

**This letter contains important information related to water and wastewater utility rates.**

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January 9, 2025

**MD of Pincher Creek Utility Customer;**

This letter is to inform MD of Pincher Creek (MD) utility customers that the MD is proposing changes to utility bylaw rates for all users of water and wastewater systems in the MD of Pincher Creek. We will be hosting an open house later this Winter/Spring 2025 where feedback can be given regarding the proposed changes. Please keep an eye on our website and social media for details regarding this open house.

Alternatively, please submit feedback via email to [info@mdpincercreek.ab.ca](mailto:info@mdpincercreek.ab.ca).

**SUMMARY OF PROPOSED CHANGES**

The following is a full list of proposed changes to utility rates (billed every 2 months):

|                            |  | Current | 2025 Rate<br>(Once in effect)         | 2026 Rate                          | 2027 Rate                             | 2028 Rate                        |
|----------------------------|--|---------|---------------------------------------|------------------------------------|---------------------------------------|----------------------------------|
| <b>Residential</b>         | Water Base Rate                              | \$20    | \$30                                  | \$40                               | \$50                                  | \$60                             |
|                            | Water Consumption Rate (per m <sup>3</sup> ) | \$1.15  | \$1.44                                | \$1.70                             | \$2.01                                | \$2.30                           |
|                            | Sewer Base Rate                              | \$12    | Lundbreck: \$18<br>Beaver: \$21       | Lundbreck: \$24<br>Beaver: \$30    | Lundbreck: \$30<br>Beaver: \$39       | Lundbreck: \$36<br>Beaver: \$48  |
|                            | Sewer Consumption Rate (per m <sup>3</sup> ) | \$0     | Beaver: \$0.06                        | Beaver: \$0.13                     | Beaver: \$0.19                        | Beaver: \$0.25                   |
|                            | Waste Collection Rate                        | \$20    | \$22.50                               | \$25                               | \$27.50                               | \$30                             |
| <b>Rural – Non Cistern</b> | Water Base Rate                              | \$25    | \$56.25                               | \$87.50                            | \$118.75                              | \$150                            |
|                            | Water Consumption Rate (per m <sup>3</sup> ) | \$1.32  | \$1.82                                | \$2.31                             | \$2.81                                | \$3.30                           |
| <b>Rural Cistern</b>       | Water Base Rate                              | \$20    | \$30                                  | \$40                               | \$50                                  | \$100                            |
|                            | Water Consumption Rate (per m <sup>3</sup> ) | \$1.15  | \$1.44                                | \$1.70                             | \$2.01                                | \$2.30                           |
| <b>Commercial</b>          | Water Base Rate                              | \$50    | \$55                                  | \$60                               | \$65                                  | \$70                             |
|                            | Water Consumption Rate (per m <sup>3</sup> ) | \$1.50  | \$1.70                                | \$1.90                             | \$2.10                                | \$2.30                           |
|                            | Sewer Base Rate                              | \$50    | Lundbreck: \$56.25<br>Beaver: \$62.50 | Lundbreck: \$62.50<br>Beaver: \$75 | Lundbreck: \$68.75<br>Beaver: \$87.50 | Lundbreck: \$75<br>Beaver: \$100 |
|                            | Sewer Consumption Rate (per m <sup>3</sup> ) | \$0     | Beaver: \$0.04                        | Beaver: \$0.08                     | Beaver: \$0.11                        | Beaver: \$0.15                   |
|                            | Waste Collection Rate                        | \$40    | \$40                                  | \$40                               | \$40                                  | \$40                             |



