



Utility Committee Minutes

June 25, 2021

9:30 a.m.

Council Chamber, 2nd floor, City Hall

Present: B. Henderson, M. Walters, M. Banga, S. McKeen, S. Hamilton,
A. Paquette

1. Call to Order and Related Business

1.1 Call to Order

Councillor B. Henderson called the meeting to order at 9:33 a.m., Friday, June 25, 2021.

1.2 Roll Call

Councillor B. Henderson conducted roll call and confirmed the attendance of Members of Utility Committee.

Councillors M. Banga and A. Paquette were absent with notice for a portion of the meeting.

Councillors T. Cartmell and A. Knack; and D. Beaudry, Deputy City Clerk, M. de Guzman, L. Kjolien and T. Orbell, Office of the City Clerk, were also in attendance.

1.3 Adoption of Agenda

The following member of Administration's delegation answered questions:

- G. Cebryk, Deputy City Manager, City Operations

Moved by: S. McKeen

1. That the June 25, 2021, Utility Committee meeting agenda be adopted with the following changes:

Additions:

- 6.1 EPCOR Water Services Inc. - 2020 PBR Progress Report
- 6.5 EPCOR PBR Applications - EPCOR Responses to Written Questions and Public Submissions - 2022-2026 Water Services Application, 2022-2024 Wastewater Treatment and Drainage Services Applications- Attachment 6- Attachment 7
- 6.8 EPCOR PBR Applications - EPCOR Responses to Public Submissions and Application Reviews - 2022-2026 Water Services Application, 2022-2024 Wastewater Treatment and Drainage Services Applications

2. That items 6.9 - Waste Services Supplemental Capital Budget Adjustment and 6.10 - Multi-Unit Strategy be dealt with together.

In Favour (6): B. Henderson, M. Walters, M. Banga, S. McKeen, S. Hamilton, and A. Paquette

Carried (6 to 0)

1.4 Approval of Minutes

Moved by: M. Walters

That the April 30, 2021, Utility Committee meeting minutes be approved.

In Favour (6): B. Henderson, M. Walters, M. Banga, S. McKeen, S. Hamilton, and A. Paquette

Carried (6 to 0)

1.5 Protocol Items

There were no Protocol Items.

2. Items for Discussion and Related Business

2.1 Select Items for Debate

The following items were selected for debate: 6.1 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 6.10 and 9.1.

2.2 Vote on Reports not Selected for Debate

Moved by: S. Hamilton

That the recommendations in the following reports be approved:

- 5.1 Potential Impacts to City of Edmonton Headwaters
- 6.11 Non-Regulated Loan Repayment Recommendation

In Favour (6): B. Henderson, M. Walters, M. Banga, S. McKeen, S. Hamilton, and A. Paquette

Carried (6 to 0)

2.3 Requests to Speak

Moved by: M. Banga

That Utility Committee hear from the following speakers, in panels when appropriate:

- 6.3 Bylaw 19626 - EPCOR Water Services Bylaw - A Bylaw to Replace Bylaw 17698 - EPCOR Water Services and Wastewater Treatment Bylaw
- 6.4 Bylaw 19627 - EPCOR Drainage Services and Wastewater Treatment Bylaw - A Bylaw to Replace Bylaw 18100 - EPCOR Drainage Services Bylaw
- 6.5 EPCOR PBR Applications - EPCOR Responses to Written Questions and Public Submissions - 2022-2026 Water Services Application, 2022-2024 Wastewater Treatment and Drainage Services Applications

- 6.6 EPCOR PBR Applications - Reasonableness Review by Administration - 2022-2026 Water Services Application, 2022-2024 Wastewater Treatment and Drainage Services Applications
- 6.7 EPCOR PBR Applications - Review by the Utility Advisor - 2022-2026 Water Services Application, 2022-2024 Wastewater Treatment and Drainage Services Applications
- 6.8 EPCOR PBR Applications - EPCOR Responses to Public Submissions and Application Reviews - 2022-2026 Water Services Application, 2022-2024 Wastewater Treatment and Drainage Services Applications
 1. C. Lorincz
 2. M. Samji, Infill Development in Edmonton Association
- 6.9 Waste Services Supplemental Capital Budget Adjustment
- 6.10 Multi-Unit Strategy
 1. D. Monkhouse, Alberta Residential Landlord Association
 2. C. Batdorf, Alberta Residential Landlord Association
 3. C. Hantiuk, Alberta Waste Management Association
 4. C. LaBossiere, Alberta Waste Management Association

