

Utilities Division 2017-2018 Business Plans, Operating and Capital Budgets

Utilities Division
City Council
December 5, 2016

Utilities Division Priorities

KEY FOCUS: City Council's Strategic Priorities

Strategic Priority 1 – Economic Development

We foster a sustainable, growing and diverse economy with a strong industrial base and a vibrant downtown.

- Implement Shallow Utilities Business Model
- Maximize potential dividends to tax payers through business partnerships.
- Promote conservation and renewable energy through Hat Smart incentives.
- Expand infrastructure to meet the needs of local development.

Strategic Priority 2 – Infrastructure and Amenities

We have high quality, sustainable infrastructure and amenities, and a reputation for excellent management and maintenance.

- Maximize the value of the City's exemption status in s. 95 of the Electric Utility Act.
- Ensure sustainability through robust asset management.
- Customers receive safe, reliable essential services within industry standard guidelines.

Utilities Division Priorities

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Strategic Priority 5 – Fiscal Management

Responsible financial management focused on the long term ensures a sustainable city.

- Increase efficiencies through consolidation of common business services.
- Benchmark service levels against other municipalities and develop Key Performance Indicators (KPI).
- Optimize market sales/opportunities of the generation assets.
- Maintain rate models in alignment with Alberta Utilities Commissioner (AUC) principles.

Strategic Priority 6 – City Government

The City increasingly stands out as a well-governed and well- organized municipal corporation with a positive corporate culture.

- Maintain industry safety and environmental standards for both employees and the general public.
- Maintain certified professional and operations staff.
- Risk-based planning in alignment with Provincial, Federal and local regulatory requirements.

Electric Generation High Level Operating Financials

KEY FOCUS: Fiscal Management

	2016	2017	Change
Revenues	\$ 70,339	\$ 61,294	\$ (9,045)
Expenses	\$ 66,974	\$ 65,105	\$ 1,869
Net Earnings (Loss)	\$ 3,365	\$ (3,811)	\$ (7,176)
Closing Equity	\$ 178,366	\$ 133,705	\$ (44,661)
Positions (FTEs / PEPs)	57.25 / 47.0	57.25 / 47.0	57.25 / 47.0

Significant Changes:

Revenue:

- Decreased customer, power pool sales and ancillary service revenue primarily resulting from lower forecasted commodity market pricing – (\$8.4 M)
- Decreased interest earnings – (\$0.7 M)

Expenses:

- Decreased fuel charge expense due to favorable fuel prices – (\$3.2 M)
- Increased power pool purchases due to higher import volumes - \$1.2 M
- Increased amortization and interest expense due to capitalization of large projects - \$2.7 M
- Decreased PILOT expense due to lower sales to the power pool and ancillary sales – (\$0.5M)
- Decreased overall operating and maintenance expenses – (\$0.5 M)
- Decreased customer contract sales – (\$1.5 M)
- Increased Carbon Cost (\$0.5M)

Equity:

- Change in equity position due primarily to transfer of Equipment Reserve Funds to the Tax Rate Stabilization Reserve

Electric Generation Capital Requests

KEY FOCUS: City Council's Strategic Priorities

TCA DESCRIPTION: Core Capital Projects	Budget Request (000's)		2 Year Total
	2017	2018	
Economic Development	\$		
Infrastructure and Amenities	\$ 7,833	\$ 6,500	\$ 14,333
Operational Improvements	\$ 345	\$ 0	\$ 245
Total	\$ 8,178	\$ 6,500	\$ 14,578

Infrastructure and Amenities:

- Ross Creek gas line tie-in - \$0.5 M
- Unit #14 Life-cycle engine replacement - \$7.0 M
- Unit #10 Life-cycle engine replacement - \$6.5 M (2018)

Operational Improvements:

- Transformer, Breaker and Arc Flash Studies - \$0.35 M

Electric, Gas, Water, Sewer and Solid Waste Utilities High Level Operating Financials

KEY FOCUS: Fiscal Management

	2016	2017	Change
Revenues	\$ 75,203	\$ 80,679	\$ 5,476
Expenses	\$ 67,646	\$ 70,534	\$ 2,888
Net Earnings (Loss)	\$ 7,557	\$ 10,145	\$ 2,588
Closing Equity	\$ 108,313	\$ 113,424	\$ 5,111
Positions (FTEs / PEPs)	228.15 / 208.0	225.15 / 207.0	(3.0 FTEs / 1 PEPs)

Revenues:

- Revenue Requirements - \$6,552K
- Decrease in sales of other goods and services - (\$950K)

Expenses:

- Decrease in Contracted Services and Materials Expense - (\$1,379K)
- Increase in Amortization, Interest Expenses and Principal Expense - \$910K
- Increase in overall gas marketing expense - \$343K
- Increase in other Internal Department Charges - \$3,390K

Staffing:

- Reduction of 3.0 FTEs due to realized staff efficiencies from consolidation initiatives

Electric, Gas, Water, Sewer and Solid Waste Utilities Capital Requests

KEY FOCUS: City Council's Strategic Priorities

TCA DESCRIPTION: Core Capital Projects	Budget Request (000's)		2 Year Total
	2017	2018	
Economic Development	\$ 4,308	\$ 8,653	\$ 12,961
Infrastructure and Amenities	\$ 42,519	\$ 27,793	\$ 70,312
Operational Improvements	\$ 10,619	\$ 6,309	\$ 16,928
Total	\$ 57,446	\$ 42,755	\$ 100,201

