

**Utilities Advisor Review**  
**Edmonton Waste Services**  
**2026 Rate Filing**  
**November 10, 2025**

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**1. Purposes of this report**

The purposes of this report are:

- To refresh Edmonton City Council’s understanding of the role of the regulatory process in setting rates for Waste Services,
- To refresh Edmonton City Council's (and the Utilities Committee’s) understanding of their role as the regulator of Waste Services,
- To review the Utility’s obligations to bring forward a complete regulatory application supporting the requested rates,
- To review the role of the Utilities Advisor (UA) in supporting Edmonton City Council (and the Utilities Committee) in the approval process for utility rate applications.
- To make specific recommendations with respect to the subject application.

**2. Executive Summary**

The Utilities Advisor’s review can be summarized as follows:

- This is an excellent regulatory application
- Waste Services staff were responsive to requests for meetings and information requests
- Outside of the rate reduction resulting from the provincial Extended Producer Responsibility, the utility has done a good job in holding operating and maintenance expenses to a reasonable level.
- The finalization of Extended Producer Responsibility has essentially converted the City’s blue bag recycling activity from a cost-of-service activity to a contractual activity, leading to a required discussion on whether this activity should continue to be a regulated function.
- Additional evidence as to the reasonableness of the EPCOR billing costs should be provided in future applications.
- Waste Services should be required to conduct a benchmarking study of Shared Services in their next rate application.

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**3. Role of the Regulatory Process**

When service is provided by a monopoly supplier such as a utility, a proxy for the effect of competition in setting the rates for such service is required. The goal of the regulatory process is to act in the absence of competition to set just, reasonable, and not unduly discriminatory rates for the provision of the utility services.

In Alberta, non-municipal utilities and municipal utilities with an affiliated gas and/or electric retailer are regulated by the Alberta Utilities Commission (AUC). The AUC is a sophisticated regulator authorized by provincial statutes.

Rate proceedings of the AUC are formal legal proceedings, with witnesses sworn to provide only truthful evidence. The AUC has significant legal and regulatory staff to assist in hearing such applications.

Municipal utilities which do not have an affiliated gas or electric retailer, and member-owned co-op utilities are not regulated by the AUC, other than in very limited circumstances. Edmonton's Waste Services fall into this category.

**4. The City of Edmonton's Role as Regulator of Waste Services**

The City has the same responsibility as the AUC in setting just, reasonable, and not unduly discriminatory rates for Waste Services. In doing so, the City must be cognizant of the fact that they have a dual role unlike the AUC. The City owns the utility and must regulate the utility. Council members are also accountable to citizens and businesses of the city, and these citizens and businesses are, to the most part, customers of the utility.

The City has wisely addressed this dual role by developing utility fiscal policy bylaws. In effect these bylaws help Council members remember which hat they are wearing when it comes to acting as the utility regulator. In addition, as the regulator, Council and the Utilities Committee have consistently required all decisions to be grounded in credible evidence.

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**5. The Utility’s Obligation to Bring Forward a Complete Regulatory Application.**

The role of the Utilities Advisor was established in 2010. At that time, on the recommendation of the Utilities Advisor, a standardized Minimum Filing Requirement for City of Edmonton utility rate applications was introduced. Over the intervening years, the rate applications provided by Waste Services have increasingly met or exceeded the Minimum Filing Requirements.

When the Utilities Advisor believes the application could be improved by the addition of further information, the process of Utilities Advisor Information Requests has been introduced. It has been interesting to observe that an information request in one year of a rate application often leads to an improvement in future years’ rate applications.

Utilities Committee members also can cross-examine utility management when an application is presented.

**6. The Role of the Utilities Advisor**

Unlike the AUC where commissioners and staff focus solely on regulatory matters Edmonton City Councillor have many and varied responsibilities outside the regulatory function. Recognizing this, Council created the role of the Utilities Advisor in 2010.

As an advisor, the UA brings a knowledge of regulatory principles and good regulatory practices to the rate setting process. It is important to note that the UA provides only advice, not direction.

The UA is available to Council members to respond to questions about the regulatory process. In addition, the UA works with utility management to clarify expectations around the regulatory process. This latter function has proven useful during staff turnover in City administration and utility management.

**7. Specific Recommendations**

The Utilities Advisor believes that this application is fully consistent with accepted regulatory practices and provides sufficient information for the Utility Committee to set 2026 rates.

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7.1 Extended Producer Responsibilities

Extended Producer Responsibility has essentially resulted in industry taking responsibility for the blue bag recycling program. Waste Services now provides service to the Producers on a contractual basis, rather than a cost-of-service basis. To date, Waste Services has chosen to closely replicate cost-of-service provision in contracts with the Producers. The result of this is that these services are no longer monopoly services.

The fact that Waste Services must continually renew these contracts introduces new risks. If one or several of the necessary contracts was to be awarded to a party other than Waste Services, Waste Services would have to quickly shed the costs of providing the services, since they would no longer be receiving revenue to offset the services no longer required. In addition, the cost-of-service model allocates overhead costs to each function, and it is not always possible to shed all of the appropriate overhead costs, resulting in higher costs for the remaining regulated services provided by the utility.

The Utilities Advisor recommends that Waste Services be directed to study and report on the risks associated with the conversion of the blue bag program to the Producers, and to provide an assessment of whether the associated costs of providing the services to Producers should continue to be treated as regulated costs.

7.2 Billing Costs

In response to the Utilities Advisor's Information Request IR-UA-3, Waste Services stated that EPCOR's billing costs are reviewed with peer Canadian organizations. While it is good to have these assurances, simply stating this fact is not evidence, and the Utility rate-making process should be based on evidence. The Utilities Advisor suggests that Waste Services should provide evidence to back up such statements in future rate applications. It is an established regulatory principle that transactions with an affiliate should be examined carefully to avoid even the perception of favouritism.

