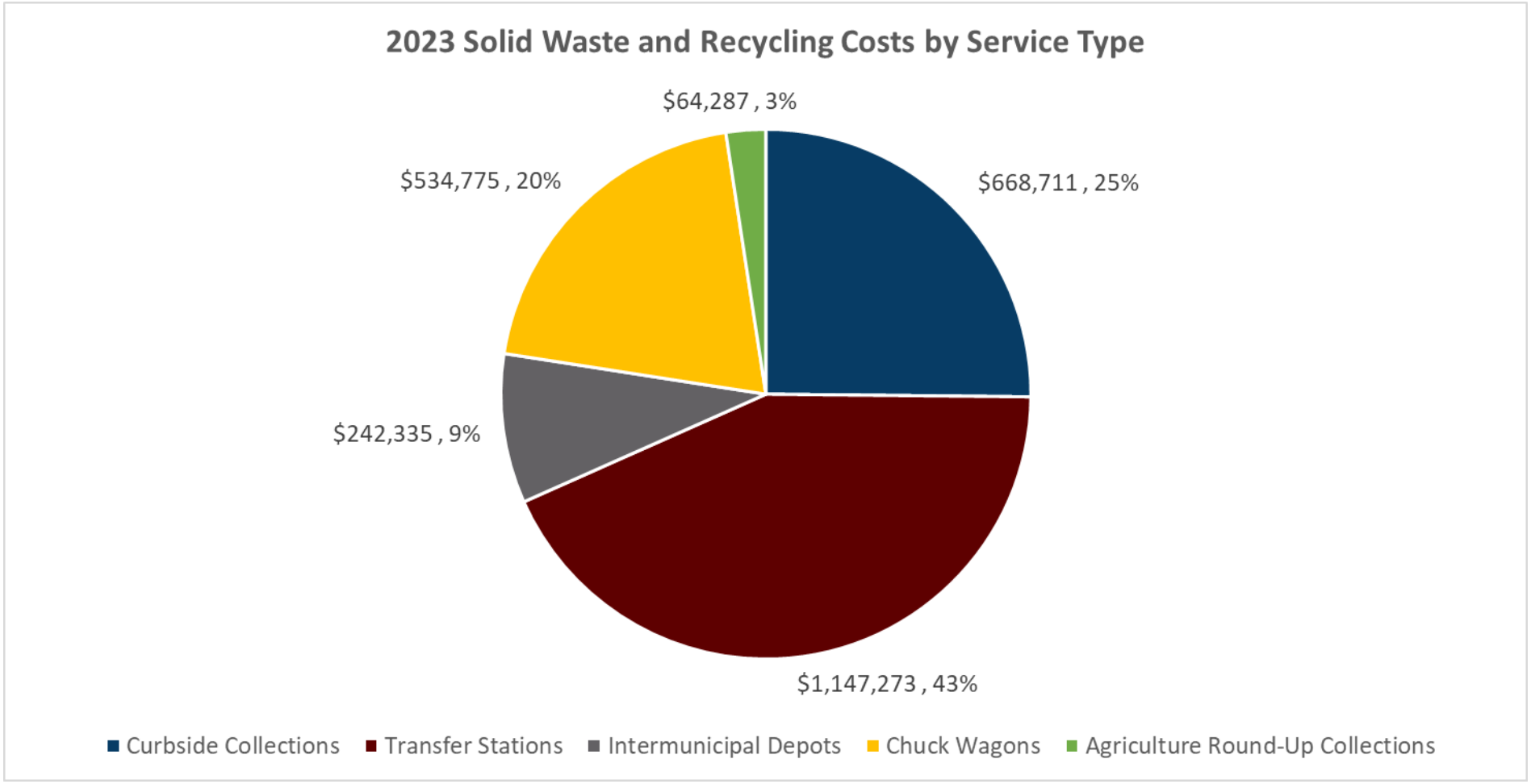
This presentation provides an update for Solid Waste and Recycling cost recovery and results and recommendations of the Utility Rate Study

1. Solid Waste and Recycling Cost Recovery Update
2. Water and Wastewater Utility Financial Model and Long-Term Rate Strategy
    i. Project Overview
    ii. Rate Revenue Requirements
    iii. Cost of Service
    iv. Rates Design

Solid Waste and Recycling Cost of Service Update

Overview of 2023 Costs by Service Type

Curbside Collections represents 25% of the Solid Waste and Recycling costs, while Self-Haul services represent the remaining 75%



Curbside Collections

The Curbside Collections Service achieved full cost recovery in 2023 relative to its allocated cost of service

Curbside Collections Funding Requirements	2023 $ (Actual)
Direct Curbside Collections Costs	$543,280
Cart Management Costs	$38,635
Public Education Costs	$7,000
Share of Administration Costs (Dept 450)	$79,796
2023 Rate Revenue Requirements	**$668,711**
2023 Rate Revenues	**$698,137**

104% Recovery

- Based on 1,861 households, the effective cost per household was $29.94
- Based on 2023 revenues, Curbside Collections achieved cost recovery

Self-Haul Services

Combined, the 2023 net funding requirement for Self-Haul Services was just over $1.6 million

2023 Financial / Operational Metric	Transfer Stations	Intermunicipal Depots	Chuck Wagons	Agriculture Round-Up Collections
Cost of Service	$1,147,273	$242,335	$534,775	$64,287
Customer Visits	40,347	22,565*	13,651	299
Average Cost per Customer Visit	$28.44	NA**	$39.17	$215.01
Revenues	$337,909	$0	$48,127	$0
Cost Recovery %	29%	0%	9%	0%
Net Funding Requirements	$809,364	$242,335	$486,648	$64,287

** Not including Crossfield, Beiseker, or Scott Lake locations*
*** Not available due to lack of customer visit data for Crossfield, Beiseker, and Scott Lake*

Self-Haul Services Funding Model Options

Municipal Solid Waste Utilities typically choose one of the following funding model options to support their Self-Haul Services

1. Current Methods (Tax & Usage)

- Property Tax
  - *Funded from Res & Non-Res*
- Usage Fees
  - *Garbage tag-a-bag*
  - *Disposal fees for items / half-tons*
- Intermunicipal Revenues
  - *For RVC site usage*

2. Utility Fees

- Standard monthly fees charged to each Residential account to represent service availability
- Can maintain usage fees for select materials to encourage diversion *(e.g., Garbage tag-a-bag)*

3. Site Entrance / Usage Fees

- Site Entrance Fees (i.e. $/vehicle)
- Tipping Fees ($/weight for specific material streams)
- Disposal Fees ($ per tag-a-bag, specific items, and half-ton loads)

Evaluation of Alternative Funding Models

A Utility User Fee charged to each Residential account is a typical alternative – *does Council have a preference?*

