THE WAY WE FINANCE

2013 UTILITIES BUDGET

AS APPROVED AT DECEMBER 11, 2012

TRANSFORMING | EDMONTON

BRINGING OUR CITY VISION TO LIFE

Utilities

Table of Contents

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Utilities

Introduction

The City of Edmonton operates three public utilities: Sanitary Drainage, Stormwater Drainage, and Waste Management Services. The Utilities report to Council's Utility Committee.

The Utilities operate under their respective Council approved Fiscal Policies. The Approved Budgets for the Utilities reflect the strategic directions and initiatives identified in their 2013-2015 Business Plans presented to the Utility Committee on June 19, 2012. These include:

Drainage Services:

1. Maintain efficient and effective service
2. Build and renew drainage infrastructure
3. Improve environmental protection and maintain public health and safety
4. Support economic growth and development
5. Improve coordination and collaboration
6. Nurture innovation and creativity

Waste Management Services:

1. Deliver efficient collection services focused on environmental protection
2. Process waste to recover resources and minimize landfilling
3. Provide responsive services that meet the changing needs of our customers
4. Maintain our leadership status by focusing on innovation and attracting green businesses
5. Engage the citizens of Edmonton to facilitate their full participation in waste reduction, reuse and recycling

The Approved 2013 Budgets are intended to improve the results of the various financial indicators defined under each Utility's Fiscal Policy. The financial impacts to the typical residential customer is as follows:

Impacts on Typical Residential Customer	2012 Actual Typical Monthly Fee (16.6m^3)	2013 Approved Typical Monthly Fee (15.5m^3)	Monthly Increase	Annual Increase
Waste Management	$33.20	$35.36	$2.16	$25.92
Sanitary Drainage	$19.40	$20.40	$1.00	$12.00
Stormwater Drainage	$7.66	$8.38	$0.72	$8.64
Impact to Typical Customer			**$3.88**	**$46.56**

The following captures the major reasons for the approved rate changes.

Major Reasons for Rate Changes	Waste Management	Sanitary Drainage	Stormwater Drainage
Operating & Maintenance	$1.31	$0.27	$0.20
Fleet Services	$0.55	$0.00	$0.00
Depreciation & Interest	$0.15	$0.19	$0.39
Shared Services	$0.15	$0.00	$0.07
Biosolids Disposal	$0.00	$0.26	$0.00
Return on Rate Base	$0.00	$0.21	$0.06
Local Access Fee	$0.00	$0.07	$0.00
Total Change	**$2.16**	**$1.00**	**$0.72**

PUBLIC UTILITIES

Sanitary Drainage Utility	Stormwater Drainage Utility	Waste Management Utility
Planning and Biosolids Disposal	Planning	Collection Services
Development Services	Development Services	Processing and Disposal Services
Operations	Operations	
Program Support	Program Support	

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Branch — Waste Management Utility

Introduction

Edmonton's Waste Management Utility is recognized nationally and internationally as a leader in integrated waste management solutions. The focus of the Utility is to provide responsive waste management services to all customer groups through the delivery of an integrated waste management system. Under this system, the Utility manages:

- Collection of refuse and recyclables from approximately 324,000 single and multifamily homes;
- Assisted collection for 240 residents with mobility restrictions;
- Services to the non-residential sector to promote waste reduction and recycling;
- Drop off services through three Eco Stations (a fourth is in the planning stage);
- 20 community recycling depots;
- 12 annual community Big Bin events for receiving large, bulky items;
- One Reuse Centre for small items not acceptable in recycling programs;
- One Reuse Area and a second under construction for encouraging the reuse of large items such as furniture;
- The Edmonton Waste Management Centre (EWMC), where the focus is to process material into reusable and marketable products;
- Hauling and landfilling of waste that cannot be recycled or converted into feedstock for the Composting and Biofuels Facilities; and
- Litter collection in business districts and adjacent areas servicing 1,500 litter receptacles on behalf of Capital City Clean Up.

The integrated waste management system is currently responsible for diverting up to 60% of the residential stream from landfill and up to 90% in 2015 with availability of the Edmonton Biofuels Facility.

Vision:

A customer-driven world leader in sustainable and innovative waste management.

Mission:

Provide waste management services for the City of Edmonton with due regard to needs of customers, preservation of natural resources, protection of the environment and financial capabilities of the City.

Highlights for 2013 include:

- Weekly year-round collection of waste and recyclables;
- Commencement of construction of the Kennedale Eco station to serve north Edmonton residents;
- Public education campaign geared towards high volume generators of waste;
- Processing of residual waste material for delivery to the Edmonton Biofuels Facility starting fall of 2013; and
- Continued growth of the commercial collection program.

The Utility will also face **challenges** in 2013 relating to forces beyond its control. These challenges are financial in nature and include increased landfill disposal cost with the operational closure of the West Edmonton Landfill; continued downturn in markets for recyclable materials; and slower than anticipated growth in construction and demolition waste.

The Utility delivers waste management services to the residential and non-residential sectors under two main areas of operation: Collection Services, and Processing and Disposal Services.

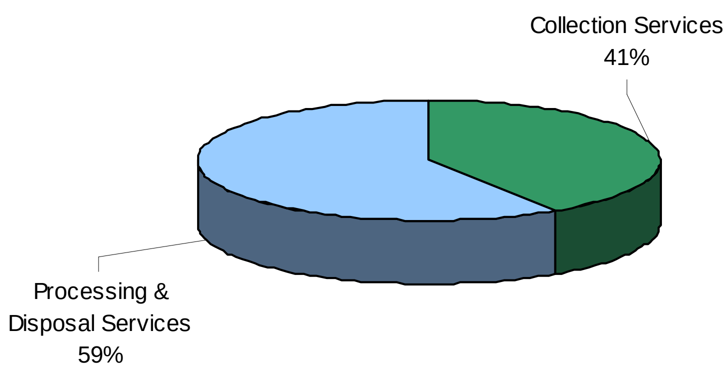
Branch — Waste Management Services

Approved 2013 Budget – Summary by Program Area

($000)

	2011 Actual	2012 Budget	2013 Budget	$ Change '12-'13	% Change '12-'13
Revenue					
Rate Revenue	$ 104,566	$ 112,434	$ 121,938	$ 9,504	8.5
Operations Revenue	24,883	24,555	24,393	(162)	(0.7)
Grants	11	6,000	6,000	-	-
Total Revenue	129,460	142,989	152,331	9,342	6.5
Expenditure					
Collection Services	50,389	57,657	62,367	4,710	8.2
Processing & Disposal Services	80,650	85,332	89,964	4,633	5.4
Total Expenditure	131,039	142,989	152,331	9,342	6.5
Net Income (Loss)	**$ (1,579)**	**$ -**	**$ -**	**$ -**	
Full-time Equivalents	424.5	448.0	465.8	17.8	

Expenditures by Program Area



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Branch — Waste Management Services

Approved 2013 Budget – Branch Summary
($000)

	2011 Actual	2012 Budget	2013 Budget	$ Change '12-'13	% Change '12-'13
Revenue					
Rate Revenue	$ 104,566	$ 112,434	$ 121,938	$ 9,504	8.5
Operations Revenue	24,883	24,555	24,393	(162)	(0.7)
Grants	11	6,000	6,000	-	-
Total Revenue	129,460	142,989	152,331	9,342	6.5
Expenditure					
Personnel	30,001	33,355	36,602	3,247	9.7
Materials, Goods & Supplies	3,991	3,963	4,253	290	7.3
Contracts	50,245	51,380	54,557	3,177	6.2
Fleet Services	12,917	13,013	15,891	2,878	22.1
Shared Services	5,247	5,644	6,472	828	14.7
Intra-Municipal Services	2,084	843	920	77	9.1
Utilities	3,091	4,156	4,147	(9)	(0.2)
Other Expenses	1,301	1,581	1,582	1	0.1
Customer Billing Services	4,201	4,432	4,482	50	1.1
Financial	24,958	27,679	28,418	739	2.7
Biofuels Grant	-	6,000	6,000	-	-
Subtotal	138,037	152,046	163,324	11,278	7.4
Biosolids Processing Recovery	(5,098)	(7,149)	(8,623)	(1,474)	20.6
Litter Collection Recovery	(1,900)	(1,908)	(1,940)	(32)	1.7
City Dept Disposal Recovery	-	-	(430)	(430)	
Total Intra-Municipal Recoveries	(6,998)	(9,057)	(10,993)	(1,936)	21.4
Total Expenditure	131,039	142,989	152,331	9,342	6.5
Net Income (Loss)	**$ (1,579)**	**$ -**	**$ -**	**$ -**	
Full-time Equivalents	424.5	448.0	465.8	17.8	

Branch — Waste Management Services

Budget Changes for 2013

($000)

Revenue - Changes

Rate Revenue $9,504

The increase to the monthly user fee charged on the utility bill will generate $7,441 in additional rate revenue, with the remaining $2,063 coming from an increased number of customers. Customer growth is based on the corporate population growth projection and analysis of the monthly billing records.

Operations Revenue $(162)

Program revenues are generated from tipping fees collected at the Edmonton Waste Management Centre (EWMC) and Eco Stations, collection services to commercial customers, extra collection services to the multi-family sector, sale of recyclables and compost, and partnerships with private sector businesses (e.g. Global Electronics and Electric Processors, Greys Paper). The decrease in revenue is primarily because of the downturn in the markets for recyclable material and the reclassification of disposal charges to City departments from revenue to intra-municipal recovery ($430). These reductions are offset by increased growth in servicing of the non-residential sector.

Grants $0

The Waste Management Utility acts as the intermediary for the flow of grant support from the Province to Enerkem for the Edmonton Biofuels Facility. All grant funds received for this project will be disbursed in 2013 with commissioning of the facility.

Expenditure - Changes

Personnel $3,247

Movement within salary ranges, changes in benefits, settlement of union contracts and reclassifications amount to $2,018. The balance of the change, $1,229, is required for 9.7 FTEs for growth in operations at the Edmonton Waste Management Centre, 6.6 FTEs for growth in residential and commercial collection and 1.5 FTEs to support the Utility's operations.

Material, Goods & Supplies $290

The 2013 increase relates to additional vehicle/equipment lease costs, direct material requirements to meet current needs, full in-service operation of both the Construction and Demolition Waste Recycling Facility and the system for processing residuals for the Edmonton Biofuels Facility.

Contracts $3,177

The increase consists of $1,450 for additional material to be hauled and disposed at the Ryley landfill; $1,035 for single family collection; $900 for additional biosolids processing that is offset by recoveries; $430 from full in-service operation of the Construction and Demolition Waste Recycling Facility and system for processing residuals for the Edmonton Biofuels Facility. These are offset by a price reduction for providing additional service to the multi-family customers ($508) and other contract changes ($130).

Fleet Services $2,878

The change results from fuel pricing and increased travel miles of $1,526; increased maintenance and repairs due to growth in the Utility's fleet of $962; and increased variable mileage costs from growth in collections service area and long haul to the Ryley Landfill of $672 . This is offset by a reduction in fixed capital repayment costs of ($282).

Shared Services $828

The increase in Shared Services allocation is part of the phase-in process that results in the Utility being responsible for 90% of the costs in 2013, and 100% by 2014. The increase to 90% recovery accounts for $705 of the $828 increase.

Branch — Waste Management Services

Budget Changes for 2013

($000)

Expenditure - Changes

Intra-municipal Services $77

Intra-municipal services are provided to the Waste Management Utility by other departments. This primarily includes charges for bus service and security for the EWMC; on-demand building maintenance and custodial services; and use of corporate services such as the Digital Print Centre.

Utilities & Other Expenses $(8)

Utilities include power, water and sewer, natural gas, waste management and telephones. The decrease reflects the reclassification of the natural gas utility for the Kennedale building from a direct charge to a shared service charge, partially offset by corporate utility fees guidelines as well as new building space and equipment.

Customer Billing Services $50

The Waste Management Utility contracts with EPCOR to provide customer billing and collection services. The current agreement covers 2012 and 2013. The 2013 budget reflects the contracted billing costs as well as estimates of customer growth at a composite increase of 1.8%. Allowance for bad debt at 0.4% of monthly billed revenue is unchanged from 2012 for EPCOR billed utility charges.

Financial $739

The change reflects an increase of $1,100 from full year depreciation on assets projected to be put into service in 2012 of $54 million and half-year rule for new 2013 in-service assets of $61 million. The interest expense is reduced by ($361) resulting from lower borrowings and lower interest rates.

Biofuels Grant $0

The Waste Management Utility acts as the intermediary for the flow of grant support from the Province to Enerkem for the Edmonton Biofuels Facility. All grant funds received for this project will be disbursed in 2013 with commissioning of the facility.

Biosolids Processing Recovery $(1,474)

The Waste Management Utility processes and disposes of biosolids (residuals from the wastewater treatment process) for Drainage Services. The 2013 budget reflects the second year of a three-year phase-in-period over which the processing subsidy provided by Waste Management Utility ends, along with an increase in the volume of biosolids processed from 87% to 90% of the annual production.

Litter Collection Recovery $(32)

The Waste Management Utility provides litter collection in business districts and adjacent areas servicing on behalf of Capital City Clean Up. A small adjustment is made to reflect anticipated costs based on 2012 experience.

City Dept Disposal Recovery $(430)

The Waste Management Utility disposes of material from other City departments. The change from 2012 is due to the reclassification of disposal charges to City departments from revenue to intra-municipal recovery ($430).

Branch — Waste Management Services

Budget Changes for 2013

($000)

Full-time Equivalents - Changes

The 2013 Approved Budget includes an increase of 17.8 FTEs for direct service delivery to customers, bringing the Utility's staff complement to 465.8 FTEs.

4.4 FTEs are required for residential collection services as a result of customer growth and the requirement to maintain a 50/50 split in these services with contractors. In addition, 2.2 FTEs are required to provide service to existing and new non-residential customers.

0.5 FTE is required to support the waste reduction program targeted at high volume users arising from the public review of waste management user fees carried out in Spring 2012. An additional 1.0 FTE to required to meet the demonstrated need for outreach in support of the Utility's operations that have been performed by temporary staff to date.

The 2013 Approved Budget also includes an addition of 9.7 FTE's within the Processing & Disposal section reflecting the impact of new operations at the EWMC as well as increased volume of material to be hauled to Ryley.

Branch — Waste Management Services

Approved 2013 Budget – Program Summary

($000)

Program Name - Collections Services

Results to be Achieved

The Collection Services Section responds to the current and changing needs of customers through efficient and effective collection and drop-off services.

Service Standards

The Waste Management Utility is responsible for providing weekly collection to residential customers and contracted service to the non-residential sector (to influence recycling in this sector and contribute revenue for financing regulated services). Drop-off services like Eco Stations are developed to meet customer need.

Resources ($000)	2011 Actual	2012 Budget	2013 Budget	12-13 Change
Revenue & Transfers	$ 50,389	$ 57,657	$ 62,367	$ 4,710
Expenditure & Transfers	50,389	57,657	62,367	4,710
Net Income (Loss)	$ -	$ -	$ -	$ -
Management	2.0	2.0	2.0	-
Exempt	11.5	12.2	12.2	-
Union	212.1	210.7	217.9	7.2
Temporary	34.6	35.0	35.4	0.4
Full - Time Equivalents	260.2	259.9	267.5	7.6

2012 Services — What We are Currently Doing

- Collection of residential refuse and recylcables from approximately 324,000 single and multi-family homes
- Operation of three conveniently located Eco Stations open year-round and 20 community recycling depots
- Non-residential (commercial) service for more than 120 accounts with at least 215 bins in service
- Twelve Big Bin Events to collect heavy, bulky material are held throughout the City

Changes in Services for 2013 — What We Will Do

- Weekly collection of refuse and recyclables from approximately 188,000 single family homes starting February 2013
- Construction of a fourth Eco Station will continue throughout 2013 with the new facility opening early 2014
- Projected increase to the non-residential customer base 200 to 250

Program Name - Processing & Disposal Services

Results to be Achieved

The Processing and Disposal Services Section processes residential and non-residential waste streams on a real-time basis to recover resources and minimize landfilling.

Service Standards

The Waste Management Utility is responsible for providing processing and disposal services at the Edmonton Waste Mangement Centre on a year-round basis to achieve up to 60% diversion from landfill in 2013.

Resources ($000)	2011 Actual	2012 Budget	2013 Budget	12-13 Change
Revenue & Transfers	$ 79,071	$ 85,332	$ 89,964	$ 4,632
Expenditure & Transfers	80,650	85,332	89,964	4,632
Net Income (Loss)	$ (1,579)	$ -	$ -	$ -
Management	2.0	2.0	2.0	-
Exempt	17.5	20.8	21.8	1.0
Union	136.3	152.2	156.5	4.3
Temporary	8.5	13.1	18.0	4.9
Full - Time Equivalents	164.3	188.1	198.3	10.2

2012 Services — What We are Currently Doing

- Projected tonnes of residential recyclable material processed at the Materials Recovery Facility 50,000
- Number of customer transactions at the Edmonton Waste Management Centre is projected to be 250,000
- Approximately 8000 loads of waste material will be hauled to the remote landfill in Ryley
- Projected tonnes of material processed at the Integrated Processing and Composting Facilities 265,000

Changes in Services for 2013 — What We Will Do

- Projected additional loads of waste material hauled to remote landfill in Ryley 6000
- Full processing of residual waste material for Edmonton Biofuels Facility fall of 2013
- Impact of reduced commodity prices for recyclable material approximately $2 million

Approved 2012-2014 Capital Budget and Forecast Plan
($000)

Capital Projects	Total Approved 2012-2014	Remaining Plan 2015-2022	Revised Budget & Plan 2012-2022
Collection Services Facilities			
Ambleside Eco Station	536	-	536
NE Eco Station	13,126	-	13,126
Kennedale Facility	8,455	-	8,455
NW Eco Station	-	11,400	11,400
	22,117	11,400	33,517
Processing & Disposal Facilities			
Integrated Processing & Transfer Facility	6,374	-	6,374
Other P&D Facilities	279	-	279
Waste to Biodiesel Demo Facility	5,708		5,708
	12,361	-	12,361
Collection Services and Processing & Disposal Infrastructure			
Eco Station Facilities Rehabilitation	2,300	2,725	5,025
EWMC Infrastructure Rehabilitation	35,065	75,751	110,816
	37,365	78,476	115,841
Vehicles and Equipment			
Waste Containers	7,430	17,274	24,704
Vehicles and Mobile Equipment	19,113	67,976	87,089
	26,543	85,250	111,793
Total	98,386	175,126	273,512

This table provides the capital expenditures included in the 10 year plan. The approved capital projects are progressing as planned with minor adjustments approved in 2013.

Branch — Waste Management Services

Pro-forma Income Statement

($000)

	2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast
Revenues					
Rate Revenue	121,938	131,615	140,717	149,734	157,035
Operations Revenue	24,393	26,479	27,568	28,794	29,707
Grant Revenue	6,000	-	-	-	-
Total Revenues	**152,331**	**158,094**	**168,285**	**178,528**	**186,742**
Expenses					
Operating & Maintenance	123,952	127,028	132,660	136,953	142,105
Shared Services	6,472	7,308	7,548	7,795	8,051
Customer Billing Service	4,482	4,710	4,940	5,176	5,410
Depreciation	17,915	18,857	19,548	21,044	22,191
Interest	10,503	10,909	11,149	11,433	11,111
	163,324	168,812	175,845	182,401	188,868
Biosolids Processing Recovery	(8,623)	(9,950)	(13,333)	(13,871)	(14,244)
Litter Collection Recovery	(1,940)	(1,994)	(2,329)	(2,392)	(2,456)
City Dept Disposal Recovery	(430)	(430)	(430)	(430)	(430)
Net Expenses	**152,331**	**156,438**	**159,752**	**165,709**	**171,738**
Net Income	**-**	**1,656**	**8,532**	**12,819**	**15,004**
Opening Retained Earnings	40,066	41,324	43,922	52,885	66,135
Net income	-	1,656	8,532	12,819	15,004
Post closure liability draw for capital	875	511	-	-	-
Amortization of contributed capital	(569)	(569)	(569)	(569)	(569)
Vehicle equity transfer	952	1,000	1,000	1,000	1,662
Ending Retained Earnings	**41,324**	**43,922**	**52,885**	**66,135**	**82,232**
Rate Increase	6.5%	6.0%	5.0%	4.5%	3.0%
Monthly Billing Increase	$2.16	$2.12	$1.87	$1.77	$1.23
Single Family Monthly Unit Rate	$35.36	$37.48	$39.35	$41.12	$42.35

Branch — Waste Management Services

Pro-forma Balance Sheet

($000)

	2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast
Assets					
Cash	20,136	20,850	25,866	35,407	35,485
Other Current Assets	11,679	11,679	11,679	11,679	11,679
Total Assets	31,815	32,529	37,545	47,086	47,164
Liabilities					
Liabilities	28,554	28,554	28,554	28,554	28,554
Landfill closure and post-closure	15,765	14,677	14,086	13,531	12,960
Long-term Debt	232,600	234,954	242,723	242,728	224,164
Total liabilities	276,919	278,185	285,363	284,812	265,677
Net Financial Assets (Net Debt)	**(245,104)**	**(245,656)**	**(247,819)**	**(237,726)**	**(218,514)**
Non-Financial Assets					
Contributed Tangible Capital Assets	10,446	9,877	9,308	8,738	8,169
Non-Contributed Tangible Capital Assets	275,886	279,604	291,300	295,026	292,480
Other Assets	96	96	96	96	96
Total Non-Financial Assets	**286,428**	**289,577**	**300,703**	**303,861**	**300,746**
Retained Earnings	**41,324**	**43,922**	**52,885**	**66,135**	**82,232**

Branch — Waste Management Services

Financial Indicators

		2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast
1	Rates Sufficient to Meet Expenses					
	Net Income	$ -	$ 1,656	$ 8,532	$ 12,819	$ 15,004
	Target: Positive Net Income					
2	Fair and Reasonable Return					
	Return on Rate Base	0.0%	0.6%	2.8%	4.1%	4.8%
	Target: Return to be between 4% and 10%					
	Monthly Billing Increase	*$2.16*	*$2.12*	*$1.87*	*$1.77*	*$1.23*
	Impact of Customer Rate	*6.5%*	*6.0%*	*5.0%*	*4.5%*	*3.0%*
3	Financing of Capital Investments					
	Debt Coverage Ratio	1.1	1.2	1.4	1.5	1.5
	Debt to Net Assets Ratio	84%	84%	83%	82%	77%
	Target: Debt Coverage Ratio Not Less than 1.3 // Debt to Net asset ratio at 60%					
4	Cash Balance					
	Total Cash	$ 20,136	$ 20,850	$ 25,866	$ 35,407	$ 35,485
	Landfill Closure	15,765	14,677	14,086	13,531	12,960
	Cash Available to Finance Future Capital	$ 4,372	$ 6,174	$ 11,779	$ 21,877	$ 22,525
	Next Year's Capital Financed by RE	$ 5,528	$ 5,150	$ 5,512	$ 18,144	$ 23,126
	Target: Sufficient cash for planned capital investment to be financed by Retained Earnings (RE)					
5	Long Range Plans					
	Pro-forma Information	10 Years	10 Years	10 Years	10 Years	10 Years
	Target: 10 year financial planning horizon					

Branch — Waste Management Services

Approved 2013 Budget - User Fee Information

Facility User Fees (Non-Regulated Rates)

Fee Description	Approved Change (2012 to 2013)	Explanation
Fees charged for waste disposal at the Edmonton Waste Management Centre	• Commercial waste fee increase from $75.00 to $80.00 per tonne	Planned increase in facility user fees for the Edmonton Waste Management Centre reflects the transition to higher cost processing systems to replace landfill capacity in Edmonton.
Fees charged for disposal at ECO Stations	• Partial load from $25.00 to $28.00 per load • Level 1/2 ton equivalent from $35.00 to $38.00 per load • Heaping 1/2 ton equivalent from $45.00 to $48.00 per load	The approved increase of $3.00 per load is needed to satisfy the requirement to maintain rates to generate revenue within 30 to 40% of total operating costs of the Eco Station Program.

Utility Fees (Regulated Rates)

Driver for Change in Regulated Rate	Approved Change (2012 to 2013)	Approved Percentage Change (2012 to 2013)
Change in Single Family Monthly Utility Fees	Increase in single family monthly utility fee $2.16 (from $33.20 in 2012 to $35.36 in 2013) Increase in multi-family monthly utility fee $1.40 (from $21.58 in 2012 to $22.98 in 2013)	Change in the monthly utility fee 6.5%

Collection, processing and disposal operations	$1.31
Fleet Services	$0.55
Continued phase in of full allocation of Shared Services costs	$0.15
Depreciation and debt repayment expenses	$0.15
Total Change	**$2.16**

Bylaw Requiring Approval

Bylaw #	**Description**
Waste Management Bylaw #16265	To amend current Bylaw #13777 for facility fees and monthly utility rate.

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Branch — Drainage Services

Introduction

Drainage Services provides high quality and reliable services to Edmonton residents through the Sanitary and Stormwater Utilities. Both are operated as public utilities under a full cost recovery model without subsidy from property tax.

Vision: Excellence and innovation in wastewater, stormwater and biosolids management through customer service, environmental stewardship, and fiscal responsibility.

Mission: We protect public health and the environment by managing wastewater, stormwater and biosolids through environmentally and financially sustainable practices for the City of Edmonton, the North Saskatchewan River system, and our regional partners.

Sanitary Utility

Through a network of over 3,100 km of sanitary and combined sewers, the Sanitary Utility conveys wastewater from over 240,000 customers to the Gold Bar Wastewater Treatment Plant for final treatment. The resulting bio-solids from the treatment process are returned to the Sanitary Utility for storage at the Cloverbar Lagoons and eventual beneficial disposal.

Stormwater Utility

The Stormwater Utility conveys and treats rainfall runoff from almost 240,000 customers. Increased requirements and expectations are pushing the Stormwater Utility to higher levels of environmental treatment through over 150 lakes and wetlands before the runoff is released into creeks and the North Saskatchewan River.

Highlights for 2013 include:

- **Change in the Rate Structure for Sanitary Drainage**

  The Drainage Utilities commissioned a Rate Structure Review in 2011 to ensure no cross-subsidization existed between customer classes. The recommendations from this study, approved by City Council on September 12, 2012 resulted in a change in Sanitary Drainage's rate structure. The fixed rate charged to customers will be based on the size of water meter while the variable rate will be uniform across customer classes, with a provision for wholesale customers with their own collection system. This change is effective January 2013.

- **Implementation of Biosolids Management Strategy**

  The Utility Committee received Drainage Services' 2013-2015 Business Plan at the June 19, 2012 Committee meeting which included the approved implementation plan for the Biosolids Management Strategy. The Strategy includes an increase in the biosolids disposal rate from a budget of 90% of annual generation in 2012 to 93% in 2013. Full implementation of the Strategy will result in achieving 100% disposal of annually generated biosolids by 2016 and the reduction of biosolids lagoon inventories starting in the same year. The target is to reduce biosolids inventory levels in the lagoons from almost 200,000 to 50,000 dry tonnes by 2025.

- **Flood Prevention Program**

  The Drainage Utilities are budgeted to spend over $11 million in 2013 as part of the Flood Prevention Program that began in 2006. Currently 12 neighbourhoods have been completed since the inception of the program with another 10 by the end of 2014. With the recent flooding in July 2012, the Flood Prevention Program may need to be expanded to include remedial measures to reduce flood risk in new areas affected. Detailed assessment work will be starting soon and when completed in 2013, an expanded program may be recommended to City Council for approval.

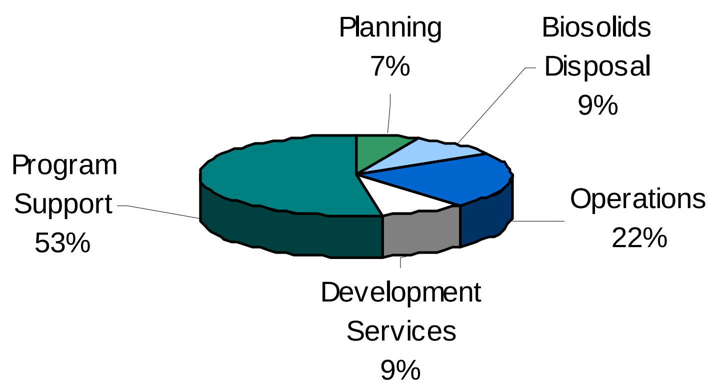
Drainage Services — Sanitary and Stormwater Utility

Approved 2013 Budget – Summary by Program Area
($000)

	2011 Actual	2012 Budget	2013 Budget	$ Change '12-'13	% Change '12-'13
Revenue & Transfers					
Rate Revenue	$ 95,126	$ 124,883	$ 135,771	$ 10,888	8.7
Program Revenue	5,517	5,512	6,409	897	16.3
Transfer from Design & Construction	1,250	-	-	-	-
Total Revenue & Transfers	**101,893**	**130,395**	**142,180**	**11,785**	9.0
Expenditure & Transfers					
Planning	6,905	6,925	7,274	349	5.0
Biosolids Disposal	5,105	8,445	10,199	1,754	20.8
Operations	18,322	22,686	24,601	1,915	8.4
Development Services	9,535	9,406	9,717	311	3.3
Program Support	46,457	53,662	58,113	4,451	8.3
Total Expenditure & Transfers	**86,324**	**101,124**	**109,904**	**8,780**	8.7
Net Income (Loss)	**$ 15,569**	**$ 29,271**	**$ 32,276**	**$ 3,005**	10.3
Full-time Equivalents	302.4	310.4	319.9	9.5	3.1

For further budget details at a program level, please refer to Section 7.8 and 8.7 of the Rate Filing prepared for the Utility Advisor.

