



Ministry of Environment Water Stewardship Division

New Water Rental Structure: Questions and Answers

(Updated June 2009)

When will the new rental rates take effect?

- Water rental rates are applied annually each calendar year; the new rates will take effect January 1st, 2006.

Why is there a change to water rental rates?

- Agencies were directed to review their fee structures under a government-wide initiative.
- The former water tariff grew in a piecemeal manner over many years into a complex collection of approximately 90 individual purpose-based water rents.
- It was very difficult to compare water rental rates under the former tariff, which used four water-volume measures, varying block pricing, and individual purpose-based rental rates.
- The former water rents were not equitable as similar water users paid different rates – for example, the rental rate for a greenhouse was very different from the operation of a nursery.

What will the new water rental rate schedule provide?

- The new rental structure will:
 - simplify rate structures;
 - make rates more equitable, as similar water uses pay the same rate
 - consolidate different fee types;
 - maintain rate competitiveness;
 - apply rental payments directly to cost-recovery for water management activities; and
 - enhance services by applying rental payments to new initiatives – such as - improving dam safety and water conservation.

What are new water rents based on?

The table below provides an overview of the new rental rate structure when phase-in is complete in 2009; further explanation is provided below.

Table 1: new water rent structure when new rents are phased in by 2009

| (1) New Sector | (2) Annual Rental Rate Based on Volume (per 1,000 cubic metres) | (3) Minimum Annual Rent for Sector |
|--|---|------------------------------------|
| Agriculture | \$ 0.60 | \$ 25.00 |
| Aquaculture | \$ 0.08 | \$ 100.00 |
| Conservation & Land Improvement | \$ 0.01 | \$ 25.00 |
| Domestic | \$ 0.60 | \$ 25.00 |
| Industrial / Commercial | \$ 0.85 | \$ 100.00 |
| Mining and Petroleum | \$ 1.10 | \$ 100.00 |
| Storage | \$ 0.01 | \$ 25.00 |
| Waterworks (water supply) | \$ 1.10 | \$ 100.00 |
| Waterpower Residential (supplied by the landowner) | \$ 0.01 | \$ 100.00 |

- The new water rental rate is still based on the volume of water which has been allocated by your licence.
- Licence volumes are converted to an Annual Volume in [cubic metres](#).
- All water use purposes have been assigned a sector which is comprised of related water uses. This is depicted in column **1** in the table above.
- Each new sector has a specific volume rate, per [1,000 cubic metres](#). This is shown in column **2** in the table above
- The new rent is calculated by multiplying the Annual Volume of each licensed purpose by the appropriate sector rental rate.
- **However**, many new water rental rates will be phased in over a four-year period to the full sector rate

For example, the new rates for [irrigation](#), which is in the Agriculture Sector, will be: \$0.48 in 2006, \$0.50 in 2007, \$0.55 in 2008, and \$0.60 per in 2009.

- Each new sector will also have a minimum rent. This is shown in column **3** above.
- Many water users will pay the new sector minimum rent, while higher volume users will generally have their rents phased in over a four-year period.

Can you provide an example of how new water rental rates will be determined?

- New annual rents for water licences and short-term use approvals are now based on an Annual Volume (expressed in [cubic metres](#) per year), which is the total amount of water authorized to be used for a year
- Most water use purposes have a new rental rate based on a rate of per [1,000 cubic metres](#)
- The rental rate calculation is:

$$\frac{\text{Annual Amount (cubic metres)} \times \text{Rental Rate}}{1,000 \text{ (cubic metres)}}$$

- The sector minimum rent is applied where volume rental rate is at or below a certain level. Many water licences will receive the minimum rent.
- The new rental rate for permits over Crown land, which authorize dam sites, works and flooding, will be based on [hectares](#).
- The rental rate calculation is:

$$\text{Area (hectares)} \times \text{Rental Rate}$$

- Examples of Water Rent Calculations are in **Appendix 1**

Will there be rent increases?

- As the new water rent structure is a consolidation there will be both increases and decreases to annual rents – depending on the water use purpose and the volume authorized to be used.
- The majority of water licence holders have water volumes which will result in the new minimum rent being applied.
- Higher volume users will be billed above the minimum rent; however, the majority of these rent increases will be phased in over a four-year period (2006 to 2009).

How will the new rental rates affect water licence holders who are on a former three-year billing cycle?

- As a efficiency measure under the former tariff, a client is invoiced annual water rent charges once every three-years, if the total amount is \$50.00 or less.
- The new water rental rates will not apply until the three-year cycle is completed.
- Three-year billing was introduced as an efficiency measure in order to reduce the administrative costs of processing small water rent payments.