In Favour (6): B. Henderson, M. Walters, M. Banga, S. McKeen, S. Hamilton, and A. Paquette

Carried (6 to 0)

Moved by: M. Walters

That Utility Committee hear from the following speakers, in panels when appropriate:

- 6.9 Waste Services Supplemental Capital Budget Adjustment
- 6.10 Multi-Unit Strategy
 1. R. Ferguson

2. D. Eggert
3. T. Burr, ONE Properties
4. G. Singh Bal, Mainstreet Equity Corp.

In Favour (4): B. Henderson, M. Walters, S. McKeen, and S. Hamilton

Carried (4 to 0)

2.4 Requests for Specific Time on Agenda

There were no requests for items to be dealt with at a specific time on the agenda.

3. Councillor Inquiries

There were no Councillor Inquiries.

4. Reports to be Dealt with at a Different Meeting

There were no Reports to be Dealt with at a Different Meeting.

5. Requests to Reschedule Reports

5.1 Potential Impacts to City of Edmonton Headwaters

This item was not selected for debate and was dealt with as part of item 2.2. The following motion carried:

That a revised due date of August 27, 2021, for Urban Planning and Economy report UPE00424, Potential Impacts to City of Edmonton Headwaters, be approved.

Revised Due Date: August 27, 2021

6. Reports

6.1 EPCOR Water Services Inc. - 2020 PBR Progress Report

The following member of EPCOR's delegation made a presentation and answered questions:

- D. Manning, EPCOR

The following member of EPCOR's delegation answered questions:

- M. Mathon, EPCOR

Moved by: A. Paquette

That the June 25, 2021, Financial and Corporate Services report FCS00682, be received for information.

In Favour (6): B. Henderson, M. Walters, M. Banga, S. McKeen, S. Hamilton, and A. Paquette

Carried (6 to 0)

6.2 Review of the Drainage Utility Transfer from the City of Edmonton to EPCOR

The following members of Administration's delegation made presentations and answered questions:

- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- T. MacDonald, Grant Thornton
- R. Soni, Grant Thornton

The following member of EPCOR's delegation made a presentation and answered questions:

- A. Rosychuk, EPCOR

The following member of Administration's delegation answered questions:

- K. Petrin, Urban Planning and Economy

Moved by: M. Walters

That Utility Committee recommend to the August 16, 2021, City Council meeting:

That the June 25, 2021, Financial and Corporate Services report FCS00626, be received for information.

In Favour (5): B. Henderson, M. Walters, S. McKeen, S. Hamilton, and A. Paquette

Carried (5 to 0)

6.3 Bylaw 19626 - EPCOR Water Services Bylaw - A Bylaw to Replace Bylaw 17698 - EPCOR Water Services and Wastewater Treatment Bylaw

Items 6.3 to 6.8 were dealt with together.

The following members of EPCOR's delegation made presentations:

- A. Rosychuk, EPCOR
- M. Kennedy, EPCOR
- D. Manning, EPCOR
- S. Bradford, EPCOR

The following members of Administration's delegation made presentations:

- B. McNabb, Financial and Corporate Services
- T. McDonald, Grant Thornton
- A. Brown, Grant Thornton

J. Beckett, Utilities Advisor, presented the Rate Application Review Report.

The following public speakers made presentations and answered questions:

- C. Lorincz
- M. Samji, Infill Development in Edmonton Association

The following members of EPCOR's delegation answered questions from J. Beckett, Utilities Advisor, and members of Utility Committee:

- A. Rosychuk, EPCOR
- M. Kennedy, EPCOR

- D. Manning, EPCOR
- S. Bradford, EPCOR
- C. Piercey, EPCOR
- C. Bonneville, EPCOR
- M. Mathon, EPCOR

The following members of Administration's delegation answered questions from members of Utility Committee:

- B. McNabb, Financial and Corporate Services
- C. Walbaum, Acting Deputy City Manager, Integrated Infrastructure Services
- R. Evans, Economic Research Associates Limited
- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- T. McDonald, Grant Thornton
- A. Brown, Grant Thornton

J. Beckett, Utilities Advisor, answered questions from members of Utility Committee.

Moved by: M. Walters

That Administration work with EPCOR to bring forward amendments to the applicable schedules to EPCOR Water Services Bylaw 19626 and EPCOR Drainage Services and Wastewater Treatment Bylaw 19627 to reflect the following:

1. The following adjustments, as noted by EWSI in its Response to City of Edmonton PBR Review Reports (page 6, Attachment 3 of FCS00627), be reflected in the Compliance Applications:
 - a. \$3.7 million for reduced debt costs; and
 - b. \$5.2 million to reimburse customers related to the capitalization of valve casings and service box replacements.

