



**REPORT TO JUAN DE FUCA WATER DISTRIBUTION COMMISSION  
MEETING OF TUESDAY, NOVEMBER 1, 2011**

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**SUBJECT     2012 CAPITAL AND OPERATING BUDGET**

**PURPOSE**

The purpose of this report is to provide a synopsis of the 2012 budget highlighting the proposed significant changes. The report generally follows the sequence of information provided in the draft budget document.

**BACKGROUND**

Rate Base

The rate base for 2012 has increased by \$3,280,105 million which reflects new infrastructure additions associated with the continuing development in the service area and the water main replacement program (Pages 2 & 3 of the budget document).

Revenue Requirement

The revenue requirement for 2012 has increased by \$223,839 (Page 4) comprised of an increase of \$131,639 in depreciation related to capital investments, increase in the operations expenditure budget of \$100,900 offset by a slight decrease in return on rate base of \$8,700 due to lower 30-year Canada Bond rate.

Operating Expenditures Budget

The 2012 Board budget (Page 24) reflects increase in non-discretionary expenses such as negotiated wage/salary increases and increased allocations for corporate services. The net increase in the Board budget from previous year (Column 2 less Column 7) is \$100,886.

The addition of new assets due to development and the infrastructure renewal program continued resulting in infrastructure being brought into service in 2011:

- 2 new pump stations
- 6,254 metres of growth related water main additions
- 4,927 metres of water main were placed
- 4 new pressure regulating station (PRS)
- 35 new hydrants
- 2 large meters

In 2011, 369 new residential meters have been added to date, 469 estimated by year end a 28.5% drop compared to the 656 installed in 2010.

Capital Budget

The projected capital expenditures for the period 2012 through 2016 total \$30,530 million, excluding DCC expenditures, plus \$1,889 million shared with the Regional Water Supply System. These expenditures include the Fire Flow Upgrade Program of \$9,400 million which was approved by the Commission in April 2011.

A 5-year term position has been included in the budget for an engineer to manage the fire flow upgrade program, with the cost charged to the capital budget.

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### **Re: 2012 Capital and Operating Budget**

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The 5-year capital budget for DCC projects totals \$7,120 million. Expenditures on DCC projects are dependent on when development proceeds.

#### Wholesale Water Rate

The 2012 wholesale rate is proposed at \$0.5699, an increase of \$0.0149. The proposed rate is subject to Regional Water Supply Commission's approval. Currently the wholesale rate accounts for 36.2% of the retail rate which remains the same with the proposed increase.

#### Agriculture Water Rate

The Agriculture water rate has been maintained at the 2011 rate of \$0.2126 subject to Regional Water Supply Commission's recommendation. The Regional Water Supply Commission budget pays for the difference between the retail rate and the agricultural rate.

#### 2012 Retail Water Rate

The proposed retail water rate is \$1.5820, an increase of \$0.0411. The rate increase reflects the increase in the operations budget, capital investments, and an increase in the wholesale rate. As a result the cost to the average household will increase by \$9.62 per annum (page 9). The increase in the distribution component of the retail rate is \$6.13 per annum for the average residential customer.

#### 5-Year Water Rate Projection

The 5-year water rate projection is attached (Attachment 1). The projections should be considered as a general indication of future water rates and is based on information currently available.

#### Selected 2011 Accomplishments

- Replaced over 4,500 metres of water mains.
- Commissioned Helgeson and Nicklaus pump stations.
- Completed an update of the development cost charge capital infrastructure and bylaw.

#### Performance Indicators

For the past several years, the CRD has participated in the National Water Benchmarking, one of 32 utilities to do so. Benchmarking allows participants to highlight strengths and identify areas for improvement.

The attached report (Attachment 2) summarizes CRD Integrated Water Services performance in comparison to the participating municipal services providers.

### **RECOMMENDATION**

That the Juan de Fuca Water Distribution Commission recommends that the Capital Regional District Board:

1. Approve the 2012 Capital and Operating Budget; and
2. Approve the 2012 retail water rate of \$1.5820 per cubic metre, adjusted if necessary by any change in the proposed wholesale rate; and
3. Amend the Water Distribution Local Service Conditions, Fees and Charges bylaw accordingly.

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