



Corporate NO: R099

Report COUNCIL DATE: May 1, 2000

REGULAR COUNCIL

TO: Mayor & Council **DATE: April 19, 2000**

FROM: General Manager, Finance, Technology & HR **FILE: 0046-004**
General Manager, Engineering

SUBJECT: BOD/TSS Surcharges for Industrial Users

RECOMMENDATION

Council authorize that:

- 1) The current practice of not charging 'permitted' industries the Biochemical Oxygen Demand/Total Suspended Solids (BOD/TSS) surcharge continue for 2000 only;
- 2) Engineering Department analyze the impact of charging 'permitted' industrial users the BOD/TSS surcharge beginning in 2001 ('user pay' approach), and
- 3) Feedback be solicited from those industrial users currently 'permitted' (Appendix 1).

BACKGROUND

In 1997, the GVS&DD Administration Board approved the implementation of an Industrial Pricing Strategy as part of a comprehensive management strategy to control and recover costs of discharging BOD and TSS to the sanitary sewer. BOD/TSS are one of the main elements in the cost of treatment and can potentially impact the quality of effluent from the treatment plants. Additionally, high levels of BOD in the sewer can increase the concentration of hydrogen sulphide resulting in unpleasant odours and corrosion of the pipes. Certain types of TSS discharge can cause build-up in the pipes, resulting in increased maintenance, potential blockages and flooding through reduced capacity.

The need to properly price sewerage services is based largely on economic efficiency. The GVRD wants to maximize the use of existing treatment facilities, in order to offset future costs associated with new construction, and to help achieve compliance with regulatory standards. Sending the right price signal to sewerage users will provide an incentive for demand management and cost-effective on-site treatment options. Additionally BOD/TSS charges reflect a more true 'user pay' approach to providing sanitary sewer service. Surrey has been moving towards a 'user pay' system for sewer & drainage over the last several years.

The GVS&DD Industrial Pricing Strategy only applies to 'permitted industries'. These are industries which are required to obtain a permit from the GVS&DD for the discharge of high volumes of flow and/or the discharge of high ranges of BOD/TSS. The permitted amounts of BOD/TSS for discharge to the sewer are used to calculate the BOD/TSS surcharge. At this time, and for the foreseeable future, BOD/TSS permits and potential surcharges apply only to industrial customers as their discharges are significantly higher than other sewer users. In addition, 'permitted' industrial consumers have a scale of operation that makes it possible to pre-treat sewage at source or on-site.

DISCUSSION

The BOD/TSS surcharge levied by GVS&DD is currently spread over all of the City's users of the sewage system. The reasons for this are:

- The GVS&DD phased-in the surcharge over 4 years. Surrey was already phasing-in our own 'pay by flow' sewer charges. Two types of phasing-in would have been confusing for the users;
- 'Permitted' industrial users would pay either the BOD/TSS surcharge or the GVS&DD component of our existing sewer/drainage charge. As long as the surcharge was being phased-in by the GVS&DD the overall affect to the City was minimal, and
- Delaying the implementation of billing the surcharge directly to the permitted users allowed them additional time to make the necessary process changes required to reduce their BOD/TSS discharge, thus reducing the surcharge.

The current practice has now been in effect since 1997. It is now time to take a closer look at the feasibility of surcharging the 'permitted' users directly for the following reasons:

- In 2001 the GVS&DD phasing-in will be complete. Continuation of our current method will place a higher burden on all the users of the system;
- Our own phasing-in was complete this year;

- Directly charging permitted users aligns with our current 'user pay' corporate strategy;
- It will provide greater incentive for users to find better alternatives for the treatment of their waste.

This potential change in the way we recover the cost of the BOD/TSS surcharge will have its greatest impact on the 'permitted' industrial users. The proposed analysis will include information sessions that will update the impacted companies. It will also provide them with an opportunity to contribute feedback to the City.

The attached appendix shows the GVS&DD BOD/TSS charge which, at 75% for 2000, totals \$315,039. This will increase to the full value of \$420,052 by 2001. The appendix shows how this would be distributed to the users if this is to be fully recovered.

CONCLUSION

Continuation of the current process until the end of 2000 will allow for the completion of the phasing-in of all previous changes. It will also allow us adequate time to properly analyze the impact of surcharging 'permitted' users directly. Since the 'permitted' users would be impacted the greatest, they would be involved in the process changes and have opportunities to provide feedback to the City.

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cc: City Manager
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