Self-Haul Funding Model Option	Advantages	Concerns
1. Current Method (Taxes)	• Ease of administration • No charge for target diversion materials	• Inequity between Residential and Non-Residential taxpayers vs. target service recipients • Not transparent
2. Utility User Fee *(~$9/HH/Month*)*	• Transparent • Can target Residential customers • Eliminates reliance on taxes	• Costs to implement billing mechanisms for each County household • Potential inequity across households given different levels of usage
3. Site-Based Entrance / Usage Fees *(~$29-$30/Visit*)*	• Charges customers based on actual usage / visits to Transfer Stations and Chuck Wagons	• Discourages waste diversion • Incentivizes illegal dumping • Difficult to establish and administer site-specific payment mechanisms

** Note this does not include any potential financial implications of the impending EPR program*

Water and Wastewater Utility Financial Model and Long-Term Rate Strategy

i. Project Overview

Project Scope

Approach

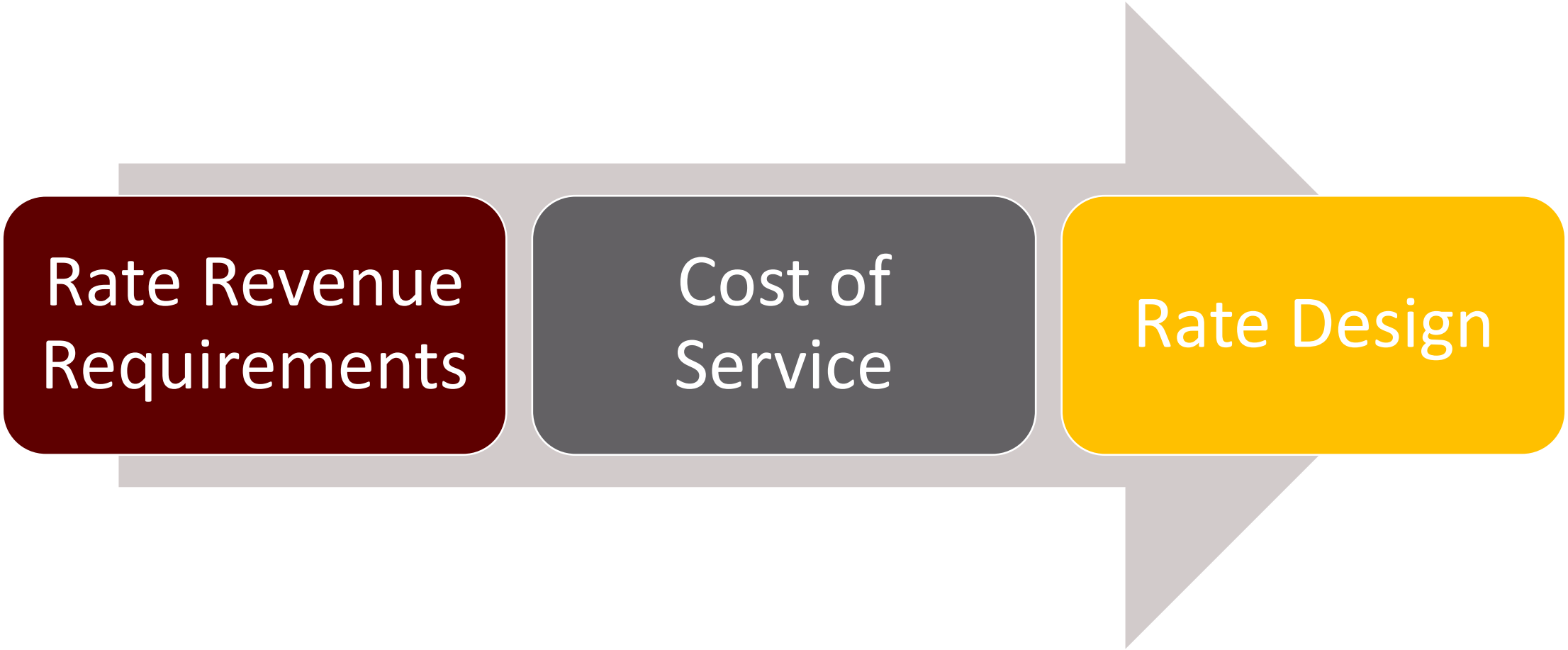
Key Project Requirements

The following deliverables were identified for this project:

1. Strategic review regarding overarching financial priorities for the County's utilities:
   i. Target "to-be" cost recovery / funding model
   ii. Priority ratemaking objectives
2. Detailed customer and cost analysis:
   i. Customer servicing demands and updates to customer classes
   ii. Projected asset replacement requirements
   iii. Cost of service distributions across different customer classes
3. Recommended "to-be" rates design:
   i. County "blended" vs. community-specific rates
   ii. Rationale for fixed vs. variable rates
   iii. Rates techniques, including uniform, tiered, or seasonal
   iv. Integrated financial forecasting and rates model

Project Approach

The analysis follows American Water Works Association (AWWA) M1 cost of service practices for regulated water and wastewater utilities



1. American Water Works Association M1 Manual

Financial Model Development

The cost of service and rates model can function as an “all-in-one” for the utilities financial projections and planning

1. Customer Projections

- Growth Accounts by Communities & Classes
- Units of Service Projections
  - *Accounts*
  - *Billed Volume*
  - *Max Day*
  - *Firefighting Flow Requirements*
  - *Contributed Wastewater*
  - *Treatment Volumes*

2. Operating Costs

- 2024 Budgeting
- Normalized Projections
- Fixed Costs
- Variable Costs
- Interdepartmental Costs
- Inflation

3. Capital Costs

- Replacements
- Acquisition Debt Servicing

4. Cost of Service

- Allocation of Projected Costs to Customer Classes
- Individual Systems vs. Blended Approaches

5. Rate Setting

- Rates by Customer Class
- Alternative Rates Tactics
  - *Uniform*
  - *Tiered Blocks*
  - *Seasonal*
- Rate Revenue Projections
- Customer Impact Analysis
- Operating Scenarios

ii. Rate Revenue Requirements

Leading Practices Considerations
Current State
Recommended Targets for Ratemaking

Rate Revenue Requirements

Municipal-owned utilities generally use the Cash Needs Basis, but some use the Utility Basis per Alberta Utilities Commission (AUC) guidelines

Cash Needs Basis

+ **O&M Expenses** *(O&M costs, including indirect / overhead cost allocations)*
+ **Debt Servicing** *(Principal & Interest payments for historical capital investments)*
+ **Cash-Financed Capital** *(CAPEX funded by cash)*
+ **Return on Equity** *(Transfers to Municipal Shareholder)*
+ **Reserve Transfers** *(Per Fiscal Policies)*
- **Non-Rate Revenues** *(Misc. revenues)*