|                           |  | Current | 2025 Rate<br>(Once in effect) | 2026 Rate | 2027 Rate | 2028 Rate |
|---------------------------|--|---------|-------------------------------|-----------|-----------|-----------|
| Institutional<br>(School) | Bulk Fill Rate                               | \$2.64  | \$2.97                        | \$3.31    | \$3.64    | \$3.97    |
|                           | Water Base Rate                              | \$50    | \$112.50                      | \$175     | \$237.50  | \$300     |
|                           | Water Consumption Rate (per m <sup>3</sup> ) | \$1.50  | \$1.70                        | \$1.90    | \$2.10    | \$2.30    |
| Industrial                | Sewer Base Rate                              | \$50    | \$87.50                       | \$125     | \$162.50  | \$200     |
|                           | Water Base Rate                              | \$50    | \$75                          | \$100     | \$125     | \$150     |
|                           | Water Consumption Rate (per m <sup>3</sup> ) | \$1.50  | \$1.70                        | \$1.90    | \$2.10    | \$2.30    |
| Manufactured<br>Home Park | Sewer Base Rate                              | \$50    | \$75                          | \$100     | \$125     | \$150     |
|                           | Water Base Rate                              | \$50    | \$75                          | \$100     | \$125     | \$150     |
|                           | Water Consumption Rate (per m <sup>3</sup> ) | \$1.50  | \$1.70                        | \$1.90    | \$2.10    | \$2.30    |
| Community/<br>Non-Profit  | Sewer Base Rate                              | \$50    | \$87.50                       | \$125     | \$162.50  | \$200     |
|                           | Water Base Rate                              | \$0     | \$10                          | \$20      | \$30      | \$40      |
|                           | Water Consumption Rate (per m <sup>3</sup> ) | \$0     | \$0.58                        | \$1.15    | \$1.73    | \$2.30    |
| Province<br>(Parks)       | Sewer Base Rate                              | \$0     | \$7.50                        | \$15      | \$22.50   | \$30      |
|                           | Water Base Rate                              | \$400   | \$600                         | \$800     | \$1000    | \$1200    |
| Cowley                    | Water Consumption Rate (per m <sup>3</sup> ) | \$1.50  | \$1.70                        | \$1.90    | \$2.10    | \$2.30    |
|                           | Water Base Rate                              | \$400   | \$750                         | \$1,100   | \$1,450   | \$1,800   |
| Castle<br>Mountain        | Water Consumption Rate (per m <sup>3</sup> ) | \$1.15  | \$1.44                        | \$1.70    | \$2.01    | \$2.30    |
|                           | Water Base Rate                              | \$5,000 | \$5,000                       | \$5,000   | \$5,000   | \$5,000   |
|                           | Water Consumption Rate (per m <sup>3</sup> ) | \$1.50  | \$1.70                        | \$1.90    | \$2.10    | \$2.30    |

The remainder of this letter contains further details on the effect and reasoning for the proposed changes. Alternatively, please visit our website (<https://mdpinchercreek.ab.ca/content.php?p=173>) for further details.



## Average Billing Increases

Below are summaries of how the proposed changes will effect billing for an average user in each rate class:

### Summary of Proposed Changes – 2025

| User Group                      | Usage m3 | Current Typical Bill | 2025 Typical Bill | Actual Dollar Increase |
|---------------------------------|----------|----------------------|-------------------|------------------------|
| Residential (Lundbreck)         | 30       | \$87                 | \$114             | \$27                   |
| Residential (Beaver Mines)*     | 30       | \$87                 | \$119             | \$32                   |
| Residential (Rural Cistern)     | 50       | \$77.50              | \$112             | \$34                   |
| Residential (Rural Non Cistern) | 50       | \$91                 | \$147             | \$56                   |
| Commercial (Lundbreck)          | 100      | \$290                | \$321             | \$31                   |
| Commercial (Beaver Mines)*      | 100      | \$290                | \$338             | \$48                   |
| Bulk Fill Rate                  | 30       | \$79                 | \$89              | \$10                   |
| School                          | 180      | \$410                | \$506             | \$96                   |
| Industrial                      | 100      | \$290                | \$360             | \$70                   |
| Manufactured Home Park          | 500      | \$850                | \$1,013           | \$163                  |
| Community/Non-Profit            | 30       | \$0                  | \$35              | \$35                   |
| Province (Parks)                | 50       | \$475                | \$685             | \$210                  |
| Cowley                          | 2400     | \$3,360              | \$4,350           | \$990                  |
| Castle Mountain Resort          | 3000     | \$9,500              | \$10,100          | \$600                  |

### Summary of Proposed Changes – 2028

| User Group                      | Usage m3 | Current Typical Bill | 2028 Typical Bill | Actual Dollar Increase |
|---------------------------------|----------|----------------------|-------------------|------------------------|
| Residential (Lundbreck)         | 30       | \$87                 | \$195             | \$108                  |
| Residential (Beaver Mines)*     | 30       | \$87                 | \$212             | \$125                  |
| Residential (Rural Cistern)     | 50       | \$77.50              | \$215             | \$138                  |
| Residential (Rural Non Cistern) | 50       | \$91                 | \$315             | \$224                  |
| Commercial (Lundbreck)          | 100      | \$290                | \$415             | \$125                  |
| Commercial (Beaver Mines)*      | 100      | \$290                | \$455             | \$165                  |
| Bulk Fill Rate                  | 30       | \$79                 | \$119             | \$40                   |
| School                          | 180      | \$410                | \$914             | \$504                  |
| Industrial                      | 100      | \$290                | \$570             | \$280                  |
| Manufactured Home Park          | 500      | \$850                | \$1,500           | \$650                  |
| Community/Non-Profit            | 30       | \$0                  | \$139             | \$139                  |
| Province (Parks)                | 50       | \$475                | \$1,315           | \$840                  |
| Cowley                          | 2400     | \$3,360              | \$7,320           | \$3,960                |
| Castle Mountain Resort          | 3000     | \$9,500              | \$11,900          | \$2,400                |