2. A deferral account for variable revenue for each of Water Services, Wastewater Treatment and Drainage Services, that would apply to revenue variances of \$500,000 or more per year (either higher or lower).
3. A Return on Equity for Water Services for 2022-2026 and for Wastewater Treatment for 2022-2024 of 8.50% based on the Alberta Utilities Commission Generic Rate of Return (with no change to the requested Return on Equity for Drainage Services contained in the rates application).
4. An Efficiency Factor for Drainage Services for the 2022-2024 Performance Based Rates terms of 0.50%.
5. That all non-routine adjustments applied for by Water Services, Wastewater Treatment and Drainage Services during the 2022-2026 and 2022-2024 PBR terms be charged to the Adjustment Deferral Accounts.

Amendment:

Moved by: A. Paquette

That the Motion on the Floor be replaced with:

That Administration work with EPCOR to bring forward amendments to the applicable schedules to EPCOR Water Services Bylaw 19626 and EPCOR Drainage Services and Wastewater Treatment Bylaw 19627 to reflect the following:

1. The adjustments noted by EPCOR Water Services Inc. in its response to the City of Edmonton PBR review reports (page 6, Attachment 3 of FCS00627) with respect to:
 - a. reduced debt costs in the amount of \$3.7 million; and
 - b. the reimbursement to customers for the capitalization of valve casings and service box replacements in the amount of \$5.2 million.
2. A deferral account for water consumption for each of Water Services, Wastewater Treatment and Drainage Services that would be

accumulated during the 2022-2026 and 2022-2024 PBR terms and included in customer rates in each of the next PBR terms through a special rate adjustment.

3. A Return on Equity for Water Services for 2022-2026 and for Wastewater Treatment for 2022-2024 of 9.89% be reduced to 9.64% as a reflection of the risk reduction of the consumption deferral account (with no change to the requested Return on Equity for Drainage Services contained in the rates application).
4. An Efficiency Factor for Drainage Services for the 2022-2024 Performance Based Rates term of 0.50%.
5. That all non-routine adjustments applied for by Water Services, Drainage Services and Wastewater Treatment during the 2022-2026 and 2022-2024 Performance Based Rates terms be charged to the Adjustment Deferral Accounts. A two step approach would be followed whereby EPCOR Water Services Inc., may receive interim approval and funding for the proposed adjustment with a final true up of funding being completed based on actual costs.

In Favour (5): B. Henderson, M. Walters, S. McKeen, S. Hamilton, and A. Paquette

Carried (5 to 0)

Motion as amended, put:

Bylaw 19626 - EPCOR Water Services Bylaw - A Bylaw to Replace Bylaw 17698 - EPCOR Water Services and Wastewater Treatment Bylaw

Bylaw 19627 - EPCOR Drainage Services and Wastewater Treatment Bylaw - A Bylaw to Replace Bylaw 18100 - EPCOR Drainage Services Bylaw

That Administration work with EPCOR to bring forward amendments to the applicable schedules to EPCOR Water Services Bylaw 19626 and EPCOR Drainage Services and Wastewater Treatment Bylaw 19627 to reflect the following:

1. The adjustments noted by EPCOR Water Services Inc. in its response to the City of Edmonton PBR review reports (page 6, Attachment 3 of FCS00627) with respect to:
 - a. reduced debt costs in the amount of \$3.7 million; and
 - b. the reimbursement to customers for the capitalization of valve casings and service box replacements in the amount of \$5.2 million.
2. A deferral account for water consumption for each of Water Services, Wastewater Treatment and Drainage Services that would be accumulated during the 2022-2026 and 2022-2024 PBR terms and included in customer rates in each of the next PBR terms through a special rate adjustment.
3. A Return on Equity for Water Services for 2022-2026 and for Wastewater Treatment for 2022-2024 of 9.89% be reduced to 9.64% as a reflection of the risk reduction of the consumption deferral account (with no change to the requested Return on Equity for Drainage Services contained in the rates application).
4. An Efficiency Factor for Drainage Services for the 2022-2024 Performance Based Rates term of 0.50%.
5. That all non-routine adjustments applied for by Water Services, Drainage Services and Wastewater Treatment during the 2022-2026 and 2022-2024 Performance Based Rates terms be charged to the Adjustment Deferral Accounts. A two step approach would be followed whereby EPCOR Water Services Inc., may receive interim approval and funding for the proposed adjustment with a final true up of funding being completed based on actual costs.