∑ **Total Rate Revenue Requirement**

Utility Basis

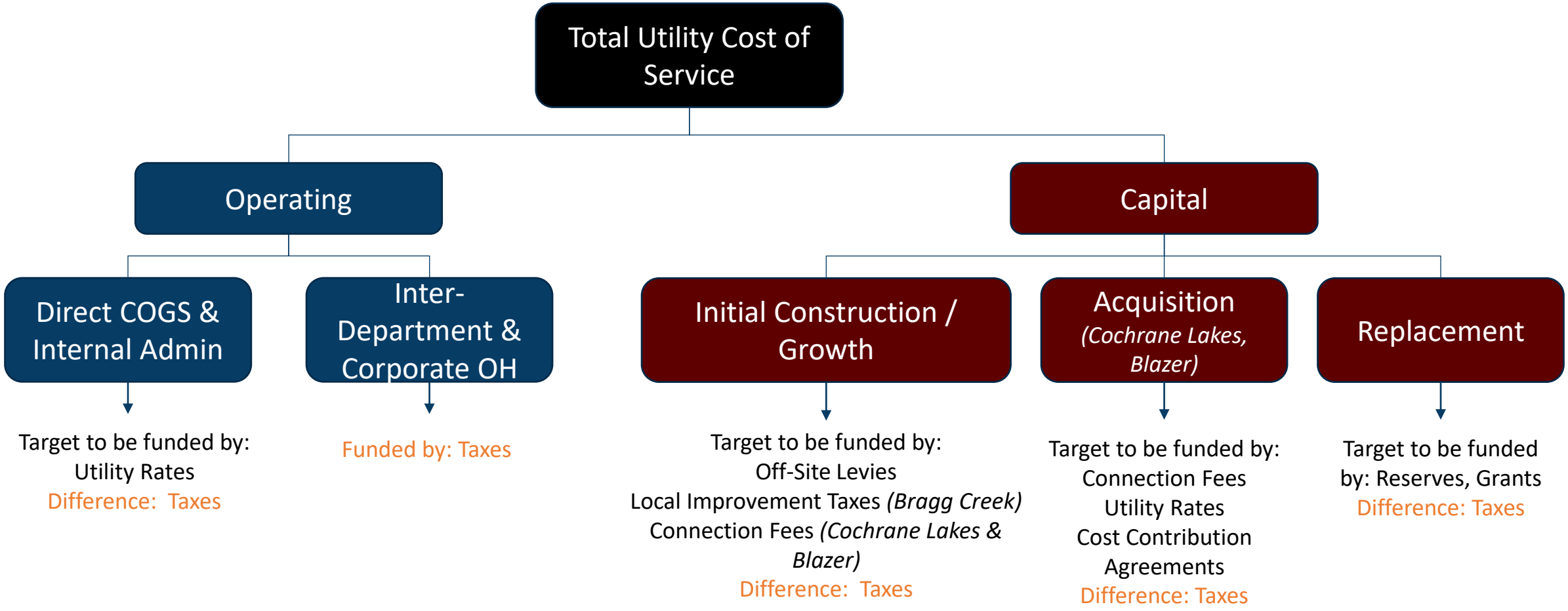
+ **O&M Expenses** *(O&M costs, including indirect / overhead cost allocations)*
+ **Depreciation Expenses** *(based on in-service, financed assets)*
+ **Return on Rate Base** *(weighted average cost of capital return on Rate Base / Net Book Value assets in-service)*

∑ **Total Rate Revenue Requirement**

- It was selected to use the Cash Needs Basis for the purpose of identifying the County's target rate revenue requirements

Current Funding Model

Utility rates, levies, taxes, and connection fees have combined to fund the Utilities' total cost of service



Current vs. Potential Requirements

Current ratemaking targets direct O&M and debt servicing on the acquired systems. Full utilities consider additional funding requirements

Funding Requirements	Annual $ (2023 est.)
Currently Factored in Ratemaking:	
Direct Operating & Maintenance Costs	$9.2M
Debt Servicing (Blazer and Cochrane Lake Acquisitions)	$1.6M
Developer Contributions (Cochrane Lake Acquisition)	-$0.3M*
Est. 2023 Rate Revenue Requirements Target	**$10.5M**
Est. 2023 Rate Revenues	**$8.8M**
Additional Funding Requirements:	
Utility Billing Administration	$0.15M
Utility Engineering / Capital Program Management	$0.15M
Corporate Overhead	$1.0M
Capital / Asset Replacement**	$2.5M**
Additional Funding Requirements:	**$3.8M**

84% Recovery

For County-Owned Utilities:

- ✓ Typically included
- − Can be included
- ✗ Typically, not included
- ✓ Typically Included *(with capital replacement plan)*

** Pending number of new customer connections, agreement guarantees a minimum of 10 each year*

*** Based on average annual tangible capital asset replacement forecasts over next 50 years based on TCA data and assumed lifetimes*

Recommended Rate Revenue Targets

For the short-term, the following rate revenue requirements are targeted to achieve "cost recovery"

Recommended Targets

i. Direct O&M and Administration

ii. Debt Servicing
- *For acquired systems, not for growth investments to be funded by levies*

iii. Utility Billing
- *Fully resourced to directly support the utility operations*

iv. Capital Replacement Reserve Contributions
- *Short-term initial contributions appropriate (~$1.25M per year)*
- *Longer-term to be better defined with a Capital Replacement Plan upon development of the County's Asset Management capabilities*

Recommended To Exclude

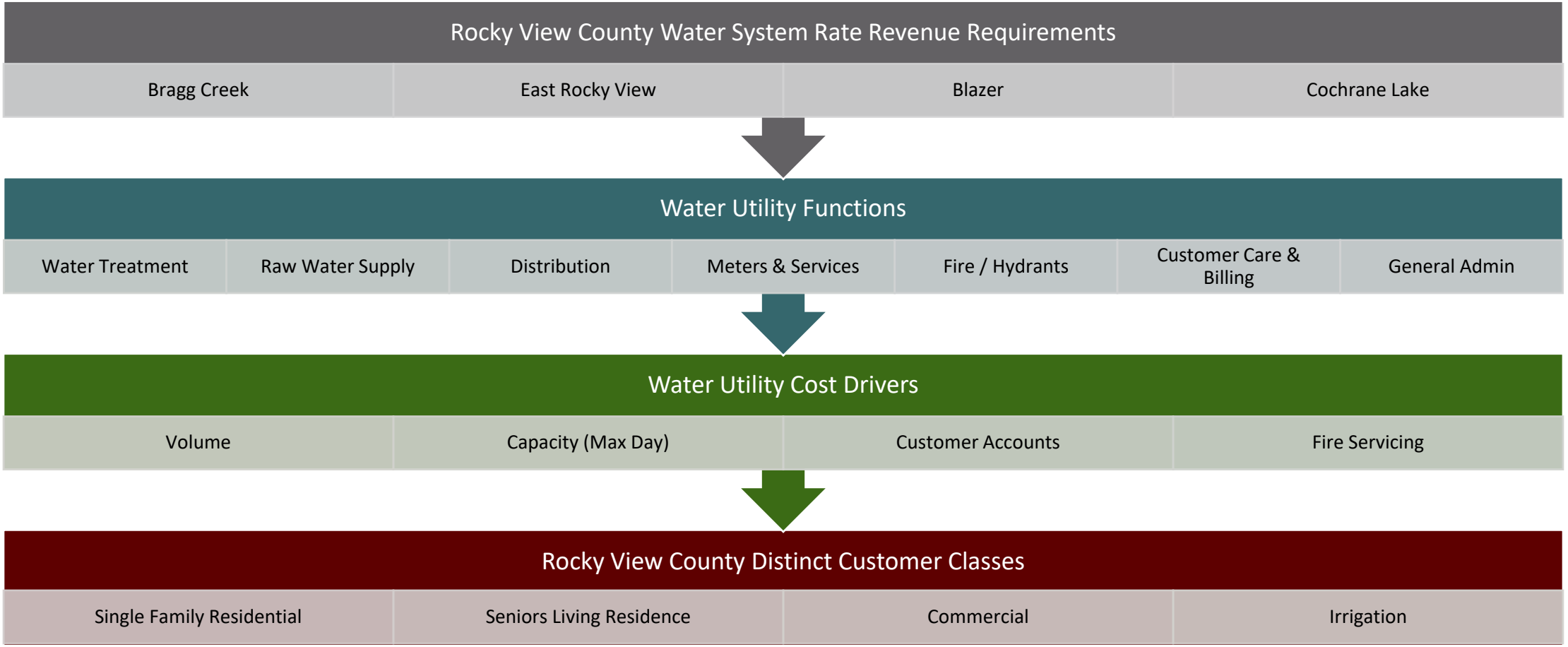
- Shared Interdepartmental and Corporate Overhead Administration
  - *Not typically included by the County's peers – featured in full / autonomous utility models*
  - *Resources and costs would most likely remain with the County should it divest its water and wastewater utility systems*
  - *County does not currently feature interdepartmental charges for these enabling services*