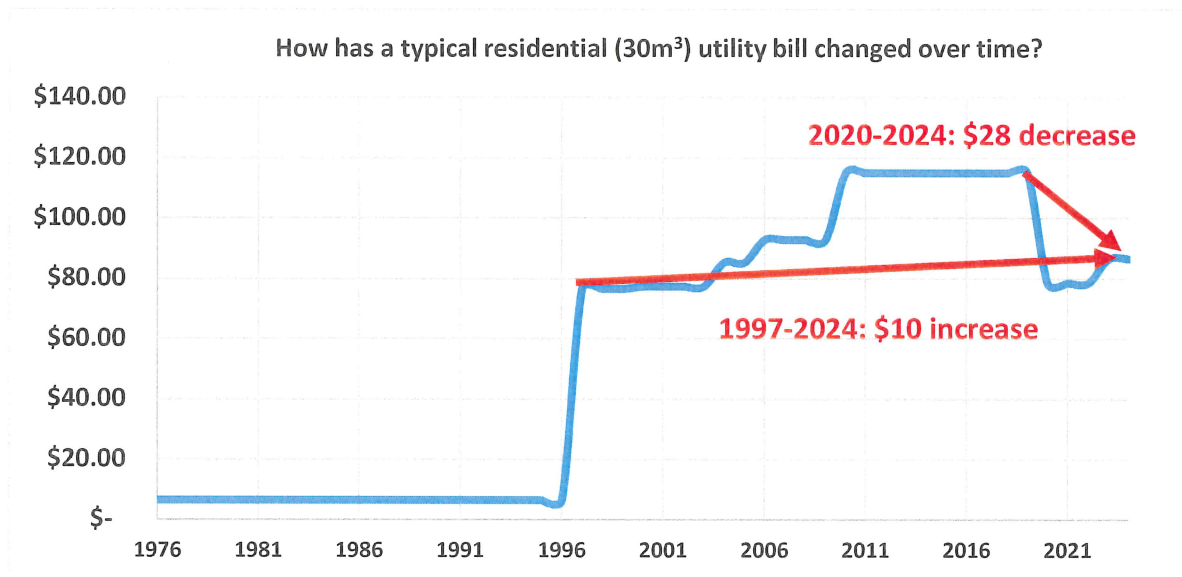
**Red:** New Rate Class

\*: Includes a new sewer consumption charge (previously flat rate only)

## FREQUENTLY ASKED QUESTIONS

### Q) What is the reason for the proposed changes?

A) The primary reason for the changes to the MD's utility (water, sewer, waste) billing is the increasing gap between the MD's utility revenue and operational costs. The MD's utilities have historically brought in less revenue than the expenses required for operation. This gap has increased in recent years as new systems have come into service with minimal changes to utility billing. In fact (as seen in *Figure 1*), with the change to metered billing, charges to residents (for example) have dropped roughly 25% from 2020 to 2024.



*Figure 1: Utility Bill Changes over Time*

Municipalities typically attempt to recover a large portion (or all) of water and sewer operations cost, as well as reserve contributions, through utility bills. The MD's financial gap is being covered by tax revenues.

Between 1997 and 2024 (27 years), the average residential utility bill increased from \$76.50 to \$86.50 (*Figure 1*). If we were to assume utility billing covered operational expenses in 1997, and operational expenses had increased at the pace of inflation, the average bill would be \$136.62 today. Increases fell well below the pace of inflation for other user groups as well.

The MD's utility systems (primarily water and sewer) have however changed significantly over the past fifteen years, resulting in increased expenses beyond the rate of inflation. It is also likely that utility rates in 1997 failed to cover utility expenses fully.

**Q) Why have water and sewer operational expenses increased since 1997?**

A) Here are some of the major system upgrades completed in the last 15 years:

- **2009-2013:** Major Lundbreck water and sewer infrastructure rehabilitation
- **2013/14:** New water treatment plant North of Cowley
- **2018/19:** New intakes (Oldman Reservoir). Pipeline to Beaver Mines
- **2019/20:** Pipeline from Beaver Mines to Castle Mountain
- **2021:** Lundbreck lagoon aerator installations
- **2022/23:** Beaver Mines water/sewer and wastewater treatment system. New standpipes
- **2024:** New drought resilient intakes (Oldman Reservoir)

The MD was able to secure external funding to cover a large portion of capital costs for many of the upgrades above. However, grants are not available to cover operating costs. The increased complexity, redundancy, and geographical area of the systems means higher operational costs to safely deliver water and handle sewage. Costs to deal with the regulatory requirements around testing and ensuring the safety of water supply and sewage disposal have also increased significantly since 1997.