Would I be billed annually if, as result of the new rental rates, my total rent is now over \$50.00?

- The threshold for three-year billing to occur has been increased to \$60.00 or less in order offset slightly higher new minimum rents.
- If the combined total of your water rent is over \$60.00 you will be billed annually.
- Refer to Additional Information on Three-year Billing below:

Additional Information on Three-year Billing

On January 1, 1999 three-year billing was introduced. For those licence holders whose annual rentals were \$50 or less, they were billed once every three-years.

The benefits from three-year billing are:

- Reduced costs related to billing clients and processing payments
- Rental rate is frozen for duration of billing cycle if there is an increase part way through

That is, as long as the client remains within the same billing group – for example, a client might move into an annual billing group, where new rates would apply, by acquiring a new licence or licences.

Three regional groups, referred to as Multi 1, Multi 2 and Multi 3, were established in order to stagger the billings, as shown below:

| Multi-Year Billing Groups | Region # | Region | Start of Next Three-year Billing Period |
|---------------------------|----------|-------------------|---|
| Multi 1 | 4 | Kootenay | 2009 |
| | 5 | Cariboo | |
| | 7 | Omineca - Peace | |
| Multi 2 | 3 | Southern Interior | 2010 |
| | 8 | Fort. St. John | |
| Multi 3 | 1 | Vancouver Island | 2011 |
| | 2 | Lower Mainland | |
| | 6 | Skeena | |

The 2009 general billing run will include annual and M1, three-year, multi group clients. The Multi 2 and Multi 3 clients will only receive a statement if their account is in arrears.

- Your billing cycle will depend on whether your three-year billing cycle is completed and the total amount of rent which is applied to your water licences. For 2009, only licence holders in the **Multi 1** group, (in the **Kootenay, Cariboo** and the **Omineca – Peace** regions), will receive billing statements. Plus annual rentals, for clients who are not on a three-year cycle.

Why are water rentals not all based on the quantity of water used rather than the amount which is allocated by a water licence?

- The optimum course would be to base water licence rents on the amount of water which is used.
- However, this would require the installation of water metering in many locations where water is obtained individually by landowners.
- The cost for establishing individual water meters would be prohibitive to many landowners outside of water supply systems.

Are there still water licence rents which are not based on volume?

- Yes, there are still water use purposes which may require the entire flow of a water source, such as: conservation, dewatering, fire protection, land improvement, river improvement, sediment control, sewage disposal.

Are any water use purposes, which previously received a non-volume rent, now going to be based on a volume based rent?

- Yes, during the water licence review it was determined that the following water purposes could support a new volume based rent; they are: camps, dust control, hydraulicking, road maintenance, residential water power (supplied by the landowner), and sewage disposal.

Have new rental rates also been established for permits over Crown land, which authorize water licence works, flooding and dam sites?

- Yes; however, changes to annual rent is limited to changing the rate to metric – that is, from a rate based on acres to hectares.
- Rental rate changes have been minimized to avoid the cumulative impact of water licence rent increases.

Table 2: New Rent Structure for Permits Over Crown Land (PCLs)

| Crown land Permit - Type | New Annual Rental Rate Based on area (per hectare) | Minimum Annual Rent |
|--------------------------|--|---------------------|
| Dam sites | \$120.00 | \$50.00 |
| Flooding and Works | \$7.50 | \$10.00 |

What are the impacts of the new rent schedule for PCLs?

- The annual rent for a PCL will be calculated using hectares as a metric area measure, previously acres were used. Refer to **Table 2** above.
- The majority of PCL holders will receive the new minimum rent.
- Minimum rents have increased from \$48.00 to \$50.00 for dam sites and from \$6.00 to \$10.00 for works and flooding on Crown land.

What are some of the services which Ministry of Environment, Water Stewardship Division Provide:

- Key Services Include the following:
 - water licensing and other forms of water use authorization under the *Water Act* and *Water Regulation*;
 - prevention of bulk water export under the *Water Protection Act*;
 - protection of the province’s ground water in conjunction with the new *Ground Water Protection Regulation*;
 - promoting sustainable water management practices by public outreach;
 - supporting the maintenance of aquatic ecosystems;
 - creating partnerships to address community water use demands, through the creation of *Water Users Communities* and *Water Management Plans*;
 - assisting with the protection of surface and ground water quality;

- delivery of the Dam Safety Program to encompass the assessment of hundreds of additional dam sites; and
- monitoring stream flow levels to assist with managing water shortages and drought conditions.

