



CITY OF HAMILTON

PUBLIC WORKS DEPARTMENT
Hamilton Water Division

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| TO: Chair and Members Public Works Committee | WARD(S) AFFECTED: CITY WIDE |
| COMMITTEE DATE: February 4, 2013 | |
| SUBJECT/REPORT NO: Wastewater Abatement Program Changes and Sanitary Surcharge and Wastewater Abatement By-law No. 03-272 Amendments (PW13006) - (City Wide) | |
| SUBMITTED BY: Gerry Davis, CMA General Manager Public Works | PREPARED BY: Dan McKinnon (905) 546-2424, Extension 5941 |
| SIGNATURE: | |

RECOMMENDATION

- (a) That staff be directed to amend the City of Hamilton Wastewater Abatement Program to reflect that the calculation used for determining potential eligibility for the program shall include water provided from the municipal water supply only;
- (b) That the City of Hamilton's Sanitary Surcharge and Wastewater Abatement By-law No. 03-272 be amended to reflect item (a) above, in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

The purpose of this report is to seek approval to amend the Wastewater Abatement Program (WWAP) and specifically the Sanitary Surcharge and Wastewater Abatement By-law 03-272 (By-law) which is managed and enforced by Hamilton Water.

Throughout the City there are a number of commercial and industrial customers whereby as a result of their water use a considerable difference between metered water consumption and the sewage discharged into the City's sewer system occurs. The intent of WWAP is to calculate the difference between potable water consumption and corresponding wastewater flows entering the municipal sewer system and determine if there should be a reduction in sewer charges consistent with the principles established by Council. Eligible commercial and industrial customers are able to apply for an assessment of the flow differential between water use and sewage discharged to the

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City's sewers when water is consumed in the customers' product or process. Upon qualifying, an abatement factor is applied to their water bill; and allows for a credit on the Sewer Surcharge portion of their water bill to more accurately reflect their use of the City's sewer systems.

An issue has been identified that potentially allows for a rebate to occur whereby the calculation includes water inputs from sources other than water purchased from the City. The calculation for the rebate is currently formatted to account for all water sources to be included in the overall mass balance but does not stipulate that the rebate applies to municipally supplied water only. In effect, a company could receive a rebate on water they take from and return to the Harbour or other non-potable water source because technically it is water diverted from City sewers. As this is not the intent of the program, it is necessary to amend the Bylaw at this time. As such, it is recommended to amend the WWAP and By-law to restrict the sources of the wastewater qualifying for abatement to City of Hamilton supplied potable water only. This will have no effect on the current program participants as all approved Wastewater Abatement Program participants to date have been based on purchased City potable water as the sole source of water supplied to the property.

The recommendations contained in this Report support the Mission Statement of the Public Works Business Plan "Innovate Now" to *"Provide safe, strategic and environmentally conscious services that bring our communities to life"*.

Alternatives for Consideration - See Page 4

FINANCIAL / STAFFING / LEGAL IMPLICATIONS

Financial: The recommended amendments to the WWAP and related Bylaw will eliminate the potential of significant negative impacts to the City's Rate revenues.

Staffing: N/A

Legal: The recommendations in this report will result in an amendment to the By-law which will better reflect the intended purpose of the Wastewater Abatement Program. .

HISTORICAL BACKGROUND

The WWAP was approved by the City in 2003 (refer to report FCS02125/TOE02201) and was phased in over a three year period. This program currently recognizes that the potential difference between water consumption and sewage discharged may be significant and is usually sustained throughout the year for a limited number of businesses in the commercial/industrial sector.

To qualify for the WWAP a commercial/industrial customer is required to demonstrate a minimum 25% diversion threshold and may only be eligible for a 75% maximum abatement. The customer's discharge must also be in compliance with the Sewer Use By-law 04-150 and they cannot be in arrears of their water and sewer payments or municipal property taxes to the City. The minimum 25% sewer surcharge would be applied since the sewer system must be maintained even if the discharge is low. Sewer

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systems are provided based on zoning requirements and involve more infrastructure for larger commercial/industrial customers since their flows are larger. The minimum charge ensures that large customers with large flow differentials continue to contribute some funding to the sanitary sewer system. Residential dwellings are not eligible for the WWAP. Since the WWAP was approved in 2003, a total of nine industrial firms have applied and qualified for an abatement ranging from 7.43% to 66.75% of their sewer surcharge totalling approximately \$4 million to date.

Some large commercial/industrial users pump large quantities of water from Hamilton Harbour to their facility for cooling and other purposes. Much of this water is returned to its' source and does not enter the City sewer system. This has been identified as an issue as the current program and By-law potentially allow for a rebate on water from sources other than water purchased from the City. As this was not the intent of the program, it is important to address it at this time. All approved wastewater abatements to date have been based on purchased potable water as the sole source of water supplied to the property. There are other large commercial/industrial ratepayers that utilize Harbour water or other non-potable water sources that could also apply for and potentially qualify for a wastewater abatement on non-potable water that was not originally purchased from the City.

POLICY IMPLICATIONS

N/A

RELEVANT CONSULTATION

City Manager's Office - Legal Services Division has been consulted and their comments have been reflected in this report.

Corporate Services - Financial Planning and Policy Division has been consulted and supports this report's recommendations.

ANALYSIS / RATIONALE FOR RECOMMENDATION

The WWAP was developed in 2003 and was created using similar programs in neighbouring municipalities as reference, most notably Barrie, Peel and Toronto. The flow differential calculations were almost identical in Peel and Toronto, and were adopted by Hamilton. In 2010, both Peel and Toronto repealed and released new By-laws to regulate their WWAPs and added language to restrict rebates to water supplied by the City. Barrie followed suit in 2011 by releasing its' updated By-law with the major change being a phase out of exemption on irrigation water. Barrie's application form is broken down by water meter so there is no place to enter a rebate for water not supplied by the City in the calculation.

The WWAP has had nine commercial/industrial sector businesses qualify for abatement since inception in 2003 and sources other than City of Hamilton potable water have not been included in the calculation of water supplied to the property for any of these simply

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because these facilities didn't utilize such other non-potable water in their processes. Given that the intent of the program is to rebate a portion of the sanitary surcharge, it follows that only City supplied potable water should be used in the calculation. It is good practice to gather the sources and quantities of all water utilized on the property to ensure non-City supplied water is not entering the sanitary sewers. If it was entering the sanitary sewers, the consumer would be subject to surcharge fees. This is the reason the values were collected during the application process, however the current format of the application and the calculation outlined in the By-law need to be amended to reflect the intent of the program.

The recommendations in this report propose to amend the WWAP and By-law so that only City supplied potable water is included in the wastewater abatement calculation.

ALTERNATIVES FOR CONSIDERATION

Retain a consultant to review and make recommendations on program and By-law changes. However, this alternative wouldn't resolve the issue immediately. If this issue is not addressed in a timely manner, the City may inadvertently be in a position where abatements for significant dollar values might be calculated for commercial or industrial consumers when City supplied potable water is not involved.

It is however, appropriate to retain a consultant in the next 1-2 years to perform a full review and recommendations on the WWAP and By-law following these amendments as they are approaching ten years old and may not reflect current methodologies.

CORPORATE STRATEGIC PLAN

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Financial Sustainability

- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner

Growing Our Economy

- ◆ Competitive business environment

APPENDICES / SCHEDULES

None