iii. Cost of Service

Leading Practices Considerations
Blended vs. Community-Specific
Customer Analysis

Cost of Service Logical Analysis

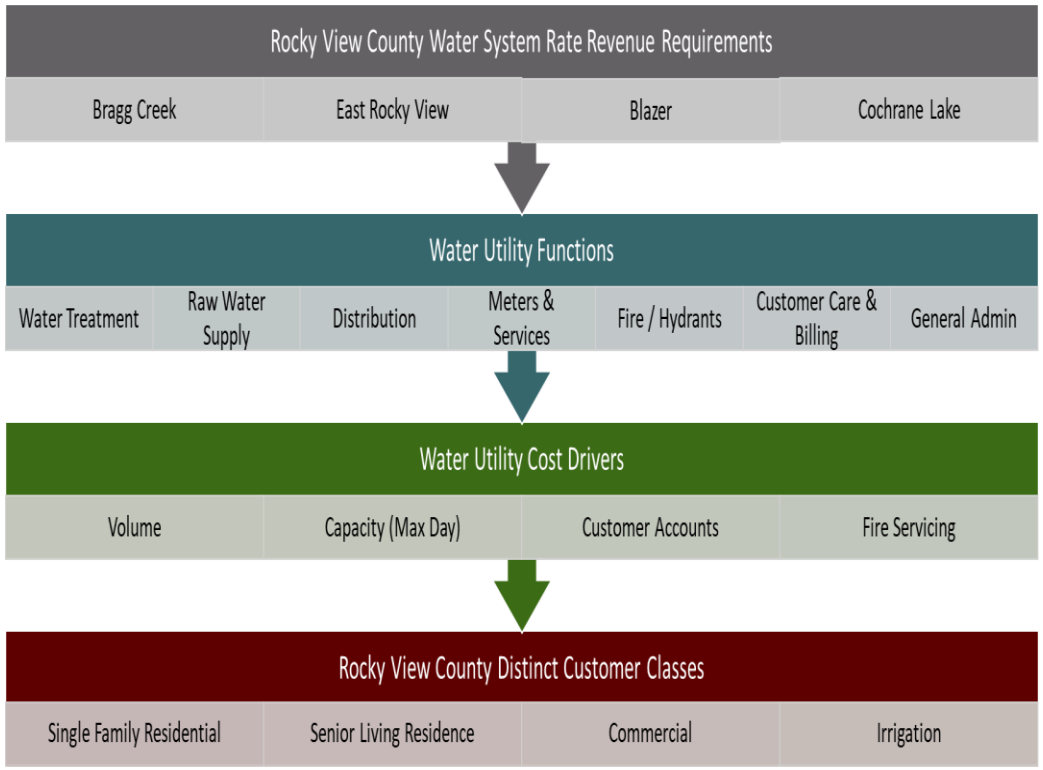
Rate revenue requirements are functionalized, allocated to cost drivers, and then distributed against customer classes



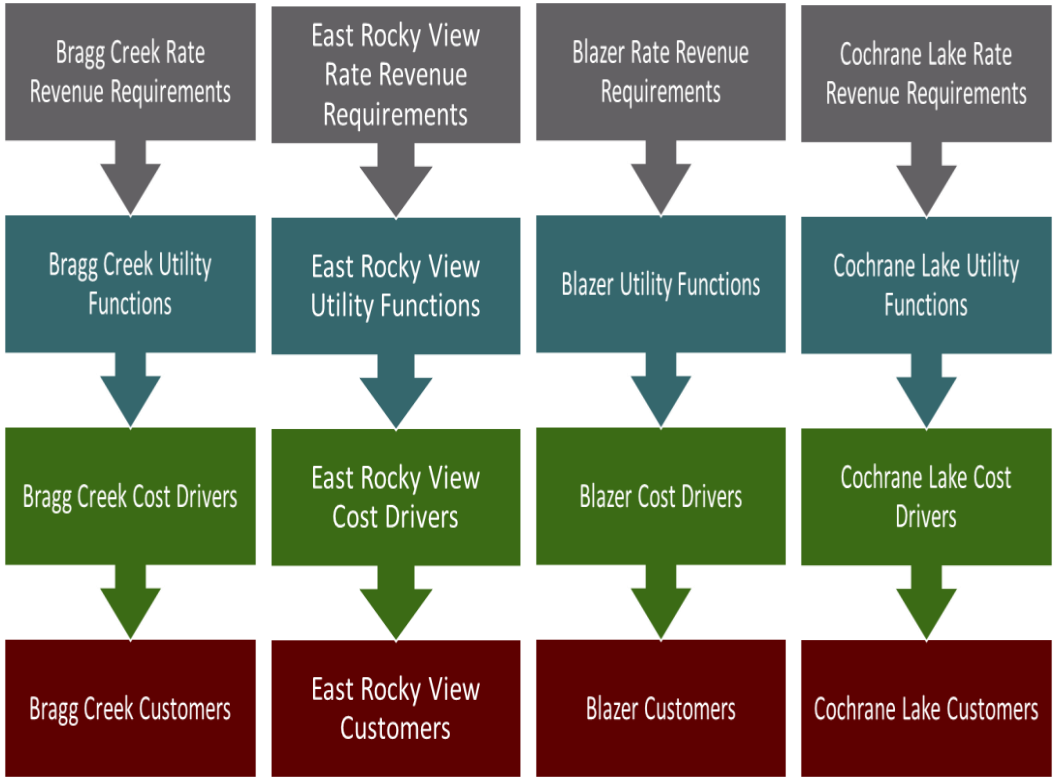
Blended vs. Community-Specific

Analysis was provided on cost allocations for a true County-wide blended approach versus the current community-specific method

