



**REPORT TO JUAN DE FUCA WATER DISTRIBUTION COMMISSION  
MEETING OF TUESDAY, NOVEMBER 6, 2012**

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**SUBJECT      2013 CAPITAL AND OPERATING BUDGET**

**PURPOSE**

The purpose of this report is to provide a synopsis of the 2013 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 2013 has increased by \$8,935,116 million which reflects new infrastructure additions associated with the continuing development in the service area and the water main replacement and fire flow upgrade programs (Pages 2 & 3 of the budget document).

Revenue Requirement

The revenue requirement for 2013 has increased by \$334,582 (Page 4) which is comprised of an increase in depreciation related to capital investments of \$195,282, increase in the operations expenditure budget of \$134,500 and a slight increase in return on the rate base of \$4,800.

Operating Expenditures Budget

The 2013 board budget reflects an increase in non-discretionary expenses such as negotiated wage/salary increases and maintenance increases due to new infrastructure additions. The net increase in the Board budget from previous year (Page 5) is approximately \$134,500.

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

- 2 pump stations
- 4 pressure regulating stations
- approximately 6,500 metres growth related water main additions
- 7,581 metres of water main were replaced
- 29 fire hydrants
- 139 large meters
- 606 residential meters

Capital Budget

The projected capital expenditures for the period 2013 through 2017 total \$36.165 million, excluding Development Cost Charge (DCC) expenditures, plus \$1.793 million shared with the Regional Water Supply System. Major expenditures over the five year period include the Annual Pipe Replacement Program (\$11.45 million), Fire Flow Upgrade Program (\$9.4 million), Residential Meter Replacement (\$4.8 million), Pump Station Replacement/Rehabilitation (\$3.0 million), Sooke Road Water Main (\$2.3

million) and Jacklin Road Water Main (\$1.650 million). Attachment 1 reflects the projected additional debt required to sustain the five year capital plan. Attachment 2 reflects the debt servicing costs on the projected debt.

The 5-year capital budget for DCC projects totals \$6.732 million. Expenditures on DCC projects are dependent on when development proceeds.

#### Wholesale Water Rate

The 2013 wholesale rate is proposed at \$0.5888 per cubic metre, an increase of \$0.0189 per cubic metre. The proposed rate is subject to Regional Water Supply Commission's approval. Currently the wholesale rate accounts for approximately 35% of the retail rate.

#### Agriculture Water Rate

The 2013 Agriculture water rate has been maintained at the 2012 rate of \$0.2105 per cubic metre subject to Regional Water Supply Commission approval. The Regional Water Supply budget pays for the difference between the retail rate and the agricultural rate.

#### 2013 Retail Water Rate

The proposed retail water rate is \$1.7032 per cubic metre, an increase of \$0.1110 per cubic metre. The rate increase reflects the increase in the operations budget, increase in the wholesale rate and a 401,000 cubic metre reduction in the budgeted demand volume from 2012 to align with the actual demand trend. As a result, the cost to the average user will increase by \$25.97 per annum (Page 8). Approximately \$19.00 of this increase is attributable to the budget demand volume reduction adjustment. The increase in the distribution component of the retail rate is \$6.97 per annum for the average residential customer.

#### 5-Year Water Rate Projection

The 5-year water rate projection is attached (Attachment 3). As in previous projections, it is assumed that the demand remains constant. The projections should be considered as a general indication of future water rates and is based on information currently available.

### **RECOMMENDATIONS**

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

1. Approve the 2013 Capital budget and 2014-2017 capital plan;
2. Approve the 2013 Operating Budget;
3. Approve the 2013 retail water rate of \$1.7032 per cubic metre, adjusted if necessary by any change in the proposed wholesale rate; and
4. Amend the Water Distribution Local Service Conditions, Fees and charges Bylaw accordingly.

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Attachments: 3