

# New Utility Rate Structure: A snapshot

## Guiding Principles

The work leading up to the new rate structure included a multi-year financial planning process. To ensure the rate structure aligned with industry best practices, a set of guiding principles were developed and tested with the community:



1. Invoice predictability and revenue stability



2. Customer understanding and administrative ease



3. Equity

To ensure these principles were met, an extensive public consultations process was conducted from June 2021 to February 2022. Results showed residents and businesses prioritized the principle of equity or “pay for what you use.”

## Why did Peel need a new rate structure?



As over 80% of the operating costs to manage the water and wastewater system are fixed, a consumption-based structure no longer worked. The new rate structure, with a fixed service fee for all customers (recovering 20% of the overall revenue) paired with a consumption charge, provides more revenue stability for Peel, allowing for more accurate budgeting and supports reliable infrastructure over the long term.



## The service delivery charge



This fixed, quarterly charge is based on the size of the meter at each property. On average, for a single-unit residential home, there is a service delivery charge of \$42.32 for water and \$29.05 for wastewater for a total of \$71.37 per quarter. There are 11 sizes of meter used in Peel and as the meter size goes up, so does the service delivery charge.

# Comparing an average and lower consumption residential customer

## Bill comparison for single-unit residential customer

	2024 bill without new structure	2024 bill with new structure	% change
Average water consumption: used 73 cubic metres	\$244.19	 <b>\$250.09</b> \$178.72 (consumption) + \$71.37 (service charge)	2%
Small water consumption: used 30 cubic metres	\$100.35	 <b>\$133.94</b> \$62.57 (consumption) + \$71.37 (service charge)	33%

## Cost to provide service



Adding a service delivery charge in the rate structure indicates that there is a minimum cost to serve customers, regardless of how much water is used. Fixed expenses such as water quality monitoring, system maintenance, customer service, meter reading and billing need to be incurred regardless of how much water is consumed by customers.

Peel’s businesses and multi-unit residential customers have a lower cost to serve than single-unit residential, because the system has to expand to service each individual home. Under the previous rate structure, the higher volume users were paying a portion of the low volume users share of the system availability costs.

## Key messages

1. Under the previous rate structure, customer bills with low water consumption were unlikely to cover the actual cost to provide water and wastewater services to them.
2. The new rate structure now has customer types: single-unit residential, multi-unit residential and business. This change allowed Peel to calculate the cost to serve each customer type and ensure the new structure allocated costs equitably.
3. Whether a customer uses no water or 100 cubic meters, the same set of pipes are required to service the property. Pipes need to be maintained and clean drinking water must be ready whenever they turn on the tap. The new service delivery charge supports these ongoing and necessary system costs, regardless of the amount water used.
4. Since April 1, 2024, an increase in bill amount for some customers may be due to the fixed service delivery charge. Higher bills can also be caused by undetected leaks and increased summer watering.