Expenditures by Program Area



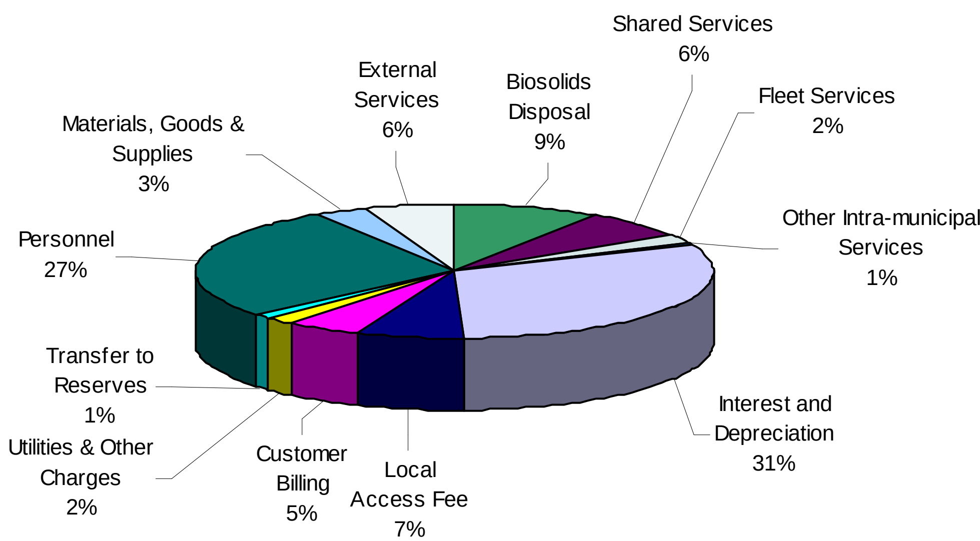
Drainage Services — Sanitary and Stormwater Utility

Approved 2013 Budget – Summary by Category

($000)

	2011 Actual	2012 Budget	2013 Budget	$ Change '12-'13	% Change '12-'13
Revenue & Transfers					
Rate Revenue	$ 95,126	$ 124,883	$ 135,771	$ 10,888	8.7
Program Revenue	5,517	5,512	6,409	897	16.3
Transfer from Design & Construction	1,250	-	-	-	-
Total Revenue & Transfers	**101,893**	**130,395**	**142,180**	**11,785**	9.0
Expenditure & Transfers					
Personnel	24,942	28,360	31,195	2,835	10.0
Materials, Goods & Supplies	2,879	3,342	3,543	201	6.0
External Services	6,153	5,762	6,635	873	15.2
Biosolids Disposal	5,105	8,445	10,199	1,754	20.8
Shared Services	7,869	7,094	7,396	302	4.3
Fleet Services	2,296	2,654	2,497	(157)	(5.9)
Other Intra-municipal Services	743	1,277	930	(347)	(27.2)
Interest and Depreciation	26,600	32,263	35,215	2,952	9.1
Local Access Fee	5,300	7,122	7,617	495	7.0
Customer Billing	5,136	5,349	5,391	42	0.8
Utilities & Other Charges	1,567	2,106	2,226	120	5.7
Transfer to Reserves	1,300	1,300	1,300	-	-
Subtotal	**89,890**	**105,074**	**114,144**	**9,070**	8.6
Intra-municipal Recoveries	(3,566)	(3,950)	(4,240)	(290)	7.3
Total Expenditure & Transfers	**86,324**	**101,124**	**109,904**	**8,780**	8.7
Net Income (Loss)	**$ 15,570**	**$ 29,271**	**$ 32,276**	**$ 3,005**	**10.3**
Full-time Equivalents	302.4	310.4	319.9	9.5	3.1

Expenditures by Category



Approved 2013 Budget – Program Summary
($000)

Program Name - Planning and Biosolids Disposal

Results to be Achieved

Ensure that Edmonton has a drainage system that supports the City's plan for livability, growth, and environmental and financial sustainability by effectively planning and managing the growth, renewal and enhancement of the Sanitary and Stormwater systems and coordinating the development and implementation of the Drainage Services capital program.

Service Standards

Follow Council strategic directions, develop and implement a drainage system that meets drainage design and construction standards and the requirements of the Drainage Master Plan, and adhere to regulatory compliance to maintain an Approval to Operate as well the Sewers Use, Sewer Drainage, and Sewers Bylaws.

Resources ($000)	2011 Actual	2012 Budget	2013 Budget	Variance
Revenue & Transfers	$ 1,225	$ 2,025	$ 2,375	$ 350
Expenditure & Transfers	12,010	15,370	17,473	2,103
Net Income (Loss)	**$ (10,785)**	**$ (13,345)**	**$ (15,098)**	**$ (1,753)**
Management		1.0	1.0	-
Exempt		21.0	21.0	-
Union		18.0	18.0	-
Temporary		-	-	-
Full - Time Equivalents		**40.0**	**40.0**	**-**

2012 Services

- Developed and presented the long-term Biosolids Management Strategy to Council
- Implemented the Drainage Neighbourhood Renewal, Flood Prevention, and Combined Sewer Overflow programs.
- Monitor the efficiency of the current drainage system and planned accordingly to maintain system service levels.
- Investigated options for future drainage system expansion with other City Departments to spur municipal development.

Changes in Services for 2013

- Increase biosolids disposal to 93% of annual generation.
- Continue to implement the Drainage Neighbourhood Renewal, Flood Prevention, and Combined Sewer Overflow programs.
- Continue to monitor the efficiency of the current drainage system and plan accordingly to maintain system service levels.
- Continue to investigate drainage system expansion options with other City departments to spur municipal development.

Program Name - Operations

Results to be Achieved

Provides preventative maintenance of the drainage infrastructure system as well as responding to customer service inquiries. This work ensures a reliable system, public health, environmental protection and customer satisfaction.

Service Standards

Provide preventative maintenance of the collection system, sewer, manholes, catch basins, and pump stations throughout the City to ensure the system is operating safely and efficiently to ensure public confidence. Provide inspection and maintenance of lakes and wetlands, dry ponds, sewer outfalls and main trunklines to ensure adherence to environmental standards.

Resources ($000)	2011 Actual	2012 Budget	2013 Budget	Variance
Revenue & Transfers	$ 1,383	$ 769	$ 803	$ 34
Expenditure & Transfers	18,322	22,686	24,601	1,915
Net Income (Loss)	**$ (16,939)**	**$ (21,917)**	**$ (23,798)**	**$ (1,881)**
Management		1.0	1.0	-
Exempt		6.0	6.0	-
Union		165.0	171.0	6.0
Temporary		13.9	13.9	-
Full - Time Equivalents		**185.9**	**191.9**	**6.0**

2012 Services

- Responded effectively to customer service inquiries during long periods of increased and persistent rainfall occurrences.
- Maintained and operated over 75 pumpstations throughout the City.
- Completed over 2,000 inspections on stormwater lakes.
- Achieved 2.67 wastewater mainline blockages per 100 km of sewer pipe maintained.

Changes in Services for 2013

- Continue to improve on key performance measures such as number of system blockages and customer service.
- Manage increasing demand for public services while improving delivery of services.
- Continue to meet or exceed regulatory requirements.
- Develop odour reduction measures.

Drainage Services — Sanitary & Stormwater Utility

Approved 2013 Budget – Program Summary

($000)

Program Name - Development Services

Results to be Achieved

Works corporately with the public, development and consulting industries, utilities and regulatory bodies to provide sustainable drainage servicing to all developments, monitor compliance of regulatory requirements, and manage drainage system records to provide excellent public service and be a steward for environmental protection.

Service Standards

Provide timely land development review and approval of services to spur municipal development, implement effective lot grading and flood proofing programs to ensure public confidence, complete sewer/water service connections, and promote system efficiency by processing drainage infrastructure system data, performing regulatory inspections, and environmental monitoring/reporting.

Resources ($000)	2011 Actual	2012 Budget	2013 Budget	Variance
Revenue & Transfers	$ 2,405	$ 2,245	$ 2,444	$ 199
Expenditure & Transfers	9,535	9,406	9,717	311
Net Income (Loss)	**$ (7,130)**	**$ (7,161)**	**$ (7,273)**	**$ (112)**
Management		1.0	1.0	-
Exempt		14.0	15.0	1.0
Union		63.0	64.0	1.0
Temporary		0.5	2.0	1.5
Full - Time Equivalents		**78.5**	**82.0**	**3.5**

2012 Services

- Approved over 5,200 residential lots for development and reviewed over 360 engineering drawings.
- Performed over 12,000 lot grading inspections and over 2,900 Industrial,Commmercial and Industrial property inspections.
- Tracked 400 monitoring sites for water quantity/quality data and rain data.
- Completed over 300 water, storm, and sanitary service connection work orders.

Changes in Services for 2013

- Maintain goal of providing excellent public service and ensuring environmental regulations are met.
- Manage increasing demand for public services while improving delivery of services.
- Continue to improve the promoting of low impact development and meeting or exceeding regulatory requirements.
- Work towards creating a zero impact vision in the long term.

Program Name - Program Support

Results to be Achieved

Provide administrative support for Drainage Services and recommendations to the Utility Committee/City Council to provide opportunities for greater operational efficiencies and address utility rate issues as required. All Rate Revenues and centralized expendtures including shared services, depreciation, and interest are reported here.

Service Standards

Investigate and provide analytical assessments for key strategic issues identified by Utility Committtee, City Council, or internally as required. Continue to investigate opportunities to improve operational efficiencies within the Branch as well as ensure public satisfaction and promote customer rate fairness and equity.

Resources ($000)	2011 Actual	2012 Budget	2013 Budget	Variance
Revenue & Transfers	$ 96,880	$ 125,356	$ 136,558	$ 11,202
Expenditure & Transfers	46,457	53,662	58,113	4,451
Net Income (Loss)	**$ 50,423**	**$ 71,694**	**$ 78,445**	**$ 6,751**
Management		1.0	1.0	-
Exempt		2.0	2.0	-
Union		3.0	3.0	-
Temporary		-	-	-
Full - Time Equivalents		**6.0**	**6.0**	**-**

2012 Services

- Presented a new rate structure study to ensure long term sustainability and promote customer class equity.
- Coordinated with EPCOR to implement a new billing rate structure to ensure a seamless transition.
- Recommended a building purchase to consolidate Drainage Services and Design & Construction staff to promote greater efficiency.
- Commenced the evaluation of current billing services provided to Drainage Services to assess if they are of fair market value.

Changes in Services for 2013

- Complete the evaluation of current billing services and present the assessment to the Utility Committee.
- Finalize the transition of the new billing rate structure with EPCOR.
- Provide reports/analysis to Utility Committee and City Council as requested.
- Continue to ensure adherence and improvement of financial measures as stated in the Drainage Utilities Fiscal Policy.

Drainage Services — Sanitary Utility

Approved 2013 Budget – Sanitary Drainage Summary

($000)

	2011 Actual	2012 Budget	2013 Budget	$ Change '12-'13	% Change '12-'13
Revenue & Transfers					
Rate Revenue	$ 66,513	$ 89,030	$ 95,218	$ 6,188	7.0
Program Revenue	4,805	4,738	5,443	705	14.9
Transfer from Design & Construction	1,250	-	-	-	-
Total Revenue & Transfers	**72,568**	**93,768**	**100,661**	**6,893**	7.4
Expenditure & Transfers					
Personnel	19,241	19,465	21,411	1,946	10.0
Materials, Goods & Supplies	1,881	2,414	2,377	(37)	(1.5)
External Services	4,526	3,895	4,530	635	16.3
Biosolids Disposal	5,105	8,445	10,199	1,754	20.8
Shared Services	6,507	5,220	5,037	(183)	(3.5)
Fleet Services	1,845	1,864	1,774	(90)	(4.8)
Other Intra-municipal Services	(2,184)	924	591	(333)	(36.0)
Interest and Depreciation	19,690	22,981	24,322	1,341	5.8
Local Access Fee	5,300	7,122	7,617	495	7.0
Customer Billing	4,133	4,336	4,362	26	0.6
Utilities & Other Charges	1,249	1,664	1,754	90	5.4
Transfer to Reserves	1,300	1,300	1,300	-	-
Subtotal	**68,593**	**79,630**	**85,274**	**5,644**	7.1
Intra-municipal Recoveries	(2,859)	(2,532)	(2,725)	(193)	7.6
Total Expenditure & Transfers	**65,734**	**77,098**	**82,549**	**5,451**	7.1
Net Income (Loss)	**$ 6,834**	**$ 16,670**	**$ 18,112**	**$ 1,442**	8.7
Full-time Equivalents	205.7	211.8	218.0	6.2	2.9

Budget Changes for 2013

($000)

Revenue & Transfers - Changes

Rate Revenue $6,188

The increase to the monthly user fee charged on the utility bill will generate approximately $5,833 in additional rate revenue while customer growth accounts for another $355 increase in revenues.

Program Revenue $705

This increase is primarily due to new negotiated rates with the ACRWC for biosolids management and supernatant treatment as a result of the 2010 Cost of Service Study and an increase in interest revenue due to a higher forecasted cash balance in 2012 relative to 2011.

Drainage Services — Sanitary Utility

Budget Changes for 2013

($000)

Expenditures & Transfers - Changes

Personnel $1,946

Personnel cost changes relate to new staffing requirements to support the increased workload requirements resulting from growth of the systems, environmental requirements resulting in increased operational needs, and Occupational Health and Safety training needs, $1,051, as well as wage settlements and economic increases, $895.

Material, Goods & Supplies ($37)

The decrease is primarily due to the reallocation of direct materials to the Stormwater Utility to properly reflect the true portion of costs, offset with inflationary increases.

External Services $635

The increase is primarily due to the cost of implementing the new rate structure change and various studies for the overall planning of the Drainage System.

Biosolids Disposal $1,754

The additional costs for biosolids disposal are in accordance with the Biosolids Management Strategy. Specifically for 2013, the increased cost represents the second year of a 3-year phase-in period that will result in Drainage Services paying full costs associated with the disposal of biosolids to the Waste Management Utility and a disposal volume increase from 90% to 93% of annual production.

Shared Services ($183)

The overall decrease is primarily due to the streamlining of Shared Services allocations at the corporate level between Drainage Services and Drainage Design & Construction, a reduced requirement for space rent and facility maintenance as a result of streamlining branch needs, and the refining of the internal allocation of costs to the Stormwater Utility to better reflect their true portion of these types of costs.

Fleet Services ($90)

The reduction in Fleet Charges is primarily the result of Drainage Services now purchasing vehicles through the capital program instead of leasing through Fleet. As the vehicles leased through Fleet Services are replaced by purchased vehicles, Fleet Charges will continue to decline.

Other Intra-municipal Services ($333)

The decrease is a result of refining the allocation between Sanitary and Stormwater to reflect true costs and the streamlining of interdepartmental charges/recoveries.

Interest and Depreciation $1,341

The increase is partly due to increased interest expense of $345 as a result of relatively higher financing required to fund the capital plan and $996 in increased depreciation resulting from additional capital assets put into service.

Local Access Fee $495

The Local Access Fee is calculated based on 8% of Rate Revenue, therefore as the total amount of Rate Revenue increases, so does the amount of Local Access Fee to be paid to the City of Edmonton.

Customer Billing $26

The 2013 Budget reflects a lower rate, agreed to in the 2012 Service Level Agreement with EPCOR, offset with an increase in customer growth.

Budget Changes for 2013

($000)

Utilities & Other Charges $90

The increase is primarily due to inflationary increases.

Transfer to Reserves $0

No Change from prior year.

Intra-municipal Recoveries ($193)

Capital recoveries have increased due to additional capital work.

Full-time Equivalents - Changes

The 2013 FTE change reflects new staffing requirements to manage increased workload requirements resulting from growth of the systems, environmental requirements resulting in increased operational needs, and Occupational Health and Safety training needs. This results in a total increase of 6.2 permanent FTE for the Sanitary Utility.

Drainage Services — Sanitary Utility

Approved 3-Year Capital Budget (2012-2014) and Forecast (2015-2021)
($000)

		Approved Budget			Forecast							Total 2012-
	Major Project Class	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2021**
Renewal & Upgrading	**Drainage Neighbourhood Renewal**	**18,942**	**25,708**	**30,557**	**46,603**	**41,292**	**32,790**	**40,307**	**46,594**	**52,007**	**53,679**	**388,480**
	Drainage Neighbourhood Renewal Coordination	18,413	25,158	29,988	37,728	28,987	16,812	20,396	22,468	23,433	21,107	244,490
	Sewer Upgrading	265	275	285	5,917	6,152	6,391	6,637	6,893	7,143	7,403	47,361
	Service Connection Renewal	265	275	285	2,958	6,152	9,587	13,274	17,233	21,430	25,169	96,629
	Drainage System Rehabilitation	**10,835**	**11,153**	**11,387**	**11,822**	**11,739**	**12,194**	**12,431**	**12,911**	**13,130**	**13,606**	**121,207**
	Structures Rehabilitation	4,222	4,389	4,548	4,722	4,910	5,100	5,296	5,501	5,700	5,907	50,295
	Sewer Rehabilitation	6,613	6,764	6,839	7,100	6,829	7,094	7,135	7,410	7,429	7,699	70,913
	Drainage Facilities Upgrading	**1,465**	**1,505**	**1,655**	**5,864**	**2,338**	**1,221**	**1,195**	**2,930**	**3,607**	**1,962**	**23,741**
	Facilities, Equipment & System Renewal	1,254	1,175	1,313	1,130	1,107	1,221	1,195	2,930	3,607	1,962	16,893
	Residuals Disposal Facility	212	330	342	4,733	1,230	-	-	-	-	-	6,847
	Flood Prevention	**1,870**	**4,956**	**249**	**2,937**	**6,300**	**4,247**	**2,708**	**277**	**2,556**	**-**	**26,100**
Environmental	**Environmental Quality Enhancement**	**1,683**	**2,111**	**1,884**	**1,956**	**1,342**	**1,395**	**1,448**	**1,504**	**1,559**	**1,615**	**16,498**
	Combined Sewer Overflow Strategy	**16,259**	**8,077**	**7,865**	**7,337**	**9,721**	**8,947**	**9,292**	**9,651**	**10,001**	**10,364**	**97,512**
	Opportunistic Sewer Separation	7,235	3,520	3,875	4,260	4,676	3,835	3,982	4,136	4,286	4,442	44,247
	WESS W12	4,156	1,367	-	-	-	-	-	-	-	-	5,523
	Combined Sewer Overflow Control Projects	4,867	3,190	3,989	3,077	5,045	5,113	5,310	5,515	5,715	5,922	47,742
Growth	**Sanitary Servicing Strategy**	**22,721**	**21,675**	**15,673**	**22,780**	**11,136**	**22,241**	**20,376**	**22,541**	**15,716**	**20,580**	**195,436**
	Sanitary Servicing Strategy Projects	21,479	21,041	15,673	22,780	11,136	22,241	20,376	22,541	15,716	20,580	193,561
	Mill Woods Double Barrel Replac/SESS SA1	1,241	634	-	-	-	-	-	-	-	-	1,875
	Drainage System Expansion	**13,803**	**8,095**	**6,793**	**8,710**	**7,334**	**9,408**	**7,911**	**10,147**	**8,515**	**10,897**	**91,612**
		87,578	**83,278**	**76,063**	**108,008**	**91,201**	**92,441**	**95,668**	**106,555**	**107,091**	**112,703**	**960,587**

Note #1: City Council approved the 2012-2014 Capital Budget as part of the 2012 Budget process. The approved capital plan is currently being carried out and no adjustments are required at this point.

Note #2: The 2012 Approved Capital Budget now includes approved carry forward amounts from 2011 ($2.0 million)

Drainage Services — Sanitary Utility

Pro-forma Income Statement

($000)

	2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast
Revenues					
Rate Revenue	95,218	104,861	115,962	124,110	131,206
Program Revenue	5,247	5,718	6,460	6,672	6,891
Interest Income	196	405	708	880	924
Total Revenues	**100,661**	**110,984**	**123,130**	**131,662**	**139,021**
Expenses					
Operating & Maintenance	29,712	30,771	31,324	32,351	33,413
Biosolids Disposal	10,199	11,830	17,536	18,536	19,144
Shared Services	5,037	5,200	5,370	5,546	5,728
Interest	12,972	14,468	16,571	18,884	20,735
Depreciation	11,350	12,074	12,475	13,142	13,894
Local Access Fees	7,617	8,389	9,277	9,929	10,496
Customer Billing Service	4,362	4,503	4,651	4,804	4,961
Transfer to Reserves	1,300	1,300	1,300	1,300	1,300
Total Expenses	**82,549**	**88,535**	**98,504**	**104,492**	**109,671**
Net Income	**18,112**	**22,449**	**24,626**	**27,170**	**29,350**
Opening Retained Earnings	865,900	932,080	994,512	1,067,210	1,128,480
Net income (loss)	18,112	22,449	24,626	27,170	29,350
Net Change in Contributed Assets	48,068	39,983	48,072	34,100	46,506
Dividend Payment	-	-	-	-	-
Ending Retained Earnings	**932,080**	**994,512**	**1,067,210**	**1,128,480**	**1,204,336**

Drainage Services — Sanitary Utility

Pro-forma Balance Sheet

($000)

	2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast
Financial Assets					
Cash	20,272	35,385	43,980	46,221	54,491
Other Current Assets	36,719	36,719	36,719	36,719	36,719
Total Assets	**56,991**	**72,104**	**80,699**	**82,940**	**91,210**
Liabilities					
Liabilities	7,816	7,816	7,816	7,816	7,816
Long-term Debt	304,750	339,482	388,063	423,316	449,750
Total liabilities	**312,566**	**347,298**	**395,879**	**431,132**	**457,566**
Net Financial Assets (Net Debt)	**(255,575)**	**(275,196)**	**(315,180)**	**(348,192)**	**(366,356)**
Non-Financial Assets					
Contributed Tangible Capital Assets	656,528	696,510	744,581	778,682	825,190
Non-Contributed Tangible Capital Assets	531,127	573,198	637,809	697,990	745,502
Total Non-Financial Assets	**1,187,655**	**1,269,708**	**1,382,390**	**1,476,672**	**1,570,692**
Retained Earnings	**932,080**	**994,512**	**1,067,210**	**1,128,480**	**1,204,336**

Drainage Services — Sanitary Utility

Financial Indicators

	2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast
Typical Customer Rate Impacts					
Typical Residential Monthly Billing Increase	$ 1.00	$ 1.68	$ 1.98	$ 1.30	$ 1.10
Impact of Customer Rate	5.2%	8.2%	9.0%	5.4%	4.3%
Typical Single Family Monthly Unit Rate	$ 20.40	$ 22.08	$ 24.06	$ 25.36	$ 26.46
Financial Indicators					
1 Rates Sufficient to Meet Expenses					
Net Income (loss)	$ 18,112	$ 22,449	$ 24,626	$ 27,170	$ 29,350
Target	***Positive Net Income***				
2 Fair and Reasonable Return					
Return on Rate Base	3.5%	4.0%	4.0%	4.0%	4.0%
Target	***Return to be between 4% and 10%***				
3 Financing of Capital Investments					
Debt Coverage Ratio	1.7	1.7	1.7	1.7	1.7
Debt to Net Assets Ratio	57%	59%	61%	61%	60%
Target	***Debt Coverage Ratio Not Less than 1.3 Debt to Net asset ratio at 60%***				
4 Cash Balance					
Uncommitted Cash Balance	$ 20,272	$ 35,385	$ 43,980	$ 46,221	$ 54,491
Next Year's Capital Financed by RE	$ 5,183	$ 13,190	$ 21,348	$ 17,253	$ 18,029
Target	***Sufficient cash for planned capital investment to be financed by Retained Earnings***				
5 Long Range Plans					
Pro-forma Information	10 Years	10 Years	10 Years	10 Years	10 Years
Target	***10 year financial planning horizon***				

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Drainage Services — Stormwater Utility

Approved 2013 Budget – Stormwater Drainage Summary
($000)

	2011 Actual	2012 Budget	2013 Budget	$ Change '12-'13	% Change '12-'13
Revenue & Transfers					
Rate Revenue	$ 28,613	$ 35,853	$ 40,553	$ 4,700	13.1
Program Revenue	712	774	966	192	24.8
Total Revenue & Transfers	**29,325**	**36,627**	**41,519**	**4,892**	13.4
Expenditure & Transfers					
Personnel	5,701	8,895	9,784	889	10.0
Materials, Goods & Supplies	998	928	1,166	238	25.6
External Services	1,627	1,867	2,105	238	12.7
Shared Services	1,362	1,874	2,359	485	25.9
Fleet Services	451	790	723	(67)	(8.5)
Other Intra-municipal Services	2,927	353	339	(14)	(4.0)
Interest and Depreciation	6,910	9,282	10,893	1,611	17.4
Customer Billing	1,003	1,013	1,029	16	1.6
Utilities & Other Charges	318	442	472	30	6.8
Subtotal	**21,297**	**25,444**	**28,870**	**3,426**	13.5
Intra-municipal Recoveries	(707)	(1,418)	(1,515)	(97)	6.8
Total Expenditure & Transfers	**20,590**	**24,026**	**27,355**	**3,329**	13.9
Net Income (Loss)	**$ 8,735**	**$ 12,601**	**$ 14,164**	**$ 1,563**	12.4
Full-time Equivalents	96.7	98.6	101.9	3.3	3.3

Budget Changes for 2013
($000)

Revenue & Transfers - Changes

Rate Revenue $4,700

The increase to the monthly user fee charged on the utility bill will generate about $3,375 in additional rate revenue with the remaining coming from projected customer growth, $1,325.

Program Revenue $192

The increased Program Revenue is primarily due to an increase of $163 in interest revenue as a higher ending cash balance is forecasted in 2012 relative to 2011.

Budget Changes for 2013
($000)

Expenditures & Transfers - Changes

Personnel $889
Personnel cost changes relate to new staffing requirements to support increased workload requirements resulting from growth of the systems, environmental requirements resulting in increased operational needs, and Occupational Health and Safety training needs, $510, as well as wage settlements and economic increases, $379.

Material, Goods & Supplies $238
The increase is primarily due to the reallocation of direct materials from the Sanitary Utility to properly reflect the true portion of costs.

External Services $238
The increase of $238 is primarily due to various studies for the overall planning of the Drainage System.

Shared Services $485
The overall increase is primarily due to the refining of the internal allocation of costs to the Stormwater Utility to better reflect their true portion of these types of costs.

Fleet Services ($67)
The reduction in Fleet Charges is primarily the result of Drainage Services now purchasing vehicles through the capital program instead of leasing through Fleet. As the vehicles leased through Fleet Services are replaced by purchased vehicles, Fleet Charges will continue to decline.

Other Intra-municipal Services ($14)
The decrease is a result of refining the allocation between Sanitary and Stormwater to reflect true costs and the streamlining of interdepartmental charges/recoveries.

Interest and Depreciation $1,611
The increase is partly due to increased interest expense of $519 as a result of relatively higher financing required to fund the capital plan and $1,092 in increased depreciation resulting from additional capital assets put into service.

Customer Billing $16
The 2013 Budget reflects a lower rate, agreed to in the 2012 Service Level Agreement with EPCOR, offset with an increase in customer growth.

Utilities & Other Charges $30
The increase is primarily due to inflationary increases.

Intra-municipal Recoveries ($97)
Capital recoveries have increased due to additional capital work.

Full-time Equivalents - Changes

The 2013 FTE change reflects new staffing requirements to manage the increased workload requirements resulting from growth of the systems, environmental requirements resulting in increased operational needs, and Occupational Health and Safety training needs. This results in a total increase of 3.3 permanent FTE for the Stormwater Utility.

Drainage Services — Stormwater Utility

Approved 3-Year Capital Budget (2012-2014) and Forecast (2015-2021)
($000)

	Major Project Class	Approved Budget * 2012	2013	2014	Forecast 2015	2016	2017	2018	2019	2020	2021	Total 2012-2021
Renewal & Upgrading	**Drainage Neighbourhood Renewal**	**18,942**	**25,709**	**30,557**	**46,603**	**41,292**	**32,790**	**40,307**	**46,594**	**52,007**	**53,679**	**388,481**
	Drainage Neighbourhood Renewal Coordination	18,413	25,159	29,988	37,728	28,987	16,812	20,396	22,468	23,433	21,107	244,491
	Sewer Upgrading	265	275	285	5,917	6,152	6,391	6,637	6,893	7,143	7,403	47,361
	Service Connection Renewal	265	275	285	2,958	6,152	9,587	13,274	17,233	21,430	25,169	96,629
	Drainage System Rehabilitation	**9,174**	**9,426**	**9,597**	**9,964**	**10,422**	**10,826**	**11,011**	**11,436**	**11,601**	**14,983**	**108,440**
	Creek Erosion Protection	529	550	570	592	1,230	1,278	1,327	1,379	1,429	4,442	13,326
	Structures Rehabilitation	2,032	2,112	2,188	2,272	2,362	2,454	2,549	2,647	2,743	2,843	24,202
	Sewer Rehabilitation	6,613	6,764	6,839	7,100	6,829	7,094	7,135	7,410	7,429	7,699	70,913
	Drainage Facilities Upgrading	**1,254**	**1,174**	**1,314**	**1,130**	**1,107**	**1,221**	**1,195**	**2,930**	**3,607**	**1,962**	**16,893**
	Flood Prevention	**5,014**	**6,142**	**9,232**	**3,920**	**7,278**	**3,544**	**5,678**	**8,799**	**6,109**	**1,190**	**56,907**
	Neighbourhood Flood Prevention Projects	466	174	2,616	602	6,289	2,516	4,611	7,691	4,960	-	29,925
	Opportunistic Flood Prevention Project	-	1,100	5,699	2,367	-	-	-	-	-	-	9,166
	Overland Drainage	851	884	916	951	989	1,028	1,067	1,108	1,149	1,190	10,135
	Morris Pond	3,697	3,984	-	-	-	-	-	-	-	-	7,681
Environmental	**Environmental Quality Enhancement**	**1,116**	**1,563**	**2,549**	**1,509**	**2,184**	**6,743**	**498**	**379**	**393**	**407**	**17,340**
	Environmental Enhancement Projects	1,116	1,178	2,093	917	954	352	365	379	393	407	8,153
	Mill Creek End of Pipe Treatment Facility	-	385	456	592	1,230	6,391	133	-	-	-	9,187
	Mill Creek Storm Improvements	-	-	-	-	-	-	-	-	-	-	-
	Environmental Monitoring											-
	Combined Sewer Overflow Strategy	**4,156**	**1,366**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,522**
Growth	**Sanitary Servicing Strategy**	**7,772**	**5,966**	**2,508**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,245**
	Drainage System Expansion	**6,725**	**13,827**	**3,784**	**4,639**	**4,085**	**5,011**	**4,407**	**5,404**	**4,743**	**5,804**	**48,914**
		54,153	65,172	59,541	67,765	66,369	60,134	63,095	75,543	78,461	78,025	658,743

Note #1: City Council approved the 2012-2014 Capital Budget as part of the 2012 Budget process.