The MD was also forced to deplete the water and wastewater reserve and fund more operating expenses from tax revenue to deal with a \$1.5M increase in operational expenses during the 23/24 water supply crisis.

**Q) How much of a gap is there between revenue and operating expenses?**

A) 2023 and 2024 were not representative years due to the water supply crisis the MD was faced with. In 2022, roughly \$200,000 in expenses were covered by utility rate revenues, with an additional \$260,000



covered by tax revenue. Wastewater operational costs were much lower as the Beaver Mines treatment facility was not yet in service, resulting in a smaller gap (under \$15,000). Both gaps are expected to increase.

**Q) Why is the MD proposing an increase now?**

A) MD Council and Administration have been dedicating a significant amount of resources and time to upgrade water and sewer systems throughout the MD and deal with the unexpected water supply crisis in 23/24. While rate increases have been on the radar for a while, ensuring safe water supply was prioritized over reviewing utility billing rates.

Due to the significant changes to system operations over the last 3-7 years, it had also been difficult to estimate what the increased operational cost to the system would be year over year. Now that the majority of the regional system has been operational for a few years, operational costs have started to stabilize to the point that we are confident revenue increases are required to deal with operational cost increases.

**Q) Can't the MD decrease operating expenses instead of increasing utility rates?**

A) Operational staff are constantly looking for efficiencies in how water and sewer systems are operated and maintained. However, there are limitations on what we can do while still meeting our legislated approvals and maintaining safe treated water. We also want to avoid emergent situations going forward such as the 23/24 water supply crisis, or the City of Calgary's 2024 major infrastructure failures. Spending on planning and preventative maintenance now will lower the the long term operational costs of the system.

**Q) When will the changes go into effect?**

A) An amendment to Utility Bylaw 1344-22 will need to be passed before any changes go into effect. The MD anticipates putting forth an amended bylaw in Spring 2025 after gathering feedback from utility customers in early 2025. Current Utility Bylaw 1344-22 and Amending Utility Bylaw 1351-24 can be found on the MD website: (<https://mdpincercreek.ab.ca/content.php?p=142>)

**Q) How do the MD's utility rates compare to other municipalities?**

A) This varies depending on the user group and is beyond the scope of this letter. In general, the average utility bill for user groups in the MD in 2024 was significantly lower then all surrounding municipalities. The proposed changes will bring the rates in line with the average of surrounding municipalities (based on 2024 rates) for a typical user by 2028. However, it would be expected that surrounding municipalities increase their rates as well through 2028. Therefore, the average bill will likely remain below what you would pay if you lived in a surrounding municipality. A residential example is shown below.

