



# The Corporation of the Town of Tecumseh

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December 13, 2017

**Windsor Utilities Commission**

4545 Rhodes Drive, P.O. Box  
Windsor, Ontario N9A 5T7

Attention: Gary Rossi, P.Eng, Vice President

Dear Sir:

**RE: Request for Price Change to Bulk Supply Rates for Water**

Further to our last correspondence on the above matter, I am writing to provide a response to your last request for a price change to the Bulk Supply Rates for water supplied by WUC to the Town of Tecumseh.

As you are aware, the Bulk Supply Rates charged to Tecumseh are governed by the Agreement entered into by Windsor Utilities Commission, the Corporation of the Town of Tecumseh and the Corporation of the City of Windsor made November 10, 2004. A flow chart is attached outlining the Town's summary of the steps to be taken by the Commission when substantiating the appropriateness of a rate change.

By way of background, the issue is of a sensitive nature to the Town given that the Town relied on the price guarantees contained in the Agreement when opting not to pursue its own treatment facilities and when conducting its rate studies. Further, it needs to be recognized that this Agreement was negotiated at the same time as a Wastewater Agreement wherein the Town committed to significant capital investment to obtain treatment capacity from the City of Windsor. As such, any changes should only be imposed in strict compliance with the terms of the Agreement.

The Town wishes to summarize its concerns with regards to the above request as follows:

1. The Agreement (Schedule A) allows for the following price changes:
  - a. CPI Changes;
  - b. Regulatory Price Changes (RPC)
  - c. Non-Regulatory Improvement Price Changes (NRIPC)

Part III, Schedule A of the Agreement clearly provides that other than those types of changes provided for in the Schedule, the Bulk Supply Rates may not be increased.

2. A number of items included in your cost request are based on providing transmission mains. It is noted that under section 3 c) of the Agreement you are obliged to provide for these transmission mains. The volume is guaranteed under the section 2 a) of the Agreement at a "Maximum Daily Flow" of 87 MLD. We have not requested any increase in the Maximum Daily Flow. Accordingly, the Town maintains that any expense incurred related to quantity of water being supplied to the Town is not eligible for either an RPC or an NRIPC.
3. While WUC has provided certain details on its alleged RPC cost increases, there is insufficient detail and in some cases a complete lack of explanation on:
  - a. How the expense is attributable to a Provincial "**regulatory change**" impacting the manner in which water is to be "**treated**" or "**supplied**"?
  - b. How did this expense get passed on to its customers?

4. While WUC has provided certain details on its alleged NRIPC cost increases, there is insufficient detail and in some cases a complete lack of explanation on:
  - a. How the expense funded an **"improvement"** to the water treatment facilities. In other words, what part of WUC's water treatment facilities were made better by the expense - as opposed to maintaining and repairing the status quo.
  - b. How the **"improvement"** improved in a **"significant and measurable"** way the **"water quality"**
  - c. How did this expense get passed on to its customers over the last 10 years?
5. In calculating the adjustment, WUC did not appropriately set off the total of the historic CPI increases against their proposed rate increase as required under s.6(a), Part II, Schedule A of the Agreement.
6. Some of the costs included in the draft calculations from the Spring of 2017 are amortized over a 1-year period whereas the life expectancy of the asset to which the cost relates is more reasonably estimated at 10 to 20 or more years for treatment facilities. Distribution components would average in excess of a 50 year amortization. This method of amortization is unfair and is not how WUC has passed on the cost to its other customers. Accordingly, WUC has not applied these costs "fairly, evenly and equitably among all its customers" as required by s.6(a), Part II, Schedule A of the Agreement.
7. WUC has failed to recognize that the new reservoir being constructed in George Park adjacent to the A.H. Weeks Water Treatment Plant and upgrading of the A.J. Brian Pump Station in the City of Windsor were alternatives to honouring their original obligations to construct the Banwell Reservoir and Pump Station near the Town boundary at County Road 22, as called for in the Agreement. As such, there are no grounds for adding these costs into the rate paid by Tecumseh.
8. Much of the supply system referenced in the tables of improvements supplied by WUC are not relevant to improving the quality of water supplied to Tecumseh but are more likely characterized as enhancements to accommodate future development lands within the current boundaries of the City of Windsor, south of or otherwise adjacent to the airport.

At this juncture, there remains disagreement between WUC and the Town as to whether or not an increase to the Bulk Supply Rate is warranted and if warranted, the appropriate amount of the increase.

Section 7 of Part II of the Agreement contemplates that if the PJSLC (the Joint Committee which has not met in some time) cannot unanimously agree on these issues, they should be referred to arbitration as set out in section 10 of the Agreement. We would appreciate WUC confirming if they wish to:

- A) delay further discussion of the matters to allow WUC to conduct a proper review and recalculation of its claim for an adjustment;
- B) convene a meeting of the PJSLC;
- C) refer the matters to arbitration given the unlikelihood that the PJSLC would reach a unanimous consent on these matters;
- D) abandon the claim for adjustment.

We would appreciate hearing back from you within 45 days of the date of this letter.

Yours Truly,



Luc Gagnon, CPA, CA, BMath  
Director Financial Services & Treasurer

Attach: - as referenced

cc: Tony Haddad, Chief Administrative Officer  
Dan Piescic, Director Public Works & Environmental Services  
Mark Winterton, Windsor City Engineer

## Flow Chart for Calculating Rate Changes under Tecumseh, WUC, C.O.W. Agreement