Note #2: The 2012 Approved Capital Budget now includes approved carry forward amounts from 2011 ($2.0 million)

Note #3: The 2013 Budget includes a new budget adjustment request of $9.5 million for a new Stormwater project under the Drainage System Expansion program area. Please see Section 9.1 of the Rate Filing prepared for the Utility Advisor for further details.

Drainage Services — Stormwater Utility

Pro-forma Income Statement

($000)

	2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast
Revenues					
Rate Revenue	40,553	47,135	53,977	61,463	67,532
Program Revenue	375	387	400	387	399
Interest Income	591	495	535	607	777
Total Revenues	**41,519**	**48,017**	**54,912**	**62,457**	**68,708**
Expenses					
Operating & Maintenance	13,074	13,729	14,014	14,474	14,948
Interest	5,956	7,504	9,328	11,423	12,746
Depreciation	4,937	5,728	6,655	7,638	8,451
Shared Services	2,359	2,435	2,515	2,598	2,683
Customer Billing Service	1,029	1,063	1,097	1,133	1,170
Total Expenses	**27,355**	**30,459**	**33,609**	**37,265**	**39,999**
Net Income	**14,164**	**17,558**	**21,303**	**25,192**	**28,709**
Opening Retained Earnings	1,049,693	1,092,389	1,137,409	1,186,486	1,238,969
Net income (loss)	14,164	17,558	21,303	25,192	28,709
Net Change in Contributed Assets	28,532	27,462	27,774	27,291	27,691
Ending Retained Earnings	**1,092,389**	**1,137,409**	**1,186,486**	**1,238,969**	**1,295,370**

Pro-forma Balance Sheet

($000)

	2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast
Financial Assets					
Cash	24,767	26,763	30,339	38,862	30,732
Other Current Assets	3,107	3,107	3,107	3,107	3,107
Total Assets	**27,874**	**29,870**	**33,446**	**41,969**	**33,839**
Liabilities					
Liabilities	2,453	2,453	2,453	2,453	2,453
Long-term Debt	160,842	195,285	234,005	271,342	280,510
Total Liabilities	**163,295**	**197,738**	**236,458**	**273,795**	**282,963**
Net Financial Assets (Net Debt)	**(135,421)**	**(167,868)**	**(203,012)**	**(231,826)**	**(249,124)**
Non-Financial Assets					
Contributed Tangible Capital Assets	995,517	1,022,978	1,050,752	1,078,043	1,105,735
Non-Contributed Tangible Capital Assets	232,293	282,299	338,746	392,752	438,759
Total Non-Financial Assets	**1,227,810**	**1,305,277**	**1,389,498**	**1,470,795**	**1,544,494**
Retained Earnings	**1,092,389**	**1,137,409**	**1,186,486**	**1,238,969**	**1,295,370**

Drainage Services — Stormwater Utility

Financial Indicators

	2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast
Typical Customer Rate Impacts					
Typical Residential Monthly Billing Increase	$ 0.72	$ 1.22	$ 1.24	$ 1.34	$ 1.01
Impact of Customer Rate	9.4%	14.6%	12.9%	12.4%	8.3%
Typical Single Family Monthly Unit Rate	$ 8.38	$ 9.60	$ 10.84	$ 12.18	$ 13.19
Financial Indicators					
1 Rates Sufficient to Meet Expenses					
Net Income (loss)	$ 14,164	$ 17,558	$ 21,303	$ 25,192	$ 28,709
Target	*Positive Net Income*				
2 Fair and Reasonable Return					
Return on Rate Base	7.0%	7.0%	7.0%	7.0%	7.0%
Target	*Return to be between 4% and 10%*				
3 Financing of Capital Investments					
Debt Coverage Ratio	2.4	2.4	2.3	2.3	2.4
Debt to Net Assets Ratio	69%	69%	69%	69%	64%
Target	*Debt Coverage Ratio Not Less than 1.3* *Debt to Net asset ratio at 60%*				
4 Cash Balance					
Uncommitted Cash Balance	$ 24,767	$ 26,763	$ 30,339	$ 38,862	$ 30,732
Next Year's Capital Financed by RE	$ 15,694	$ 17,776	$ 16,725	$ 36,995	$ 30,214
Target	*Sufficient cash for planned capital investment to be financed by Retained Earnings*				
5 Long Range Plans					
Pro-forma Information	10 Years	10 Years	10 Years	10 Years	10 Years
Target	*10 year financial planning horizon*				

Drainage Services — Sanitary & Stormwater Utility

Approved Bylaws

Bylaw #	Description
Bylaw 16278	**Sewers Use Bylaw 9675 (Amendment #30)** - To set sanitary sewer and stormwater drainage rates to provide for the operation of the Drainage utility in accordance with the Utility Fiscal Policy.
Bylaw 16279	**Sewers Bylaw 9425 (Amendment #17)** - To set sanitary sewer trunk charge rates that allow for the connection of a private drainage system to a sewer service that connects or will be connected to a sanitary or combined sewer.

Drainage Services — Sanitary & Stormwater Utility

Approved 2013 Budget — User Fee Information

Rate Stucture Change

2012 Monthly Rate Structure		2013 Monthly Rate Structure	
Sewers Use - Bylaw 9675			
Collection & Transmission - Fixed Rate		***Collection & Transmission - Fixed Rate***	
All Customer Classes	$4.65	16 mm	$8.15
		20 mm	$14.67
		25 mm	$22.82
		40 mm	$44.01
		50 mm	$60.31
		75 mm	$124.70
		100mm	$232.28
		150mm	$439.29
		200mm	$700.91
		250mm	$1,739.24
		300mm	$1,739.24
		400mm	$1,967.45
		500mm	$2,119.04
Collection & Transmission - Variable Rate		***Collection & Transmission - Variable Rate***	
0 - 10,000 m^3	$0.8887	Uniform	$0.7899
10,000 - 99,999 m^3	$0.6876	Large Wholesale with Collection System	$0.4433
Seasonal Pricing	Yes	***Seasonal Pricing***	Yes

	2012 Fee	2013 Fee	$ Increase	% Increase
Sewers Use - Bylaw 9675				
Other				
Stormwater Drainage (per month per m^2)	$0.025898	$0.028307	$0.002409	9.3%
Transmission of wastewater through the City owned sewerage system (cost per m^3)	$0.18	$0.19	$0.01	3.3%
Service calls for investigating and releasing of plugged sewer	$233.42	$289.63	$56.21	24.1%
Hauled Wastewater				
per axle	$15.04	$16.50	$1.46	9.7%
With Settleable solids > 100ml/L	Double	Double		
Application Fees				
Permit to Release	$324.58	$333.00	$8.42	2.6%
Compliance Approval	$324.58	$333.00	$8.42	2.6%
Records Search	$100.51	$103.00	$2.49	2.5%
Application for Sewer Metering	$250.00	$250.00	$0.00	0.0%
Application for Contributive Sewer Utility	$250.00	$250.00	$0.00	0.0%
Application for Reduction in LDU Intensity Factor	$250.00	$250.00	$0.00	0.0%
Surface Drainage - Bylaw 11501				
Lot Grading Inspection Fees				
Single detached	$130.00	$130.00	$0.00	0.0%
Semi-detached	$130/u	$130/u	$0.00	0.0%
Multiple family	$220+$55/u	$220+$55/u	$0.00	0.0%
Any other land use	$220/ha	$220/ha	$0.00	0.0%
Sewers - Bylaw 9425				
Sanitary Sewer Trunk Charge				
Residential - 1-2 Dwellings	$1,199.00	$1,257.00	$58.00	4.8%
Residential - Secondary/garage/garden Suites	$531.00	$556.00	$25.00	4.8%
Residential - 3 or more Dwellings	$857.00	$898.00	$41.00	4.8%
Commercial	$5,999.00	$6,287.00	$288.00	4.8%
Industrial	$5,999.00	$6,287.00	$288.00	4.8%
Institutional	$5,999.00	$6,287.00	$288.00	4.8%

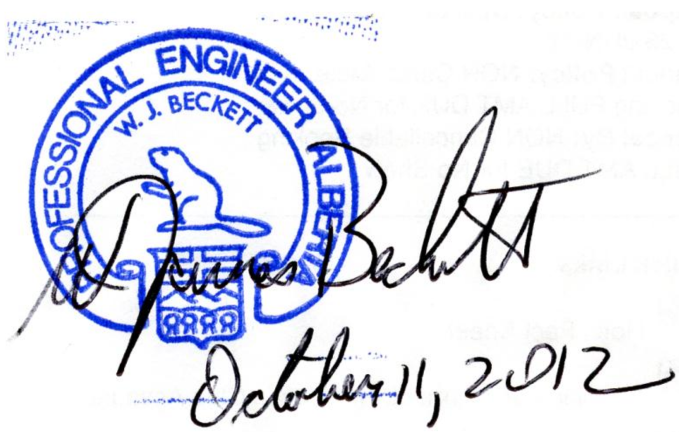
UTILITY ADVISOR

RESPONSE TO THE CITY OWNED UTILITIES

- **Waste Management**
- **Drainage**

2013 RATE SUBMISSIONS

October 11, 2012



1.0 PURPOSE OF THIS REPORT

This report is prepared to provide advice to the City of Edmonton Utilities Committee and Edmonton City Council on the budget submissions of the City-regulated utilities, Waste Management and Drainage. Pursuant to the terms of reference for the Utilities Advisor, the budget submissions have been reviewed by the Utilities Advisor, and several requests for additional information were sent and received.

Currently, City Council acts as both the governor and regulator of the City managed utilities, approving both operating and capital budgets as well as the utility customer rates.

As noted in a City of Edmonton internal legal memo dated December 7, 2009, the Municipal Government Act (MGA) provides Council with the authority to pass bylaws and otherwise regulate municipal public utilities. The MGA does not provide for any specific guidance for Council regarding municipal utility governance. To that end, the regulation of these municipal public utilities would be subject to the same duty of good faith that applies to general municipal governance. Municipal public utilities are regulated by the municipalities which operate those utilities within the municipalities. Unlike investor-owned utilities, the shareowners of the utility, and the customers of the utility are, to a large extent, the same. However, that does not change the overall objective of regulating such utilities, the establishment of just and reasonable rates, in the public interest, and not unduly discriminatory. The major difference between investor-owned utilities and municipally-owned utilities is the determination of what makes up the public interest.

2.0 EXECUTIVE SUMMARY

Waste Management is requesting a rate increase of 6.5% for single family residential customers, and 6.5% for multi-family residential customers. Sanitary Drainage is requesting a rate increase of 5.2% for a typical residential customer. Stormwater Drainage is requesting a rate increase of 9.4% for a typical residential customer. Analysis of the rate increases is contained in subsequent sections of this report.

3.0 RECOMMENDATIONS

i. Future rate applications must contain additional details and justification for Personnel cost increases to allow Council (as utility regulator) to exercise its duty of good faith in determining if such expenditures result in rates that are just and reasonable.
ii. Utility management should be directed to complete the proposed Review of Utility Billing Services in a timely fashion, to allow the results to be meaningfully incorporated into negotiations following the expiry of the 2012-2013 EPCOR Billing contract.
iii. The utilities should adopt a code of conduct for dealing with affiliated parties, that at a minimum requires each utility to determine the Fair Market Value of all services being provided by affiliates, and ensure that the utility pays no more than that Fair Market Value for such services.

4.0 ANALYSIS OF RATE INCREASES

Because of the detailed information presented in the rate applications, the source of the proposed rate increases is easily determined. The following present the source of the rate increases for each utility.

4.1WASTE

The 2012 Rates Report includes a request for rate increase as follows:

	2012 Monthly Fee	Proposed 2013 Monthly Fee	Requested Monthly Increase	Annual Increase
Single Family Residential	$33.20	$35.56	$2.16	$25.92
Multi-Family Residential	$21.58	$22.98	$1.40	$16.80

Shared Services are increasing as the Waste Utility transitions to 100% full costing. The budget amount for 2013 represents an increase to 90% of full costing.

Depreciation expenses are the result of capital investment decisions. A very small portion of this increase is within management's control (capital projects completed in 2013).

Interest Expenses are outside of management control.

However, operational increases of $1.31 per month are significant, and as a result, the Utility Advisor did additional analysis of the needs for this significant an increase.

Operational Needs increase by $8.1 million in 2013 over forecast 2012. This represents a 7.3% increase in these expenses. A further breakdown of this increase is:

Personnel:	$3,085	9.2%
Materials, Goods and Supplies:	$292	7.4%
External Services:	$1,695	3.2%
Fleet Services:	$2,979	23.1%
Other Expenses:	$302	13.7%
Utilities:	$368	9.5%
Shared Services:	$734	13.0% ($705 as a result of increase from 80% to 90%)
Customer Billing Services	$51	1.1%

The most significant of these increases are Personnel, and Fleet Services. In addition, affiliate transactions (Shared Services and EPCOR Billing Services) were reviewed.

Personnel

Personnel costs increase as a result of contract settlements for unionized staff, allowances for management wage increases, and an increase of 17.8 Full Time Equivalents (FTE) of staff. In response to UA-5-Waste, management provided additional breakdowns:

i.	Cost of living adjustments	$794
ii.	Merit Salary adjustments, reclass of positions:	$156
iii.	Meeting demand and Growth in existing Service:	$481
iv.	Support EWMC operations:	$478
v.	Adjustment to paid absences:	$280
vi.	Hiring delays in 2012	$450

This information is helpful, but doesn't go to the underlying reasons why the increases are required. It is clear that cost of living and merit adjustments are necessary and appropriate. However there is little description given of items iii. iv. and v. There is also no discussion of whether hiring delays as occurred in 2012 might again occur in 2013.

These increases have not been appropriately justified to the Utility Advisor. Although it is apparent that such increases are the subject of significant internal City review prior to inclusion in the budget, they do not meet the regulatory burden of being shown to be prudently incurred. Future rate applications will be expected to show additional detail and justification of such significant increases.

Fleet Services

While the increase in this category is significant, the explanation provided in support of the increase is reasonable.

The Utility Advisor disagrees with management's description of funding future vehicle replacements with depreciation expense. Depreciation is the return of original capital invested, similar to the principal in a loan. It does not represent an allowance for future replacement of the vehicles, since the cost of future vehicles is unlikely to bear any resemblance to the historic cost of vehicles. However, this discussion does not affect the rate increase request of the utility.

Affiliate Transactions

The significant affiliate transactions are Shared Services and EPCOR billing. In response to UA-4-Waste, management provided the finalized terms of reference to retain a consultant to perform a

review of the Fair Market Value of the billing services provided by EPCOR in time for negotiations following the expiry of the 2012-2013 EPCOR agreement. On review, the proposed terms of reference appear satisfactory.

Waste expects to pay $6,378 in shared services in 2013. This represents an increase of $734 (13.0%) over 2012 forecast, however, $705 is a result of the increase from 80% to 90% of full costing. IN UA-8-Waste, the Utility Advisor asked if the utility is an active manager of Corporate Services provided, or a passive recipient of the services. The answer indicated that the utility actively manages these services. However in the same Information Request, the utility admitted that it has not, and does not plan to investigate the Fair Market Value of these services.

The Utility Advisor is unable to conceive of how these services can be actively managed and controlled by utility management if utility management has no appreciation of the Fair Market Value of these services. The Utility Advisor recommends that utility management be directed to identify the Fair Market Value of each such service, and also be directed to pay no more that Fair Market Value for such services, regardless of whether they are provided by the City or through an arms' length agreement.

4.3 SANITARY DRAINAGE

The sanitary drainage requested increase appears reasonable. The most significant increases (Biosolids disposal, return on rate base, depreciation and interest and the collection of the local access fee) are well documented and responsive to policy and past decisions.

The Utility Advisor suggests however that the recommendations arising from review of the Waste Utility (summarized in section 3.0 of this report) equally apply to Sanitary.

4.4 STORMWATER DRAINAGE

The stormwater drainage requested increase is high at 9.4% The most significant controllable expense is Operational and Maintenance, increasing by $1,973 or 13.6%. $1,189 of that increase is Personnel.

Again, in an attempt to better understand this increase in personnel costs, the Utility Advisor sought additional information in IR UA-3-Storm. While additional information was provided, it did not really meet the test of showing that the proposed expenditures are just and reasonable.

The Utility Advisor suggests however that the recommendations arising from review of the Waste Utility (summarized in section 3.0 of this report) equally apply to Stormwater.

4.0 CONCLUSION

While the Utility Advisor has not found anything in the 2013 rate applications which would suggest a disallowance should be considered, the utilities should not assume they have met the appropriate burden of proof for determining if the proposed expenditures are prudently incurred, resulting in rates that are just and reasonable, in the public interest, and not unduly discriminatory.

Appendix A

Information Requests and Responses Received

General Instructions for Answering Information Requests.

1. Please answer each Information Request by repeating the Information Request number (UA-XX-STORM/SANITARY/WASTE), the Reference, the Background, and the Request.

2. Begin each new response on a new page.

3. If any responses include tables or graphs, please provide an excel spreadsheet from which the responses have been created.

4. If it appears that an IR cannot be fully answered prior to October 4, 2012, please advise the Utility Advisor as soon as possible. If a full answer cannot be provided, please provide any partial answer if available.

5. If any of the material requested in the Information Requests is proprietary or confidential, please advise the Utility Advisor as soon as possible.

6. Any requests for clarification should be directed to the Utility Advisor by email. Clarification will be provided by the issuance of a revised Information Request.

UA-1-Waste

Topic: **2.0 Organizational Structure**

Reference: **City of Edmonton Waste Management Utility 2013 Utility Rate Filing, September 17, 2012, Page 4**

Background: The Utility Advisor is interested in determining the allocation of Waste Department Management costs to regulated and non-regulated activities.

Requests:

a) Please provide a listing of all regulated and non-regulated activities supervised by senior management and support staff broken down into the organizational groups contained on the referenced page.

Non-regulated activities of Waste Management Utility include:

- *Commercial Collection and Disposal*
- *Litter Collection*
- *Construction and Demolition Recycling*
- *Private Processing Operations*

b) Please identify the methodology for determining the allocation of supervisory costs (labour, benefits, rent, etc.) to regulated and non-regulated activities.

Supervisory costs, as well as other variable overhead costs (e.g. community relations, Branch Manager Office, central operations and liaison) have been allocated between regulated and non-regulated activities based upon the tonnage collected and processed (using the 2010 Cost of Service Study, updating with 2011 actual).

Shared Services have been treated as "sunk costs" during the business development stages of the Commercial Collection & Disposal (2012 being the first full year of expanded operation) and the Construction & Demolition Recycling operations (2013 will be the first full year of operation).

The resulting overhead allocation to non-regulated activities for 2013 is $964.

c) Identify the dollar amount of senior management supervisory activities allocated to non-regulated activities.

The amount of senior management supervisory activities (Branch Manager Office) allocated to non-regulated activities is $194.

UA-2-Waste

Topic: **Operational Needs**

Reference: **City of Edmonton Waste Management Utility 2013 Utility Rate Filing, September 17, 2012, Page 7**

Background: The Utility Advisor is interested in the reasons behind the delay in the commissioning of the Biofuels Facility.

Requests:

a) What was the planned in-service date for this facility?

The Biofuels Facility was to be operational by Fall of 2012.

b) Why has it been delayed?

Enerkem, the technology developer and builder, owner and operator of the plant has been taking a cautious approach as they scale up their design for the Edmonton facility while simultaneously continuing to refine and improve processes in their smaller scale plants in Quebec. The delay has allowed them to complete process improvement evaluations and incorporate those improvements in the Edmonton design.

c) What is the current forecast for the in-service date of this facility?

The Biofuels Facility is expected to be mechanically complete by the end of May 2013. We expect to start delivering processed residual waste in fall 2013.

d) What are the additional costs included in 2013 for transporting materials originally slated to be used in this process to the landfill at Ryley?

Answer included in e) below.

e) Why there are additional costs, given that the facility did not operate in 2012, and won't operate in 2013?

Approximately $3 million will now be used in 2013 for hauling and disposal at Ryley and not for processing of residual waste material and subsequent conversion to biofuels by Enerkem. There is also an additional impact of approximately $1 million because of the unavailability of West Edmonton Landfill and the need to haul all material to Ryley for disposal.

UA-3-Waste

Topic: **8.0 Operations and Management (Grant Payment)**

Reference: **City of Edmonton Waste Management Utility 2013 Utility Rate Filing, September 17, 2012, Page 11**

Background: The Utility Advisor wishes to gain a better understanding of Grant Payments (line 14)

Requests:

a) Why are Grant Payments expected to increase by $1,400 in 2012, and then return to $6,000 in 2013?

The change in this cycle are due to one large grant from Alberta Innovates - Energy and Environment Solutions (AI-EES) that relates to the Biofuels project.

The grant flows through the Utility to the owner, developer and operator of the Biofuels Facility, Enerkem, as their project milestones are met. The change in timing of grant disbursements is due to changes in Enerkem's development schedule, and thus the achieving of those milestones. At the end of 2011, $8.9 million was held by the Utility on behalf of the Province, An additional grant payment of $4.5 million is expected in 2013, which will provide the remaining required funding. Grant payments will be provided to the Biofuels project upon the achievement of the remaining milestones.

There is no impact on the net position as the grant payment is offset completely by the recognition of grant revenue.

b) Are future years subject to similar volatility in Grant Payments?

The entire amount of the grant will have been processed by late 2013 or early 2014 depending on Enerkem's rate of progress in achieving the final milestones. The inflow and outflow of this grant is specified within the agreement.

Future years should not be subject to similar volatility since the Utility does not envisage access to similar grants.

UA-4-Waste

Topic: **8.0 Operations and Maintenance (Customer Billing Services)**

Reference: **City of Edmonton Waste Management Utility 2013 Utility Rate Filing, September 17, 2012, Page 12**

Background: **The Utility Advisor would appreciate an update on the status of the review of EPCOR Billing Services.**

Requests:

a) What work has been done to date (in preparation for the end of the current agreement in 2013) to determine the Fair Market Value (FMV) of billing services for the contract renewal?

b) If no work has yet been performed, when will it be performed?

Representatives of the Waste Management Utility, Drainage Utility and Financial Services have finalized the Terms of Reference to retain a Consultant to perform the review of EPCOR Billing Services in response to Utility Committee's May 15, 2012 motion. The Terms of Reference has been circulated to consultants for Request for Bid Submission. The Terms of Reference is provided separate from this response for your information.

c) Will the work to determine Fair Market Value of billing services be completed in time to be incorporated into the negotiations with EPCOR for the post 2013 agreement?

The Fair Market Value for Billing Services review is on schedule to be completed by March 5, 2013. This is in time to implement actions upon the expiry of the 2012-2013 EPCOR agreement.

UA-5-Waste

Topic: **8.1 Personnel Costs**

Reference: **City of Edmonton Waste Management Utility 2013 Utility Rate Filing, September 17, 2012, Page 13**

Background: **The Utility Advisor wishes to gain a better understanding of labour cost increases.**

Requests:

a) Please breakdown the increase of 2013 over 2012 Personnel costs ($2,638) into the following or similar categories:

i. Increase due to cost of living adjustments

ii. Increase due to merit salary adjustments

iii. Increase due to increased consumption of Waste Management services (new customers, changes in per-customer consumption)

iv. Increases due to new programs.

The increase in salary & wages compared to the 2012 forecast can be attributed to the following as outlined in the table.

i. Cost of Living adjustment	$	794
ii. Merit salary adjustments, reclass of positions		156
iii.To meet demand and growth in existing service		481
iv.To support EWMC operations		478
v. Adjustment to paid absences (vacation and stat holiday benefit assumptions)		280
vi. Hiring delays in 2012		450
	$	2,638

The increase of $280 reflected as adjustment to paid absences is a reclassification from the "Allowances and Benefits" section of Personnel costs to "Salaries and Wages".

In Table 8.1, the forecasted over-expenditure in salaries and wages would have been $650 for the hiring of temporary seasonal staff at the EWMC Site had not been for the hiring delays of $450 shown above.

The 2012 experience at the EWMC has been reflected in the 2013 budget through new positions and reclassification of existing positions.

b) Please provide additional information, explaining the need for 0.5 FTE to support waste reduction program targeted at high volume users:

i. Is this a new program, or an expansion of an existing program

This is a new program, please see below.

ii. If an existing program, what additional work now necessitates the need for additional FTE

In 2011, City Council directed the Utility to report on alternative methods of rewarding citizens who produce low volumes of waste. In 2012, the Branch undertook a public consultation process that formed the basis for decision by the Utility Committee to retain the existing flat rate structure and to implement a social marketing program targeted at high volume households. The 0.5 FTE is for research and implementation of behavior change tools that are designed specifically for this new target market.

c) The utility already operates an outreach program. What additional activities now necessitate an additional FTE?

Historically, the Utility has operated with 2 part-time positions to help implement social marketing programs. These positions (which are currently operating at close to full time) are needed at a full time level to meet the operational business needs of a growing population and of new services e.g., more requests for school tours, attendance at more community events, more distribution of material to customers, developing customized tours and presentations, producing marketing materials, customer and market research, developing promotional materials, and attending marketing events.

UA-6-Waste

Topic: **8.2 External Services**

Reference: **City of Edmonton Waste Management Utility 2013 Utility Rate Filing, September 17, 2012, Page 14**

Background: **The Utility Advisor wishes to understand the adjustments made to line 3 Eco Station Material Processing.**

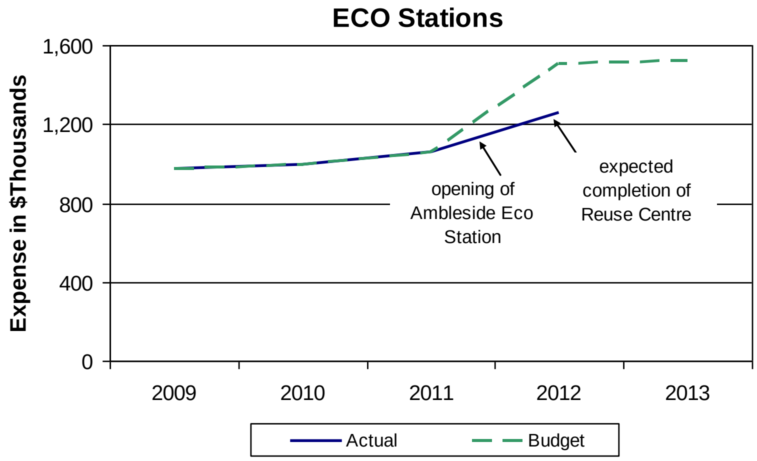
Requests:

The description for line 3 states that the budget has been adjusted based on 2012 actuals. The 2012 budget was \$1,508, the 2012 Forecast is \$1,258, and the 2013 budget is \$1,519.

a) It appears that the 2013 budget is based on the 2012 budget, rather than the 2012 Forecast. Is this correct?

The 2013 budget is based on experiences to date in 2012 and going forward what is expected for year 2013.

b) If not correct, please provide the basis on which the 2013 budget was formulated.



While there is a substantial patronage increase at the third Eco station during 2012, the 2012 Budget assumed a faster pace of growth than realized. The Ambleside Eco station services south

and west end residents and continued growth opportunities are expected in this portion of the City. The 2013 Budget has been adjusted downward to the 2012 Budget level, tempering the rate of increase. Please refer to page 6 of the City of Edmonton Waste Management 2013 Utility Rate Filing where there is an projected increase of 19,000 users from 2012 going forward to 2013. Hauling and handling material expenditures will increase $256 and revenues $100 as identified.

c) Provide a variance explanation for the variation between 2012 Budget and 2012 Forecast.

The reduction of $250 compared to the approved 2012 budget is due to the reduced new contract rate tendered in fall of 2011. The savings in 2012 will be offset by the projected increased customers/volume in 2013.

UA-7-Waste

Topic: **8.3 Fleet Services**

Reference: **City of Edmonton Waste Management Utility 2013 Utility Rate Filing, September 17, 2012, Page 16**

Background: **Explanation of Depreciation**

Requests:

The description on this page states that the "Utility takes on the responsibility for funding their future replacement through associated depreciation expense."

a) Does the utility agree that depreciation expense is the return of capital previously invested?

Yes.

b) Does the utility agree that annual depreciation expense increases retained earnings.

Depreciation expense is taken into account in the determination of Net Income. Net Income impacts Retained Earnings.