Due Date: August 27, 2021

In Favour (5): B. Henderson, M. Walters, S. McKeen, S. Hamilton, and A. Paquette

Carried (5 to 0)

Moved by: B. Henderson

EPCOR Water Services Inc. Performance Based Rates Regulatory Review

That Administration work with EPCOR to bring forward reports prior to the next Performance Based Rates term for Drainage Services and Wastewater Treatment effective April 1, 2025, providing further background and the appropriate regulatory treatment for the following items:

1. Improved disclosure of changes in accounting and capitalization policies and treatment;
2. Reporting the size of the workforce including actual and forecast full-time equivalents;
3. A review of how long-term debt interest rates are set for EPCOR Water Services Inc.;
4. A review of the performance measures to ensure they are increasingly stringent and challenging over time; and
5. A review of the deferral account and other adjustment mechanisms to deal with variations in usage.

Due Date: December 31, 2023

In Favour (5): B. Henderson, M. Walters, S. McKeen, S. Hamilton, and A. Paquette

Carried (5 to 0)

6.4 Bylaw 19627 - EPCOR Drainage Services and Wastewater Treatment Bylaw - A Bylaw to Replace Bylaw 18100 - EPCOR Drainage Services Bylaw

Items 6.3 to 6.8 were dealt with together. See item 6.3.

6.5 EPCOR PBR Applications - EPCOR Responses to Written Questions and Public Submissions - 2022-2026 Water Services Application, 2022-2024 Wastewater Treatment and Drainage Services Applications

Items 6.3 to 6.8 were dealt with together. See item 6.3.

6.6 EPCOR PBR Applications - Reasonableness Review by Administration - 2022-2026 Water Services Application, 2022-2024 Wastewater Treatment and Drainage Services Applications

Items 6.3 to 6.8 were dealt with together. See item 6.3.

6.7 EPCOR PBR Applications - Review by the Utility Advisor - 2022-2026 Water Services Application, 2022-2024 Wastewater Treatment and Drainage Services Applications

Items 6.3 to 6.8 were dealt with together. See item 6.3.

6.8 EPCOR PBR Applications - EPCOR Responses to Public Submissions and Application Reviews - 2022-2026 Water Services Application, 2022-2024 Wastewater Treatment and Drainage Services Applications

Items 6.3 to 6.8 were dealt with together. See item 6.3.

6.9 Waste Services Supplemental Capital Budget Adjustment

Items 6.9 and 6.10 were dealt with together.

The following members of Administration's delegation made a presentation:

- G. Cebryk, Deputy City Manager, City Operations
- C. Fowler, City Operations

The following public speakers made presentations:

- T. Burr, ONE Properties
- G. Singh Bal, Mainstreet Equity Corp.

The following public speakers made presentations and answered questions:

- D. Monkhouse, Alberta Residential Landlord Association
- C. LaBossiere, Alberta Waste Management Association
- C. Hantiuk, Alberta Waste Management Association
- R. Ferguson
- D. Eggert

The following members of Administration's delegation answered questions:

- M. Labrecque, City Operations
- M. Persson, Deputy City Manager and Chief Financial Officer, Financialand Corporate Services
- S. Appukuttan, Financial and Corporate Services
- C. Fowler, City Operations

J. Beckett, Utilities Advisor, asked questions of EPCOR.

Moved by: S. Hamilton

That Utility Committee recommend to City Council:

1. That a budget increase to capital profile 13-33-2023, High Solids Anaerobic Digestion Facility, in the amount of \$530,000, as outlined in Attachment 1 of the June 25, 2021, City Operations report CO00650, be approved.
2. That the single source procurement, as outlined in Attachment 3 of the June 25, 2021, City Operations report CO00650, be approved.
3. That Attachment 3 of the June 25, 2021, City Operations report CO00650 remain private pursuant to sections 16 (disclosure harmful to business interests of a third party), 25 (disclosure harmful to economic and other interests of a public body) and 27 (privileged information) of the *Freedom of Information and Protection of Privacy Act*.