Economic Development:

- Utility Service Extensions - \$0.8 M
- Brier Park Gravity Bypass - \$3.5 M

Infrastructure and Amenities:

- Electric Distribution and Transmission Systems - \$8.6 M
- Gas Main Replacements - \$2.3 M
- Water Mains Replacements - \$10.7 M
- Sewer Mains and Sanitary Trunk Sewer Rehabilitation - \$15.1 M
- Landfill Air Space - \$2.5 M

Operational Improvements:

- Water Treatment Plant Upgrade - \$1.5 M
- Gas and Electric Utilities Building Consolidation- \$5.5 M

Utilities Division (Forecast) Dividend

	2017 (forecast)
Water Utility	994,000
Sewer Utility	765,000
Solid Waste Utility	393,000
Gas Distribution	1,305,000
Electric Distribution	929,000
Electric Generation	--
Total Dividend	\$4,386,000

Electric Distribution Monthly Rates

KEY FOCUS: Fiscal Management

Rate Class	Application		Impact
Residential	Individual Residence or apartment suite through a single meter	+ \$	5.18 655 kWh
Small Commercial	< 5,000 kWh / month < 25 kVA / month	+ \$	9.76 1,364 kWh
Medium Commercial	< 5,000 kWh / month > 25 kVA / month but < 2,000 kVA / month	+ \$	99.64 17,166 kWh

Gas Distribution Monthly Rates

KEY FOCUS: Fiscal Management

Rate Class	Application			Impact
Rate Class A Residential	≤ 5,000 Gjs in one year	+	\$	1.43 11 Gjs
Rate Class A Commercial and Industrial	≤ 5,000 Gjs in one year	+	\$	2.59 40 Gjs
Rate Class B Commercial and Industrial	> 5,000 Gjs in one year	+	\$	65.74 420 Gjs

Environmental Utilities Monthly Rates

KEY FOCUS: Fiscal Management

Rate Class	Application			Impact
Water				
Residential	Metered water consumption (26 m ³)	+	\$	4.09
Commercial and Industrial	Based on water consumption (229 m ³)	+	\$	20.36
Sewer				
Residential	Monthly service charge (flat fee)	+	\$	1.41
Commercial and Industrial	Based on water consumption (229 m ³)	+	\$	15.04
Solid Waste				
Residential	Monthly service charge (flat fee)	+	\$	0.35
Commercial and Industrial	Monthly service charge (3 cubic yard bin)	+	\$	1.91
Landfill				
	General Disposal (fee per tonne)	+	\$	10.00
Waste Diversion (Recycle)				
	Monthly Fee	+	\$	0.10

2017 Average Monthly Comparison (Alberta)

Residential Utility Charges

	Calgary (2016 Rate)	Edmonton (2016 Rate)	Lethbridge (2016 Rate)	Red Deer (2016 Rate)	Medicine Hat (2017 Rate)
Electric (655 kWh)	53.36	51.11	67.50	49.30	36.25
Gas (11 GJs)	57.26	70.67	62.47	71.19	35.75
Water (26 m ³)	62.40	59.62	41.40	52.45	52.13
Sewer	57.59	32.53	33.00	48.85	36.19
Solid Waste	13.00	43.00	20.07	23.60	21.14
Monthly Utility Statement	\$243.61	\$256.93	\$224.44	\$245.39	\$181.46

EU Landfill and Collection Comparison (Alberta)

Average Tipping Fees and Commercial Collection Charges

City	Landfill Tipping Fees		Commercial Collection 3yd bin (pickup 1/week)	
Calgary – 2016	\$ 113.00	/ tonne	\$ 111.37	/ month
Edmonton – 2016	\$ 90.00	/ tonne	Call for quote / start \$99	
Lethbridge – 2016	\$ 75.50	/ tonne	\$ 126.21	/ month
Red Deer – 2016	\$ 68.00	/ tonne	\$ 116.58	/ month
2017: Medicine Hat – (depot, yard)	\$ 62.15	/ tonne	\$ 97.64	/ month

Recommendation – Budgets

That City Council approve:

- 2017-2018 Electric Generation Operating Budget;
- 2017-2018 Electric Generation Tangible Capital Asset Budget;
- 2017-2018 Electric Distribution Operating Budget;
- 2017-2018 Electric Distribution Tangible Capital Asset Budget;
- 2017-2018 Gas Distribution Operating Budget;
- 2017-2018 Gas Distribution Tangible Capital Asset Budget;
- 2017-2018 Environmental Utilities Operating Budget;
- 2017-2018 Environmental Utilities Tangible Capital Asset Budget;
- 2017-2018 Utilities Business Support Operating Budget.

Recommendation – Bylaws

- 2017 Water, Sewer, and Solid Waste rates subject to passing of the Rate Bylaws.
- 2017 Electric Distribution rates subject to passing of the Rate Bylaws.
- 2017 Gas Distribution rates subject to passing of the Rate Bylaws.

Questions?

Thank you