The annual change in Retained Earnings is comprised of the current year's net income (loss) and the change in net investment in capital assets.

c) Does the utility expect that the return of capital from previous vehicle expenses will fund the future replacement of those vehicles?

Yes, that is our expectation. Depreciation reflects the planned useful life of vehicles on a historical cost basis.

The return on rate base provides some capacity to address cost increases for future replacement costs. Ultimately, the replacement of vehicles is part of the Capital Plan with various financing strategies.

Prior to Waste Management becoming a Utility, vehicle replacements were funded from fixed charges paid by the operations to Fleet Services over the life of the asset. Ownership of the vehicles remains with Fleet Services and are assets of Fleet Services.

When Waste Management transitioned to a full Utility, arrangements were made such that as the vehicles are replaced, they (previous fixed charge payments) are transferred back to the Waste Utility to form part of the Utility's assets.

UA-8-Waste

Topic: **8.4 Shared Services**

Reference: **City of Edmonton Waste Management Utility 2013 Utility Rate Filing, September 17, 2012, Page 17**

Background: The Utility Advisor wishes to understand how Shared Services are managed

Requests:

a) Is the utility an active manager of the Corporate services provided, or a passive recipient of the services?

The Utility is an "active" manager of Corporate Services to the extent that the Utility is able to oversee the service delivery to ensure that the needs of the Utility are met. For certain direct charges, the manager has the ability to affect the amount charged to the Utility through a request to increase or decrease the level of service.

Cost allocation is done at a corporate level, with key drivers that are indicative of the proportionate share of effort consumed by the Utility.

b) For each of lines 1-11, has the utility done any investigation as to the Fair Market Value of these services?

No, the City of Edmonton's approach to Shared Services and corporate allocations underwent a major review in 2011, with the resulting changes being implemented in the 2012 Budget. The philosophy is to attribute direct cost of service to the extent possible and to use agreed upon cost drivers where direct costs are not available. The drivers have been kept constant since 2011. There has been a greater increase related to Information Technology than what would have been expected, not due to a change in methodology, but due to the correction of a calculation error from prior years. Similar to other approaches where there is a significant cost impact, the adjustment is being phased in over time.

A Fair Market Value analysis cannot be undertaken from the perspective of the Utilities alone. The Utilities are part of the City of Edmonton and many of the services rely on a foundational backbone infrastructure (information technology architecture, financial accounting system, payroll system, etc.). On the other hand, there are certain efficiencies that come with economy of scale. The approach taken has been to review the total Shared Services and corporate allocations to determine reasonableness to the corporation as a whole and not to the Utilities in particular.

As indicated in the rate filing, Waste Management remains in a phased-in implementation plan as it moves from paying no Shared Services Costs prior to 2009 (when it became a Utility) towards 100% by 2014.

c) If the answer to b) above is no, when will such an investigation be performed.

A Fair Market Value assessment of Shared Services is not currently in the work plan of the Waste Management Utility as overall the cost for Shared Services is considered reasonable based on the response to part b in the current question and the table below.

	2010 Actual	2011 Actual	2012 Forecast	2013 Proposed
Total Shared Services	4,250	5,247	5,643	6,378
Total Operating Expenses	126,235	131,039	136,523	146,761
As a %	3.4%	4.0%	4.1%	4.3%
Level Paid	< 100%	70%	80%	90%

d) If the answer to b) above is yes, please provide the results of the investigation to date.

N/A

e) Please provide table 8.4 with two additional columns for each line which identify the portion of the increase due to the change in the level of costs (increase from 80% to 90% equaling $705), and growth in usage (the remaining $29 of the increase).

	2011 at 70%	2012 at 80%	Moving to 90%	Other Changes	2013 at 90%	Comments
Communications	212	215	27	17	260	Dedicated communication staff increased from 1.18 FTE to 1.34 FTE
Corporate Information System	485	418	52	(51)	419	The proportion number of tickets handled at the call centre dropped by 0.5% for Waste in comparison with the remainder of the organization
Human Resources	463	583	73	101	757	Utility's share of allocation increased by 0.25% as the number of FTE for Waste Management increased at a greater rate than the remainder of the organization
Legal Services	137	199	25	(77)	146	Decrease because of a reduction in the number of files managed by Law as a % of the remainder of the organization
Materials Management	233	210	26	12	247	
Information Technology	600	857	107	23	987	
Space Rent	405	434	54	(15)	474	
Building Services	402	289	36	83	409	Refinements made to the allocation to include 3-year average of actual maintenance & custodial requirements
Financial Services	1,135	1,409	176	70	1,655	Increase is reflective of organizational structure change in 2011, where a significant part of the previous Deputy City Manager Office was absorbed by Financial Services.
Central Management	1,175	1,029	129	(134)	1,024	Includes a reduction in the allocation of costs previously paid for services provided by the Deputy City Manager Office.
Total	5,247	5,643	705	29	6,378	

UA-1-Sanitary

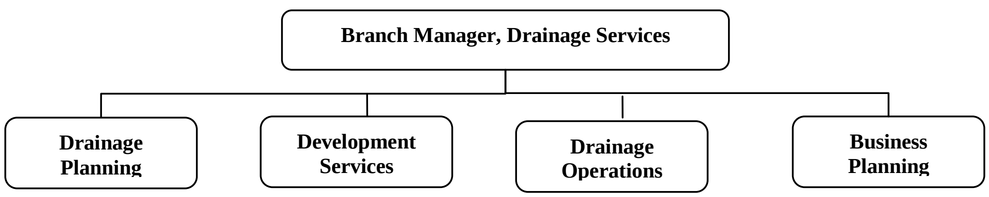
Topic: **2.0 Organization Structure**

Reference: **City of Edmonton Drainage Services Utilities 2013 Utility Rate Filing September 19, 2012 Page 5**

Background: The Utility Advisor is interested in determining the allocation of Waste Department Management costs to regulated and non-regulated activities.

Requests:

a) Please provide a listing of all regulated and non-regulated activities supervised by senior management and support staff broken down into the organization groups contained on the referenced page.



Regulated: - strategic planning - environmental planning - asset management - biosolids management - Sanitary Servicing Strategy Fund management ***Non-Regulated:*** - *EPCOR & ACRWC coordination*	**Regulated:** - environmental monitoring & reporting - infrastructure records ***Non-Regulated:*** - *land development review and approval* - *service connections* - *lot grading & flood proofing* - *regulatory inspections and compliance*	**Regulated:** - maintenance of: collection system, sewer, manholes, catch basins, pump stations, wet and dry ponds - environmental services - compliance report (Approval to Operate)	**Regulated:** - business planning - performance measures

b) Please identify the methodology for determining the allocation of supervisory costs (labour, benefits, rent, etc.) to regulated and non-regulated activities, including the split between Sanitary and Storm.

EPCOR and ACRWC Co-ordination

The City's agreement with EPCOR regarding the sharing of services such as lab testing is on a full cost recovery basis. The agreement defines cost including overhead.

Based on the 2010 Cost of Service Study, the rate charged to ACRWC was 2.4% with associated costs identified at 3.0%. The proposed 2013 Budget reflects the recommendations from the 2011 Rate Structure Study, with revenues set at 3.0%, corresponding to the associated costs.

Non-Regulated Activities from Development Services

Although these activities are identified apart from regulated activities, the activities benefit all rate payers and as such the overall revenue requirement is reduced by the amount of revenue received from these activities before the calculation of the rate requirement. This is technically the only distinction between the two groups of activities and as such minimizes any sort of real impact from any potential subsidization.

From an operational perspective, however, as the key role of the non-regulated activities is to ensure compliance with Drainage service level standards, it is actually not in the best interest of the Utilities to charge an overly high rate for these services. The ideal result is to ensure all prescribed standards are met to ensure the Drainage system is operating efficiently and safely to minimize any environmental issues (e.g. regulatory inspections and compliance) or extra costs to customers (e.g. flooding as a result from your home or your neighbour having improper lot grading).

As such, overall, the Utilities do not track costs in the manner requested to allow for readily available data. The 2012 Budget for non-regulated revenues from Development Services also only totals $2.2 million, or less than 2% of total revenues which is considered fairly immaterial.

From a ratepayer perspective, the potential cost to the system for non-compliance outweighs the nominal difference that would result in the adjustment of overall rates if development services were to be set at full cost recovery.

Regulatory inspections and compliance is allocated entirely to the Sanitary Utility as this is primarily a Sanitary Utility activity. The remaining non-regulated activities are allocated 60% to the Sanitary Utility and 40% to the Stormwater Utility. These allocations are based on overall historical activity of the costs incurred by each Utility in the Drainage Planning and Development Services areas.

c) Identify the dollar amount of senior management supervisory activities allocated to non-regulated activities.

Please see response to (b).

UA-2-Sanitary

Topic: **6.1 Sanitary Utility**

Reference: **City of Edmonton Drainage Services Utilities 2013 Utility Rate Filing September 19, 2012 Page 15**

Background: The Utility Advisor wishes to understand the projections for Cash Balance.

Requests:

a) Does cash balance as used in this table mean the same thing as Retained Earnings?

No.

b) If the answer to a) is no, please describe the relationship between cash balance and Retained Earnings.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Opening Retained Earnings	865,900	932,080	994,512	1,067,210	1,128,479	1,204,334	1,278,071	1,357,642	1,430,544	1,512,611
Net Income	18,112	22,450	24,626	27,169	29,349	31,374	33,607	36,174	38,863	41,149
Net Change in Contributed Assets	48,068	39,983	48,072	34,100	46,506	42,363	45,965	36,728	43,204	23,998
Closing Retained Earnings	**932,080**	**994,512**	**1,067,210**	**1,128,479**	**1,204,334**	**1,278,071**	**1,357,642**	**1,430,544**	**1,512,611**	**1,577,758**
Net Income	18,112	22,450	24,626	27,169	29,349	31,374	33,607	36,174	38,863	41,149
Add: Depreciation	11,350	12,074	12,475	13,142	13,894	14,873	15,878	16,621	17,334	18,273
Net Cash Flow - Operations	**29,462**	**34,524**	**37,101**	**40,311**	**43,243**	**46,247**	**49,485**	**52,795**	**56,197**	**59,422**
Capital Financed with Equity	(6,519)	(5,183)	(13,190)	(21,348)	(17,253)	(18,029)	(20,621)	(24,487)	(22,782)	(23,164)
Repayment of Debt	(12,459)	(14,229)	(15,315)	(16,721)	(17,721)	(18,606)	(19,088)	(20,767)	(22,472)	(24,471)
Net Cash Flow - Financing/Investing	**(18,979)**	**(19,412)**	**(28,505)**	**(38,069)**	**(34,974)**	**(36,635)**	**(39,709)**	**(45,254)**	**(45,254)**	**(47,635)**
Increase (Decrease) in Cash Balance	10,483	15,112	8,595	2,242	8,269	9,612	9,776	7,541	10,943	11,787
Opening Cash Balance	9,789	20,272	35,385	43,980	46,221	54,491	64,102	73,878	81,419	92,363
Ending Cash Balance	**20,272**	**35,385**	**43,980**	**46,221**	**54,491**	**64,102**	**73,878**	**81,419**	**92,363**	**104,150**

The annual change to Retained Earnings is the net impact of the year's net income and net change in contributed assets. Net income includes non-cash expense such as depreciation. Contributed Assets reflect the value of plant assets received but not paid for, it is not cash.

The annual change in Cash Balance is the result of net income, adjusted for non-cash, principal repayment on debt, and any non-contributed assets paid for by the Utility using Retained Earnings.

c) It appears that while holding return at 4.0%, and debt ratio at 60%, the cash balance continues to increase substantially over the forecast years, growing to over $100,000 by 2022. Does the utility believe that simply retaining these earnings is appropriate, or is there a strategy (dividend payment, decrease in debt, etc.) to reduce this amount?

From the Utilities perspective, the first 5 years (2013-2017) are the most relevant due to the short term cash requirements of the Utility. While in the long term the cash balance does rise in years 6-10, the growing demands relating to Mature Neighbourhood Renewal and Flood Prevention have been identified as areas for further investment. Given an average annual operating expenditure requirement of $100 million over the next 5 years, along with Plant Assets in excess of $1 billion, having a projected Cash Balance between $15 million and $36 million to meet operating and unexpected capital needs is not unreasonable.

An additional priority that warrants the need for cash flexibility is Biosolids disposal. This is due to the high profile nature of this initiative and the future additional expenditures that may be required due to the aggressive disposal plan that is being implemented.

Previous years have also seen projected biosolids and capital spending being delayed, which is a primary reason for the improved cash position in the short term. In addition to this, Council has directed Administration to return in the first quarter of 2013 with a report that provides options on the funding for upfront infrastructure investment as a means to encourage development, which will require cash flexibility.

UA-3-Sanitary

Topic: **8.0 Operations and Maintenance (Customer Billing Services)**

Reference: **City of Edmonton Drainage Utility 2013 Utility Rate Filing, September 19, 2012, Page 18**

Background: **The Utility Advisor would appreciate an update on the status of the review of EPCOR Billing Services?**

Requests:

a) What work has been done to date (in preparation for the end of the current agreement in 2013) to determine the Fair Market Value (FMV) of billing services for the contract renewal?

b) If no work has yet been performed, when will it be performed?

Please refer to UA-4-Waste for response to this question.

c) Will the work to determine Fair Market Value of billing services be completed in time to be incorporated into the negotiations with EPCOR for the post 2013 agreement?

Please refer to UA-4-Waste for response to this question.

UA-4-Sanitary

Topic: **7.2.1 Personnel Costs**

Reference: **City of Edmonton Drainage Services Utilities 2013 Utility Rate Filing September 19, 2012 Page 19**

Background: **The Utility Advisor wishes to gain a better understanding of labour cost increases.**

Requests:

a) Please breakdown the increase of 2013 over 2012 Personnel costs ($2,087) into the following or similar categories:

i. Increase due to cost of living adjustments

ii. Increase due to merit salary adjustments

iii. Increase due to increased consumption of Waste Management services (new customers, changes in per-customer consumption)

iv. Increases due to new programs.

	Sanitary	
Cost of Living Adjustments	414	
Merit Salary Adjustments	163	
Increased Consumption of Services	1,153	*
New Programmes	357	
Total Personnel Variance	**2,087**	

Note: *The variance shown is the difference between the 2012 Forecast and the 2013 Budget. Market factors caused a delay in hiring new positions during 2012, which accounts for $565 of the $1,153 variance. These positions will be filled by 2013 and are required in order to fulfill 2013 performance expectations.*

b) Please explain what is meant by the statement "Planning is done on a holistic basis."

"Planning is done on a holistic basis" refers to looking at the planning of the Drainage systems in its entirety (Sanitary and Stormwater combined), where the proportion of Drainage system planning is estimated to be 60% Sanitary and 40% Stormwater. Therefore the personnel costs for administrative staff have been split as such.

c) Please provide a breakdown between Sanitary and Storm of the 9.5 additional FTE.

Sanitary	6.2
Stormwater	3.3
Total FTE Increase	**9.5**

d) Please provide a description of the need for the additional FTEs in Sanitary.

An additional 6.2 FTE's are required in the Sanitary Utility to deal with increased workload requirements resulting from growth of the systems, environmental requirements resulting in increased operational needs, and Occupational Health and Safety training needs.

UA-5-Sanitary

Topic: **7.2.4 Shared Services**

Reference: **City of Edmonton Drainage Services Utilities 2013 Utility Rate Filing September 19, 2012 Page 23**

Background: The Utility Advisor wishes to understand how Shared Services are managed.

Requests:

a) Is the utility an active manager of the Corporate services provided, or a passive recipient of the services?

Please refer to UA-8-Waste for response to this question.

b) For each of lines 1-11, has the utility done any investigation as to the Fair Market Value of these services?

Please refer to UA-8-Waste for response to this question.

The Drainage Utilities have been paying full cost of Shared Services essentially since 2010. Over the past few years, refinements were made to distinguish between the appropriate allocation of such costs between Sanitary Drainage, Stormwater Drainage, and the non-regulated businesses of Drainage Design & Construction. Below is a summary.

	2010 Actual	2011 Actual	2012 Forecast	2013 Proposed
Drainage Utility	5,965	7,869	6,582	7,396
Drainage Design & Construction	2,895	3,431	4,505	4,614
Total	8,860	11,300	11,087	12,010
% Change over Prior		28%	(2%)	8%
% Change excluding IT			(10%)	(3%)

City Council directed the financial separation of Drainage Design & Construction from Drainage Services starting in 2010, with the completion date for 2012. As this was being implemented, the allocation of Shared Services charges between Sanitary Drainage, Stormwater Drainage, and Design & Construction was also undertaken to be in line with the removal of previous contributions from Design & Construction to the Utility.

c) If the answer to b) above is no, when will such an investigation be performed.

A Fair Market Value assessment of Shared Services is not currently in the work plan of the Drainage Utilities as overall the cost for Shared Services is considered reasonable based on the response to part b in the current question and the table below:

Sanitary and Stormwater Drainage	2010 Actual	2011 Actual	2012 Forecast	2013 Proposed
Total Shared Services	5,965	7,869	6,582	7,396
Total Operating Expenses	81,081	86,324	97,530	109,904
As a %	7.4%	9.1%	6.7%	6.7%

d) If the answer to b) above is yes, please provide the results of the investigation to date.

N/A

e) Is Sanitary subject to the same increase in funding Shared Services (80% increasing to 90%) as Waste?

No, Drainage Services already pay 100% of the Shared Services costs since 2010. The shifts over the past three years have been within Drainage Services, between Sanitary Drainage, Stormwater Drainage, and Drainage Design & Construction.

f) What is meant by "streamlining of Shared Services"?

Prior to 2013, the City of Edmonton has allocated Shared Services and corporate overheads to Drainage Services as a single unit. The differentiation between the Utilities and Drainage Design & Construction was made within Drainage Services itself.

With Council's direction to financially segregate Drainage Design & Construction from the Utilities over a 3-year period, removing a $1.5 million contribution that was previously made to

Sanitary Drainage Utility, Administration applied similar approach to ensure that the appropriate allocation among the three operational sections. As a result, the 2012 Budget reflected a correction of costs between the Utilities and Drainage Design & Construction, and the proposed 2013 Budget reflects an alignment of costs between Sanitary and Stormwater Drainage to that which was used for personnel split between the two utilities.

g) What changes have been made to the internal allocation of costs between Sanitary and Storm?

The split between Sanitary and Storm is roughly 70-30; similar to what was used for the allocation of personnel costs as well as each Utility's relative portion of capital assets.

UA-1-Storm

Topic: **6.2 Stormwater Utility**

Reference: **City of Edmonton Drainage Services Utilities 2013 Utility Rate Filing September 19, 2012 Page 16**

Background: The Utility Advisor wishes to understand the projections for Cash Balance.

Requests:

a) Does cash balance as used in this table mean the same thing as Retained Earnings?

No.

b) If the answer to a) is no, please describe the relationship between cash balance and Retained Earnings.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Opening Retained Earnings	1,049,693	1,092,389	1,137,409	1,186,486	1,238,969	1,295,370	1,353,966	1,416,818	1,482,710	1,556,188
Net Income	14,164	17,558	21,303	25,192	28,709	32,034	35,818	40,045	44,152	47,762
Net Change in Contributed Assets	28,532	27,462	27,774	27,291	27,691	26,562	27,034	25,847	29,327	29,232
Closing Retained Earnings	**1,092,389**	**1,137,409**	**1,186,486**	**1,238,969**	**1,295,370**	**1,353,966**	**1,416,818**	**1,482,710**	**1,556,188**	**1,633,182**
Net Income	14,164	17,558	21,303	25,192	28,709	32,034	35,818	40,045	44,152	47,762
Add: Depreciation	4,937	5,728	6,655	7,638	8,451	9,383	10,496	11,759	12,998	14,043
Net Cash Flow - Operations	**19,102**	**23,286**	**27,958**	**32,830**	**37,160**	**41,417**	**46,314**	**51,804**	**57,150**	**61,805**
Capital Financed with Equity	(19,423)	(15,694)	(17,776)	(16,725)	(36,995)	(30,214)	(23,960)	(30,822)	(23,104)	(22,990)
Repayment of Debt	(4,470)	(5,597)	(6,606)	(7,582)	(8,295)	(9,039)	(10,120)	(11,453)	(12,831)	(14,421)
Net Cash Flow - Financing/Investing	**(23,893)**	**(21,291)**	**(24,382)**	**(24,307)**	**(45,291)**	**(39,254)**	**(34,080)**	**(42,275)**	**(35,935)**	**(37,411)**
Increase (Decrease) in Cash Balance	(4,791)	1,995	3,576	8,523	(8,130)	2,164	12,234	9,528	21,215	24,394
Opening Cash Balance	29,559	24,767	26,763	30,339	38,862	30,732	32,895	45,129	54,658	75,873
Ending Cash Balance	**24,767**	**26,763**	**30,339**	**38,862**	**30,732**	**32,895**	**45,129**	**54,658**	**75,873**	**100,267**

The annual change to Retained Earnings is the net impact of the year's net income and net change in contributed assets. Net income includes non-cash expense such as depreciation. Contributed Assets reflect the value of plant assets received but not paid for, it is not cash.

The annual change in Cash Balance is the result of net income, adjusted for non-cash expense, principal repayment on debt, and any non-contributed assets paid for by the Utility using Retained Earnings.

c) It appears that while holding return at 7.0%, and debt ratio at approximately 60%, the cash balance continues to increase substantially over the forecast years, growing to over $100,000 by 2022. Does the utility believe that simply retaining these earnings is appropriate, or is there a strategy (dividend payment, decrease in debt, etc.) to reduce this amount?

From the Utilities perspective, the first 5 years (2013-2017) are the most relevant due to the short term cash requirements of the Utility. The projected cash balance in 2016 is $38.9 million while the cash requirement for capital investment is $37.0 million. Similarly, in 2017, the cash balance is projected at $30.7 million with a corresponding cash requirement for capital of $30.2 million. The Stormwater Drainage Utility needs to overcome this "cash crunch" prior to reviewing the targets set out in the Utility Fiscal Policy.

Previous years have also seen projected capital spending being delayed, which is a primary reason for the improved cash position in the short term. In addition to this, Council has directed Administration to return in the first quarter of 2013 with a report that provides options on the funding for upfront infrastructure investment as a means to encourage development, which will require cash flexibility.

UA-2-Storm

Topic:	**8.0 Operations and Maintenance (Customer Billing Services)**
Reference:	**City of Edmonton Drainage Utility 2013 Utility Rate Filing, September 19, 2012, Page 43**
Background:	**The Utility Advisor would appreciate an update on the status of the review of EPCOR Billing Services?**

Requests:

a) What work has been done to date (in preparation for the end of the current agreement in 2013) to determine the Fair Market Value (FMV) of billing services for the contract renewal?

b) If no work has yet been performed, when will it be performed?

Please refer to UA-4-Waste for response to this question.

c) Will the work to determine Fair Market Value of billing services be completed in time to be incorporated into the negotiations with EPCOR for the post 2013 agreement?

Please refer to UA-4-Waste for response to this question.

UA-3-Storm

Topic: **8.2.1 Personnel Costs**

Reference: **City of Edmonton Drainage Services Utilities 2013 Utility Rate Filing September 19, 2012 Page 44**

Background: **The Utility Advisor wishes to gain a better understanding of labour cost increases.**

Requests:

a) Please breakdown the increase of 2013 over 2012 Personnel costs ($1,004) into the following or similar categories:

i. Increase due to cost of living adjustments

ii. Increase due to merit salary adjustments

iii. Increase due to increased consumption of Waste Management services (new customers, changes in per-customer consumption)

iv. Increases due to new programs.

	Stormwater	
Cost of Living Adjustments	216	
Merit Salary Adjustments	30	
Increased Consumption of Services	568	*
New Programmes	190	
Total Personnel Variance	**1,004**	

**Note: The variance shown is the difference between the 2012 Forecast and the 2013 Budget. Market factors caused a delay in hiring new positions during 2012, which accounts for $300 of the $568 variance. These positions will be filled by 2013 and are required in order to fulfill 2013 performance expectations.*

b) Please explain what is meant by the statement "Planning is done on a holistic basis."

"Planning is done on a holistic basis" refers to looking at the planning of the Drainage systems in its entirety (Sanitary and Stormwater combined), where the proportion of Drainage system planning

is estimated to be 60% Sanitary and 40% Stormwater. Therefore the personnel costs for administrative staff have been split as such.

c) Please provide a breakdown between Sanitary and Storm of the 9.5 additional FTE.

Sanitary	6.2
Stormwater	3.3
Total FTE Increase	**9.5**

d) Please provide a description of the need for the additional FTEs in Storm.

An additional 3.3 FTE's are required in the Stormwater Utility to deal with increased workload requirements resulting from growth of the systems, environmental requirements resulting in increased operational needs, and Occupational Health and Safety training needs.

UA-4-Storm

Topic: **8.2.2 External Services**

Reference: **City of Edmonton Drainage Services Utilities 2013 Utility Rate Filing Page 46**

Background: No explanation is given for the significant percentage increase in Other (line 4)

Requests:

Please provide an explanation.

Please see attached confidential memo titled "IR UA-4-Storm".

UA-5-Storm

Topic: **8.2.4 Shared Services**

Reference: **City of Edmonton Drainage Services Utilities 2013 Utility Rate Filing Page 48**

Background: The Utility Advisor wishes to understand how Shared Services are managed.

Requests:

a) Is the utility an active manager of the Corporate services provided, or a passive recipient of the services?

Please refer to UA-8-Waste for response to this question.

b) For each of lines 1-11, has the utility done any investigation as to the Fair Market Value of these services?

Please refer to UA-5-Sanitary for response to this question.

c) If the answer to b) above is no, when will such an investigation be performed.

Please refer to UA-5-Sanitary for response to this question.

d) If the answer to b) above is yes, please provide the results of the investigation to date.

N/A

e) Is Storm subject to the same increase in funding Shared Services (80% increasing to 90%) as Waste?

Please refer to UA-5-Sanitary for response to this question.

f) What is meant by “streamlining of Shared Services”?

Please refer to UA-5-Sanitary for response to this question.

g) What changes have been made to the internal allocation of costs between Sanitary and Storm?

Please refer to UA-5-Sanitary for response to this question.

City of Edmonton Waste Management Utility

2013 Utility Rate Filing
Budget Filing

September 17, 2012

(Revised October 11, 2012)

Table of Contents

1.0 Introduction

Since 2011, City Council has followed a governance framework for all City of Edmonton's Utilities. The Utility Committee (UC), comprised of four members of Council, is responsible for reviewing all matters relating to the Utilities' operations and to make recommendations to Council where budgets and policies are involved. City Council also retained the services of a Utility Advisor (UA) to provide technical expertise in advising the Committee and Council in Utility matters.

Over the course of 2012, Waste Management Utility provided the Utilities Committee with the following key documents, which were either approved or received for information:

- 2011 Waste Management Utility Annual Report
- Performance Measures for Waste Management Utility
- 2013-2015 Waste Management Utility Business Plan
- Price Setting Principles for Non-regulated Waste Services
- Results of Public Consultation Regarding Options to Modify Waste Utility Rates

The 2013 Rate Filing has been prepared based on directions contained in these documents and/or as provided by the UC during their review. In addition to this 2013 Rates Report, Administration will prepare Budget Documents for Waste Management Utility following the corporate format to enable communication with citizens.

This document represents the third year of rate filing for the Waste Management Utility. Established by City Council as a Utility in January 2009, the Utility was expected to have completed its transition from a partially tax funded operation to a full Utility operation by achieving a break-even position in 2012, with a small Return on Rate Base in place for 2013. As will be explained in the filing, scheduling of capital works at the Edmonton Waste Management Centre (EWMC), cost and revenue pressures resulting from external market forces, and the objective of maintaining the proposed 2013 rate increase to the level outlined in the 2013-2015 Business plan has extended the plan for earning a positive return by one year. This rate filing proposes a balance budget for 2013.

The following operational changes and enhancements have been accommodated in the 2013 Budget:

- End of contracted disposal at the West Edmonton Landfill on August 31, 2012, with its expected closure to the public.
- A projected downturn in markets for recyclable material.
- Extension for completion of the Biofuels Facility to 2013 as reported.
- Adjustments to the operating costs and revenue expectations for the Mixed Construction and Demolition Waste Recycling Facility, which opened in 2012, to reflect current experiences.
- New contracts for single family and multi-family collection services, negotiated in 2012.
- Planned change for single family refuse and recyclables collection from rotating and partial bi-weekly to weekly and non-rotating.

2.0 Functional Organization Structure

Manager, Waste Management Utility

Collection

- Refuse Collection
- Recycling Collection
- Recycling Depots
- Eco Stations
- Big Bin events
- Assisted Collection
- Commercial Collection
- Litter Collection

Processing and Disposal

- Processing & Transfer
- Organics Composting
- Materials Recovery
- Construction & Demolition Recycling
- Landfill Gas Recovery
- Leachate Treatment
- Environmental Monitoring
- Clover Bar Landfill
- Private Processing Operations
- Homeowner Drop-Off Service

Branch wide programming in support of Collection and Processing and Disposal is provided by the following:

Community Relations

- Education Programs
- Facility Tours
- Volunteer Engagement
- Public Outreach
- Reuse Operation
- Customer Support
- Social Marketing

Business Planning and Central Operations

- Bylaw Development
- System Mapping
- Billing Services
- Private-sector Partner Agreements
- Collections Routing
- Business Planning
- Performance Monitoring
- Operations Research

3.0 Methodology and Key Assumptions

The 2013 Rates Report is based upon the 2012 Forecast prepared as of July 31, 2012. The City of Edmonton provided corporate budget guidelines that include the following:

	2013	2014	2015
Population increase projections	1.3%	1.4%	1.4%
Municipal Price Index	3.27%	3.23%	3.28%
Economic Increases	Per contract settlement	Current contracts expire 2013	
Salaried Employee Benefit Percentage	21.0%	21.4%	21.8%
Hourly Employee Benefit Percentage	27.0%	27.5%	28.1%

Cost of debt

	2012	**2013**	**2014**	**2015**	**2016**	**2017& Beyond**
10 year	2.7500	3.2500	3.7500	4.2500	4.7500	4.7500
15 year	3.0000	3.5000	4.0000	4.5000	5.0000	5.0000
20 Year	3.2500	3.7500	4.2500	4.7500	5.2500	5.2500
25 Year	3.5000	4.0000	4.5000	5.0000	5.5000	5.5000

Staff vacancy – unless otherwise stated, the typical expectation for staff vacancy is 3% for operational staff and 2% for the remainder.