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7.3 Shared Services

The response to the Utilities Advisor’s Information Request IR-UA-4 leave open the possibility that a benchmarking study of Shared Services may not be performed in 2026. The Utilities Advisor recommends that a benchmarking study be performed in 2026 to avoid the perception of favouritism as described in the previous paragraph.

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# Appendix A

## Utilities Advisor Information Requests and Responses

**EDMONTON WASTE SERVICES  
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INFORMATION REQUESTS OF THE UTILITIES ADVISOR**

**IR-UA-1**

**Topic:** Extended Producer Responsibility

**Reference:** Section 3.0 METHODOLOGY & KEY ASSUMPTIONS

**Background:** The shift from collecting revenue from customers through utility rates to collecting revenue from Producer Responsibility Organizations through contracts is a major change for Waste Services

**Request**

- a) do the forecast cumulative revenues of \$37 million from the PROs cover the fully allocated costs of the recycling and hazardous and special products programs? Fully allocated costs include all costs specific to these functions as well as costs allocated from other shared functions within Waste Management.
- b) how many contracts does Waste Management currently have with PROs?
- c) do the contracts with PROs all have the same term, or are there different terms for each contract?
- d) are the PROs free to contract with parties other than Waste Services for some or all of the services being provided?
- e) if the PROs contract with other parties for some or all of the services being provided, does the reduction in PRO revenue equal the reduction in costs incurred by Waste Management, particularly costs allocated from other shared functions within Waste Management?

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**Response:**

A. Yes.

B. There are six agreements:

- 1 The Master Services Agreement (MSA) which serves as the overarching contractual framework between Circular Materials and The City of Edmonton. Two Statements of Work are incorporated into this MSA:
  - 2 Community Curbside Collection
  - 3 Community Recycling Depot Operations and Transfer Services
- 4 Single-use Products, Packaging, and Paper Products (recycling) processing between Circular Materials and The City of Edmonton.
- 5 Hazardous and Special Products (HSP) collection and processing services between Product Care and The City of Edmonton.
- 6 Battery recycling collection services between Call2Recycle Canada, Inc. and The City of Edmonton.

C. The contracts have different terms, as they each address a different EPR service.

D. Yes.

E. No. Although the revenue received from the PROs allows for a full cost recovery, which includes overhead and shared services, the overhead costs and shared services allocations would have to be reviewed on a case-by-case basis depending on the relevant contract.

**EDMONTON WASTE SERVICES  
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**IR-UA-2**

**Topic:** **Materials Recovery Facility**

**Reference:** **Schedule 8.3 Line 2**

**Request** The explanation for these costs does not explain the 2026 increase over 2025 Projected Costs, nor the disappearance of these costs in 2027. Please provide these explanations. If costs disappear in 2027 due to PRO assuming responsibility, please explain why this is being accounted for as a reduction in costs, rather than through cost recover via revenue.

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**Response:**

The 2026 Proposed costs are higher than 2025 Projected due to one-time contract early termination costs for the recycling processing. The Utility subcontracts recycling processing services to a third-party to run the Materials Recovery Facility. This contract runs concurrently with the Utility's contract with Circular Materials, and both contracts end September 30, 2026. As of this date, the Utility will no longer be under contract to process recycling materials, removing both processing costs and revenues from its operations.

The 2027 Forecast costs are nil due to the assumption that the City will no longer bear costs for recycling. This is a cost reduction as most recycling costs are all external contract costs. Along with the reduced costs, Extended Producer Responsibility Revenue is also reduced for 2027 which offsets these cost reductions, per Schedule 7.1 Line 2.

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**IR-UA-3**

**Topic:** Customer Billing Services

**Reference:** Schedule 8.3 Line 6

**Request** The explanation for the increase in these costs indicates that a new contract with EPCOR is required for 2026, and that the Utility works closely with EPCOR to ensure good value. Does the Utility have enough internal expertise on utility billing systems to determine if good value is being received in the absence of expert opinions from utility billing experts?

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**Response:**

EPCOR provides a comprehensive suite of services including: customer services, contract account management, revenue management, receivables management, financial management, information services and administrative services. EPCOR provides these services to many utilities, commonly called the “one bill model”, where residents who receive these services receive all charges together on one bill. This model allows for the costs of these services to be shared across all utility services on the bill.

The services are charged on a cost recovery model and are delivered under a regulated framework. EPCOR submits a cost of service application to the Alberta Utilities Commission for approval of rates for their regulated rate payers. The charges for these services are subject to thorough review and approval by EPCOR's regulator through a formal regulatory filing process. This process ensures that costs are reasonable, transparent, and aligned with industry standards.

Furthermore, EPCOR's Finance team engages EPCOR's operating teams to support the cost allocation methodology to ensure accuracy and equity. Cost allocations and rate file methodologies are shared in a transparent way with Waste Services. This combination of regulatory oversight, internal financial controls, and contract management provides assurance that the Utility is receiving good value for the services provided.

Waste Services routinely connects with peer Canadian organizations to review services models. All peer organizations combine Water and Waste services charges as part of a “one bill model”. Cost allocation models and rate build ups for this service are consistent across the industry.

**EDMONTON WASTE SERVICES  
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**IR-UA-4**

**Topic:** Shared Services

**Reference:** Table 8.5

**Request** Shared Services were last benchmarked in 2021. When does the Utility propose to initiate a new benchmarking study?

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**Response:**

The shared services allocations will be reviewed in 2026 through the City of Edmonton's 2027-2030 budget process which will inform the decision whether to undertake a new benchmark study. There are no plans to initiate a study before the next four-year budget is developed and approved.