In Favour (5): B. Henderson, M. Walters, S. McKeen, S. Hamilton, and A. Paquette

Carried (5 to 0)

6.10 Multi-Unit Strategy

Items 6.9 and 6.10 were dealt with together.

Moved by: M. Walters

Multi-Unit Strategy - Alternative Business Model

That the Business Case and cost of service study for Residential Communal Collection be referred back to Administration to provide an alternative business model for consideration, which allows for a fully privately operated service within the regulated utility model along with a robust data sharing and accountability framework to ensure that diversion targets contained within the 25 year waste strategy are met.

Due Date: First Quarter 2022

In Favour (3): M. Walters, S. McKeen, and S. Hamilton

Opposed (2): B. Henderson, and A. Paquette

Defeated (3 to 2)

6.11 Non-Regulated Loan Repayment Recommendation

This item was not selected for debate and was dealt with as part of item 2.2. The following motion carried:

That Utility Committee recommend to City Council:

That Option 3 - Full Notional Loan Forgiveness for the non-regulated loan repayment, as outlined in the June 25, 2021, City Operations report CO00582, be approved.

7. Responses to Councillor Inquiries

There were no Responses to Councillor Inquiries on the agenda.

8. Motions Pending

There were no Motions Pending on the agenda.

9. Private Reports

Moved by: A. Paquette

That Utility Committee meet in private pursuant to sections 16 (disclosure harmful to business interests of a third party) and 25 (disclosure harmful to

economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act* for the discussion of item 9.1.

In Favour (5): B. Henderson, M. Walters, S. McKeen, S. Hamilton, and A. Paquette

Carried (5 to 0)

Utility Committee met in private at 4 p.m., Friday, July 9, 2021.

Moved by: M. Walters

That Utility Committee meet in public.

With the unanimous consent of Utility Committee, the motion carried.

Utility Committee met in public at 4:27 p.m., Friday, July 9, 2021.

9.1 Organics Processing Update

The following member of Administration's delegation made a presentation:

- G. Cebryk, Deputy City Manager, City Operations

The following member of Administration's delegation made a presentation and answered questions:

- N. Kjelland, City Operations

Moved by: A. Paquette

That Utility Committee recommend to City Council:

1. That the action, as outlined in Attachment 1 of the June 25, 2021, City Operations report CO00430, be approved.
2. That the June 25, 2021, City Operations report CO00430 remain private pursuant to sections 16 (disclosure harmful to business interests of a third party) and 25 (disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

In Favour (5): B. Henderson, M. Walters, S. McKeen, S. Hamilton, and A. Paquette

Carried (5 to 0)

10. Notices of Motion and Motions without Customary Notice

10.1 Changes to Orders of the Day for the June 25, 2021, Utility Committee Meeting (M. Walters)

Councillor M. Walters requested permission to make a motion without notice regarding changes to Orders of the Day for the June 25, 2021, Utility Committee meeting.

Moved by: A. Paquette

That Council waive the rules on providing notice of motion as set out in section 32 of Bylaw 18155 - Council Procedures Bylaw to allow Councillor M. Walters to make a motion without notice regarding changes to Orders of the Day for the June 25, 2021, Utility Committee meeting.

In Favour (6): B. Henderson, M. Walters, M. Banga, S. McKeen, S. Hamilton, and A. Paquette

Carried (6 to 0)

Moved by: M. Walters

1. That the Orders of the Day for the June 25, 2021, Utility Committee meeting be changed to continue Friday, July 9, 2021, from 9:30 a.m. to 5:30 p.m.

2. That the following items be postponed to the continuation of the June 25, 2021, Utility Committee meeting on July 9, 2021:

- 6.9 Waste Services Supplemental Capital Budget Adjustment
- 6.10 Multi-Unit Strategy

- 9.1 Organics Processing Update(Private pursuant to sections 16 and 25 of the *Freedom of Information and Protection of Privacy Act*)

In Favour (6): B. Henderson, M. Walters, M. Banga, S. McKeen, S. Hamilton, and A. Paquette

Carried (6 to 0)

11. Adjournment

The meeting adjourned at 4:28 p.m., Friday, July 9, 2021.

Chair

City Clerk