Growth – customer growth assumption is derived from the corporate projection of population. The 2013 budget customer billing base is made up of a monthly average of 188,297 (2.0% growth) for the single family sector and 152,451 (1.5% growth) for the multi-family sector.

4.0 Operational Performance

The Waste Management Utility's strategic directions align with the City Council's 30-year vision. The table below lists the City's 10-year goals and corresponding outcomes and measures pertaining to waste management services.

Strategic Goal	Corporate Outcome	Corporate Measure	Department Outcome	Department Measure	2010	2011	2012 Target	2013 Target
Preserve & Sustain Edmonton's Environment	Partnerships with citizens, communities and organizations are leveraged to improve Edmonton's environmental health	% growth of partnerships the city has entered into in support of environmental sustainability practices	Programs are supported by citizen participation and research partnerships	Percentage of homeowners recycling (%)	89	90	91	91
				Number of users of Eco Stations and Big Bin events (#)	220,000	231,000	241,000	260,000
	Edmonton strives to be a leader in environmental advocacy, stewardship, preservation, and conservation	Proportion of waste diverted from landfill	Leadership is demonstrated in reducing impacts on the environment	Proportion of waste diverted from landfill (%)	44%	53.3	60	60
				Tonnes of non-residential waste diverted from landfill (Tonnes)	47,000	58,000	70,000	75,000
Improve Edmonton's Livability	Safe and Clean City	% citizens who feel Edmonton is a clean city	Public Health is Maintained	Number of missed collection stops per 10,000	4	4	4	4
Ensure Edmonton's Financial Sustainability	The City has well managed and sustainable assets and services	Fiscal Sustainability Index	Operations are well managed and sustainable	Cost per tonne of material processed at Edmonton Waste Management Centre ($ / tonne)	77	68	65	79
				Cost per tonne for curbside collection of refuse and recyclables	115	120	124	136

5.0 Rate Request and Factors Influencing Rate Requirement

This 2013 Rate Filing supports the request for a rate increase as follows:

	2012 Monthly Fee	Requested 2013 Monthly Fee	Requested Monthly Increase	Annual Increase
Single Family Residential	$33.20	$35.36	$2.16	$25.92
Multi-Family Residential	$21.58	$22.98	$1.40	$16.80

The proposed rates achieve the following:

- Funding of the capital repayment (interest and depreciation) associated with capital investments.
    - Includes full year depreciation of $54 million in assets projected to be put into service in 2012, and half or first year depreciation (at 50%) on $61 million of capital assets expected to be put into service in 2013.
    - Reflects full year cost of interest expense on $25.7 million in debt issued or projected to be issued in 2012 for capital investments, and partial year impact (dependent on month of borrowing) of $23.1 million in debt projected to be borrowed in 2013.
- Reflects the 3rd year of a 4-year strategy to full costing of Shared Services (90% allocation in 2013).
- Meet operational needs of the Utility with delayed Return on Rate Base to 2014.

Operational Needs

The proposed 2013 budget contains an additional $8.1 million over the 2012 Forecast to meet operational and maintenance needs. Part of this increase relates to a projected additional 5,200 new customers in the regulated sector, along with an estimated 25% volume increase in commercial collection as the Utility expands its business lines and increase in Shared Services to 90% full costing. The associated additional revenues as a result of growth will reduce this increase by $2.4 million.

The Waste Management Utility's contract with the West Edmonton Landfill expired in 2012. As a result of delays in the commissioning of the Biofuels Facility, additional costs are required to transport materials originally slated to be used in this process to the landfill at Ryley. This filing also includes a full year's operation of the Mixed Construction and Demolition Waste Recycling Facility reflecting current experiences.

Operational needs account for $1.31 (net of Shared Services) of the $2.16 monthly rate increase. Details of the requirements are provided in Section 7.0 of this rate filing.

Implementation of 3rd Year of Shared Services Full Costing

Prior to WMS becoming a Utility in 2009, the costs associated with Corporate Overhead, Finance, Information Technology, Human Resources, Materials Management, etc. were paid for through property taxes and not through customer rates. 2013 is the third year of a 4 year phased approach to 100% recovery of Shared Services cost allocation to Waste Management. The proposed 2013 rates include an addition of $0.7 million to bring Shared Services to the 90% level. This accounts for $0.64 of the $2.16 monthly rate increase.

Depreciation Expense

The proposed rates reflect full year depreciation on assets projected to be put into service in 2012 of $54 million and half year rule for new 2013 in-service assets of $61 million. The projected 2013 Depreciation Expense is $17.9 million, an increase of $1.1 million over the 2012 budget. This accounts for $0.32 of the $2.16 monthly rate increase.

Interest Expense

The proposed rates include the additions of a full year payment on debt issued and projected to be borrowed in 2012 of $25.7 million and half year payment on projected 2013 debt of $23.1 million. 2012 borrowings will be lower than budgeted and combined with lower assumed interest rates in 2013 accounts for a $0.11 reduction towards the proposed $2.16 monthly rate increase.

6.0 Financial Indicators

City Council approved Policy C558 Waste Management Utility Fiscal Policy on June 1, 2011. The Policy identifies a number of Financial Indicators which when achieved, will provide assurance on the financial sustainability of the Utility in the long-term. Below is a summary of the Financial Indicators and the expected outcomes if the Proposed 2013 Budget is approved.

	Actual			Budget	Forecast	10 Year Forecast									
Financial Indicators:	2009	2010	2011	2012	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1 Rates Sufficient to Meet Expenses															
Implementation Plan - Retained Earnings	$ (5,246)	$ (8,500)	$ (1,579)	$ -	$ (453)										
Net Income						$ -	$ 1,656	$ 8,532	$ 12,819	$ 15,004	$ 16,030	$ 15,695	$ 15,715	$ 15,338	$ 16,758
Target: Positive Net Income															
2 Fair and Reasonable Return															
Return on Rate Base	-2.6%	-4.0%	-0.7%	0.0%	-0.2%	0.0%	0.6%	2.8%	4.1%	4.8%	5.1%	4.9%	4.9%	4.8%	5.4%
Target: Between 4% and 10%, while balancing between goals, rates and bottom line															
Impact of Customer Rate	8.6%	12.3%	5.0%	5.9%	5.9%	6.5%	6.0%	5.0%	4.5%	3.0%	2.0%	2.0%	1.5%	1.0%	0.8%
Monthly Billing Increase	$ 2.10	$ 3.26	$ 1.49	$ 1.86	$ 1.86	$ 2.16	$ 2.12	$ 1.87	$ 1.77	$ 1.23	$ 0.85	$ 0.86	$ 0.66	$ 0.45	$ 0.36
Monthly Rate	$ 26.59	$ 29.85	$ 31.34	$ 33.20	$ 33.20	$ 35.36	$ 37.48	$ 39.35	$ 41.12	$ 42.35	$ 43.20	$ 44.06	$ 44.72	$ 45.17	$ 45.53
3 Financing of Capital Investments															
Debt Coverage Ratio	0.9	0.8	1.1	1.1	1.1	1.1	1.2	1.4	1.5	1.5	1.6	1.8	1.9	1.9	2.0
Debt to Net Assets Ratio	96%	90%	88%	86%	86%	84%	84%	83%	82%	77%	70%	66%	61%	61%	60%
Target: Debt Coverage Ratio - not less than 1.3 // Debt to Net Assets Ratio @ 60%															
4 Cash Balance															
Total Cash	$ 68,573	$ 41,032	$ 36,296		$ 27,464	$ 20,136	$ 20,850	$ 25,866	$ 35,407	$ 35,485	$ 31,346	$ 35,078	$ 36,911	$ 53,993	$ 71,903
Landfill Closure	21,015	20,042	19,289		17,196	15,765	14,677	14,086	13,531	12,960	12,960	12,960	12,960	12,960	12,960
Cash Held on Behalf of Third Parties	16,589	10,254	8,900		1,500	-	-	-	-	-	-	-	-	-	-
Cash Available to Finance Future Capital	30,969	10,736	8,107		8,767	4,372	6,174	11,779	21,877	22,525	18,387	22,119	23,951	41,033	58,943
Next Year's Capital to be financed by Retained Earnings	$ 11,237	$ 8,809	$ 8,482		$ 5,436	$ 5,528	$ 5,150	$ 5,512	$ 18,144	$ 23,126	$ 16,910	$ 21,046	$ 5,718	$ 5,719	$ 5,719
Target: Sufficient cash for planned capital investment to be financed by Retained Earnings															
5 Long Range Plans															
Pro-forma Information		10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years
Target: 10-year financial planning horizon															

Given that the Utility is in its infancy and there is a need to balance between financial risks and customer rates, the Utility is not expected to achieve the stated targets for a period of time. The proposed 2013 budget continues to make progress; however, it is slower than anticipated as the overall Integrated Waste Management Strategy depends on the completion and full operation of all major facilities at the Edmonton Waste Management Centre.

Cash available to fund the next year's capital plan will be tight in 2013 and 2017. The Utility will monitor this temporary shortfall and manage its cash position through the years. The 2013 Rate Filing also reflects limiting the use of Landfill Closure/Post Closure Care as a financing source after 2016, when the final capping is expected to be completed. Assessment of future requirements and available funding will be made at that time.

The forecast is for the Utility to achieve the targeted Return on Rate Base by 2016, which will result in greater progress on other financial indicators.

While the indicators have been presented over a 10-year time horizon for information purposes, forecasts beyond the three to five year period do not contain the same level of validation as that which has been provided over the next three years.

7.0 Utility Summary Schedule ($000's)

Line #	Reference	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2012 Forecast vs Budget	% Variance	2013 Budget	2013 Budget vs 2012 Budget	% Variance	2013 Budget vs 2012 Forecast	% Variance
Expenses													
1 Operating and Maintenance	Schedule 8.0	86,108	102,292	106,081	109,309	110,284	975	0.9%	117,913	8,604	7.9%	7,629	6.9%
2 Depreciation Expense (net)	Schedule 9.0	12,040	14,867	15,232	16,805	16,095	(710)	-4.4%	17,915	1,110	6.6%	1,820	11.3%
3 Debt Interest	Schedule 9.3	7,777	9,341	9,511	10,874	10,144	(730)	-7.2%	10,503	(371)	-3.4%	359	3.5%
4 Other Financial Costs	Schedule 8.0	5,510	(265)	215	-	-	-		-	-		-	
5 Return on Rate Base	Schedule 11.1	-	-	-	-	-	-		-	-		-	
Subtotal		**111,435**	**126,235**	**131,039**	**136,989**	**136,523**	**(465)**		**146,331**	9,343		**9,808**	
Non-Rate Revenues	Schedule 10.1	**20,698**	**19,819**	**24,894**	**24,555**	**23,336**	(1,219)	-5.2%	**24,393**	(162)	-0.7%	1,057	4.5%
Draw from retained earnings		**5,246**	**8,500**	**1,579**	**-**	**453**	453		**-**				
Existing Rate Revenues		**-**	**-**	**-**	**-**	**-**	-		**114,497**				
Funding Required through Rate Increase									**7,441**				
Total Rate Revenue Required									**121,938**				

Note: This table has been adjusted to remove the impacts of the one-time Bio-fuels Grant for comparison purposes.

The 2013 proposed expenditure budget of $117.9 million represents an increase of $8.6 million over the 2012 budget or $7.6 million over the 2012 forecast results. These schedules have been prepared with comparisons based on the 2013 Proposed Budget against the 2012 Forecast.

Contract settlements for all of the Waste Management staff were concluded in 2012 for the period 2011 to 2013. The impacts of these settlements are reflected in the 2013 Proposed Budget. The 2013 budget also reflects the expiry of contracted disposal at the West Edmonton Landfill, resulting in increased costs for transportation to and disposal at, the Ryley landfill. Delay in the commissioning timeline for the Biofuels Facility is also reflected through increased haul and disposal costs beyond the 2012 budget.

Non-rate Revenues are projected to decline due to a projected downturn in the markets for recyclable material. Also, it is expected that less recyclable material will be delivered to the Materials Recovery Facility, particularly newsprint, as a result of increased use of electronic information and social media.

Included in the Existing Rate Revenues is increased number of customers based upon the corporate projection on population growth and analysis of the number of billed customers each month.

8.0 Operations and Maintenance ($000's)

Line #		Reference	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2012 Forecast vs Budget	% Variance	2013 Budget	2013 Budget vs 2012 Forecast	% Variance
Operations & Maintenance Expense												
1	Personnel	**Schedule 8.1**	21,447	27,404	30,001	33,355	33,535	180	0.5%	36,620	3,085	9.2%
2	Materials, Goods, and Supplies		4,237	3,691	3,991	3,962	3,952	(10)	-0.3%	4,244	292	7.4%
3	External Services - Contracts	**Schedule 8.2**	44,793	51,611	50,245	51,379	52,861	1,482	2.9%	54,557	1,695	3.2%
4	Fleet Services	**Schedule 8.3**	9,762	11,082	12,914	13,013	12,913	(100)	-0.8%	15,891	2,979	23.1%
5	Other Expenses		2,123	2,590	3,388	2,425	2,208	(217)	-8.9%	2,510	302	13.7%
6	Utilities		2,680	3,206	3,091	4,157	3,857	(300)	-7.2%	4,225	368	9.5%
7	Shared Services	**Schedule 8.4**	3,495	4,250	5,247	5,643	5,643	-	0.0%	6,378	734	13.0%
8	Customer Billing Services		4,131	3,876	4,201	4,432	4,432	-	0.0%	4,482	51	1.1%
	Subtotal		92,667	107,710	113,079	118,366	119,401	1,035		128,906	9,505	8.0%
9	Biosolid Processing Recovery		(6,560)	(5,418)	(5,098)	(7,149)	(7,209)	(60)	0.8%	(8,623)	(1,414)	19.6%
10	Litter Collection Recovery		-	-	(1,900)	(1,908)	(1,908)	-	0.0%	(1,940)	(32)	1.7%
11	City Department Disposal Recovery		-	-	-	-	-	-		(430)	(430)	
	O & M Expenses		**86,108**	**102,292**	**106,081**	**109,309**	**110,284**	**975**		**117,913**	**7,629**	**6.9%**
12	Depreciation	**Schedule 9.0**	12,040	14,867	15,232	16,805	16,095	(710)	-4.2%	17,915	1,820	11.3%
13	Debt Interest	**Schedule 9.1**	7,777	9,341	9,511	10,874	10,144	(730)	-6.7%	10,503	359	3.5%
14	Other Financial Charges		5,510	(265)	214			-			-	
	Expenses before One-Time		111,435	126,235	131,039	136,989	136,523	(465)		146,331	9,808	
15	Grant Payment		6,600	-	-	6,000	7,400	1,400	23.3%	6,000	(1,400)	-18.9%
	Net Expenses		**118,035**	**126,235**	**131,039**	**142,989**	**143,923**	**935**		**152,331**	**8,408**	**5.8%**

Further analysis of proposed expenditures is provided in subsequent schedules. Expense categories with minor changes are explained here.

Line 2 – Materials, Goods, and Supplies

The increase in the 2013 Proposed Budget is the result of additional vehicle/equipment lease costs and direct materials requirements within Collections to meet current needs.

Line 5 – Other Expenses

Other Expenses include services obtained through other City departments and billed to Waste Management Utility. Also included in this category are consulting and professional services, and general service costs such as insurance on the Utility's facilities.

Line 6 – Utilities

Utilities include Power, Water and Sewer, Natural Gas, Waste Management and Telephone. The 2012 forecasted expense is lower than the budget as the aeration bays in the Composter were shut down for planned refurbishment, saving power costs. The 2013 Proposed Budget reflects corporate cost increase guidelines as well as the startup of the Refuse Derived Fuel (RDF) component of the Integrated Processing and Transfer Facility (IPTF).

Line 8 – Customer Billing Services

The Waste Management Utility contracts with EPCOR to provide customer billing and collection services. The current agreement covers 2012 and 2013. The Proposed 2013 Budget reflects the contracted billing costs as well as estimates of customer growth at a composite growth of 1.8%. Allowance for bad debt has been included at 0.4% of monthly billed revenue.

Line 9 – Bio-solid Processing Recovery

The Waste Management utility provides services to Sanitary Drainage for disposing the residuals left behind from the wastewater treatment process. There are strict regulations around the proper disposal of biosolids.

Currently, the methods employed include composting at the Edmonton Waste Management Centre and the Nutri-gold program (spread on farmland), which is subject to weather conditions and soil composition. As part of a legacy agreement from a previous operator of the Composting Facility, Sanitary Drainage has not paid the full cost for composting services.

The Proposed 2013 budget represents year two of a three-year phase-in period over which the subsidy that has been provided by the Waste Management Utility will end. In addition an increase in the volume of biosolids processed from 87% to 90% of the annual production is reflected.

Line 10 – Litter Collection Recovery

The Waste Management Utility provides litter collection on behalf of the City of Edmonton in downtown, Old Strathcona, and various Business Revitalization Zones. A small adjustment is made to reflect anticipated costs based on 2012 experience.

Line 11 – City Department Disposal Recovery

The Waste Management Utility disposes of material from other City departments. The change from 2012 is due to the reclassification of disposal charges to City departments from revenue to intra-municipal recovery.

Line 14 – Other Financial Costs

The funding of the Leachate Treatment plant operation from the Post Closure Liability was shown in this category in 2012. This amount is now netted against the operating cost.

Line 15 – Grant

The Waste Management Utility acts as the intermediary for the flow of grant support from the Province for the Enerkem Alberta Biofuel's Facility and the Advanced Energy Research Facility.

8.1 Personnel Costs ($000's)

Line #		2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2012 Forecast vs Budget	2013 Budget	2013 Budget vs 2012 Forecast	% Variance
Personnel Costs										
1	Salaries & Wages	15,668	19,908	21,754	24,039	24,239	200	26,877	2,638	10.9%
2	Overtime	491	1,004	835	1,022	1,022	-	990	(32)	-3.1%
3	Allowances and Benefits	5,288	6,491	7,412	8,294	8,274	(20)	8,753	479	5.8%
	Total Personnel	**21,447**	**27,404**	**30,001**	**33,355**	**33,535**	**180**	**36,620**	**3,085**	**9.2%**

The 2013 Proposed Budget includes contract settlements for both 2012 and 2013 for all unions, and an allowance for management staff based on the unionized contract settlement. The 2013 Proposed Budget also includes an increase of 17.8 FTEs, bringing the Utility's staff complement to 465.8 FTEs. The increased staff complement is comprised of the following:

Engineer Technologist	1.0
Truck Drivers	1.6
Collectors	6.6
Labourer II	6.1
Technicians	1.5
Clerical	1.0
	17.8

The Utility relies on City crews and external contracts to deliver its material collection services in keeping with the requirement for a 50/50 spilt in work. As a result of customer growth and the requirement to maintain this 50/50 split, 4.4 FTEs are required for residential collection services. In addition, 2.2 FTEs are required for the commercial collection to operate two additional collection vehicles to service existing and new customers.

0.5 FTE is required to support the waste reduction program targeted at high volume users, along with an additional 1.0 FTE to meet the increased need for outreach in support of the Utility's operations. These functions have been performed by temporary staff to date pending determination of a permanent need.

The 2013 Proposed Budget includes a full-year's operation of the Construction and Demolition Facility and RDF production, and increased volume of material to handle at the Edmonton Waste Management Centre. An addition of 9.7 FTEs is required.

The Proposed 2013 Budget for Overtime has been adjusted to take into consideration the 2011 actual results and 2012 experience to date. Overtime is used where there are unplanned peak requirements that are most effectively managed through the use of existing staff and for planned activities that produces the overall lowest cost of a service.

Change in Allowances and Benefits is primarily due to increases at rates greater than inflation for employer paid benefits.

8.2 External Services ($000's)

Line #		2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2012 Forecast vs Budget	2013 Budget	2013 Budget vs 2012 Forecast	% Variance
External Services										
1	Collection Services - Refuse	10,909	10,931	10,916	11,957	11,507	(450)	12,007	500	4.3%
2	Collection Services - Recycling	4,090	4,275	4,372	5,088	5,088	-	5,438	351	6.9%
3	Eco Station Material Processing	973	996	1,058	1,508	1,258	(250)	1,519	260	20.7%
4	Organic Processing	11,326	11,620	9,451	8,569	10,069	1,500	9,500	(569)	-5.6%
5	Contracted Landfill Disposal	5,764	8,895	8,966	8,429	8,631	202	9,502	871	10.1%
6	Refuse Hauling to Landfill	-	1,106	1,471	943	1,843	900	1,400	(443)	-24.1%
7	Nutri-Gold Program	2,836	1,976	2,413	1,704	1,704	-	1,988	284	16.7%
8	Integrated Processing Transfer Facility	326	3,350	3,310	2,843	2,843	-	3,000	157	5.5%
9	Materials Recovery Facility	5,645	6,607	6,793	7,310	7,060	(250)	6,835	(225)	-3.2%
10	EWMC Site Operations & Maintenance	1,323	1,337	1,047	1,678	1,678	-	1,714	36	2.1%
11	Construction and Demolition Recovery	-	15	84	520	600	80	800	200	33.3%
12	Other	1,601	504	363	830	580	(250)	854	274	47.1%
	Total External Services	**44,793**	**51,611**	**50,245**	**51,379**	**52,861**	**1,482**	**54,557**	**1,695**	**3.2%**

Line 1 and 2 – Collection Services

Collection contract renewals took place in 2012 and the new contracted rates have been incorporated for 2013.

Line 3 – Eco Station Material Processing

The budget for material processing, including hazardous materials collected at the three Eco Stations, have been adjusted based upon the 2012 Forecast.

Line 4 - Organic Processing

The 2012 Forecast reflects a higher expenditure requirement relating to the maintenance and repairs of aging equipment within the facility. Most of the required repairs and refurbishment are expected to be completed in 2012; as a result, the Proposed 2013 Budget has been reduced to reflect normal requirements.

Line 5 – Contracted Landfill Disposal

The City's contract with the West Edmonton Landfill ended in August 2012. As this landfill is nearing capacity, it is no longer available for ongoing contracted disposal. Disposal costs at Ryley are higher than the existing contract with West Edmonton Landfill. Due to delay in the Biofuels Facility, materials that would have been set aside for conversion into refuse derived fuel

would now be sent to the Ryley Landfill. As a result, the 2013 proposed budget also reflects higher volumes (compared to earlier estimate) sent to Ryley.

Line 6 – Refuse Hauling to Landfill

To complement the Utility's long haul operations, contracted haulers are engaged to transport material from the Waste Management Centre to the landfill. The increase in refuse hauling costs follows from increased volume for hauling as per Line 5 above.

Line 7 – Nutri-gold Program

The Nutri-gold Program is one of two methods employed by the Waste Management Utility in the proper disposal of biosolids. In accordance with the Biosolids Management Strategy presented by the Sanitary Utility, disposal volume of biosolids is expected to increase.

Line 8 – Integrated Processing and Transfer Facility

The 2012 Forecast and 2013 proposed budget reflect the continuation of contracted equipment maintenance services for existing and new RDF equipment, and labour provided by Quality One for sorting and cleaning.

Line 9 – Materials Recovery Facility

The switch by the Edmonton Journal to eliminate the print version of the Sunday paper, along with the elimination in the publishing of the TV guide and encouraging their subscribers to switch to electronic subscription, have combined to reduce the amount of newsprint material being handled at the Materials Recovery Facility. The Proposed 2013 Budget reflects a reduction in the anticipated volume.

Line 10 – EWMC Site Operations and Maintenance

This captures operations and maintenance activities throughout the Edmonton Waste Management Centre that support the overall site operation. Included would be physical maintenance of the site, professional studies (e.g. funding for Green House Gas verification), professional evaluations (e.g. funding for pursuit of business opportunities) and the marketing of compost. The activities can be supported by funding similar to the 2012 level.

Line 11 – Mixed Construction and Demolition Waste Recycling Facility

This facility will operate for the first full year in 2013 at growing throughputs which will increase use of contracted resources for sort room labour and equipment maintenance.

Line 12 – Other

This category includes contracted services for Leachate Treatment Plant, supply of roll-off bins used at the Big Bin Events, and professional communications support.

8.3 Fleet Services ($000's)

Line #		2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2012 Forecast vs Budget	2013 Budget	2013 Budget vs 2012 Forecast	% Variance
Fleet Services										
1	Fleet Charges									
	- fixed	3,902	1,921	2,125	2,072	2,072	-	1,790	(281)	-13.6%
	- variable	4,200	5,157	5,247	6,174	5,774	(400)	6,846	1,072	18.6%
2	Fuel	489	2,289	2,973	3,282	3,279	(2)	4,808	1,528	46.6%
3	Maintenance & Repairs	1,170	1,715	2,570	1,486	1,788	302	2,448	660	36.9%
	Total Fleet	**9,762**	**11,082**	**12,914**	**13,013**	**12,913**	**(100)**	**15,891**	**2,979**	**23.1%**

Fleet maintenance is provided by the City's Fleet Services Branch. It operates on a cost-recovery basis which include direct administration costs, but not corporate overheads.

With the conversion to a Utility, ownership of the vehicles are taken back by the Utility as they are replaced by Fleet Services on an annual basis. Fixed charge levied on such vehicles is eliminated with the transfer of ownership as the Utility takes on the responsibility for funding their future replacements through associated depreciation expense. As a result, the number of vehicles "owned" by Fleet Service (and therefore the fixed charge) will decrease annually until the entire fleet is transferred back to Waste Management.

Variable Charges are paid by the Waste Management Utility for the ongoing maintenance of the fleet that it operates, regardless of the ownership status. These charges are based upon mileage driven for vehicles and operating hours for heavy equipment. The increased mileage associated with growth in the City's collections service area and the increased haul of refuse to the Ryley Landfill significantly impacts the variable costs.

Fuel commodity prices have increased in 2012 and are projected to continue to increase in 2013. The Proposed 2013 Budget reflects both increases to the commodity pricing and the number of vehicles and mileage driven, again as a factor of increased service area and the increased haul to Ryley.

Vehicles owned by the Waste Management Utility are maintained by Fleet Services and charged through the "Maintenance and Repair" category. Growth in the Utility's fleet, particularly in long haul vehicles, accounts for the change.

8.4 Shared Services ($000's)

Line #		2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2012 Forecast vs Budget	2013 Budget	2013 Budget vs 2012 Forecast	% Variance
Shared Services										
1	Corporate Allocation (Central Management)	1,299	1,119	1,175	1,029	1,029	-	1,024	(5)	-0.5%
2	Communications			212	215	215	-	260	44	20.6%
3	Transformation Services				-	-	-		-	
4	Finance & Treasury		663	866	1,409	1,409	-	1,655	246	17.4%
5	Corporate Information System				418	418	-	419	1	0.3%
6	Human Resources	2,196			583	583	-	757	174	29.8%
7	Legal Services		1,505		199	199	-	146	(53)	-26.4%
8	Materials Management			2,993	210	210	-	247	38	18.0%
9	Information Technology				857	857	-	987	130	15.2%
10	Space Rent		963		435	435	-	474	39	9.0%
11	Buildings Services				289	289	-	408	119	41.3%
	Total Shared Services	**3,495**	**4,250**	**5,247**	**5,643**	**5,643**	**-**	**6,378**	**734**	**13.0%**

The 2012 Budget of $5.6 million reflects payment of Shared Services at 80% level. This is part of the phase-in process that results in the Utility being responsible for 90% of the costs in 2013, and 100% by 2014. The increase to 90% charge-out level accounts for $705 of the $734 increase in 2013.

9.0 Depreciation and Interest Expense ($000's)

Line #		Reference	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2012 Forecast vs 2012 Budget	% Variance	2013 Budget	2013 Budget vs 2012 Forecast	% Variance
Depreciation Expense												
1	Depreciation Expense	**Schedule 9.1**	12,040	14,955	15,408	17,135	16,468	(667)	-3.9%	18,484	2,016	12.2%
2	Amortization (CIAC)	**Schedule 9.2**	-	(88)	(176)	(330)	(373)	(43)	13.0%	(569)	(196)	52.5%
	Net Depreciation Expense		**12,040**	**14,867**	**15,232**	**16,805**	**16,095**	**(710)**		**17,915**	**1,820**	
3	Interest Expense		7,777	9,341	9,511	10,874	10,144	(730)	-6.7%	10,503	359	3.5%
4	Principal Repayment		7,999	9,426	10,794	13,632	13,045	(587)	-4.3%	14,688	1,643	12.6%

Depreciation Expense represents the amount of asset life used up during the operating period. It includes both Contributed and Non-Contributed Assets. The depreciation rate is dependent upon the different classes of assets, each with a pre-determined estimated useful life based upon historic experience. Waste Management's assets are divided into 41 different classes, with useful lives varying between 5 years and extending to 60 years.

Amortization represents the amount of benefit from Contributed Assets that are realized during the operating period. It is used to offset the amount of Depreciation. Net Depreciation is expected to increase annually as the Utility takes back ownership of its fleet, as well as new facilities are put into service and older assets have not reached the end of their depreciation schedule.