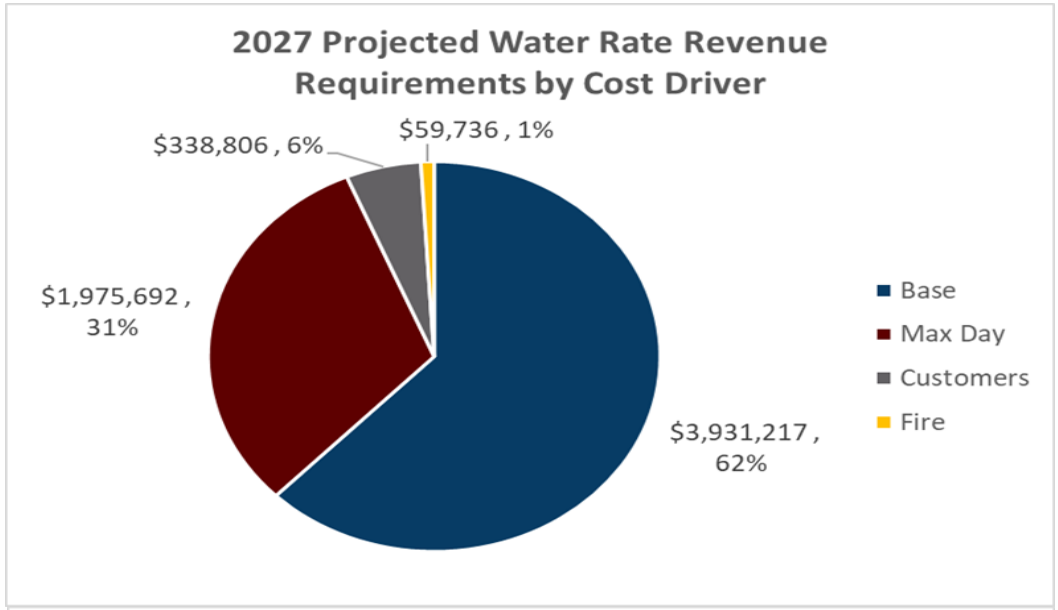
Blended Cost Allocations

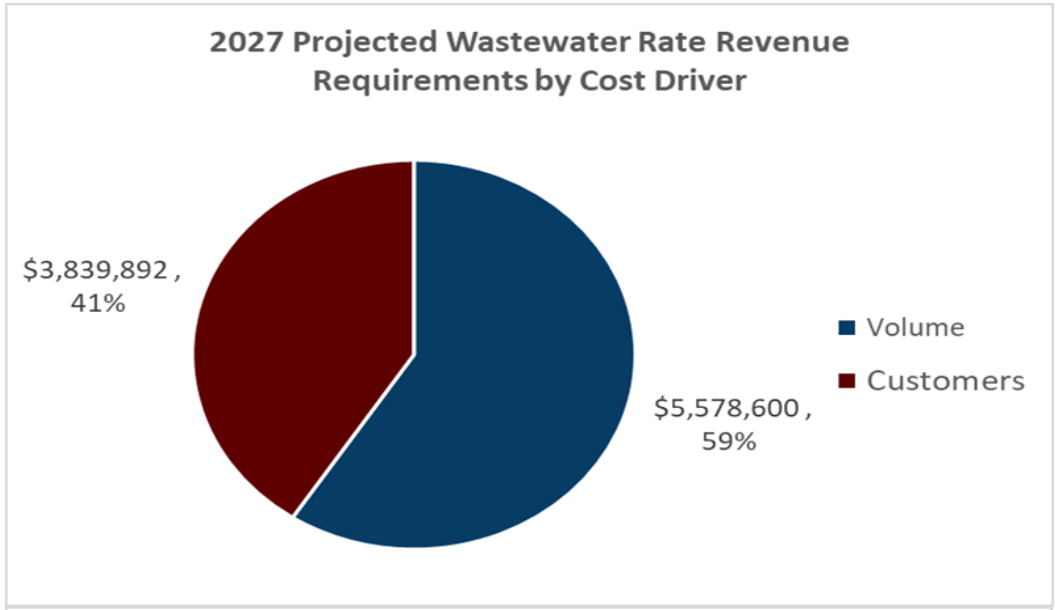


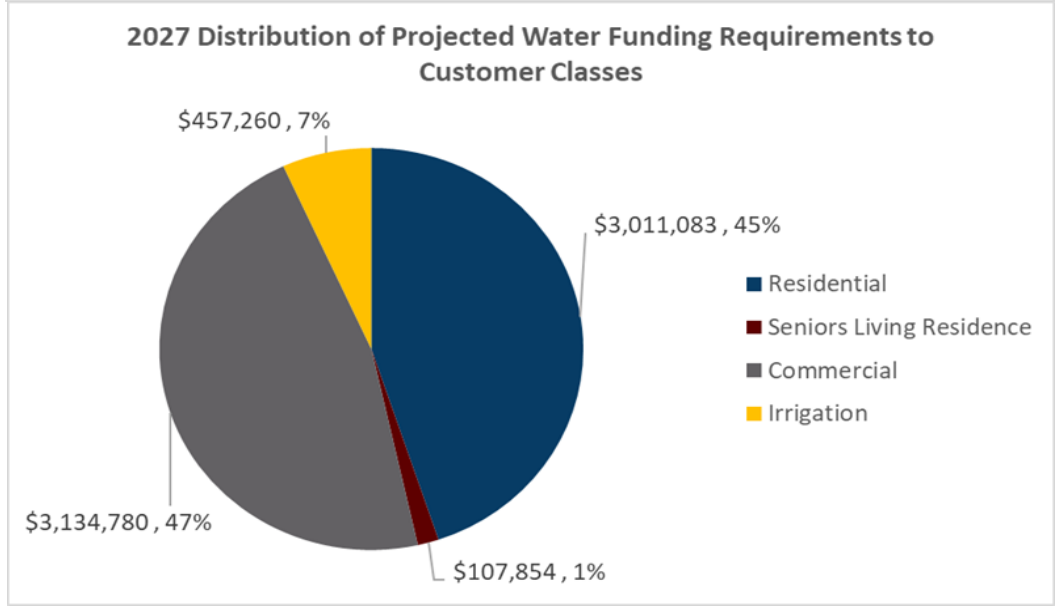
Community-Specific Allocations

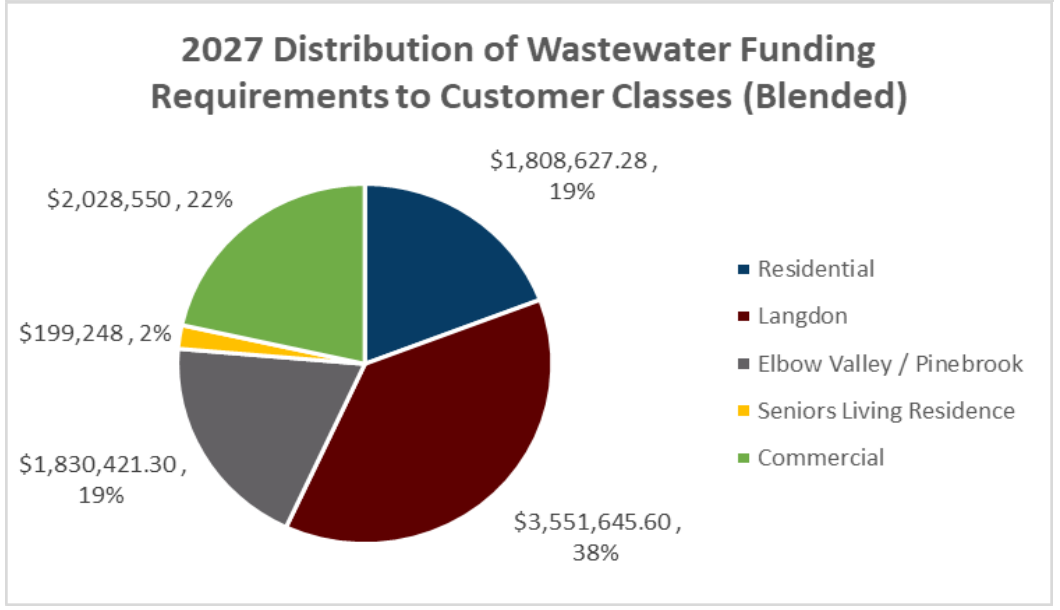


Projected 2027 Cost of Service Allocations



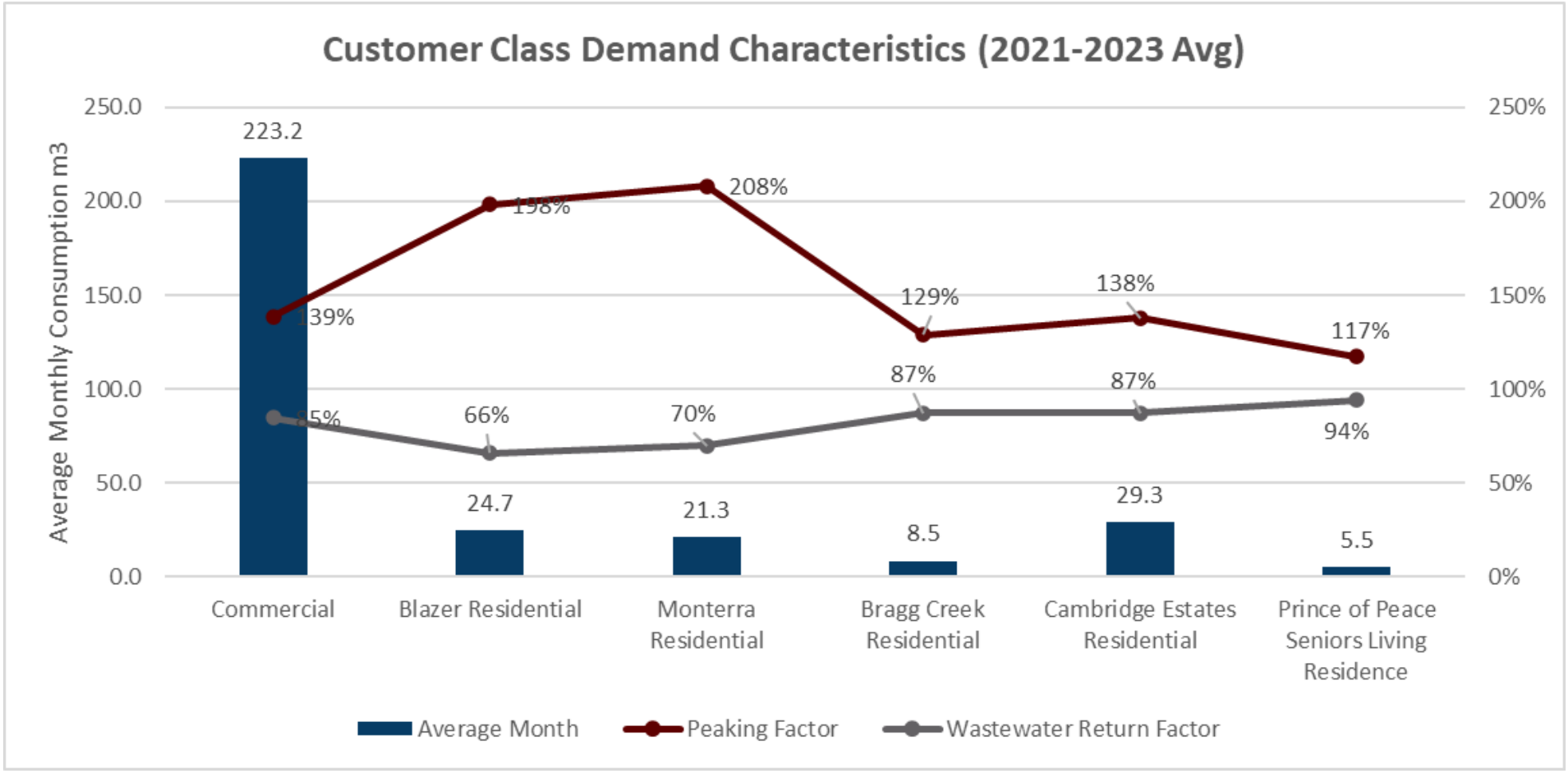






Customer Analysis

There is an opportunity to establish common Residential, Seniors Living Residence, and Commercial Customer Classes across the County



iv. Rates Design

Current Rates

Impact of Blended Rates Method

Ratemaking Priorities

Recommended Rates Strategies

Communities & Customer Classes

There is a range of utility customer rates* across different communities

Community	Water		Wastewater	
	Fixed Rate $	Usage Rate $/m³	Fixed Rate $	Usage Rate $/m³
Blazer / Bearspaw	$33.45	0-60 m³: $2.99 61+ m³: $5.97 Lynx Ridge Commercial: $0.227 Lynx Ridge Irrigation: $1.01	$31.09	$1.88
Bragg Creek	$25.00	$3.022	$25.00	$7.581
Cochrane Lake	$70.00	0-30 m³: $1.78 31-60 m³: $2.98 61+ m³: $4.17	$70.00	0-60 m³: $1.62 61+ m³: no charge
East Rocky View	Res: $15.00 Non-Res: • 0-49 m³: $20.00 • 50-499 m³: $50.00 • 500+ m³: $150.00	$5.14	Res: $30.00 Res Unmetered: $68.02 Non-Res: $45.00	Res: $2.795 Multi-Unit Res $3.715 Non-Res: $2.795
Elbow Valley / Pinebrook			$83.26	NA
Langdon			Residential: $68.05 Non-Residential: $74.65 Res/Non-Res + Restaurant: $183.81 Res/Non-Res Combined: $91.90 Restaurant: $102.12	NA