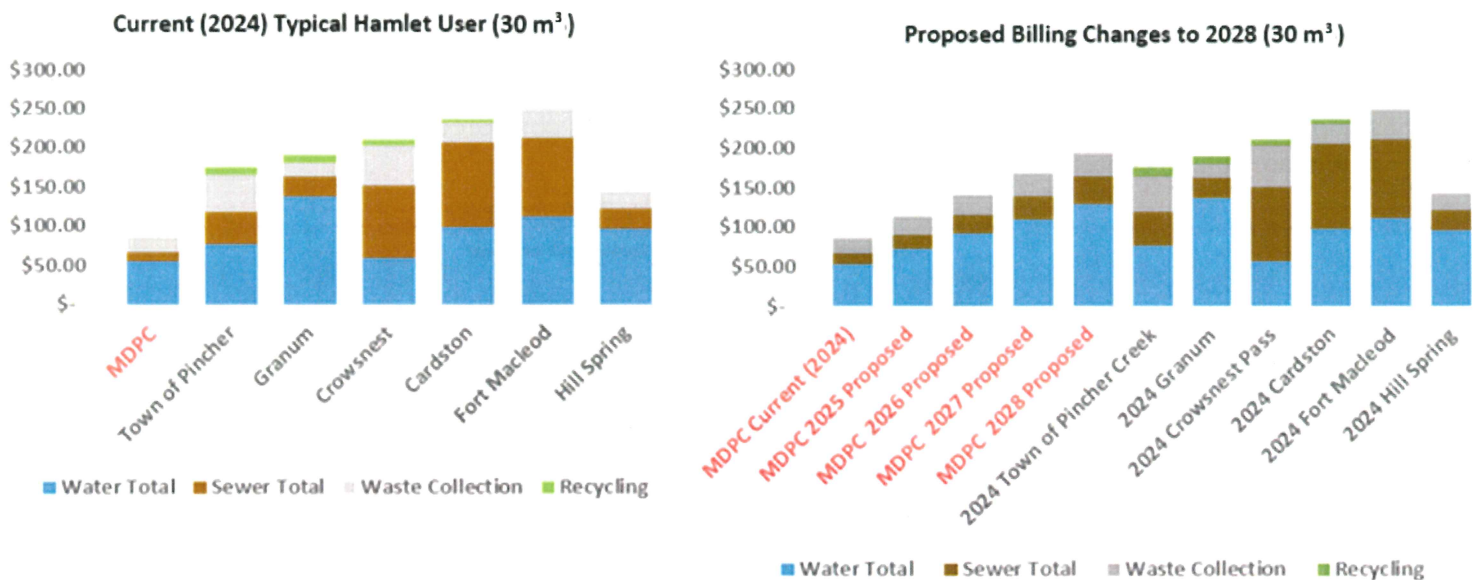


Figure 2: Hamlet Residential Billing Comparison & Changes



**Q) The MD system has less people and businesses connected to water and sewer systems. Shouldn't it be less costly to operate than other systems?**

A) No. Having less users for similar treatment and distribution systems means the cost per user will be higher per user. While the water distribution and sewer collection system within Hamlets are similar operations wise to the Town of Pincher Creek (for example), the MD has a significant amount of infrastructure to transport water to end locations, which are all up hill. The overall system consists of:

- Four (4) intakes on the Oldman Reservoir
- 60km of transmission pipeline, including a major crossing of the Castle River
- Five (5) treated water storage tanks
- One (1) water treatment plant
- Three (3) pump stations
- Three (3) meter stations
- One (1) aerated lagoon
- One (1) sewage lift station, forcemain, and treatment system

The MD is constrained by Alberta's South Saskatchewan River Basin (SSRB) plan & the water licensing system in where the intakes and (therefore) water infrastructure is located. This is why the MD must transport water over a longer distance than some of the neighbouring municipalities.

**Q) Why are some rates increasing more than others?**

A) The operational and long term maintenance cost to deliver water and sewer systems to different user groups varies. Rural users tied into a cistern with pressure protection and flow control (for example), place much less burden on the transmission pumping systems than those without such a setup. Pipeline users without these controls are also at higher risk of creating cross connection, which can be costly to deal with.

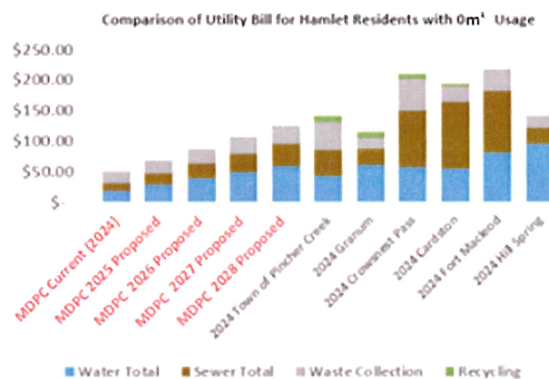
Other user groups (such as a school, or industrial facility) also typically have larger lines and more infrastructure dedicated to their water and sewer services. This infrastructure will be more costly to repair when the time comes.

We have also compared all user group against what neighbouring municipalities are doing. Some user groups are paying significantly less than counterparts in neighboring municipalities. Residential bills in Hamlets (for example) are much more below the average of neighbouring municipalities than commercial bills, hence the lower rate of increase for commercial users in the MD versus the relatively larger increase in residential bills.

**Q) I'm concerned about my ability to afford a utility bill increase. What are my options?**

A) The MD is proposing a phased increase over 4 years as opposed to an immediate significant increase as Council is aware that this cost addition will be difficult to handle for some residents. Rates have also been setup so that users whom use less water save more on their bills compared to other municipalities. Users whom are able to conserve water will save on utility bills.

Figure 3: No Consumption Utility Bill (Lundbreck)





Charging base rates without usage is necessary so the MD can cover base costs for pipes, tanks, pumps, and general system aging, which occurs regardless of whether water and sewer lines are being actively used. Users whom wish to turn off water and sewer systems must still pay base rates.

Unpaid utility bills will end up on your tax roll. If you are concerned about your ability to make a payment, please reach out to the MD Office.

We wish everyone in the community a safe, happy, and healthy Winter.

Regards,



Roland Milligan, CAO



David Desabrais, Utilities & Infrastructure Manager