

# EPCOR Water Services Inc. - Drainage Services: 2019 Operational Plan

## Recommendation

That the February 1, 2019, Financial and Corporate Services report CR\_6702, be received for information.

## Executive Summary

This report provides an overview of the 2019 Annual Operational Plan for the Drainage services provided by EPCOR Water Services Inc., including details in respect of the goals and initiatives, capital plan and performance measures for 2019.

## Report

### Goals and Initiatives

In Attachment 1, Drainage Services 2019 Operational Plan, EPCOR Water Services Inc. (EWSI) provides an overview of the goals, strategies and key initiatives for six key strategic areas for 2019. The following is a list of the six key areas including the goal and key initiatives planned in 2019.

1. **Safety** (Goal: Create a supportive culture where safety is our first priority and everyone has a voice.)
  - Reduce tolerance towards safety related risks
  - Cultivate a culture of safety leadership
  - Encourage ownership of safety at all levels
  - Train staff for competency and confidence
  - Roll out fully functional safety management system
2. **Environment** (Goal: Continuous improvement to meet or exceed societal and stakeholder expectations.)
  - Know what is important to stakeholders
  - Minimize environmental impact of operations
  - Adapt to impact of climate change
3. **People** (Goal: Engaged employees who are capable, confident and work as a team.)
  - Establish an environment that enables accountability, teamwork and sound business decisions

- Create an environment where employees are engaged and their participation is valued
  - Develop great leaders who embody EPCOR values
  - Facilitate cross-functional collaboration, remove silos and focus on team outcomes
  - Promote development and career growth for every employee
4. **Operational Excellence** (Goal: Perform the right work the right way at the right time with the right resources.)
- Develop and optimize end-to-end processes within Drainage
  - Build knowledge of industry best practices to support decision making and program development
  - Identify and manage emerging risks
5. **Customer and Stakeholder** (Goal: Customers and stakeholders trust us and value our services.)
- Meet transfer commitments to City Council (odor and flood mitigation plans)
  - Build relationships with stakeholders to create trust and understanding
  - Build systems, processes and training to provide consistently good service
6. **Shareholder Value** (Goal: Improve financial performance to earn allowed return.)
- Produce compelling rate applications for approval by the regulator
  - Pursue cost efficiencies as committed to during the Drainage transfer discussions with City Council
  - Meet operational and capital budget targets

EWSI provides further details in respect of these initiatives in pages 7 to 16 of Attachment 1.

### **Gaining Efficiencies**

EWSI will continue to identify and implement cost saving opportunities as committed during the transfer of Drainage from the City of Edmonton with the goal of implementing \$2 million in savings in 2019 in the following categories:

- Organizational synergies with Water
- Process improvement
- Construction strategy
- Implementation of telematics on all vehicles (anticipate a 14% fuel savings)
- Long term strategies to enable efficiencies between Water and Drainage by: (1) adopting consistent systems, and; (2) co-location/consolidation of nine current Water and Drainage office/service centers to two

**Major Initiatives**

In addition to the initiatives noted above, EWSI states that it has identified the following four major initiatives that will be a key focus in 2019:

1. Stormwater Integrated Resource Plan
2. Sewer Odour Mitigation Strategy
3. LRT Construction - Relocate Drainage Infrastructure
4. Total Loading Strategy

EWSI provides details of its plan with respect to these four major initiatives in pages 20-24 of Attachment 1. EWSI states that it will be bringing forward business cases in respect of the first three initiatives to Utility Committee by the second quarter of 2019. EWSI also states that the capital and operational costs for these three initiatives will be material and were not reflected in the rates approved under the current Performance Based Regulation (PBR) plan. As a result, EWSI will propose non-routine adjustments to stormwater rates in the business case, to be approved by Utility Committee, in order to support these three programs to the end of the current Drainage PBR period (2021).

**2019 Capital Plan**

EWSI's 2019 capital budget, approved by EPCOR's Board of Directors, is summarized in the following table.

<b>Program</b>	<b>2019 Budget (\$M)</b>
Drainage Neighbourhood Renewal	\$30
Drainage System Expansion	\$19
Drainage System Rehabilitation	\$82
Environmental Quality Enhancement	\$10
Flood Mitigation	\$37
Sanitary Service Strategy Fund (SSSF)	\$34
<b>Total</b>	<b>\$211</b>

EWSI provides further details in respect of its capital plan and budget, including a status update for 18 major projects, in pages 25-27 and Appendix A of Attachment 1.

Due to the timing of the development of the EWSI 2019 Capital Plan and the approval of the City of Edmonton 2019-22 Capital Budget, Administration and EWSI will

continue to work together and further coordinate the priorities and projects included in the EWSI Capital Plan. With that understanding, the projects and priorities listed in the 2019 EWSI Capital Plan are subject to change.

### **Performance Measures**

EWSI provides details about its performance measures for 2019 in pages 28-29 of Attachment 1. EWSI states that it will maintain the same bylaw metrics in 2019 as were established prior to the transfer of Drainage from the City of Edmonton. The 2019 target for 11 of the 12 measures will be identical to the 2018 target; the Employee Engagement measure is not applicable in 2019 because the survey is completed every two years and will not be completed in 2019. Details of the 2019 performance measures are provided in pages 28-29 of Attachment 1.

EWSI is developing future PBR service metrics and targets that will be presented at the June 28, 2019 Utility Committee meeting. EWSI states that the framework for categorizing the new performance measures will be the same as those established at the inception of PBR for Water and Wastewater in 2002.

Operational performance will be assessed under the following four performance categories: (1) environment; (2) customer service; (3) system reliability and optimization, and; (4) safety. EWSI proposes that these new performance measures will be applicable for the period from January 1, 2020 to December 31, 2021. EWSI has provided initial details of the proposed new performance measures and framework, including details of weightings, penalties and definitions of the sub-indices in each performance category, in pages 29-31 and Appendix B of Attachment 1.

### **Corporate Outcomes and Performance Management**

<b>Corporate Outcome(s): Conditions of Success</b>			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>Result(s)</b>	<b>Target(s)</b>
Ongoing monitoring and reporting of EPCOR utility services regulated by Council	Annual and periodic reporting of utility operations.	TBD (2019)	Annual Progress Report - Water, Wastewater, Drainage (June)  Annual Operational Plan (Q1)  Mid Year Update Report (August)

### **Attachment**

1. Drainage Services 2019 Operational Plan

### **Others Reviewing this Report**

- G. Cebryk, Deputy City Manager, City Operations
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- P. Ross, Acting Deputy City Manager, Urban Form and Corporate Strategic Development