Interest Expense and Principal Repayment represents the total annual cash requirement to service outstanding debt. The 2012 Budget assumed planned issuance of $29.2 million in debt, and $25.7 million is projected for 2012, largely associated with the scheduling of Kennedale Eco Station construction. This has resulted in a 2012 Forecast savings of $0.7 million. The Proposed 2013 Budget is based upon new debt issuance of $23.1 million.

9.1 Schedule of Depreciation Expense ($000's)

Line #		Asset Class	Expected Useful Life in Years	Accumulated Depreciation Forecasted Dec 2012	2013 Depreciation on Existing	1/2 Year Depreciation on New	2013 Total Depreciation
Depreciation Expense on Total Assets							
1	Major Building Structure	751001	60	608	634	35	669
2	Major Building Shell	751002	20	263	317	90	407
3	Major Building Interior	751003	15	754	984	109	1,093
4	Major Building Services	751004	20	1,301	1,324	156	1,480
5	Major Building Equipment	751005	25	81	82	-	82
6	Minor Building	751006	50	74	74	-	74
7	Major Building Temporary	751007	25	6	6	-	6
8	Composter Tipping Floor Building	331100	30	194	194	-	194
9	Composter Mixing Drums	331101	10	338	338	-	338
10	Bio-Solids De-watering Building	331102	30	36	36	-	36
11	Bio-Solids De-watering Plant	331103	12	770	473	-	473
12	Composter Aeration Building	331104	30	803	803	-	803
13	Composter Primary Download	331105	12	275	171	-	171
14	Composter Aeration System	331106	12	1,111	561	-	561
15	Composter Finishing Circuits	331107	12	381	194	-	194
16	Composter Wet Air System	331108	12	570	308	-	308
17	Composter Electrical	331109	20	267	267	-	267
18	Composter HVAC	331110	15	370	370	-	370
19	Landfill	331111	35	56	56	-	56
20	Landfill Pumphouse #1	331112	40	4	4	-	4
21	Landfill Pumphouse #2	331113	40	4	4	-	4
22	Leachate Collection System	331114	40	96	96	-	96
23	Groundwater Collection System	331115	40	46	46	-	46
24	Material Recovery Facility	331116	30	240	240	-	240
25	Material Recovery Equipment	331117	20	281	281	25	306
26	Cure Site	331118	30	247	247	-	247
27	EWMC Roads & Utilities	331119	35	288	331	36	367
28	Leachate Treatment Plant	331120	30	127	127	-	127
29	IPTF Tipping Floor	331121	15	144	144	-	144
30	Municipal Use Property	991200	N/A	-	-	-	-
31	MUP / ST Utility	991210	N/A	-	-	-	-
32	MUP / CF	991201	N/A	-	-	-	-
33	Site Improvements	331300	25	718	819	65	884
34	Major Building Site Work	751300	20	594	684	65	749
35	Waste Management Equipment	331400	15	1,009	1,057	112	1,169
36	IPTF Process Equipment	331401	20	965	1,340	575	1,915
37	IPTF Electrical Equipment	331402	10	285	419	158	577
36	Furniture	991400	20	87	87	-	87
37	Office Equipment	991401	5	-	-	-	-
38	General Equipment	991402	3 / 5/ 8/ 15	204	188	-	188
39	Vehicles - 5 Year	331500	5	126	126	24	150
40	Vehicles - 8 Year	331501	8	2,276	2,841	207	3,048
41	Vehicles - 12 Year	331502	12	469	505	49	554
	Total Depreciation			**16,468**	**16,778**	**1,706**	**18,484**

9.2 Amortization of Contributed Assets ($000's)

Line #	Asset Class	Expected Useful Life in Years	Accumulated Depreciation Forecasted Dec 2012	2013 Amortization on Existing	1/2 Year Amortization on New	2013 Total Amortization
Amortization on Contributed Assets						
1 Major Building Structure	751001	60	(21)	(21)	-	(21)
2 Major Building Shell	751002	20	(31)	(31)	-	(31)
3 Major Building Interior	751003	15	(29)	(29)	-	(29)
4 Major Building Services	751004	20	(18)	(18)	-	(18)
5 Major Building Equipment	751005	25	(68)	(68)	-	(68)
6 Major Building Site Work	751300	20	(7)	(7)	-	(7)
7 Furniture	991400	20	(2)	(2)	-	(2)
8 Equiupment - Processing	331401	20	(154)	(306)	-	(306)
9 Equiupment - Electrical	331402	10	(43)	(87)	-	(87)
Total Amortization			**(373)**	**(569)**	**-**	**(569)**

Amortization is related to grant funded infrastructure for the Advanced Energy Research Facility.

9.3 Schedule on Debt Servicing Costs ($000's)

Line #	Description	Debenture #	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	2013 Budget vs 2012 Forecast
Debt Servicing - Interest									
1	Materials Recovery Facility	Bylaw# 11959	29	-	-	-	-	-	-
2	Compost Facility	Bylaw# 12604	4,977	5,045	4,865	4,750	4,750	4,551	(199)
3	Compost Plant Enhancements	Bylaw# 13610	171	136	113	90	90	64	(26)
4	SW ECO Station	Bylaw# 14230/15110	282	302	291	313	299	267	(32)
5	EWMC Expansion - Land	Bylaw# 14232A	105	91	225	71	71	60	(11)
6	Organics Management System	Bylaw# 14232B	314	255	81	198	198	166	(32)
7	Processing and Transfer Facility	Bylaw# 14482	1,193	978	880	800	800	695	(105)
8	Kennedale Expansion-Land	Bylaw# 14942	44	40	36	33	33	28	(5)
9	Processing and Transfer Facility	Bylaw# 15111	633	2,001	2,022	2,551	2,417	2,470	53
10	Waste Mgmt Centre Infrastructure	Bylaw# 15213	12	280	503	596	614	550	(64)
11	Waste Mgmt Centre Infrastructure	Bylaw# 16114		-	-	-	-	237	237
112	Waste Containers	Bylaw# 15213	9	30	27	25	25	22	(3)
13	Waste Mgmt Branch Equipment - P&D	Bylaw# 15213	7	146	133	134	120	148	28
14	Kennedale Facilities Expansion	Bylaw# 15214	1	21	79	428	324	463	139
15	Equipment Storage & Maintenance Building	Bylaw# 15249	0	15	169	211	209	197	(12)
16	C & D Operation	Bylaw# 15344		3	87	167	159	155	(4)
17	NE ECO Station	Bylaw# 15705		-	-	293	26	117	91
18	Eco Station Facilities Upgrade	Bylaw# 15705		-	-	37	-	188	188
19	EWMC Facility Upgrade	Bylaw# 16117		-	-	168	-	81	81
20	Waste Mgmt Branch Equipment-Collection	Bylaw# 16115		-	-	11	9	26	17
21	MRF Renewal	Bylaw# 16117		-	-		-	18	18
		Total Debt Servicing	**7,777**	**9,341**	**9,511**	**10,874**	**10,144**	**10,503**	**359**

10.0 Non-Rate Revenue

Non-Rate Revenues are sources of funding generated from the operations of the Waste Management Utility. They are used to offset the revenue requirement needed to provide regulated services to customers. The 2013 Proposed Budget for non-regulated activities has been prepared to reflect the price setting principles adopted by the Utility Committee.

10.1 Breakdown of Non-Rate Revenue ($000's)

Line #		2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2012 Forecast vs Budget	% Variance	2013 Budget	2013 Budget vs 2012 Forecast	% Variance
1	Program Revenues	19,753	19,154	24,229	24,030	22,811	(1,219)	-5.1%	23,860	1,049	4.6%
2	Investment Earnings	655	337	372	225	225	-	0.0%	225	-	0.0%
3	Late Payment Penalty	291	328	293	300	300	-	0.0%	308	8	2.7%
	Total Non-Rate Revenues	**20,698**	**19,819**	**24,894**	**24,555**	**23,336**	**(1,219)**	-5.0%	**24,393**	**1,057**	**4.5%**
Other Revenues											
4	Grants	6,600	-	-	6,000	7,400	1,400	23.3%	6,000	(1,400)	-18.9%
5	Draw from Retained Earnings	5,246	8,500	1,579	-	453	453		-	(453)	-100.0%
		11,846	8,500	1,579	6,000	7,853	1,853	30.9%	6,000	(1,853)	**-23.6%**

Line 1 – Program Revenues include the following:

Tipping fees – Fees are charged at the Waste Management Centre and Eco Stations for processing and disposal services.

Non-residential and enhanced collections – Revenues generated from providing waste services to non-regulated customers and extra services to regulated customers in the multi-family sector.

Sale of recyclables and compost – Revenues generated from materials recovered at the Materials Recovery Facility and from the production of compost.

Partnership and environmental offsets – Waste Management has partnerships with a number of private sector businesses (e.g. Global Electronics and Electric Processors, EPCOR, Greys Paper, etc.) to augment the City's vision of waste diversion from landfill. There are revenue opportunities that are primarily dependent upon the success of its partners.

City Department Disposal Recovery - The Waste Management Utility disposes of material from other City departments. There is a change from 2012 due to the reclassification of disposal charges to City departments from revenue to intra-municipal recovery.

Line 4 – Grants

A Grant has been provided by the Province through Alberta Innovates – Energy and Environment Solutions towards the Biofuels Project (Enerkem Alberta Biofuels Facility, the Advanced Energy Research Facility components). The City of Edmonton acts as a manager of the grant, distributing the funding upon Enerkem's achievement of various milestones. Grants received for this project are disbursed as milestones are met. This is expected to occur in 2013.

Line 5 – Draw from Retained Earnings

As indicated earlier, 2011 marks the end of using Retained Earnings to reduce budgeted customer rate requirements. A draw from Retained Earnings is projected for 2012, but efforts to eliminate the need for this will be the Utility's focus for the remainder of the year. The 2013 Proposed Budget has been prepared to eliminate the need for further draws from Retained Earnings.

10.2 Revenue Requirement ($000's)

Line #	Reference	2012 Budget	2012 Forecast	2013 Requirement
Operating & Maintenance Expense				
1 Operations & Maintenance	**Schedule 8.0**	108,291	109,326	118,046
2 Shared Services	**Schedule 8.0**	5,643	5,643	6,378
3 Customer Billing Services	**Schedule 8.0**	4,432	4,432	4,482
4 Recoveries	**Schedule 8.0**	(9,057)	(9,117)	(10,993)
Depreciation net of Amortization	**Schedule 9.0**	16,805	16,095	17,915
Interest Expense	**Schedule 9.3**	10,874	10,144	10,503
Return on Rate Base	**Schedule 11.1**	-	-	-
Total Revenue Requirement		**136,989**	**136,523**	**146,331**
Less Non-Rate Revenues	**Schedule 10.1**	**24,555**	**23,336**	**24,393**
Total Rate Revenue Required		**112,434**	**113,187**	**121,938**
Revenue to be Recovered from Rates	**Schedule 7.0**	**112,434**	**-**	**121,938**
Draw from Retained Earnings		**-**	**-**	**-**
Revenue at current rate and forecast volumes		**106,141**		**114,497**
Revenue to be derived from rate increase		**6,293**		**7,441**
Required rate increase		**5.9%**		**6.5%**

As indicated in Section 7.0, the disbursement of the grant provided by the Province through Alberta Innovates – Energy and Environment Solutions has not been reflected in the calculation of Revenue Requirement as it is a one-time revenue that has no impact on the customer rates.

11.0 Return on Rate Base

Waste Management Utility defines rate base as the mid-year Net Book Value on Non-Contributed Assets, plus working capital equal to 45 days of cash operating expense, and any shortfall between depreciation expense and principal repayment.

Policy C558 Waste Management Utility Fiscal Policy, adopted by City Council on June 1, 2011, establishes the following target for calculating the Return on Rate Base for Waste Management Utility:

> “City Council, as Regulator, will aim to achieve a targeted Return on Rate Base between 4% and 10%, subject to City Council decision making during the budget process. The lower limit of 4% reflects the lowest expectation for average cost of debt. The return should cover the cost of debt used to finance capital investment. The upper limit at 10% provides for a reasonable return for a public utility.”

In future years, the Utility plans to incrementally generate a Return on Rate Base that will meet the minimum 4% target over a period of years.

11.1 Calculation of Rate Base ($000's)

	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2012 Forecast vs Budget	2013 Budget	2013 Budget vs 2012 Forecast
1 Investments in Tangible Capital Assets								
Gross Book Value - Non Contributed	283,889	315,084	365,821	411,486	401,355	(10,131)	435,370	34,015
Gross Book Value - Contributed	3,734	10,177	11,651	11,628	11,652	24	11,652	-
Gross Book Value - All Assets	287,623	325,261	377,472	423,114	413,007	(10,107)	447,022	34,015
Accumulated Depreciation - Non Contributed	(94,819)	(110,336)	(125,474)	(142,977)	(141,569)	1,408	(159,484)	(17,915)
Accumulated Depreciation - Contributed	-	(88)	(264)	(671)	(636)	35	(1,206)	(570)
Accumulated Depreciation - All Assets	(94,819)	(110,424)	(125,738)	(143,648)	(142,205)	1,443	(160,690)	(18,485)
Net Book Value - Non Contributed	189,070	204,748	240,347	268,509	259,786	(8,723)	275,886	16,100
Net Book Value - Contributed	3,734	10,089	11,387	10,957	11,016	59	10,446	(570)
Net Book Value - All Assets	192,804	214,837	251,734	279,466	270,802	(8,664)	286,332	15,530
Mid-Year Non-Contributed Assets	**N/A**	**196,909**	**222,548**	**254,428**	**250,067**	(4,362)	**267,836**	**17,770**
2 Working Capital Requirement								
Cash Expense before Transfers	100,444	117,051	122,591	129,240	129,545	305	139,409	9,864
Minimum of 45 Days Operations	**12,384**	**14,431**	**15,114**	**15,934**	**15,971**	38	**17,187**	1,216
3 Depreciation Expense - Non-Contributed	12,040	14,867	15,232	16,805	16,095	(710)	17,915	1,820
Principal Repayment	7,999	9,426	10,794	13,632	13,045	(587)	14,688	1,643
Timing Difference	**4,041**	**5,441**	**4,438**	**3,173**	**3,050**	**(123)**	**3,227**	**177**
Rate Base at Mid-Year		**211,340**	**237,661**	**270,362**	**266,038**	**(4,324)**	**285,023**	**18,986**

11.2 Return on Rate Base ($000's)

Line #		Reference	2011 Actual	2012 Budget	2012 Forecast	2013 Requirement
1	Mid-Year Rate Base	**Schedule 11.1**	237,661	270,362	266,038	285,023
2	Net income		(1,579)	-	(453)	-
3	**Return on Rate Base**		**-0.7%**	**0.0%**	**-0.2%**	**0.0%**

11.3 Long Term Debt ($000's)

Line #		Debenture #	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	2013 Budget vs 2012 Forecast
Long Term Debt - Existing as at 2012 - Q2									
1	Materials Recovery Facility	Bylaw# 11959	-						
2	Compost Facility	Bylaw# 12604	80,180	77,431	74,506	71,396	71,396	68,087	(3,309)
3	Compost Plant Enhancements	Bylaw# 13610	3,074	2,580	2,062	1,520	1,520	952	(568)
4	SW ECO Station	Bylaw# 14230/15110	7,509	6,765	8,050	7,513	7,370	6,306	(1,064)
5	EWMC Expansion - Land	Bylaw# 14232A	2,085	1,863	1,631	1,388	1,388	1,135	(254)
6	Organics Management System	Bylaw# 14232B	6,096	5,432	4,740	4,016	4,016	3,260	(756)
7	Processing and Transfer Facility	Bylaw# 14482	25,424	23,035	20,550	17,964	17,964	15,272	(2,692)
8	Kennedale Expansion-Land	Bylaw# 14942	1,037	939	837	731	731	621	(110)
9	Processing and Transfer Facility	Bylaw# 15111	42,206	41,290	55,463	54,082	54,404	52,929	(1,476)
10	Waste Containers	Bylaw# 15213-1	900	823	744	662	662	577	(85)
11	Waste Mgmt Centre Infrastructure	Bylaw# 15213-2	7,804	14,685	21,277	18,576	19,179	17,018	(2,161)
12	Waste Mgmt Branch Equipment - P&D	Bylaw# 15213-3	4,482	4,098	3,700	3,290	3,290	2,865	(425)
13	Kennedale Facilities Expansion	Bylaw# 15214	435	925	7,963	7,766	10,903	10,602	(302)
14	Equipment Storage & Maintenance Building	Bylaw# 15249	233	3,321	5,770	4,823	5,454	5,127	(327)
15	C & D Operation	Bylaw# 15344		1,300	4,258	2,203	4,150	4,038	(112)
16	NE ECO Station	Bylaw# 15705-1					1,658	1,612	(46)
		Total Outstanding	**181,464**	**184,487**	**211,552**	**195,931**	**204,086**	**190,401**	**(13,685)**
Long Term Debt - Planned 2012 - Q3 and Q4 and 2013 Projected									
17	SW ECO Station	Bylaw# 14230/15110					170	155	(15)
18	Waste Mgmt Branch Equipment - P&D	Bylaw# 15213C				796	832	1,864	1,032
19	Waste Mgmt Centre Infrastructure	Bylaw# 15213/16114				4,425	4,477	8,355	3,878
20	Kennedale Facilities Expansion	Bylaw# 15214				5,930	2,810	2,738	(72)
21	Equipment Storage & Maintenance Building	Bylaw# 15249				632			-
22	C & D Operation	Bylaw# 15344				1,950			-
23	Processing and Transfer Facility	Bylaw# 15111				3,459	3,150	3,069	(81)
24	NE ECO Station	Bylaw# 15705-1				10,994	1,900	13,771	11,871
25	Eco Station Facilities Upgrade	Bylaw# 15705-2				1,779	1,800	1,754	(46)
26	Waste Mgmt Branch Equipment-Collection	Bylaw# 16115				629	628	1,120	492
27	EWMC Facility Upgrade	Bylaw# 16117-1				3,946	4,370	8,398	4,028
28	MRF Renewal	Bylaw# 16117-2						974	974
		Total New Debt to be Issued	**-**	**-**		**34,540**	**20,137**	**42,199**	**22,063**
Total Debt			**181,464**	**184,487**	**211,552**	**230,471**	**224,223**	**232,600**	**8,377**
Mid-Year Long Term Debt						**221,011**	**217,888**	**228,412**	**10,524**

2012 and 2013 Debt Issuance	
2012	
As at 2012 -Q2	5,550
Planned 2012 Q3 and Q4	20,166
Total 2012	25,716
Planned 2013	23,065

11.4 Principal Repayment ($000's)

Line #		Debenture #	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	2013 Budget vs 2012 Forecast
Principal Repayment									
1	Materials Recovery Facility	Bylaw# 11959	1,258	-	-	-	-	-	-
2	Compost Facility	Bylaw# 12604	2,584	2,749	2,924	3,111	3,111	3,309	198
3	Compost Plant Enhancements	Bylaw# 13610	472	494	518	542	542	568	26
4	SW ECO Station	Bylaw# 14230/15110	547	744	814	1,037	1,009	1,079	70
5	EWMC Expansion - Land	Bylaw# 14232B	212	222	232	243	243	254	11
6	Organics Management System	Bylaw# 14232A	635	663	693	724	724	756	32
7	Processing and Transfer Facility	Bylaw# 14482	2,037	2,388	2,485	2,586	2,586	2,692	106
8	Kennedale Expansion-Land	Bylaw# 14942	94	98	102	106	106	110	4
9	Processing and Transfer Facility	Bylaw# 15111	160	916	960	1,422	1,409	1,556	147
11	Waste Containers	Bylaw# 15213		77	79	82	82	85	3
12	Waste Mgmt Centre Infrastructure	Bylaw# 15213		669	1,342	1,946	2,098	2,161	63
13	Waste Mgmt Centre Infrastructure	Bylaw# 16114		-	-	-	-	162	162
14	Waste Mgmt Branch Equipment-P&D	Bylaw# 15213		384	397	446	411	547	136
15	Kennedale Facilities Expansion	Bylaw# 15214		10	27	267	250	373	123
16	Equipment Storage & Maintenance Building	Bylaw# 15249		12	219	314	315	327	12
17	C & D Operation	Bylaw# 15344		-	-	105	108	112	4
18	NE ECO Station	Bylaw# 15705		-	-	174	22	95	73
19	Eco Station Facilities Upgrade	Bylaw# 15705		-	-	21	-	46	46
20	EWMC Facility Upgrade	Bylaw# 16117		-	-	478	-	347	347
21	Waste Mgmt Branch Equipment-Collection	Bylaw# 16115		-	-	28	29	83	54
22	MRF Renewal	Bylaw# 16117		-	-	-	-	26	26
		Total Principal Repaid	**7,999**	**9,426**	**10,794**	**13,632**	**13,045**	**14,688**	**1,643**

12.0 2012 - 2014 Capital Project Summary and Plan ($000's)

Capital Projects	Approved Capital Budget 2012	2013	2014	Total Approved 2012-2014	Requested Capital Budget Adjustments 2013	2014	Total Change 2012-2014	Approved 2012	Revised 2013	Revised 2014	Total Revised 2012-2014	Remaining Plan 2015-2022	Revised Budget & Plan 2012-2022
Collection Services Facilities												-	
Ambleside Eco Station	536	-	-	536	-	-	-	536	-	-	536	-	536
NE Eco Station	7,626	5,500	-	13,126	-	-	-	7,626	5,500	-	13,126	-	13,126
Kennedale Facility	8,455	-	-	8,455	-	-	-	8,455	-	-	8,455	-	8,455
NW Eco Station	-	-	-	-	-	-	-	-	-	-	-	11,400	11,400
	16,617	5,500	-	22,117	-	-	-	16,617	5,500	-	22,117	11,400	33,517
				-	-	-	-				-		
Processing & Disposal Facilities				-	-	-	-				-		-
Integrated Processing & Transfer Facility	6,374	-	-	6,374	-	-	-	6,374	-	-	6,374	-	6,374
Other P&D Facilities	279	-	-	279	-	-	-	279	-	-	279	-	279
	6,653	-	-	6,653	-	-	-	6,653	-	-	6,653	-	6,653
Collection Services and Processing & Disposal Infrastructure				-	-	-	-				-	-	-
Eco Station Facilities Rehabilitation	1,800	500	-	2,300	-	-	-	1,800	500	-	2,300	2,725	5,025
EWMC Infrastructure Rehabilitation	9,990	9,511	12,328	31,829	(96)	3,332	3,236	9,990	9,415	15,660	35,065	75,751	110,816
	11,790	10,011	12,328	34,129	(96)	3,332	3,236	11,790	9,915	15,660	37,365	78,476	115,841
				-	-	-	-				-		-
Vehicles and Equipment				-	-	-	-				-		-
Waste Containers	2,947	1,955	2,528	7,430	-	-	-	2,947	1,955	2,528	7,430	17,274	24,704
Equipment and Vehicles	9,879	6,631	8,357	24,867	(2,171)	(3,583)	(5,754)	9,879	4,460	4,774	19,113	67,976	87,089
	12,826	8,586	10,885	32,297	(2,171)	(3,583)	(5,754)	12,826	6,415	7,302	26,543	85,250	111,793
				-	-	-	-				-		-
Total	47,886	24,097	23,213	95,196	(2,267)	(251)	(2,518)	47,886	21,830	22,962	92,678	175,126	267,804

This table provides the capital expenditures included in the 10 year plan. The approved capital projects are progressing as planned with minor adjustments requested in 2013. The requested change in Equipment and Vehicles reflects a reduction in the number of expected fleet replacements over the next couple of years.

Also included in the 2014 plan is the anticipation of increased capital investment associated with a number of facilities at the site. Of the $3.3 million adjustment, $1.3 million is anticipated for the Refuse Derived Fuel. A further $1.0 million is needed for completion of external site work (receiving pad and enclosure for material storage) at the C&D Facility. In addition, the expansion of the Dewatering Facility at the Composter (required by Sanitary Drainage) has been included in the 2015 Plan, with project planning to begin in 2013.

This Rate Filing requests adjustments to the 2012-2014 Capital Budget with an overall reduction of $2,518 to the current approved 3-year Capital Budget. The 2014 – 2022 Operating Forecast incorporate the impact of the full capital adjustment.

13.0 Program Revenues and Expenses ($000's)

Collection

Line #		2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	2013 Budget vs 2012 Forecast	% Variance
1	Personnel	13,750	15,882	16,526	18,840	18,428	20,333	1,904	10.3%
2	Materials, Goods, and Supplies	1,023	1,293	942	1,108	1,103	1,221	117	10.6%
3	External Services - Contracts	16,637	16,562	16,605	19,015	18,315	19,451	1,136	6.2%
4	Fleet Services	8,292	7,755	8,227	8,691	8,291	9,329	1,038	12.5%
5	Other Expenses	545	1,154	513	803	803	849	46	5.7%
6	Utilities	342	409	408	656	656	763	107	16.3%
7	Shared Services	1,596	2,149	2,633	3,305	3,305	3,735	430	13.0%
8	Customer Billing Services	2,022	1,922	2,101	1,983	1,983	2,006	23	1.2%
	Subtotal	44,207	47,126	47,954	54,401	52,885	57,685	4,800	
9	Biosolid/Nutri-Gold Recoveries	-	-	-	-	-	-	-	0.0%
10	Recovery for City Litter Collection	-	-	(1,900)	(1,908)	(1,908)	(1,940)	(32)	1.7%
11	City Department Disposal Recovery	-	-	-	-	-	-	-	
	O & M Expenses	44,207	47,126	46,054	52,494	50,977	55,745	4,768	
12	Depreciation	-	795	3,835	4,025	3,907	4,107	200	5.1%
13	Debt Interest	181	510	500	1,139	716	1,040	324	45.2%
14	Other Financial Charges	-	-	-	-	-	-	-	0.0%
	Expenses before One-Time	44,388	48,431	50,389	57,657	55,600	60,892	5,292	
15	Grant Payment	-	-	-	-	-	-	-	0.0%
16	Grant Revenue	-	(75)	-	-	-	-	-	0.0%
17	Program Revenues	(3,248)	(3,879)	(4,453)	(4,052)	(5,352)	(5,558)	(206)	3.8%
18	Rate Revenues	(41,140)	(44,477)	(45,936)	(53,605)	(50,248)	(55,334)	(5,086)	10.1%
	Net Loss/(Net Income)	-	-	-	-	-	-	-	

Processing and Disposal

Line #		2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	2013 Budget vs 2012 Forecast	% Variance
1	Personnel	7,697	11,522	13,475	14,515	15,107	16,288	1,181	7.8%
2	Materials, Goods, and Supplies	3,214	2,398	3,050	2,854	2,849	3,022	173	6.1%
3	External Services - Contracts	28,156	35,049	33,640	32,364	34,546	35,106	560	1.6%
4	Fleet Services	1,470	3,327	4,690	4,322	4,622	6,562	1,940	42.0%
5	Other Expenses	1,578	1,173	2,872	1,622	1,405	1,662	258	18.3%
6	Utilities	2,338	2,797	2,683	3,500	3,200	3,462	261	8.2%
7	Shared Services	1,899	2,101	2,614	2,339	2,339	2,643	304	13.0%
8	Customer Billing Services	2,109	1,953	2,101	2,449	2,449	2,476	28	1.1%
	Subtotal	48,461	60,320	65,125	63,965	66,516	71,221	4,704	
9	Biosolid/Nutri-Gold Recoveries	(6,560)	(5,418)	(5,098)	(7,149)	(7,209)	(8,623)	(1,414)	19.6%
10	Recovery for City Litter Collection	-	-	-	-	-	-	-	0.0%
11	City Department Disposal Recovery	-	-	-	-	-	(430)	(430)	
	O & M Expenses	41,901	54,902	60,027	56,816	59,307	62,168	2,860	
12	Depreciation	12,040	14,071	11,397	12,781	12,188	13,808	1,620	13.3%
13	Debt Interest	7,775	8,830	9,011	9,735	9,428	9,463	35	0.4%
14	Other Financial Charges	5,331	-	214	-	-	-	-	
	Expenses before One-Time	67,047	77,803	80,650	79,332	80,923	85,439	4,516	
15	Grant Payment	6,600	-		6,000	7,400	6,000	(1,400)	-18.9%
16	Grant Revenue	(6,600)	-	-	(6,000)	(7,400)	(6,000)	1,400	-18.9%
17	Program Revenues	(17,159)	(15,867)	(20,441)	(20,503)	(17,984)	(18,835)	(851)	4.7%
18	Rate Revenues	(44,642)	(53,436)	(58,630)	(58,829)	(62,486)	(66,604)	(4,118)	6.6%
	Net Loss/(Net Income)	5,246	8,500	1,579	-	453	(0)	(453)	

Note: Certain prior period figures have been reclassified for comparison purposes. For ease of review, the annual Net Income/Loss has been reflected entirely under Processing and Disposal Operations.

14.0 Related Parties Transaction

Line #		2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2012 Forecast vs Budget	2013 Budget	2013 Budget vs 2012 Forecast	% Variance
1	Shared Services	3,495	4,250	5,247	5,643	5,643	-	6,378	734	13.0%
2	Customer Billing Services	4,131	3,876	4,201	4,432	4,432	-	4,482	51	1.1%
3	Intra-municipal Services	968	1,470	2,084	843	418	(425)	937	518	123.9%
4	Recovery from Biosolids	(6,560)	(5,418)	(5,098)	(7,149)	(7,209)	(60)	(8,623)	(1,414)	19.6%
5	Recovery from Litter Collection	-	-	(1,900)	(1,908)	(1,908)	-	(1,940)	(32)	1.7%
6	Recovery from City Department Disposal	-	-	-	-	-	-	(430)	(430)	
	Total	**2,034**	**4,178**	**4,534**	**1,861**	**1,376**	**(485)**	**804**	**(573)**	**-41.6%**

Line 1 – Shared Services

Please see section 8.4 for details.

