

WASTE SERVICES FUTURE MULTI-YEAR RATE FILING

Recommendation

That the June 24, 2024, City Operations report CO01466, be received for information.

Requested Action	Information only		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	Climate Resilience		
City Plan Values	LIVE. PRESERVE.		
City Plan Big City Move(s)	Greener as we grow	Relationship to Council's Strategic Priorities	Conditions for service success
Corporate Business Plan	Managing the corporation		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> City Policy C558B - Waste Services Fiscal Policy 		
Related Council Discussions	<ul style="list-style-type: none"> August 26, 2022, City Operations report CO01379, Business Planning Update November 25, 2022, City Operations report CO01380, Proposed 2023-2026 Waste Services Utility Budget 		

Previous Council/Committee Action

At the August 26, 2022, Utility Committee meeting, the following motion was passed:

That Administration:

1. Proceed with a 2-year rate filing in 2023-24; and
2. Provide an interim report in Q2 2024 on multi-year rate filings.

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Executive Summary

- In 2022, Waste Services proposed moving to a multi-year rate filing. Subsequently, a two-year rate filing was approved by Utility Committee for 2023 to 2024.
- Operational efficiencies and continued supply chain interruptions in 2023 have led to positive variances in both the operating and capital budgets. These variances have had no operational impact to ratepayers, and excess cash has been used to forego borrowing, save interest expense and fund select capital profiles without debt.
- A one-year rate filing for 2025 is recommended to bridge the impact of Extended Producer Responsibility (EPR), which will start in Alberta on April 1, 2025.
- Multi-year rate filings will be considered again by Waste Services in upcoming years, when these major changes have normalized.

REPORT

Waste Services is a utility operating within the City of Edmonton. It has historically submitted annual utility rate filings for approval by City Council. Rate filings are based on forecasts to set customer rates that consider both the short- and long-term costs of service for the utility. In the August 26, 2022 City Operations report CO01379 Business Planning Update, Waste Services proposed moving to multi-year rate filings, and subsequently a two-year rate filing was approved for 2023 to 2024.

Proposing a multi-year rate filing for 2023 and 2024 continued the trend of stable rates and financial management of Waste Services from 2020 to 2022. Utility rates increased 0.3 per cent in 2020, and did not increase at all in 2021 and 2022. A 0.9 per cent rate increase in both 2023 and 2024 was approved in 2022, based on a forecasted increase in Edmonton's population and the rollout of major projects including three-stream waste sorting and collection at apartments and condos.

Multi-year rate filings can save time and resources for Administration, as well as provide more certainty around utility rates for ratepayers. However, there is a greater risk of forecast variance for multi-year rate filings. While variances are common in the utility rate setting process, high variances can put a strain on the Utility's finances if costs are higher, and unnecessary strain on the ratepayer if costs are lower. These variances can be due to changes in the economy, industry and new assumptions compared to the best information available at the time the rate filing is prepared. An adjustment to utility rates would true up this difference at the next rate filing through the use of a deferral account, but the impact could be potentially significant over the interim approved multi-year period.

2023 Positive Variances and Ratepayer Impact

Waste Services reported a positive \$15.7 million operating net income variance and \$20.7 million lower capital expenditures than budgeted in 2023. Operating results for Waste Services are detailed in the March 12, 2024 Financial and Corporate Services report FCS02229 Operating Financial Update - December 31, 2023. Major capital expenditures resulting in variances include the postponed organics screening and mixing system project and delays in the landfill gas to renewable natural gas project, and procuring waste containers and fleet. There have been no

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operational impacts to Waste Services as a result of these variances, and many performance measures have improved year-over-year, including the residential diversion rate, which improved to 41 per cent in 2023 from 37 per cent in 2022.

Administration is committed to funding its operational and capital requirements in its existing budget when prudent before considering utility rate increases. This position is supported by the two supplemental capital budget adjustments approved by Council in fall 2023 and spring 2024 which managed the impact of the cash surplus by avoiding debt, mitigating the impact to ratepayers in the upcoming rate filing.

Single-Year Rate Filings for 2025 and 2026

The introduction of EPR on April 1, 2025 will introduce material financial variability to the next Waste Services rate filing. With the introduction of EPR, responsibility for recycling in Alberta will shift to producers, changing how the City manages, operates and how Waste Services funds recycling in Edmonton. Waste Services is currently negotiating to provide recycling collection, processing, education and drop-off services on behalf of the producers. The outcome of these negotiations will materially impact utility rates going forward, and these negotiations may not be achieved in time for the 2025 rate filing application. If a multi-year rate filing were pursued before EPR negotiations are concluded, a potentially higher request for funding may be needed to mitigate risk and uncertainty over multiple years. This could have a negative rate impact to Edmontonians and would be extended two or more years with a multi-year rate filing.

To help maintain low and stable rates, a one-year rate filing in 2025 is recommended to create funding certainty and value for ratepayers. Another one-year rate filing in 2026 would be required to align with the City's budgeting process in advance of the 2027-2030 budget. The option for Administration to use multi-year rate filings remains, and will be considered again once the financial impacts of major projects like EPR, waste-to-energy, and three-stream waste sorting and collection are normalized.

Budget/Financial Implications

City Policy C558B - Waste Services Utility Fiscal Policy allows Administration to set Waste Services utility rates up to four years at a time. Aligning the utility operations of Waste Services with the City budgeting process provides consistency for Administration when long-term planning.

As Waste Services is a municipally-owned utility, the long-term financial sustainability and stability of operations is prioritized. Any surpluses are reinvested into Waste Services to minimize the long-term impact to ratepayers and, per City Policy C558B, cannot be transferred to the tax levy.

Community Insight

The City explains how waste utility rates are calculated and how it funds waste services on its website¹. In response to questions received by the City during the Edmonton Cart Rollout about the cost of curbside collection relative to other municipalities, Administration has worked to communicate how the regulated utility funding model differs from property tax funding. Changes

¹ [edmonton.ca/WasteRates](https://www.edmonton.ca/WasteRates)

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to monthly utility rates are communicated on the City's website, social media, through the Waste Customer Support Team and 311, and on a customer's EPCOR bill.

An October 2023 survey assessing satisfaction with City services identified that residents perceive waste collection as a very or somewhat important civic service (91 per cent), are very or somewhat satisfied with their waste services (67 per cent) and believe the current investments in waste should remain the same (60 per cent)².

GBA+

Waste Services sets equitable utility rates for residential customers based on the collection service provided. These rates fund services accessible to all ratepayers, including drop-off facilities, waste reduction and outreach programs, and environmental management.

Administration developed a variable utility rate for curbside collection customers, encouraging ratepayers to choose a garbage cart size and utility rate aligned with their needs. Three garbage cart sizes (120L, 240L, 360L) are available to customers based on the amount of waste they produce, and are assigned to reflect the cost of providing service while encouraging waste reduction. The 360 litre cart is only available to households producing home medical waste or with seven or more people in the household.

Utility rates also collectively fund programs like Assisted Waste Collection. This program provides Edmontonians that have difficulty moving waste to the designated set-out location with assistance from City staff and collectors for both curbside collection and apartment and condo collection. This service is offered at no extra charge, as the cost is subsidized by all ratepayers.

² [City of Edmonton Service Satisfaction - Online Survey](#), Advanis, October 2023