



July 17, 2018

Saskatoon North Partnership for Growth – Regional Oversight Committee  
Suite 103, 202 Fourth Ave North  
Saskatoon, SK, Canada, S7K 0K1

Re: Regional Water Supply Transition Fee and Service Plan

Dear Colleagues:

On April 20<sup>th</sup>, 2018 members of the North Saskatoon Partnership For Growth (P4G) Regional Oversight Committee (ROC) met SaskWater and the Honourable Bronwyn Eyre to discuss water supply issues in the P4G Region – and particularly water supply options for the City of Martensville. At this meeting, the group was tasked with developing a strategy to solve existing water supply concerns in the P4G Region by the end of June 2018 – and in particular, a strategy that would allow the City of Martensville water grant to proceed.

I am pleased to report that, following several constructive and collaborative meetings between P4G and SaskWater, the parties have developed some key shared principles to move forward with new water supply arrangements in the P4G Region.

On June 27, 2018 the P4G-SaskWater working group came to agreement, in principle, for the basis of a P4G Regional Water Supply Transition Fee (RWSTF) and Service Plan that would see the City of Saskatoon assume responsibility from SaskWater for providing potable water to the City of Martensville. This plan was based on a spirit of compromise and compensation to SaskWater in order to help mitigate potential negative impacts to other users on SaskWater's regional system around Saskatoon.

The key principles of the proposed P4G Regional Water Supply Transition Fee and Service Plan, as set out in items 1 to 6 of Appendix A, will be discussed with P4G member elected officials, the Minister Responsible for SaskWater and the SaskWater Board of Directors with a view to formally agreeing to the proposed principles by the end of August 2018.

Yours truly,

Alex Fallon  
Independent Chair, Regional Oversight Committee  
President and CEO, Saskatoon Regional Economic Development Authority

Cc: Administrator Adam Tittlemore, RM of Corman Park  
Chief Administrative Officer, Sheila Crawford, Town of Osler  
City Manager Scott Blevins, City of Martensville  
City Manager Bob Smith, City of Warman  
City Manager Jeff Jorgenson, City of Saskatoon  
Galen Heinrichs, Water and Sewer Engineering Manager, City of Saskatoon  
Doug Matthies, President, SaskWater  
Eric Light, Operations and Engineering Vice President, SaskWater  
Randy Avery, Business Development Director, SaskWater

## **Appendix A: P4G Regional Water Supply Transition Fee and Service Plan – Key Principles**

**1 – FUTURE URBAN AREAS:** Current agreements with SaskWater recognize the distinct urban boundaries of the urban areas and recognize changes in boundaries through annexations. One of the key intentions of the P4G partnership is to jointly plan for land use, development and servicing in the P4G partners' future urban areas and rural-urban fringe. The P4G region desires to utilize a model where all infrastructure (including wastewater and storm water) is planned simultaneously within an urban context. Further, the P4G region desires to finance major physical utility assets using a method similar to the off-site levy method used by the municipalities. SaskWater agrees that the provider of water & wastewater servicing within the P4G area will be at the discretion of the P4G municipalities. The P4G municipalities agree that if an existing SaskWater customer changes its service provider to a P4G municipality or P4G utility then a transition fee to SaskWater will be paid.

**2 – TRANSITION FEE:** The transition fee is two-thirds (2/3) of the net margin loss incurred by SaskWater payable for a period of 10 years. The net margin loss is calculated by multiplying the SaskWater margin loss of \$0.8811/cubic metre, less power cost of \$0.06/cubic metre, by the actual volume of potable water provided to the customer in the 12 month period of the last complete SaskWater fiscal year (i.e. April 1 to March 31). The SaskWater net margin loss per cubic metre will remain fixed at \$0.8211/cubic metre (\$0.8811 - \$0.06), until December 31, 2019, and thereafter is subject to renegotiation. The transition fee would be adjusted down at the end of each year based on the annual potable water volume for any new large single customers or communities supplied by SaskWater that use any Saskatoon water supply point, except in the case where SaskWater is required to invest in new infrastructure to secure services for the new large customer. For these purposes, a new large customer is defined as any new customer exceeding 30,000 cubic metres of potable water per year. If more than one SaskWater customer has changed its potable water service provider to a P4G municipality or P4G utility the adjustment to the transition fee for new large customer growth will be prorated across all such former customers based on the volume used in determining their individual transition fee amounts.

For Martensville to change its potable water service provider to Saskatoon, the above calculation is \$469,000/year, to be shared equally by Martensville and Saskatoon in the amount of \$234,500 each starting the month after the commissioning of the Martensville water line.

**3 – RESELLER RATE:** A reseller rate for potable water purchased from the City of Saskatoon, that is agreed to by the P4G municipalities and SaskWater, would apply to SaskWater, Martensville and any other P4G partner receiving direct potable water service from Saskatoon in accordance with the principles in this Appendix A. The new reseller rate is calculated separately from the current residential and commercial rate to accurately reflect the costs for supplying large water suppliers with their own local water distribution systems. The reseller rate will apply the month after the commissioning of the Martensville water line. SaskWater will flow through the reseller rate to all its customers that reside within the P4G region. No members of the P4G region will

be charged a lesser amount for potable water supplied by Saskatoon than the amount of the reseller rate charged to SaskWater.

**4 – GROWTH (OFF SITE) CONNECTION FEES:** The intention of the P4G members is that every new connection will make a single servicing agreement payment to reflect the cost of the required increase in capacity to the Saskatoon water infrastructure. The payment will be equivalent to the amount charged for capacity growth off-site levies for water in Saskatoon. Within cities, this payment will be made upon subdivision of property and in all other P4G communities the payment will be made upon connection of water service. The reseller rate will decrease by a proportional amount to reflect the transfer of capital costs from the utility rate to the connection rate. SaskWater will not be responsible for administering this charge but it is the desire of the P4G members that new physical connections are not made until the fee has been paid. The P4G municipalities and SaskWater agree to develop a plan on how to appropriately apply and phase in the connection fees over time to existing SaskWater customers, recognizing that communities, rural water associations and developers do not currently report individual connections to SaskWater and there may be limitations on how those customers could recover these new fees. SaskWater agrees not to guarantee potable water allocations to new customers without an agreement from the customer to commit to the payment of all connection charges when due.

**5 – VOLUME ALLOCATIONS:** Saskatoon is willing to increase volume allocations at all supply points for use by SaskWater outside the P4G boundary and outside of identified future urban areas that are inside the P4G boundary. Volume allocations within the P4G may be increased to SaskWater or P4G municipalities at the discretion of the P4G municipalities. Concerns about the method of allocating volumes, growth connection fees, and peaking factors will need to be specifically addressed in the new agreement.

**6 – RATES:** The parties recognize that further discussions between all parties will be needed on rates based on the principle of growth pays for growth (off-site levies) and reseller rate established by City of Saskatoon.