Line 2 – Customer Billing Services

This service is provided by EPCOR Inc., a wholly owned subsidiary of the City of Edmonton, on a contract basis.

Line 3 – Intra-municipal Services

Included are transportation costs paid to Transportation Services for bus service to the EWMC, as well as technical services related to the landfill. Parking charges, on-demand building maintenance and additional custodial services requested on an as needed basis are also reflected here. Waste Management Utility also pays a portion of the Project Management Office based upon its total share of the annual capital projects managed through Community Services.

Line 4 – Recovery from Biosolids

Reflects the amount received from Drainage Services for the disposal of biosolids generated from the wastewater treatment process.

Line 5 – Recovery from Litter Collection

Reflects services provided to the City of Edmonton for the litter collection.

Line 6 – Recovery from City Department Disposal

The Waste Management Utility disposes of material from other City departments. The change from 2012 is due to the reclassification of disposal charges to City departments from revenue to intra-municipal recovery.

15.0 Projects And Operations Update

Major Projects

1. **Kennedale Eco Station**
   The Kennedale Eco Station is currently at the detailed design stage. A formal application for an Industrial Approval has been submitted to Alberta Environment and community engagement has been initiated. Site reclamation is nearly complete with over 14,000 tonnes of concrete removed and taken to the Edmonton Waste Management Centre to be recycled. Design work to upgrade 128 Ave is also under way to meet development conditions. The project is expected to be complete on time and on budget in early 2014.

2. **Kennedale Operations Facility**
   Completion of the Kennedale Operations Facility is scheduled for October 2012.
   This Facility will host the curbside collection staff and collection vehicles. It also includes a wash bay and a training room for Branch-wide use. The Facility will be completed on budget.

3. **IPTF (Production of RDF)**
   This project is on time on budget. Commissioning of this facility is underway and is expected to be in production in spring 2013 upon completion of the Edmonton Biofuels Facility by Enerkem Alberta Biofuels. The approved budget provides for post-commissioning and start-up work to establish redundancy for key process components and capacity gains.

Operations

1. **Construction and Demolition (C&D) processing**
   The C&D processing program is comprised of two elements: (1) the source-segregated operation, and (2) the processing facility. The source-segregated operation accepts loads of readily recyclable materials that can typically be kept as a distinct load in construction projects. Concrete, wood, drywall, tree prunings, metals, and asphalt shingles are the main materials collected. They are collected and then processed (size reduction) and marketed or used on site. The new Mixed Construction and Demolition Waste Recycling Facility accepts mixed loads of materials, typically the same materials listed above mixed with other materials such as plumbing piping, carpet and underlay, and composite materials. The new facility has mechanical equipment that enables this material to be sorted into the different distinct types that can be recycled. Being a new service, uptake by customers is growing slowly as marketing continues. Slow growth is temporary and due to external factors involving competing services e.g., one of the Edmonton area dry disposal landfills have significantly reduced tipping fees to maximize revenue because of an unexpected requirement to close its operation.

2. **Commercial Collection**
   The Commercial Collection Program is progressing ahead of schedule with 2012 revenue expected at $1.8 million, approximately 49% greater than originally projected. This has resulted from gaining contracts for large, multi-bin accounts

such as Kingsway Mall and NAIT with our offering of a complete service that includes recycling. Given the competition for large accounts in Edmonton, our original expectation for 2012 was to obtain a large number of small, one-bin accounts which generate less revenue.

3. Availability of Local Landfill

The long-haul activity is the means to efficiently transfer non-recoverable garbage from the Edmonton Waste Management Centre to landfills for disposal. Hauling is done by a combination of Utility and contracted forces. Long-haul activity costs have risen in 2012 and will continue to do so in 2013 as the West Edmonton Landfill is nearing usable capacity and the City's contract ended at the end of August 2012. Loads are now being hauled to the considerably more distant landfill at Ryley, Alberta where contracted disposal fees are also higher. With the start up of the Edmonton Biofuels Facility delayed, more trash must be hauled in 2013 at higher cost to the landfill in Ryley than had been anticipated in earlier planning.

4. Public Consultation Process

A public input process in spring of 2012 gave residents the opportunity to comment on five financing options. The majority of residents expressed their preference for the current flat fee system. The Utility Committee concurred in the Utility's recommendation to retain the current fee structure and increase its social marketing efforts in 2013 and beyond to encourage large volume households to reduce their waste.

5. Grey's Facility

The paper recycling facility owned and operated by Greys Recycling Industries Ltd will begin commissioning in fall 2012 with the1-Tonne and 5-Tonne production lines expected to be in operation by year-end. The main 40-Tonne production line is expected to be in operation by mid-2013, six months later than expected. There is no impact on the Utility's operation as Greys accepts only the City's used office paper, not material collected in the Blue Bag or Blue Bin recycling programs for single family and multi-family residents respectively.

City of Edmonton

Drainage Services Utilities

2013 Utility Rate Filing

September 19, 2012

Table of Contents

1.0 Introduction

Since 2011, City Council has followed a governance framework for all of the City of Edmonton's Utilities. The Utility Committee, comprised of four members of Council, is responsible for reviewing all matters relating to the Utilities' operations and to make recommendations to Council where budgets and policies are involved. City Council also retained the services of a Utility Advisor to provide technical expertise in advising the Committee in Utility matters.

Over the course of 2012, Drainage Services provided the Utility Committee with the following key documents, which were either approved or received for information:

- 2011 Drainage Services Annual Report
- Biosolids Management Strategy
- Drainage Utility Rate Structure Study
- Drainage Utility Rate Structure Study – Options for Calculating Drainage Utility Rates
- 2013-2015 Drainage Services Utility Business Plan

The 2013 rate filing has been prepared based upon the directions contained within these documents and/or provided by the Utility Committee during their review. Administration has also prepared budget documents for Drainage Services following the corporate format to enable communication with citizens. This document will be publicly released on October 24, 2012.

This rate filing has been prepared to reflect the directions provided under Policy C304C Drainage Services Utility Fiscal Policy, as approved by City Council on June 1, 2011. It reflects the payment of a Local Access Fee by the Sanitary Utility, the inclusion of full Shared Services and Corporate Overhead charges, and makes positive progress on achieving financial targets that will ensure the long-term sustainability of these Utilities. The Stormwater Utility continues to be exempt from paying a Local Access Fee until such time as financial sustainability is achieved.

Self-liquidating Debt, Retained Earnings, and Contributed Assets are the three mechanisms by which capital investments are made. By policy, the Utilities do not have access to grant funding from other orders of government.

This rate filing has been organized to include both the rate requirements of the Sanitary Utility and the Stormwater Utility. Where there is commonality in the overall description of the services, they have been reflected concurrently. Please see Section 6.0 for a summary of the proposed customer rates and the proposed budget impacts on the Financial Indicators.

2.0 Organization Structure

Branch Manager, Drainage Services

Drainage Planning

- strategic planning
- environmental planning
- asset management
- biosolids management
- EPCOR & ACRWC coordination
- Sanitary Servicing Strategy Fund management

Development Services

- land development review and approval
- service connections
- lot grading & flood proofing
- regulatory inspections and compliance
- environmental monitoring & reporting
- infrastructure records

Drainage Operations

- maintenance of:
  collection system, sewer, manholes, catch basins, pump stations, wet and dry ponds
- environmental services
- compliance report (Approval to Operate)

Business Planning

- business planning
- performance measures

3.0 Methodology and Key Assumptions

The 2013 Utility Rate Filing is based upon the 2012 Forecast prepared as of July 31, 2012 and incorporating specific changes that came to light in August. The City of Edmonton provided corporate budget guidelines and includes the following:

	2013	2014	2015
Population projection	1.3%	1.4%	1.4%
Municipal Price Index	3.27%	3.23%	3.28%
Economic increases	Settlement for 2013	Contracts expire at the end of 2013	
Employment benefits			
Salaried employees	21%	21%	21%
Hourly employees	27%	27%	27%

Other assumptions used included the following:

- Cost of debt

	2013	2014	2015	2016	2017 & Beyond
25 Year	4.00%	4.50%	5.00%	5.50%	5.50%

- Staff vacancy – depending on the work unit, a vacancy discount of 2% or 3% have been applied to reflect typical vacant positions that exist during the year. In addition, the 2013 filing included an adjustment to reflect hiring in April instead of January.

- Growth – customer growth assumption is derived from the corporate projection of population, estimates from EPCOR, and historical trending. The proposed 2013 budget customer billing base is made up of the following:

Customer Type	# of Customers	Consumption	Density
Sanitary Utility:			
Residential customers	227,875 (2.0% growth)	15.5m^3	N/A
Non-Residential customers	15,432 (1.0% growth)	128.1m^3	N/A
Stormwater Utility:			
Residential customers	223,576 (1.3% growth)	N/A	296
Commercial customers	14,174 (1.0% growth)	N/A	3,068

Note #1: Multi-Family customers have been reallocated from Commercial customer count to be consistent with the Sanitary Utility.

Note #2: Not all Sanitary customers require Stormwater services and vice versa.

4.0 Operational Performance

The Drainage Services Utilities strategic directions align with the City Council's 30-year vision. The table below lists the City's 10-year goals and corresponding outcomes and measures pertaining to Sanitary and Stormwater Drainage Services.

Strategic Directions	Initiatives	Performance Measure	2009	2010	2011	2012 Target	2013 Target
Maintain efficient and effective service	Drainage will optimize system maintenance for continuous improvement in achieving performance benchmarks.	Number of blockages per 100 km of mainline sewer per year	2.9	2.1	2.5	2.5	2.5
		% Customers satisfied with response to system interruption	99	100	99	99	99
	Drainage Services will engage staff to develop strategies to improve employee health and safety in the work place.	Reduce injury frequency and severity annually	2.4	3.5	3.9	2.4	2.0
		# of training hours per employee	46	30	25	40	40
		% Turnover per 100 full time permanent employees	3	5	4	6	6
Build and renew drainage infrastructure	Drainage Services will enhance asset management capabilities.	% of sewers to maintain in fair or better physical condition or higher	New Measure			90%	90%
	Drainage Services will develop a service connection rehabilitation strategy including technology research and public consultation.	Km of sewer renewed (5 year rolling average)	78	53	61	65	65
	Drainage Services will optimize its investment in the Neighbourhood Renewal Program.						
Improve environmental protection and maintain public health & safety	Drainage Services will develop and implement a biosolids management strategy to sustainably manage volume of stored biosolids and minimize odour generation.	Increase % of generated biosolids disposal	109%	85%	79%	90%	93%
		Odour reduction measures under development	Under Development				
	Drainage Services will promote low impact development best practices.	# of new developments utilizing low impact development principles	0	1	5	4	4
	Drainage Services will continue to meet or exceed regulatory requirements.	# of preliminary industrial inspectors/investigators	400	406	363	360	360
		Renew Approval to Operate by 2015	Under Development				

Strategic Directions	Initiatives	Performance Measure	2009	2010	2011	2012 Target	2013 Target
Support economic growth and development	Drainage Services will develop financial strategies to ensure long-term sustainability of the Drainage Utilities.	Progress towards achieving annual financial targets set in the Drainage Utilities Fiscal Policy	80	80	80	80	80
	Drainage Services, in concert with key partners, will develop servicing plans to support intensification development and improvement in the downtown and other areas, new development, transit oriented development and long-term sanitary servicing.	% capital programs implemented (non-contributed assets)	92%	81%	80%	90%	90%
Improve coordination and collaboration	Drainage Services will enter into service level agreements with Drainage Design and Construction and Waste Management.	25,000 dry tonnes of biosolids managed through Waste Management Services	Continuous Improvement				
	Drainage Services will increase and improve coordination, collaboration, and communication internally and will engage external partners and stakeholders.	Other measures under development	Under Development				
Nurture innovation and creativity	Drainage Services will work towards creating a zero discharge impact vision in the long term.	Edmonton Watershed Contaminant Reduction Index	7.4	7.3	7.1	7.5	7.5
	Drainage Services will engage staff in redefining the roles and expectations for how we innovate at all levels of our organization.	Improve employee engagement survey score	Continuous Improvement				
		# of ISO improvements initiatives implemented	31	44	27	20	20

5.0 Rate Request and Factors Influencing Rate Requirement

In 2010, the Drainage Services Utilities conducted a combined Cost of Service Study. The Study concluded that there was some cross-subsidization of the Residential customer class by the Multi-Family and Non-Residential customer classes. As a result, a Rate Structure Study was commissioned in 2011 to quantify the cross-subsidization in the Sanitary and the Stormwater Utilities, and to review and recommend changes to the existing rate structures if required.

Two reports were provided to the Utility Committee summarizing the findings of the Study and to explore options to calculate the Drainage Utility rate.

The Rate Structure Study concluded that the City of Edmonton's Stormwater Drainage Utility Rate Structure is advanced in its ability to be tailored for each customer and no change to the existing structure is required.

The Rate Structure Study provided the following analysis on the Sanitary Drainage Rate Structure:

	2010 COSS Revenue Req.	2010 Actual Revenue Split	Difference
Residential Customers	64.0%	55.6%	8.4%
Multi-Family Customers	11.0%	16.6%	(5.6%)
Non-Residential Customers	21.0%	24.1%	(3.1%)
Large Wholesale Customer	1.0%	1.3%	(0.3%)
ACRWC	3.0%	2.4%	0.6%

Based on further analysis, recommended changes to the actual rate structure for Sanitary Drainage included the removal of seasonal pricing. At the September 12, 2012 City Council meeting, Council approved the change to the rate structure with the exception of seasonal pricing. The 2013 proposed budget has been prepared to reflect this direction and is anticipated to result in improved equity between the different customer classes, as follows:

	2010 COSS Revenue Req.	2013 Proposed Revenue Split (New Structure)	Difference
Residential Customers	64.0%	58.7%	5.3%
Multi-Family Customers	11.0%	14.1%	(3.1%)
Non-Residential Customers	21.0%	23.2%	(2.2%)
Large Wholesale Customer	1.0%	1.0%	-
ACRWC	3.0%	3.0%	-

The 2013 Budget and Utility Rate Filing include a request for rate increases as follows:

Sanitary Utility (based on new rate structure)

2012 Actual		2013 Proposed	
Monthly Fixed Rate			
All customer classes	$ 4.65	15mm	$ 8.15
		20mm	14.67
		25mm	22.82
		40mm	44.02
		50mm	60.32
		75mm	124.72
		100mm	232.31
		150mm	439.36
		200mm	701.22
		250mm	1,739.50
Variable Rate per m^3			
0 – 10,000 m^3	$ 0.8887	All customer classes	$ 0.7900
10,001 – 100,000 m^3	0.6876	Large wholesale customer	0.4434
Over 100,000 m^3	0.1353		

Stormwater Utility

	2012 Actual	2013 Proposed
Monthly Rate per m^2	$0.025898	$0.028307

Total Drainage Services

Impacts on Typical Residential Customer	2012 Actual Typical Monthly Fee (16.6m^3)	2013 Proposed Typical Monthly Fee (15.5m^3)	Requested Monthly Increase	Annual Increase
Sanitary Drainage	$19.40	$20.40	$1.00	$12.00
Stormwater Drainage	$ 7.66	$ 8.38	$0.72	$ 8.28

5.1 Sanitary Utility

The Proposed Sanitary Utility rates achieve the following:

- Maintain the 2012 Return on Rate Base of 3.5%, as directed by City Council during the 2012 Budget process. The rate is expected to meet the minimum target of 4.0% in 2014.
- Meet the Depreciation and Interest obligations resulting from internally financed capital investments of $45 million in 2011, $50 million in 2012, and $54 million in 2013 which includes the Drainage Neighbourhood Renewal Program that will see another twelve neighbourhoods receiving reconstruction work in 2013 and 2014.
- Continue implementation of the Biosolids Management Strategy, and increasing the disposal ratio from a target of 90% in 2012 to 93% in 2013. The goal is to meet a disposal ratio of 100% of annual biosolids generated by 2016 and in subsequent years begin to reduce the existing inventory in the lagoons.

Summary of Proposed Rate Changes

The proposed monthly rate change of $1.00 for the typical residential family is comprised of the following:

	2013 Proposed	2012 Budget
Operating & Maintenance	$ 0.27	$ 0.52
Biosolids Disposal	0.26	0.60
Return on Rate Base	0.21	1.77
Depreciation & Interest	0.19	0.59
Local Access Fee	0.07	0.33
Design & Construction	-	0.22
Total	**$ 1.00**	**$ 4.03**

Operating & Maintenance

Operational needs account for $0.27 of the proposed $1.00 monthly increase. The increase is primarily needed to hire additional staff to support growing system demand and maintain existing infrastructure (which includes $59 million in new capital and $31 million in contributed assets from 2011) as well as the approved capital investment in 2012 and 2013. Please refer to Section 7.0 of this filing for further discussion.

Biosolids Management

At the May 15, 2012 Utility Committee meeting, a Biosolids Management Strategy was presented and directions were given to implement a disposal plan that would achieve a target inventory of 50,000 Dry Tonnes of biosolids in the lagoons by 2025. While the implementation plan is being refined to incorporate the capital investment in a de-watering facility by Waste Management Utility, the 2013 Proposed Budget reflects an increase disposal of biosolids from a 2012 target of 90% of annual generation to 93% of annual generation.

In addition, the Sanitary Utility has enjoyed a discounted rate from Waste Management on the disposal cost as a result of a legacy agreement from the previous owner of the Composter since the mid 1990's. In 2012, a 3-year implementation plan was approved that will see the Sanitary Utility paying the actual full cost of disposal. 2013 reflects the second year of this three-year plan.

The implementation of the Biosolids Management Strategy and the continued phase-in to full cost of disposal accounts for $0.26 of the proposed $1.00 monthly increase.

Return on Rate Base

Return on Rate Base is a key mechanism used by a Utility to ensure its long-term financial sustainability. The Utility Fiscal Policy identifies 4.0% as the minimum targeted return since it approximates the average cost of long-term debt. The Policy also identifies other Financial Indicators whereby progress towards improving their results will rely heavily on improving the Return on Rate Base. During the 2012 budget process, City Council directed that the Return on Rate Base for 2013 remains at 3.5% before moving to 4.0% in 2014.

Return on Rate Base is a function of earning the desired return based upon capital investment in Net Plant Assets. With increasing Net Plant value, an increase to net income is required to maintain a 3.5% Return on Rate Base. This accounts for $0.21 of the proposed $1.00 monthly rate increase.

Depreciation and Interest

As new plant assets are constructed and put into service, there will be increased depreciation expense. Interest costs also increase as the Utility increases its debt financing towards the targeted 60%. This however is moderated by the currently low interest rates. The 2013 approved capital plan includes internally financed capital (debt and retained earnings) of $54 million, an increase of $6 million over the 2012 budget. This accounts for $0.19 of the proposed $1.00 monthly increase.

Local Access Fee

Local Access Fee is calculated based upon 8% of rate revenue. As a result of increases to the rate requirement, the amount paid to the City increases accordingly. This accounts for $0.07 of the proposed $1.00 monthly increase.

5.2 Stormwater Utility

The Proposed Stormwater Utility rates achieve the following:

- Provide sufficient cash to allow the Utility to continue to invest in Drainage System Infrastructure in a manner that will lower the Debt to Net Assets Ratio to 60% by 2018.
- Meet the Depreciation and Interest obligations resulting from internally financed capital investments of $37 million in 2011, $47 million in 2012, and $61 million in 2013 which includes the Drainage Neighbourhood Renewal Program that will see another twelve neighbourhoods receiving reconstruction work in 2013 and 2014.

Summary of Proposed Rate Changes

The proposed monthly rate change of $0.72 for the typical residential family is comprised of the following:

	2013 Proposed	**2012 Budget**
Depreciation & Interest	$ 0.39	$ 0.43
Operating & Maintenance	0.27	0.19
Return on Rate Base	0.06	0.70
Total	**$ 0.72**	**$ 1.32**

Depreciation and Interest Expense

While the Stormwater Utility faces similar capital challenges presented to the Sanitary Utility by the Drainage Neighbourhood Renewal Program, it has the added impact of also implementing the Flood Prevention Program after the major storm event in 2004. The operating impacts resulting from added Depreciation Expense and Interest Expense translate to a total of $0.39 of the required $0.72 monthly increase.

Operating & Maintenance

Operational needs account for $0.27 of the proposed $0.72 monthly increase. The increase is primarily needed to hire additional staff to support growing system demand and maintain existing infrastructure (which includes $43 million in new capital and $28 million in contributed assets from 2011) as well as the approved capital investment in 2012 and 2013. Please refer to Section 8.0 of this filing for further discussion.

Return on Rate Base

The Stormwater Utility was established as a Utility in 2003. As capital investment needs increased, the Utility has steadily increased its reliance on the use of long term debt to fund these investments, with a Debt to Net Assets Ratio as follows:

2009 Actual	69%
2010 Actual	70%
2011 Actual	66%
2012 Approved Budget	71%
2012 Forecast	70%
2013 – 2015 Plan	69%

To maintain a healthy cash balance, the Approved 2012 Budget includes the use of $8.8 million in cash to finance $45.8 million of capital investments (debt financing of 81%) to achieve a debt financing ratio of 71%. This ratio is essentially maintained from 2012 to 2016 to ensure the capital plan is achievable and the Utility becomes financially stable. The current forecast indicates a cash challenge in 2017, which will be monitored over the next few years and adjustments recommended as necessary.

The Utility is projecting to be in a better Cash position starting in 2017 which enables a reduction in the proportionate use of debt to finance capital investments. The current projection is to achieve the desired 60% debt financing ratio in 2020.

As such, the process of incorporating a Local Access Fee to the City of Edmonton will be investigated over the upcoming years as the Utility moves closer to achieving all the required Financial Indicators.

To implement this strategy, the Return on Rate Base needs to be maintained at 7.0% over the next 10 years to generate sufficient cash to pay for the following year's capital financed by equity. This strategy requires a monthly increase of $0.06 of the $0.72 monthly increase.

6.0 Financial Indicators

City Council approved Policy C304C Drainage Services Utility Fiscal Policy on June 1, 2011. The Policy identifies a number of Financial Indicators which when achieved, will provide assurance on the long-term financial sustainability of both Utilities. Both Utilities continue to make progress towards meeting the required Financial Indicators.

As indicated to City Council, while the Sanitary Utility is currently within the target for many of the Financial Indicators, increasing the Return on Rate Base to 4.0% (policy target) in 2014 and maintaining it on a go forward basis will enable the Utility to be financially sustainable.

The Stormwater Utility has more immediate challenges such as cash availability and capital investment requirements. Given its small non-contributed asset base, it is more difficult to affect significant progress within a short timeframe.

6.1 Sanitary Utility

Financial Indicators	Actual 2010	Actual 2011	Budget 2012	Forecast 2012	10 Year Forecast 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1 Rate Sufficient to Meet Expense														
Net Income	6,427	6,834	16,671	17,411	18,112	22,450	24,626	27,169	29,349	31,374	33,607	36,174	38,863	41,149
Target: Positive Net Income														
2 Fair and reasonable return														
Return on Rate Base	1.6%	1.6%	3.5%	3.7%	3.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Target: Between 4% and 10%, while balancing between goals, rates and bottom line														
Typical Residential Monthly Billing Increase		$ 0.44	$ 4.03	$ 4.03	$ 1.00	$ 1.68	$ 1.98	$ 1.30	$ 1.10	$ 0.99	$ 1.11	$ 1.10	$ 1.15	$ 1.03
Impact of Customer Rate		3.1%	33.9%	27.2%	5.2%	8.2%	9.0%	5.4%	4.3%	3.7%	4.0%	3.9%	3.9%	3.3%
3 Financing of Capital Investments														
Debt Coverage Ratio	1.3	1.1	1.7	1.9	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6
Debt to Net Assets Ratio	54%	52%	58%	55%	57%	59%	61%	61%	60%	60%	60%	60%	60%	59%
Target: Debt Coverage Ratio - 1.3 or higher // Debt to Net Asset Ratio - less than 60%														
4 Cash Balance														
Uncommitted Cash Balance	10,319	(4,023)	9,894	9,789	20,272	35,385	43,980	46,221	54,491	64,102	73,878	81,419	92,363	104,150
Next Year's Capital Financed by RE	15,336	7,298	6,519	6,519	5,183	13,190	21,348	17,253	18,029	20,621	24,487	22,782	23,164	23,279
Target: Sufficient cash for planned capital investment to be financed by Retained Earnings														
5 Long range plans														
Pro-forma information	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years
Target: 10 year financial planning														

The proposed 2013 budget continues to move the Sanitary Drainage Utility towards long-term financial sustainability. While the indicators have been presented over a 10-year time horizon for information purposes, forecasts beyond the three to five year period do not contain the same level of validation as that which has been provided over the next three years.

With Council's approval of the 2012 rates, the Sanitary Utility made a significant stride towards financial sustainability in all of the key financial indicators. By the end of 2013, the Utility is projected to be in a reasonable cash position to meet the following year's capital needs in accordance while closing the gap in the Debt to Net Asset Ratio target. The minimum Return on Rate Base is expected to be achieved by 2014. The Debt to Net Assets Ratio will essentially be met by 2014, and future fluctuations simply reflect minor variations that can be adjusted annually depending on capital expenditures and prevailing borrowing rates.

This Rate Filing for Sanitary Drainage Utility does not include 2009 Actual results due to the partial year's operations of the Gold Bar Wastewater Treatment Plant.

6.2 Stormwater Utility

Financial Indicators	Actual 2009	Actual 2010	Actual 2011	Approved 2012	Forecasted 2012	10 - Year - Forecast 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1 Rate Sufficient to Meet Expense															
Net Income	10,183	9,241	8,735	12,602	13,689	14,164	17,558	21,303	25,192	28,709	32,034	35,818	40,045	44,152	47,762
Target: Positive Net Income															
2 Fair and reasonable return															
Return on Rate Base	14.6%	9.7%	7.1%	7.0%	8.8%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Target: Between 4% and 10%, while balancing between goals, rates and bottom line															
Typical Residential Monthly Billing Increase	$ 0.40	$ 0.44	$ 0.38	$ 1.32	$ 1.32	$ 0.72	$ 1.22	$ 1.24	$ 1.34	$ 1.01	$ 0.96	$ 1.16	$ 1.26	$ 1.19	$ 1.07
Impact of Customer Rate			6.4%	20.8%	20.8%	9.4%	14.6%	12.9%	12.4%	8.3%	7.3%	8.2%	8.2%	7.2%	6.0%
3 Financing of Capital Investments															
Debt Coverage Ratio	4.15	3.04	2.67	2.42	2.25	2.40	2.35	2.34	2.33	2.37	2.43	2.42	2.41	2.39	2.32
Debt to Net Assets Ratio	69%	70%	66%	71%	70%	69%	69%	69%	69%	64%	61%	61%	60%	60%	59%
Target: Debt Coverage Ratio - 1.3 or higher // Debt to Net Asset Ratio - less than 60%															
4 Cash Balance															
Uncommitted Cash Balance	25,367	29,776	23,158	25,410	29,559	24,767	26,763	30,339	38,862	30,732	32,895	45,129	54,658	75,873	100,267
Next Year's Capital Financed by RE	12,153	15,653	8,819	5,648	19,423	15,694	17,776	16,725	36,995	30,214	23,960	30,822	23,104	22,990	23,099
Target: Sufficient cash for planned capital investment to be financed by Retained Earnings															
5 Long range plans															
Pro-forma information				10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years
Target: 10 year financial planning															

The proposed 2013 budget continues to improve the Stormwater Drainage Utility's long-term financial sustainability through the gradual decline in the reliance on debt financing for its capital investments. While the indicators have been presented over a 10-year time horizon for information purposes, forecasts beyond the three to five year period does not contain the same level of validation as that which has been provided over the next three years.

The financial challenge of the Stormwater Drainage Utility continues to be the financing of capital investments. While the forecast Debt to Net Assets Ratio reflect a declining trend, the years 2016 and 2017 require close monitoring as there may be a cash shortfall in those years. Given that this does reverse in 2018 while achieving a ratio of 61%, the Utility will monitor the cash balance and capital investments and recommend adjustments as necessary.

7.0 Sanitary Utility Budget Details ($000's)

The following sub-sections provide a detailed breakdown of the Proposed 2013 Budget for the Sanitary Utility.

7.1 Sanitary Utility Summary Schedule ($000's)

Line #		Reference	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
	Expenses								
1	Operating and Maintenance	Schedule 7.2	33,139	34,339	37,249	36,789	39,111	2,322	6.3%
2	Biosolids		5,418	5,105	8,445	8,445	10,199	1,754	20.8%
3	Depreciation Expense (net)	Schedule 7.3	8,528	9,179	10,354	10,324	11,350	1,026	9.9%
4	Debt Interest	Schedule 7.3	9,905	10,511	12,627	11,172	12,972	1,800	16.1%
5	Local Access Fee	Schedule 7.4	5,116	5,300	7,122	7,018	7,617	600	8.5%
6	Transfer to Sanitary Servicing Strategy Fund		1,300	1,300	1,300	1,300	1,300	-	0.0%
	Total Expenditures		**63,406**	**65,734**	**77,098**	**75,048**	**82,549**	**7,501**	**10.0%**
7	Return on Rate Base	Schedule 7.6.2	6,426	6,834	16,671	17,410	18,112	702	4.0%
	Total Revenue Requirement		**69,832**	**72,568**	**93,769**	**92,458**	**100,661**	**8,203**	**8.9%**
8	**Non-Rate Revenues**	Schedule 7.5	6,015	6,055	4,738	4,738	5,443	705	14.9%
9	**Existing Rate Revenues**		63,817	66,513	68,754	67,451	87,022		
10	**Funding Required Through Rate Increase**				**20,276**	**20,269**	**8,196**		
11	**Total Rate Revenue**				**89,030**	**87,720**	**95,218**		

The 2013 total proposed expenditure budget of $82.6 million represents an increase of $7.5 million over the 2012 forecast results. Approximately 46% of the proposed increase ($3.4 million) relates to factors that are a reflection of past decisions. This leaves 23% of the increase ($1.8 million) related to biosolids disposal and another 31% ($2.3 million) related to O&M. The information has been prepared with comparisons based on the Proposed Budget against the 2012 Forecast.

