
**City of Niagara
Water & Sewage Rate Structure Review
Recommendations Following the April 14, 2008 Presentation of the
Final Report to the Corporate Services Committee**

The following are recommendations following on the April 14, 2008 presentation by M. Loudon to the City of Niagara Falls Corporate Services Committee of the R.M. Loudon Ltd. Water & Sewage Rate Structure Review, Final Report, dated April 2, 2008.

Feedback from the Committee was helpful in developing the recommendations.

It is recommended:

1. That the principles checked off below in Column A – User Rate Format Priority, are recommended for adoption with respect to the formulation of the water and sewage rates:

| Principles | A - User Rate Format Priority | B - Other Methods are More Suitable for Implementation |
|-------------------------------------|--------------------------------------|---|
| Revenue adequacy & security | √ | |
| Legality | √ | |
| Practicality | √ | |
| Fairness & User Pay | √ | |
| Affordability | | √ |
| Simplicity | √ | |
| Conservation & Water use efficiency | | √ |
| Encourage industrial development | | √ |

The principles in Column B may also be City priorities, but they are best implemented using other strategies.

2. That combined water and sewage rates be used to bill customers with City water and sewage services. A separate water-only rate would still be required for water-only customers. A water-only rate with volumetric and service charge components is preferred for the water-only customers, but a water rate expressed as a percentage of the combined water and sewage rates is acceptable if necessary for administrative reasons.
3. That a two-part rate format with a single-block volumetric rate and service charges varying by meter size continue, but without the current approach of

- linking Regional costs to the volumetric rate and City costs to the service charge.
4. That the proportion of costs allocated to the volumetric charge be increased to 75% and the proportion of costs allocated to service charges be decreased to 25%. (Note that customers' bills will have varying percentage shares of volumetric charges and service charges depending on volume used by the customer and the customer's meter size.)
 5. That a phase-in from the current rate formulation to the 25%:75% cost allocation approach over a period of two to three years be considered
 6. That the 25%:75% service charge versus volumetric rate cost split approach be revisited for the 2013 water and sewage user rates.
 7. That in recognition of the high cost of supplying water to meet seasonal irrigation demands and to encourage conservation, no special rate or billing concessions be adopted for residential summer increases in usage.
 8. That, in order to offset the potential loss in revenue security resulting from a reduction in revenues generated from fixed charges (i.e. a reduced service charge component), projections used to set future user rates be made on a conservative basis and a Rate Stabilization Reserve Fund to cushion against unexpected user rate revenue shortfalls be established and funded. A target level for the RSRF along with a funding approach need to be established.
 9. That in general the installation of bulk meters is preferred over individual unit metering by the City for residential multi-unit customers such as condominium corporations and apartment buildings. Multi-unit customers with individual direct connections to City mains and shut-offs at the property line, such as freehold townhouse developments, would continue to have individual City meters.

R. M. Loudon Ltd.,
April 17, 2008