How will Local Authorities that supply water to users be billed?

- A Local Authority is a water district which has been incorporated under *the Water Act*, municipality, improvement district, water utility under the *Water Utility Act* or a development district.
- Local Authorities will continue to be billed by the amount of water which they report annually to be used.

Are the rental rates for waterpower production changed?

- No
- However, there will be an increase which will be phased in over four years to the annual water rent to store water.

Can I reduce the annual rental by lowering the amount of water which I use?

- Yes, a water licence can be amended by contacting or [FrontCounter BC](#) or [Regional Water Stewardship Offices](#)

How can I obtain more information ?

- Contact FrontCounterBC provincial call centre at 1-877-855-3222
- Or you mail E-mail the Water Stewardship Division at water.revenue@gov.bc.ca

Appendix 1: Examples of Water Rent Calculations (rates effective for 2009)

Example 1: Domestic Licence 500 gallons a day

Sector: Domestic

Step One: Metrification

500 gallons a day = 2.273 cubic metres a day

Step Two: Annual Volume

2.273 cubic metres a day = 829.6 cubic metres a year

Step Three: Rent Calculation

New Rental Rate: \$0.60 per 1,000 cubic metres – minimum rent \$25.00

Calculation: $\frac{829.6 \times \$0.60}{1,000} = \0.50

Rent: \$25.00

Comment: a minimum rent of \$25.00 is applied as the volume-based rent calculation (\$0.50) falls below the minimum rent of the Domestic Sector

Example 2: Irrigation Licence 10 acre-feet per annum

Sector: Agriculture

Step One: Metrification

10 acre-feet per annum = 12,330 cubic metres per year

Step Two: Annual Volume

12,330 cubic metres per year (licence volume is already in an annual amount)

Step Three: Rent Calculation

New Rental Rate (2009): \$0.60 per 1,000 cubic metres – minimum rent \$25.00

Comment: new rental rates for irrigation will be phased in over a four-year period (\$0.48 for 2006, \$0.50 for 2007, \$0.55 for 2008 and \$0.60 for 2009).

Example 2, continued

Calculation: $\frac{12,330 \times \$0.60}{1,000} = \7.40

Rent: \$25.00

Comment: minimum rent of \$25.00 is applied as the volume-based rent calculation (\$7.40) falls below the minimum rent for the Agriculture Sector

Example 3: Irrigation Licence 100 acre-feet per annum

Sector: Agriculture

Step One: Metrification

100 acre-feet per annum = 123,300 cubic metres per year

Step Two: Annual Volume

123,300 cubic metres per year (licence volume is already in an annual amount)

Step Three: Rent Calculation

New Rental Rate (2009): \$0.60 per 1,000 cubic metres – minimum rent \$25.00

Comment: new rental rates for irrigation will be phased in over a four-year period, that is: \$0.48 for 2006, \$0.50 for 2007, \$0.55 for 2008 and \$0.60 for 2009

Calculation: $\frac{123,300 \times \$0.60}{1,000} = \73.98

Rent: \$73.98

Comment: the volume-based rental calculation (\$73.98) is applied as it is above the minimum rent of \$25.00 for the Agriculture Sector

Example 4: Storage Licence Supporting Irrigation 0.5 acre-feet per annum

Sector: Storage

Step One: Metrification

0.5 acre-feet per annum = 616.7 cubic metres per year

Step Two: Annual Volume

616.7 cubic metres per year (licence volume is already in an annual amount)

Step Three: Rent Calculation

New Rental Rate (2009): \$0.01 per 1,000 cubic metres – minimum rent \$25.00

Comment: new rental rates for all storage will be phased in over a four-year period, that is: \$0.006 for 2006, \$0.007 for 2007, \$0.008 for 2008 and \$0.01 for 2009

Calculation: $\frac{616.7 \times \$0.01}{1,000} = \0.006

Rent: \$25.00

Comment: minimum rent of \$25.00 is applied as the volume-based rent calculation (\$0.006) falls below the minimum rent for the Storage Sector

Example 5: Storage Licence Supporting Waterpower production 20,000 acre-feet per annum

Sector: Storage

Step One: Metrification

20,000 acre-feet per annum = 24,670,000 cubic metres per year

Step Two: Annual Volume

24,670,000 cubic metres per year (licence volume is already in an annual amount)

Example 5, continued

Step Three: Rent Calculation

New Rental Rate (2009): \$0.01 per 1,000 cubic metres – minimum rent \$25.00

Comment: new rental rates for all storage will be phased in over a four-year period, that is: \$0.006 for 2006, \$0.007 for 2007, \$0.008 for 2008 and \$0.01 for 2009