** 2023 rates*

Cost of Service Results vs. Customer Impact

Based on 2024* rates vs. cost-of-service analysis, there is a substantial difference for customer impact between Individual vs. Blended Systems

Customer	Individual System Rate Impact to Achieve Cost Recovery** by 2027		Blended System Rate Impact to Achieve Cost Recovery** by 2027	
	% Annual Increase	Avg. Monthly Bill Impact vs. 2024	% Annual Increase	Avg. Monthly Bill Impact vs. 2024
Bragg Creek	+56%	+$239	-7%	-$28
Cambridge Estates	-7%	-$63	-1%	-$5
Prince of Peace	+4%	+$11	+3%	+$7
Balzac Commercial	-13%	-$685	-5%	-$250
Langdon	+9%	+$20	+13%	+$27
Elbow Valley / Pinebrook	0%	+$1	+5%	+12
Blazer	+9%	+$47	+9%	+$51
Cochrane Lake	+38%	+$245	0%	-$3

** Assuming 5% increases vs. 2023 rates to each variable rate and to wastewater fixed rates for Langdon and Elbow Valley / Pinebrook*

*** Cost Recovery = Direct Administration + Acquisition Debt Servicing costs only (i.e., same as current target)*

Rates Design Priorities

In addition to the Utilities achieving cost recovery, the following rates design priorities have been noted from Council and Administration

Priority	Description
Customer Equity and Fairness	Degree to which customers' bills reflect a user pay philosophy and costs are fairly allocated based on their share of servicing demands
Revenue Predictability	Degree to which user revenues are fixed and predictable irrespective of seasonal weather changes and differences in customer demands
Efficient and Adaptable	Degree to which rates can be flexible and economically adjust to changing supply and demand patterns
Conservation	Degree to which rates discourage wasteful / inefficient usage, preserve the County's water supply, and manage requirements for future capital capacity expansion investments
Affordable	Degree to which customers can control their bills based on reasonable usage habits and servicing requirements

Fixed and Variable Rates Strategies

The priority ratemaking objectives need to be reflected in the recommended fixed and variable rates design

	Fixed Rates	Variable Rates
Water	• Charge for non-consumption costs • Fund portion of 'system readiness' to support max day capacity • Target desired revenue predictability • Manage impact to low-usage customers	• Charge for costs which support water production / consumption • Design to support desired customer conservation behaviours and extent of user-pay
Wastewater	• Charge for non-volume costs • Fund portion of collection system O&M *(typically driven by customer accounts)* • Target desired revenue predictability • Manage impact to low usage-customers	• Charge for costs which support the volume of contributed wastewater flows • Factor in wastewater return flow characteristics

Fixed Rate Revenue Predictability

Given the large number of Langdon and Elbow Valley / Pinebrook fixed rate customers, the County will see significant revenue predictability

Projected Water Revenues

- Fixed Rate Revenues: $0.6M
- Variable Rate Revenues: $4.7M
- **Percentage Fixed: 11%**

Projected Wastewater Revenues

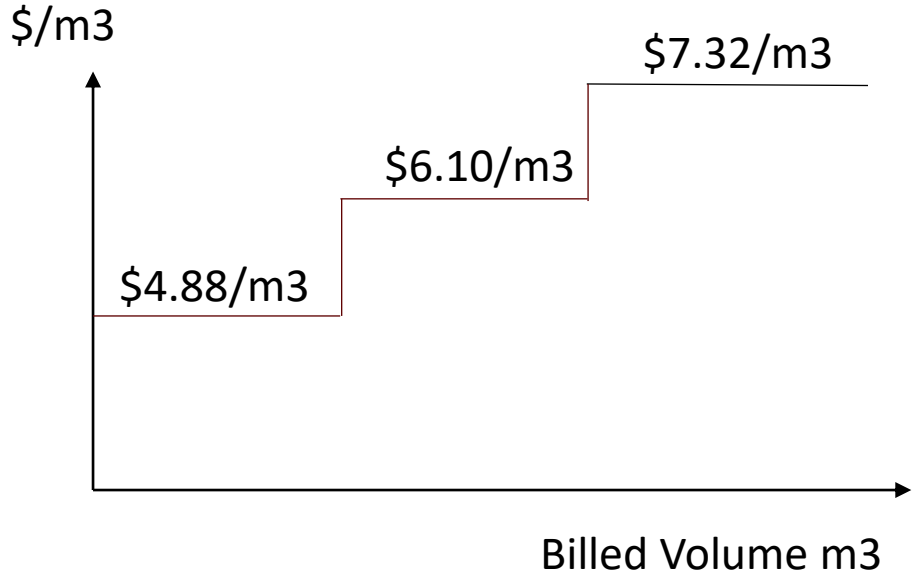
- Fixed Rate Revenues: $4.2M
- Variable Rate Revenues: $2.4M
- **Percentage Fixed: 65%**

- Combined County Water & Wastewater Systems:
  - **40% fixed revenues**
- Typical Water & Wastewater ratemaking practices:
  - 20-40% fixed revenues
- *Note: residential customer indoor usage is typically consistent year-to-year, with the result that a significant base portion of variable rate revenues can also be considered highly predictable*

Inclining Block vs. Seasonal Rates

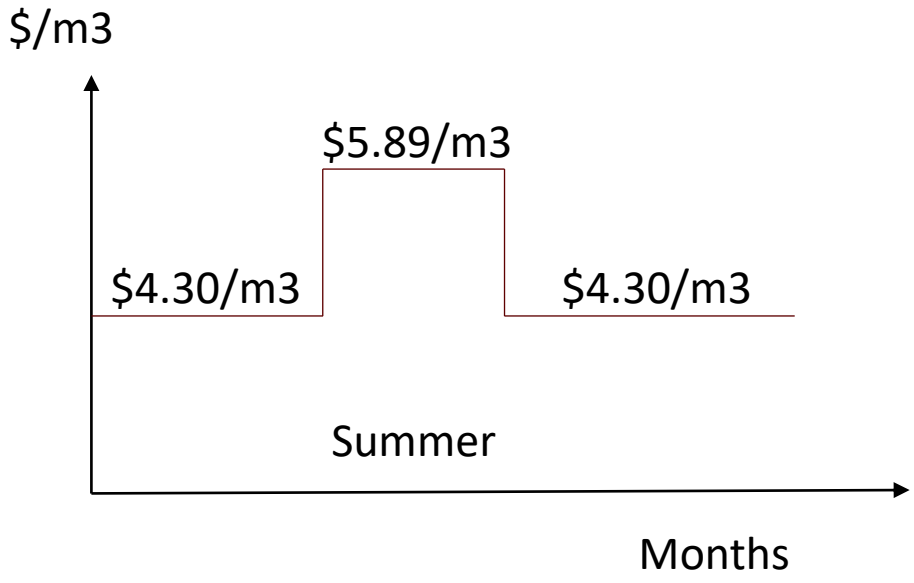
A comparison of inclining block vs. seasonal rates for Residential customers was performed. An inclining block rate design is recommended

