

# EPCOR Water Services Inc. - Drainage Services 2017 Progress Report

## Recommendation

That Utility Committee recommend to the June 26, 2018, City Council meeting:

That the June 8, 2018, Financial and Corporate Services report CR\_5998, be received for information.

## Executive Summary

This report provides an annual update of the financial and operational results for the Drainage services provided by EPCOR Water Services Inc. for the year ended December 31, 2017.

## Report

City Council approved the transfer of the Drainage Utility assets and liabilities to EPCOR Water Services Inc. ("EWSI") effective September 1, 2017. On September 12, 2017, Council approved Bylaw 18100 - EPCOR Drainage Services Bylaw setting the customer rates and terms and conditions under which EWSI would provide Drainage services for the period January 1, 2018 to March 31, 2022. For the interim period September 1 to December 31, 2017, EWSI provided Drainage services in accordance with Bylaw 16200 - Drainage Bylaw that sets out the customer rates and terms and conditions of service applicable to the City of Edmonton Drainage utility.

This report provides an annual update on the operational and financial results for Drainage services for the year ended December 31, 2017 (Attachment 1). Due to the transition of Drainage from the City to EWSI on September 1, 2017, this 2017 Progress Report presents annual information for a period over which Drainage was under two separate organizations, under different business models, and utilizing different accounting standards. The differences in accounting standards impact the ability to provide a direct comparison of costs and revenues. Where possible, EWSI has provided explanations for differences in accounting standards and how they impact the presentation of 2017 results.

Administration has identified the following key items within the 2017 progress report for the Utility Committee's consideration:

### Financial Performance

For the period January 1 to August 31, 2017, the financial results of Drainage services were accounted for using the Public Sector Accounting Standards ("PSAS") in accordance with the standards followed by City of Edmonton for its published financial statements. For the period September 1 to December 31, 2017, the financial results of Drainage services were accounted for using the International Financial Reporting Standards ("IFRS") in accordance with the standards followed by EPCOR Utilities Inc. Therefore, all financial information provided in the attached 2017 Progress Report is based on the use of PSAS for eight months and IFRS for four months.

Drainage services achieved a net income of \$34.2 million for the twelve month period ended December 31, 2017. Section 3 of the progress report provides further details of the financial performance of Drainage services in 2017 as well as the accounting standards and the transition from PSAS to IFRS.

### Capital Expenditures

Capital expenditures (before contributions) for Drainage services were \$138.2 million in 2017. EWSI is forecasting \$170.7 million of capital expenditures in 2018 and \$866.3 million of expenditures for the period 2018 to 2021. EWSI has provided a comparison of the \$866.3 million updated forecast against the previous Drainage Utility Long Term Plan of \$865.3 million in Section 4.1 of the progress report.

### Performance Measures

EWSI provided details of the 2017 operational performance for Drainage services in Section 5 of the progress report. Data was provided for various metrics categorized into the following four indices: (1) Water Quality and Environmental Index, (2) Customer Service Index, (3) Reliability and Optimization Index, and (4) Safety Index.

Drainage will continue to report on the metrics included in the 2017 progress report for 2018 and 2019, after which new performance metrics with a scoring system will be developed for the remainder of the Performance Based Regulation term.

## Corporate Outcomes and Performance Management

Corporate Outcome(s): Sound Management Practices and Process			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Ongoing monitoring and reporting of EPCOR utility services regulated by Council	Annual and periodic reporting of utility operations	TBD (2018)	Annual Progress Report - Water, Wastewater, Drainage (June)  Annual Operational Plan (Q1)  Mid Year Update Report (August)

## Attachment

1. 2017 Progress Report - Drainage Services