Calculation: $\frac{24,670,000 \times \$0.01}{1,000} = \$246.70$

Rent: \$246.70

Comment: the volume-based rental calculation (\$246.70) is applied as the annual rent, as it is above the minimum rent of \$25.00 for the Storage Sector

Example 6: Placer Mining Licence or Short-term Use Approval 0.5 cubic-feet per second

Sector: Mining and Petroleum

Step One: Metrification

0.5 cubic-feet per second = 0.01416 cubic metres per second

Step Two: Annual Volume

446,500 cubic metres per year

Step Three: Rent Calculation

New Rental Rate: \$0.45 per 1,000 cubic metres – minimum rent \$100.00

Calculation: $\frac{446,500 \times \$0.45}{1,000} = \200.93

Rent: \$200.93

Comment: the volume-based rental calculation (\$200.93) is applied as it is above the minimum rent of \$25.00 for the Mining and Petroleum Sector

Example 8: Waterpower Supplied by Landowner to Residence, 1 cubic-foot per second

Sector: Residential Power Use

Step One: Metrification

1 cubic-foot per second = 0.02832 cubic metres per second

Step Two: Annual Volume

893,100 cubic metres per year

Step Three: Rent Calculation

New Rental Rate (2009): \$0.01 per 1,000 cubic metres – minimum rent \$100.00

Comment: new rental rates for all residential (self supplied) power will be phased in over a four-year period, that is: \$0.003 for 2006, \$0.005 for 2007, \$0.008 for 2008 and \$0.01 for 2009

Calculation: $\frac{893,100 \times \$0.01}{1,000} = \8.93

Rent: \$100.00

Comment: minimum rent of \$100.00 is applied as the volume-based rent calculation (\$7.14) falls below the minimum rent for the Residential Power Use Sector

Example 9: Fish Hatchery, 5 cubic-feet per second

Sector: Aquaculture

Step One: Metrification

5 cubic-feet per second = 0.1416 cubic metres per second

Step Two: Annual Volume

4,465,000 cubic metres per year

Step Three: Rent Calculation

New Rental Rate (2009): \$0.08 per 1,000 cubic metres – minimum rent \$100.00

Example 9, continued

Comment: new rental rates for fish hatchery use will be phased in over a four- year period, that is: \$0.075for 2006, \$0.077 for 2007, \$0.078for 2008 and \$0.08 for 2009

Calculation: $\frac{4,465,000 \times \$0.08}{1,000} = \357.20

Rent: \$348.27

Comment: the volume-based rental calculation (\$357.20) is applied as the annual rent, as it is above the minimum rent of \$100.00 for the Aquaculture Sector.

Example 10: Pulp Mill, 50 cubic-feet per second

Sector: Industrial and Commercial

Step One: Metrification

50 cubic-feet per second = 1.416 cubic metres per second

Step Two: Annual Volume

44,650,000 cubic metres per year

Step Three: Rent Calculation

New Rental Rate (2009): \$0.85 per 1,000 cubic metres – minimum rent \$100.00

Comment: new rental rates for pulp mill use will be phased in over a four-year period, that is: \$0.5 for 2006, \$0.65 for 2007, \$0.75 for 2008 for \$0.85 for 2009

Calculation: $\frac{44,650,000 \times \$0.85}{1,000} = \$37,952.50$

Rent: \$33,487.50

Comment: the volume-based rental calculation (\$37,952.50) is applied as the annual rent, as it is above the minimum rent of \$100.00 for the Industrial Sector

Example 11: Permit Over Crown Land Small Pipeline, 0.25 acres

Step One: Metrification

0.25 acres = 0.1012 hectares

Step Two: Rent Calculation

New Rental Rate: \$7.50 per hectare – minimum rent \$10.00

Calculation: $0.1012 \times \$7.50 = \0.76

Rent: \$10.00

Comment: minimum rent of \$10.00 is applied as the area-based rent calculation (\$0.76) falls below the minimum rent

Example 12: Permit Over Crown Land Reservoir, 10,000 acres

Step One: Metrification

10,000 acres = 4,047 hectares

Step Two: Rent Calculation

New Rental Rate: \$7.50 per hectare – minimum rent \$10.00

Calculation: $4,047 \times \$7.50 = \$30,352.50$

Rent: \$30,352.50

Comment: the area-based rental calculation (\$30,352.50) is applied as the annual rent, as it is above the minimum rent