Inclining Block



- Encourages conservation
- Higher rates for increased usage are typically more than corresponding cost of service
- More common vs. seasonal rates

Seasonal



- Used where there are large differences in costs between seasons, substantial seasonal customer fluctuations, or utility is capacity constrained from peak-period demands
- Increased revenue volatility
- Punishes lower usage customers vs. inclining block

Recommendations (Baseline): Water

A common inclining block rates structure across all Residential customers will support rates design priorities

Customer Class	Monthly Fixed Rate		Variable Rate $/m3	
	Current	To-Be 2027*	Current	To-Be 2027*
Residential	Range: • $15.00 - $70.00	• $19.31 • $17.47 (no hydrant)	Range: • Base Rate: $1.78-$5.14 • Inclining Blocks: $2.98-$5.97	• Base 0-30m3: $4.88 • Tier 2 31-60 m3: $6.10 • Tier 3 61 m3+: $7.32
Seniors Living Res	• $15.00	• $9.93	• $5.14	• $5.11
Commercial	• 0-49 m^3: $20.00 • 50-499 m^3: $50.00 • 500+ m^3: $150.00	• $64.06	• $5.14	• $4.50

Potential Options for Further Consideration:

- Lower Tier #1 volume threshold to match average month or average winter month
- Increase Tier #3 multiplier to further discourage extraneous outdoor irrigation usage
- Evaluate potential options to adjust contract pricing with Irrigation customer

** Cost Recovery = Direct Administration + Acquisition Debt Servicing costs only (i.e., same as current target)*

Recommendations (Baseline): Wastewater

Wastewater rates can be designed to fund 2/3 of collection system costs through the fixed rate and treatment costs through the variable rate

Customer Class	Monthly Fixed Rate		Variable Rate $/m3	
	Current	To-Be 2027*	Current	To-Be 2027*
Residential	Range: • $25.00 - $70.00	• $30.19	Range: • Base Rate: $1.88-$7.58	• $3.12
Seniors Living Res	• $30.00	• $30.19	• $2.795	• $5.55
Commercial	• $45.00	• $30.19	• $2.795	• $2.60
Langdon	Range: • $68.02-$183.81 *(pending class)*	• $99.85 *(weighted average)*	NA	NA
Elbow Valley / Pinebrook	• $83.26	• $99.85	NA	NA

Potential Options for Further Consideration:

- Lower fixed rate in favor of increasing variable rates to better support conservation
- Simplify different customer classes now in Langdon *(now 5 distinct types based on high-level usage assumptions)*

** Cost Recovery = Direct Administration + Acquisition Debt Servicing costs only (i.e., same as current target)*

Alternative Cost Recovery Scenario (1)

To also fund **utility billing and initial capital replacement contributions**, the following impacts to rates vs. the baseline projections are indicated

Customer Class	Water Rate Impacts				Wastewater Rate Impacts			
	Fixed Rate 2027		Variable Rate 2027		Fixed Rate 2027		Variable Rate 2027	
	Monthly Rate	Impact vs. Baseline	Variable Rate $/m3	Impact vs. Baseline	Monthly Rate	Impact vs. Baseline	Variable Rate $/m3	Impact vs. Baseline
Residential	$23.51	+$4.20	• Base: $5.33 • Tier 2: $6.66 • Tier 3: $8.00	• Base: +$0.45 • Tier 2: +$0.56 • Tier 3: +$0.68	$37.69	+$7.50	$3.51	+$0.39
Seniors Living Residence	$13.18	+$3.25	$5.51	+$0.40	$37.69	+$7.50	$6.36	+$0.81
Commercial	$72.95	+$8.89	$4.92	+$0.42	$37.69	+$7.50	$2.90	+$0.30
Langdon	NA	NA	NA	NA	$116.18	+$16.33	NA	NA
Elbow Valley / Pinebrook	NA	NA	NA	NA	$116.18	+$16.33	NA	NA

Alternative Cost Recovery Scenario (2)

To also fund **all potential funding requirements**, the following impacts to rates vs. the baseline projections are indicated

Customer Class	Water Rate Impacts				Wastewater Rate Impacts			
	Fixed Rate 2027		Variable Rate 2027		Fixed Rate 2027		Variable Rate 2027	
	Monthly Rate	Impact vs. Baseline	Variable Rate $/m3	Impact vs. Baseline	Monthly Rate	Impact vs. Baseline	Variable Rate $/m3	Impact vs. Baseline
Residential	$26.15	+$6.84	• Base: $5.74 • Tier 2: $7.17 • Tier 3: $8.60	• Base: +$0.86 • Tier 2: +$1.07 • Tier 3: +$1.28	$41.97	+$11.78	$3.90	+$0.78
Seniors Living Residence	$14.84	+$4.91	$5.85	+$0.74	$41.97	+$11.78	+$7.08	+$1.53
Commercial	$80.27	+$16.21	$5.30	+$0.80	$41.97	+$11.78	$3.21	+$0.61
Langdon	NA	NA	NA	NA	$129.12	+$29.27	NA	NA
Elbow Valley / Pinebrook	NA	NA	NA	NA	$129.12	+$29.27	NA	NA

Impact of Alternative Cost Recovery Scenarios

Based on the Blended Rates method, the impacts to average customers in either Alternative Scenario are indicated

Customer	Alternative Scenario #1 Impact		Alternative Scenario #2 Impact	
	% Annual Increase	Avg. Monthly Bill Impact vs. 2024	% Annual Increase	Avg. Monthly Bill Impact vs. 2024
Bragg Creek	-2%	-$10.09	1%	+$3.17
Cambridge Estates	+4%	+$30.86	+7%	+$59.13
Prince of Peace	+9%	+$24.65	+14%	+$36.29
Balzac Commercial	-2%	-$87.21	+1%	+$62.67
Langdon	+20%	+$43.75	+26%	+$56.69
Elbow Valley / Pinebrook	+11%	+$28.76	+16%	+$41.70
Blazer	+15%	+$82.65	+20%	+$107.81
Cochrane Lake	+4%	+$25.96	+8%	+$49.12

Summary Recommendations

The following recommendations are provided for further consideration in advance of the 2025 fiscal year

1. Target rate revenue cost recovery to fund direct O&M, debt servicing on acquired systems, utility billing, and initial capital replacement contributions
2. Transition towards a blended rates approach with common customer classes across the County
3. Establish a common Residential customer class across the County
4. Establish a common Commercial customer class across the County
5. Investigate how to separately define a “Seniors Living Residence” dwelling type / customer class
6. Implement an inclining block model rates design for Residential customers
7. Establish a common Water reserve and a common Wastewater reserve for capital expenditures
8. Develop and deliver an appropriate public communications program to support target rates design changes
9. Update internal customer data management processes with customer class and meter size information (to support future ratemaking efforts)

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