

Report to Council



Date: October 7, 2019

To: Council

From: City Manager

Subject: Development of Water Supply Policy for Kelowna Water Utility

Department: Utility Services

Recommendation:

THAT Council direct staff to proceed with developing a policy regarding water supply for customers of the Kelowna Water Utility consistent with the recommendations outlined in this report,

AND THAT staff be directed to bring forward a draft Policy on Water Supply for customers of the Kelowna water utility at a future regular PM Meeting of Council.

Purpose:

To seek direction from Council on the development of a Policy regarding water supply for customers of the Kelowna Water Utility.

Background:

In June 2018, the South East Kelowna Irrigation District (SEKID) was dissolved by the Province and all assets and liabilities were transferred to the City of Kelowna, including its ownership, operation and maintenance. The City is currently expanding its domestic water system ("potable supply") into southeast Kelowna providing all customers in that area with water that meets Canadian Drinking Water Guidelines. Once complete, the SEKID water system will continue to operate as a "non-potable" supply for the purpose of irrigation, stock watering and fire protection.

Concurrently, the City and Province are preparing for the dissolution of the South Okanagan Mission Irrigation District (SOMID) effective January 1, 2020. This will result in 8 new agricultural services in the south mission area of the City that will irrigate off the potable supply as there is no dedicated irrigation supply serving the area.

Billing and administrative processes for the City, SEKID and SOMID are all different, highlighting the need to have all City water customers operating under the same terms and conditions of service. This is complicated, as not all customers have access to the same water supply options or levels of service.

Staff conducted public engagement in 2017/2018 that included face to face meetings, an online survey and stakeholder workshops. The results of the engagement were reported to Council on May 14, 2018 and are included for reference as Attachment 1.

Staff are also initiating a new City Water Shortage Plan, which will clearly define decision making protocols for response during drought, system failure or where source water is not available. This plan was identified and recommended as part of the Auditor General Report on the Utility Water System issued in 2018. The new plan must provide decision protocols consistent for both the irrigation and domestic supply, which are operated independently.

Discussion:

For the first time, the City will be operating two water systems with differing water quality and for different purposes. The City needs to be clear on the administration, operation and management of each system. The potable water supply expansion project will have the capacity to provide adequate water for indoor use (potable purposes) as well as irrigation water for some properties in southeast Kelowna and properties formerly served by SOMID. The City's potable water supply plan is similar to SEKID's earlier domestic water twinning plan which chooses to provide domestic water to all properties and irrigation water only to larger properties. It is not cost effective to provide a twinned system to all properties in southeast Kelowna.

In order to develop an updated Water Regulation Bylaw and draft water rates and rate structure for the new water paradigm as well as update our Water Shortage Management Plan staff are requesting Council direction in the form of a Water Supply Policy for Kelowna water utility customers.

Guiding Principles:

The proposed Policy would set priorities, direction and limitations of water supply to City water utility customers to ensure fairness and responsible management of the resource. The policy would be applied by staff when:

- Creating or amending bylaws relating to water supply and water rates;
- Creating or updating the City's Water Shortage Management Plan and when responding to drought or water supply shortage;
- Planning for water supply, expansion of service and determining the appropriate water supply for serviced properties.

It is recommended that the proposed policy include policy statements that conform to the following:

1. The City has two water supply systems (one potable, one non-potable) and will ensure an adequate supply of clean, safe potable water is provided to all utility customers to maintain public health and safety. The City will provide adequate water for other uses (e.g, firefighting, industrial, commercial, irrigation) when available. In rural areas, the City will determine which water supply system will be used to ensure adequate fire protection.
2. Water for irrigation may be sourced from either potable or non-potable supply. The City will determine the extent of the non-potable water system as well as the properties served by the system based on best overall value to the utility and consistent with the priorities outlined in

the Policy. Not all properties can be served by the non-potable system from a cost effectiveness as well as a water capacity perspective. There will need to be trade-offs and these may affect the cost of water supply to certain properties. Depending on how water rates are set between potable and non-potable water, this could mean that some properties do not have access to less expensive, non-potable water. The non-potable system has supply limits and the decision as to which properties have access to it must remain with the City and should be based on ensuring overall best value to the utility and all its ratepayers and be consistent with Council policy. We note that the potable water supply does not have the pumping and reservoir capacity to supply large irrigation systems, so expansion opportunities are limited

3. The non-potable water system will be maintained and operated to meet the Canadian Irrigation Water Quality Guidelines during the irrigation season. This helps ensure the safety of food that comes in contact with irrigation water. This will require that a chlorine residual be maintained for at least some of the year to reduce bacteria in the irrigation water. Water quality is not expected to exceed those Guidelines. The City will review this requirement at a later date.
4. The City supports Agriculture within our utility service area and that pricing of water for agricultural purposes will reflect our community's support and will be set within a competitive range of agricultural water rates in the Okanagan valley. The agricultural community will be consulted to determine risk levels and renewal need, however cost recovery will not be a priority at this time. Properties eligible for agricultural water rates will be classified as Farm under the Assessment Act. This is a change from former SEKID pricing structure but is relatively consistent with the public engagement, neighboring municipalities and the City's commitments to supporting farming as per the Agriculture Plan.
5. To encourage the use of the lower cost, non-potable water to the extent that it is available, pricing for non-potable water for irrigation purposes will be lower than the pricing for potable water for the same customer class. Where possible, the utility needs to encourage the use of non-potable water for irrigation to ensure overall best value (lowest operating cost) for utility customers. Pricing will need to be a motivator to encourage properties to use the non-potable system for irrigation where available.
6. City of Kelowna Bylaws and Policies will reflect the following priorities (ranked from highest to lowest) for water supply (potable and non-potable):
 - i. Safe water for human health and sanitation (e.g. drinking, bathing, cooking, etc.);
 - ii. Fire suppression and emergency response;
 - iii. Irrigation for safety. This could include certain wildfire interface areas where practical;
 - iv. Commercial and agricultural use. The use of water to support local business and the Kelowna economy;
 - v. Irrigation for aesthetics. Includes lawns and gardens and recreational water use

This is to help support the implementation of statements 1 to 5 as well as help in the longer-term development of an updated Water Shortage Management Plan. The Water Shortage Management Plan may prioritize certain water uses and begin to reduce water consumption by use to reduce the overall economic impact of water reductions. It also gives guidance to staff in determining priorities for access to the non-potable system.

Conclusion:

The adoption of a Water Supply Policy will provide guidance to staff in drafting amendments to the Water Regulation Bylaw as well as drought management planning in a timely manner that reflects Council's goals and objectives.

Internal Circulation:

Division Director, Infrastructure
Utility Planning Manager
Water Operations Manager
Utility Billing Supervisor
Communications Consultant

Considerations applicable to this report:

Considerations not applicable to this report:

Existing Policy:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Financial/Budgetary Considerations:

External Agency/Public Comments:

Communications Comments:

Submitted by:

K Van Vliet, Utility Services Manager

Approved for inclusion:

A square box containing a handwritten signature in blue ink, which appears to be 'J. Creron'.

J. Creron, Deputy City Manager

CC:

A. Schumacher, Revenue Supervisor