Non-Rate Revenues, accounting for 5% of the Revenue Requirement ($5.4 million), are comprised of Program Revenues such as regulatory compliance inspections, bio-solids management & supernatant treatment for the ACRWC, and interest income.

Existing Rate Revenues are based in the projected change in the number of customers, consumption, and prior year rates. Details are provided under Section 3.0.

7.2 Operations and Maintenance ($000's)

Line #		Reference	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
1	Personnel	Schedule 7.2.1	19,763	19,241	19,465	18,899	21,411	2,512	13.3%
2	Materials, Goods, and Supplies		1,624	1,881	2,414	2,414	2,377	(37)	-1.5%
3	External Services	Schedule 7.2.2	4,091	4,526	3,895	4,000	4,530	530	13.3%
4	Fleet Services	Schedule 7.2.3	2,009	1,845	1,864	1,864	1,774	(90)	-4.8%
5	Shared Services	Schedule 7.2.4	4,583	6,507	5,220	5,220	5,037	(183)	-3.5%
6	Customer Billing Services		3,509	4,133	4,336	4,336	4,362	26	0.6%
7	Other Expenses		1,836	1,249	1,664	1,664	1,754	90	5.4%
8	Interdepartmental Charges/(Recoveries)		(4,277)	(5,043)	(1,608)	(1,608)	(2,134)	(526)	32.7%
Total - Operating & Maintenance Expenses			**33,139**	**34,339**	**37,249**	**36,789**	**39,111**	**2,322**	**6.3%**

Line 8 – Interdepartmental Charges/(Recoveries)

Change from 2010 & 2011 Actual costs to 2012 Forecast and 2013 Budget is a result of refining the allocation between Sanitary and Stormwater to reflect true costs and the streamlining of interdepartmental charges/recoveries.

7.2.1 Personnel Costs ($000's)

Line #		2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
1	Salaries & Wages	13,955	13,506	13,816	13,250	15,337	2,087	15.8%
2	Overtime	1,562	1,347	1,220	1,222	1,286	64	5.2%
3	Allowances and Benefits	4,246	4,388	4,429	4,427	4,788	361	8.2%
Total - Personnel Costs		**19,763**	**19,241**	**19,465**	**18,899**	**21,411**	**2,512**	**13.3%**

From an operational perspective, operational and administrative staff do not distinguish their time working on Sanitary vs. Stormwater Infrastructure. As such, the budget has been allocated between the two Utilities on the following basis (the accounting and payroll systems were adjusted to reflect the total costs on this basis in 2012):

Operational staff	70% Sanitary	30% Stormwater	(Ratio of non-contributed assets)
Administration staff	60% Sanitary	40% Stormwater	(Planning is done on a holistic basis)

Included in the $2.1 million increase for Salaries & Wages is $0.6 million to implement the third year of employee contract settlements and employee step increments. Also, the Proposed 2013 Budget contains a request for an increase of 9.5 permanent FTE's (split between Sanitary and Stormwater) as well as funding for temporary FTE's. The permanent FTE positions have been budgeted assuming an April hiring and consist of the following:

Project Engineer	1.00	CEMA
Industrial Waste Inspector	1.00	Local 30
Drainage Leader	1.00	Local 30
Drainage Supervisor	1.00	Local 30
Labourers	2.00	Local 30
Training & Safety Instructor	1.00	Local 30
Engineering Technologists	0.75	Local 52
Lot Grading Inspector	1.00	Local 52
Co-Op Student	0.75	Out of Scope
	9.50	

The Proposed 2013 Budget for Overtime has been modified to reflect potential requirements in the Mapping & Records area. Overtime is used to manage unplanned peak requirements that are most effectively managed through the use of existing staff.

The Proposed 2013 Budget for Allowances and Benefits has been prepared to reflect rates provided corporately. This was offset with a 4% decrease to the paid absence rate.

Note: The 2012 Budget has also been adjusted to reflect contract settlements that took place subsequent to the approval of the Budget and Rate Filing. The corresponding amount has also been adjusted under External Services.

7.2.2 External Services ($000’s)

Line #		2010 Actual	2011 Actuals	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
1	Planning	2,232	2,631	2,030	2,030	2,154	124	6.1%
2	Development Services	1,135	926	1,039	1,039	1,073	34	3.3%
3	Operations & Maintenance	663	759	585	690	603	(87)	-12.6%
4	Other	61	210	241	241	700	459	190.5%
Total - External Services		**4,091**	**4,526**	**3,895**	**4,000**	**4,530**	**530**	**13.3%**

Line 1 - Planning

The increase is primarily due to studies for the overall planning of the Drainage System which includes Area Planning and Servicing studies, Low-impact Development, Asset Management, Biosolids Management & Public Education.

Line 4 – Other

The increase is primarily due to the cost of implementing the new rate structure change in the billing system.

Note: The 2012 Budget has been adjusted to reflect contract settlements that took place subsequent to the approval of the Budget and Rate Filing. The corresponding amount has also been adjusted under Personnel Costs.

7.2.3 Fleet Services ($000's)

Line #		2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
1	Fleet Charges	510	471	664	664	517	(147)	-22.1%
3	Fuel	478	473	437	437	435	(2)	-0.5%
4	Major Repairs	1,021	901	763	763	822	59	7.7%
Total - Fleet Services		**2,009**	**1,845**	**1,864**	**1,864**	**1,774**	**(90)**	**-4.8%**

Fleet maintenance is provided by the City of Edmonton through the Fleet Services Branch. It operates on a cost recovery basis which include direct administration costs, but not corporate overheads.

Line 1 – Fleet Charges

The reduction in Fleet Charges is the result of Drainage Services now purchasing vehicles through the capital program instead of leasing through Fleet. As the vehicles leased through Fleet Services are replaced by purchased vehicles, Fleet Charges will continue to decline.

Note: The 2012 Budget has been adjusted to reflect settlements that took place subsequent to the approval of the Budget and Rate Filing. The costs are now allocated more appropriately between expense types.

7.2.4 Shared Services ($000's)

Line #		2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
1	Human Resources	-	647	601	601	520	(81)	-13.5%
2	Legal Services	-	399	210	210	239	29	13.8%
3	Communications	-	248	122	122	101	(21)	-17.2%
4	Corporate Information System	3,350	281	167	167	162	(5)	-3.0%
5	Information Technology	-	1,661	1,608	1,608	1,577	(31)	-1.9%
6	Materials Management	-	135	568	568	204	(364)	-64.1%
7	Financial Services	-	1,203	835	835	1,095	260	31.1%
8	Space Rent, Facility Maintenance & Land Services	-	670	800	800	663	(137)	-17.1%
9	Central Management Fees	1,233	1,263	309	309	476	167	54.0%
Total - Shared Services		**4,583**	**6,507**	**5,220**	**5,220**	**5,037**	**(183)**	**-3.5%**

The overall decrease in the Proposed 2013 Budget for Shared Services is primarily due to a streamlining of Shared Services allocation between Drainage Services and Drainage Design and Construction at the corporate level and a reduced requirement for space rent and facility maintenance as a result of streamlining Branch needs.

The decrease is also partially due to the refining of the internal allocation of costs to the Stormwater Utility to better reflect their true portion of these types of costs.

The variances year over year since 2010 is due to the City of Edmonton undertaking a major re-organization in June 2011, resulting in significant changes to the overall structure and restatement of figures in some cases to realign cost categories.

7.3 Depreciation and Interest Expense ($000's)

Line #		Reference	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
1	Depreciation Expense	Schedule 7.3.1	15,733	16,732	18,911	18,570	20,524	1,954	10.5%
2	Amortization (CIAC)	Schedule 7.3.2	(7,205)	(7,554)	(8,557)	(8,246)	(9,174)	(928)	11.3%
	Total - Depreciation Expense (net)		**8,528**	**9,179**	**10,354**	**10,324**	**11,350**	**1,026**	**9.9%**
3	Interest Expense	Schedule 7.3.3	9,905	10,511	12,627	11,172	12,972	1,800	16.1%
4	Principal Repayment	Schedule 7.6.2	9,234	12,855	11,363	8,842	12,459	3,617	40.9%

Depreciation Expense represents the amount of Non-Contributed Asset life used up during the operating period. The depreciation rate is dependent upon the class of asset as each has an estimated useful life based upon historic experience.

Amortization represents the amount of benefit from Contributed Assets that are realized during the operating period. It is used to offset the amount of Depreciation.

Interest Expense and Principal Repayment represent the total annual cash requirement to service outstanding debt. Interest expense is projected to increase by $1.8 million in 2013 due to timing of borrowing in 2012 and $30 million in debt issued in 2011 and planned issuance of $44 million in 2012 and $48 million in 2013.

7.3.1 Depreciation Expense ($000's)

Line #		Asset Class	Expected Useful Life in Years	Forecast Accumulated Depreciation Dec 2012	2013 Depreciation on Existing	1/2 Year Depreciation on 2013 New	2013 Total Depreciation
1	Bldgs-Office	**110300**	44	274	52	-	52
2	Bldgs-Warehouses	**110310**	44	6,985	1,525	-	1,525
3	Bldgs-Labs/R&D	**110320**	44	436	40	-	40
4	Vehicles-Autos	**110400**	10	8	2	-	2
5	Vehicles-Trucks	**110410**	10	751	221	-	221
6	Vehicles-Trucks	**5A_TRAIL**	10	32	12	-	12
7	Office Furn & Eqpt	**110500**	5	142	74	-	74
8	Computer Eqpt.	**110510**	5	6,666	821	-	821
9	GBIS/SCADA/DC Eqpt	**110520**	10	1,118	242	59	301
10	Machinery & Eqpt	**110530**	5	4,910	201	-	201
11	GA-Com-Support	**111000**	75	5,213	194	-	194
12	GA-Com-Pipes	**111010**	75	23,197	989	-	989
13	GA-San-Support	**111020**	75	30,216	1,736	-	1,736
14	GA-San-Pipes	**111050**	75	109,365	10,281	772	11,053
15	GA-San-Serv Conn	**111070**	75	23,925	1,742	-	1,742
16	GA-San-Misc Struct.	**111084**	75	2,112	472	-	472
17	GA-Com-Misc Struct.	**111086**	75	161	18	-	18
18	GA-San-Pumpstations	**111090**	44	12,733	941	-	941
19	GA-WW-Biosolids	**111140**	44	2,409	122	-	122
20	GA-WW-Support I/F	**111160**	44	222	7	-	7
	Total Depreciation			**230,875**	**19,693**	**831**	**20,524**

7.3.2 Amortization of Contributed Assets ($000's)

Line #		Asset Class	Expected Useful Life in Years	Forecast Accumulated Amortization Dec 2012	2013 Amortization on Existing	1/2 Year Amortization on 2013 New	2013 Total Amortization
1	Bldgs-Office	**110300**	44				-
2	Bldgs-Warehouses	**110310**	44				-
3	Bldgs-Labs/R&D	**110320**	44				-
4	Vehicles-Autos	**110400**	10				-
5	Vehicles-Trucks	**110410**	10				-
6	Office Furn & Eqpt	**110500**	5				-
7	Computer Eqpt.	**110510**	5				-
8	GBIS/SCADA/DC Eqpt	**110520**	10				-
9	Machinery & Eqpt	**110530**	5				-
10	GA-Com-Support	**111000**	75				-
11	GA-Com-Pipes	**111010**	75				-
12	GA-San-Support	**111020**	75				-
13	GA-San-Pipes	**111050**	75	(91,590)	(8,766)	(408)	(9,174)
14	GA-San-Serv Conn	**111070**	75				-
15	GA-San-Misc Struct.	**111084**	75				-
16	GA-Com-Misc Struct.	**111086**	75				-
17	GA-San-Pumpstations	**111090**	44				-
18	GA-WW-Biosolids	**111140**	44				-
19	GA-WW-Support I/F	**111160**	44				-
	Total Amortization			**(91,590)**	**(8,766)**	**(408)**	**(9,174)**

7.3.2 Debt Servicing Costs ($000's)

Line #	Debenture #	2010 Actual	2011 Actual	2012 Forecast	2013 Budget
1	03071A	1	-	-	-
2	03269A	2	-	-	-
3	03336A	3	2	1	-
4	03799A	2	1	1	0
5	03800A	5	3	2	1
6	11039C	61	58	54	51
7	11039D	6	6	5	5
8	11961A	144	138	132	126
9	11961F	1	1	1	1
10	12285A	51	-	-	-
11	12285D	(3)	-	-	-
12	12285G	31	15	-	-
13	12286F	60	58	55	53
14	12535A	287	277	266	254
15	12535D	179	173	166	160
16	12535E	2	2	2	2
17	12899A	107	104	101	97
18	13080B	154	149	143	138
19	13080E	291	282	273	263
20	13294D	119	116	113	109
21	13677A	91	72	52	32
22	13677C	51	41	31	20
23	13678A	328	318	308	297
24	13678B	53	51	49	48
25	14015A	161	135	109	41
26	14015D	57	49	41	33
27	14016A	50	49	47	46
28	14016C	2	2	2	2
29	14016D	65	63	61	59
30	14016E	15	14	14	14
31	14082A	3	3	2	2
32	14082B	5	4	4	3
33	14084A	108	105	102	98
34	14084B	371	363	354	345
35	14084C	212	207	202	197
36	14084D	0	10	9	9
37	14293B	87	77	67	57
38	14293C	127	110	92	74
39	14294A	11	11	10	10
40	14294B	36	35	34	33
41	14294C	57	56	54	53
42	14294D	5	96	94	92
43	14294E	0	0	5	5
44	14421A	46	45	44	43
45	14421B	179	175	170	166
46	14421C	164	160	156	152
47	14421D	4	4	4	4
48	14591A	5	4	4	3
49	14592A	180	176	171	166
50	14592B	606	592	578	563

Line #	Debenture #	2010 Actual	2011 Actual	2012 Forecast	2013 Budget
51	14592C	159	155	151	148
52	14592D	182	178	174	169
53	14592E	35	44	43	41
54	14592F	5	19	19	18
55	14592G	0	6	123	119
56	14893A	82	80	78	76
57	14893B	313	306	298	291
58	14893C	39	48	47	46
59	14893D	20	77	76	74
60	14893E	6	137	134	131
61	15244A	1,025	1,002	978	953
62	15244B	129	504	428	415
63	15244C	354	436	489	478
64	15244D	11	233	228	222
65	15244E	0	4	81	78
66	15244F	0	9	197	191
67	15244G	0	22	460	448
68	15245A	(13)	19	387	365
69	15245B	411	384	6	18
70	15245C	0	5	103	100
71	10778A	107	100	93	86
72	10778B	202	191	179	166
73	10778C	55	52	49	46
74	11039A	373	351	326	300
75	11039B	81	76	72	66
76	11249A	442	418	394	367
77	11249B	199	189	178	166
78	11249C	330	318	306	292
79	11761A	62	59	56	52
80	11761B	310	297	283	268
81	11761C	24	23	22	21
82	11961B	12	11	11	10
83	11961C	314	302	290	278
84	11961D	8	8	8	8
85	11961E	200	194	187	181
86	12285B	1	1	-	-
87	12285C	38	19	-	-
88	12285D	43	30	20	10
89	12285E	46	35	24	12
90	12285F	27	22	18	13
91	12286A	193	185	178	169
92	12286B	30	29	28	27
93	12286C	203	196	188	180
94	12286D	388	375	362	347
95	12286E	58	56	54	52
96	12534A	15	8	-	-
97	12535B	106	102	98	94
98	12535C	64	62	60	57
99	13080A	43	42	40	39
100	13080C	82	80	77	74

Line #	Debenture #	2010 Actual	2011 Actual	2012 Forecast	2013 Budget
101	13080D	1	1	1	1
102	13293A	20	16	12	8
103	13293B	35	30	26	21
104	13294A	192	187	181	175
105	13294B	188	182	177	171
106	13294C	90	88	86	83
107	13294E	84	82	80	78
108	13294F	83	81	79	77
109	13677B	73	58	43	28
110	13784A	375	364	352	339
111	13784B	149	144	139	134
112	13784C	385	373	361	349
113	13784D	863	838	813	786
114	14015B	72	62	52	42
115	14015C	345	307	266	225
116	14015E	89	81	72	62
117	14015F	75	67	60	52
118	14015G	1	1	1	1
119	14016B	137	133	129	125
120	14016F	50	49	48	46
121	14293A	20	17	15	12
122	14293D	79	71	63	55
123	14591B	385	347	308	267
124	14591C	119	107	95	83
125	14591D	32	29	26	23
126	14591E	2	2	1	1
	2012 Borrowing			222	1,536
	2013 Borrowing				1,036
	Less EPCOR Debt	(5,429)	(5,121)	(4,824)	(4,531)
	Total Debt Servicing	**9,905**	**10,511**	**11,172**	**12,972**
Average Cost of Debt		5%	5%	5%	5%

7.4 Local Access Fee ($000's)

Line #		2010 Actual	2011 Actuals	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
1	Rate Revenue	63,817	66,513	89,031	87,720	95,218		
2	Local Access Fee Rate	8.0%	8.0%	8.0%	8.0%	8.0%		
Total - Local Access Fee		**5,116**	**5,300**	**7,122**	**7,018**	**7,617**	**600**	**8.5%**

Local Access Fee is calculated based on 8% of qualifying revenues (essentially Rate Revenue). As the total amount of Rate Revenue increases, so does the amount of Local Access Fee to be paid to the City of Edmonton.

7.5 Non-Rate Revenue ($000's)

Line #		2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
1	Program Revenues	4,209	4,623	4,693	4,693	5,247	554	11.8%
2	Transfer from Design and Construction	1,500	1,250	-	-	-	-	-
3	Interest Revenue	306	182	45	45	196	151	336.1%
Total - Non-Rate Revenue		**6,015**	**6,055**	**4,738**	**4,738**	**5,443**	**705**	**14.9%**

Line 1 – Program Revenues

The increase is primarily due to negotiated rates with the ACRWC for bio-solids management and supernatant treatment as a result of the 2010 Cost of Service Study.

Line 2 – Transfer from Design and Construction

The Approved 2012 Budget reflects the end of using Net Income from Drainage Design and Construction.

Line 3 – Interest Revenue

The forecasted ending Cash Balance for the Sanitary Utility in 2012 is $9.8 million, up from $2.2 million forecasted in 2011 which drives the increase in interest revenue.

7.6 Revenue Requirement ($000's)

Line #		Reference	2012 Forecast	2013 Budget
1	Personnel	Schedule 7.2	18,899	21,411
2	Materials, Goods, and Supplies	Schedule 7.2	2,414	2,377
3	External Services	Schedule 7.2	4,000	4,530
4	Fleet Services	Schedule 7.2	1,864	1,774
5	Shared Services	Schedule 7.2	5,220	5,037
6	Biosolids	Schedule 7.1	8,445	10,199
7	Customer Billing Services	Schedule 7.2	4,336	4,362
8	Other Expenses	Schedule 7.2	1,664	1,754
9	Interdepartmental Charges/(Recoveries)	Schedule 7.2	(1,608)	(2,134)
10	Depreciation Expense (net)	Schedule 7.3	10,324	11,350
11	Interest Expense	Schedule 7.3	11,172	12,972
12	Local Access Fee	Schedule 7.1	7,018	7,617
13	Transfer to Sanitary Servicing Strategy Fund	Schedule 7.1	1,300	1,300
Total - Expenditures			**75,048**	**82,549**
14	Return on Rate Base	Schedule 7.1	17,410	18,112
Total - Revenue Requirement			**92,458**	**100,661**
15	Non-Rate Revenues	Schedule 7.1	4,738	5,443
Total - Rate Revenue			**87,720**	**95,218**

7.6.1 Rate Base ($000's)

Rate Base is the mid-year Net Book Value of Non-Contributed Assets, plus 45 days of working capital, and any shortfall between depreciation and principal repayment.

Policy C304C Drainage Services Utility Fiscal Policy, adopted by City Council on June 1, 2011, establishes the following target for calculating the Return on Rate Base:

> "City Council, as Regulator, will aim to achieve a targeted Return on Rate Base between 4% and 10%, subject to City Council decision making during the budget process. The lower limit of 4% reflects the lowest expectation for average cost of debt. The return should cover the cost of debt used to finance capital investment. The upper limit at 10% provides for a reasonable return for a public utility."

Line #		2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget
Investment in Tangible Capital Assets						
1	Gross Book Value - Non Contributed	530,789	578,215	630,290	627,726	681,762
2	Gross Book Value - Contributed	600,433	633,983	727,294	700,050	757,292
3	**Gross Book Value - All Assets**	**1,131,221**	**1,212,197**	**1,357,584**	**1,327,776**	**1,439,054**
4	Accumulated Depreciation - Non Contributed	(122,526)	(128,961)	(142,522)	(139,285)	(150,635)
5	Accumulated Depreciation - Contributed	(75,791)	(83,345)	(92,167)	(91,590)	(100,764)
6	**Accumulated Depreciation - All Assets**	**(198,317)**	**(212,305)**	**(234,689)**	**(230,875)**	**(251,399)**
7	Net Book Value - Non Contributed	408,263	449,254	487,768	488,441	531,127
8	Net Book Value - Contributed	524,642	550,638	635,127	608,460	656,528
9	**Net Book Value - All Assets**	**932,905**	**999,892**	**1,122,895**	**1,096,901**	**1,187,655**
10	**Non-Contributed Assets (Mid-Year)**	**395,182**	**426,006**	**468,967**	**468,848**	**509,784**
Working Capital Requirement						
11	Cash Expense before Transfers	44,343	46,150	51,177	49,260	53,383
12	**Minimum of 45 Days Operations**	**5,467**	**5,690**	**6,310**	**6,073**	**6,581**
13	Depreciation Expense - Non-Contributed	8,528	9,179	10,354	10,324	11,350
14	Principal Repayment	9,234	12,855	11,363	8,842	12,459
15	**Principal Shortfall**	**(706)**	**(3,676)**	**(1,009)**	**1,482**	**(1,109)**
16	**Working Capital**	**6,173**	**9,365**	**7,319**	**4,591**	**7,691**
Rate Base (Mid-Year)		**401,354**	**435,372**	**476,286**	**473,439**	**517,475**

7.6.2 Return on Rate Base ($000's)

Line #		Reference	2012 Forecast	2013 Budget
1	Mid-Year Rate Base	**Schedule 7.6.1**	473,439	517,475
2	Rate of Return		3.7%	3.5%
3	**Return on Rate Base**		**17,410**	**18,112**

7.7 Long Term Debt ($000's)

The Sanitary Utility has been steadily increasing its Debt to Net Assets Ratio as it relies more heavily on the use of debt to finance its capital investments. As a result, there has been an increasing draw on cash reserves year over year.

As such, the Utility can no longer finance its capital requirements through Retained Earnings and continuing with the current rate of borrowing will result in the Utility breaching the 60% Debt to Net Assets Ratio. This is the primary reason for the need to earn a Return on Rate Base of 4% in the foreseeable future if the capital program is to be implemented.

7.7.1 Outstanding Long Term Debt ($000's)

Line #	Debenture #	2010 Actual	2011 Actual	2012 Forecast	2013 Budget
1	03336A	40	28	14	-
2	03799A	20	14	7	-
3	03800A	52	36	19	-
4	11039C	944	888	829	767
5	11039D	79	74	69	63
6	11961A	2,220	2,126	2,027	1,921
7	11961F	22	21	20	19
8	12285G	317	-	-	-
9	12286F	925	886	845	801
10	12535A	4,830	4,638	4,434	4,220
11	12535D	2,958	2,852	2,740	2,621
12	12535E	33	32	30	29
13	12899A	1,776	1,718	1,656	1,591
14	13080B	2,550	2,458	2,362	2,259
15	13080E	4,812	4,655	4,488	4,311
16	13294D	2,455	2,390	2,321	2,250
17	13677A	1,818	1,394	950	486
18	13677C	1,043	798	543	277
19	13678A	6,049	5,859	5,659	5,448
20	13678B	1,013	980	946	910
21	14015A	3,321	2,712	2,077	1,749
22	14015D	1,253	1,065	869	665
23	14016A	1,056	1,023	989	953
24	14016C	39	38	37	36
25	14016D	1,440	1,397	1,352	1,305

Line #	Debenture #	2010 Actual	2011 Actual	2012 Forecast	2013 Budget
26	14016E	274	268	261	254
27	14082A	65	56	45	35
28	14082B	104	91	77	63
29	14084A	2,393	2,322	2,248	2,170
30	14084B	6,972	6,810	6,640	6,460
31	14084C	4,553	4,445	4,333	4,216
32	14084D	225	220	214	209
33	14293B	1,788	1,566	1,333	1,089
34	14293C	2,791	2,372	1,935	1,481
35	14294A	240	233	226	218
36	14294B	738	718	697	676
37	14294C	1,071	1,046	1,020	992
38	14294D	2,275	2,223	2,168	2,111
39	14294E	0	150	146	142
40	14421A	955	929	903	875
41	14421B	3,356	3,278	3,196	3,109
42	14421C	3,197	3,124	3,047	2,966
43	14421D	89	87	85	82
44	14591A	104	91	77	63
45	14592A	3,724	3,625	3,521	3,413
46	14592B	11,380	11,116	10,837	10,544
47	14592C	3,100	3,029	2,954	2,876
48	14592D	3,907	3,815	3,719	3,618
49	14592E	989	966	942	917
50	14592F	500	488	475	462
51	14592G	0	3,800	3,700	3,596
52	14893A	1,534	1,498	1,461	1,421
53	14893B	6,711	6,553	6,388	6,215
54	14893C	1,088	1,063	1,036	1,009
55	14893D	2,000	1,952	1,902	1,849
56	14893E	3,241	3,166	3,089	3,007
57	15244A	21,991	21,473	20,931	20,364
58	15244B	9,889	9,660	9,421	9,171
59	15244C	13,000	12,686	12,360	12,021
60	15244D	5,500	5,373	5,241	5,104
61	15244E	0	2,500	2,434	2,366
62	15244F	0	6,100	5,939	5,772
63	15244G	0	14,269	13,892	13,502
64	15245A	8,420	8,221	8,014	7,797
65	15245B	500	488	475	462
66	15245C	0	3,200	3,115	3,028
67	10778A	1,257	1,170	1,077	975
68	10778B	2,612	2,450	2,276	2,089
69	10778C	853	803	749	693
70	11039A	4,400	4,096	3,768	3,414
71	11039B	1,046	981	911	836
72	11249A	6,850	6,447	6,019	5,565
73	11249B	3,370	3,188	2,997	2,794
74	11249C	5,553	5,332	5,099	4,852
75	11761A	1,029	974	915	853

Line #	Debenture #	2010 Actual	2011 Actual	2012 Forecast	2013 Budget
76	11761B	4,582	4,371	4,147	3,908
77	11761C	401	385	368	351
78	11961B	198	190	182	173
79	11961C	5,277	5,067	4,845	4,611
80	11961D	138	133	128	123
81	11961E	3,306	3,198	3,083	2,962
82	12285B	13	-	-	-
83	12285C	386	-	-	-
84	12285D	574	393	201	-
85	12285E	674	461	237	-
86	12285F	550	449	344	234
87	12286A	2,978	2,853	2,719	2,578
88	12286B	510	490	469	446
89	12286C	3,416	3,280	3,137	2,985
90	12286D	6,428	6,198	5,954	5,696
91	12286E	960	926	889	851
92	12534A	155	-	-	-
93	12535B	1,781	1,710	1,635	1,556
94	12535C	1,062	1,024	983	941
95	13080A	719	693	666	637
96	13080C	1,361	1,317	1,269	1,219
97	13080D	13	12	12	11
98	13293A	407	312	212	108
99	13293B	772	656	535	409
100	13294A	4,050	3,923	3,791	3,653
101	13294B	4,159	4,035	3,906	3,771
102	13294C	1,865	1,815	1,763	1,709
103	13294E	1,571	1,535	1,497	1,456
104	13294F	1,638	1,600	1,560	1,518
105	13677B	1,480	1,133	771	393
106	13784A	6,913	6,696	6,468	6,227
107	13784B	2,857	2,765	2,668	2,566
108	13784C	8,097	7,844	7,580	7,303
109	13784D	19,128	18,560	17,966	17,346
110	14015B	1,577	1,341	1,094	837
111	14015C	7,079	6,197	5,275	4,312
112	14015E	2,078	1,853	1,619	1,375
113	14015F	1,919	1,723	1,520	1,309
114	14015G	20	18	16	14
115	14016B	3,035	2,945	2,851	2,753
116	14016F	985	962	938	913
117	14293A	444	377	308	236
118	14293D	1,832	1,634	1,427	1,212
119	14591B	8,943	7,975	6,967	5,918
120	14591C	3,054	2,742	2,419	2,083
121	14591D	757	680	600	518
122	14591E	43	38	34	29
	2012 Borrowing			42,785	41,658
	2013 Borrowing				47,032
	Less: EPCOR Debt	(99,407)	(99,049)	(87,740)	(81,668)
	Total Outstanding	**217,478**	**232,055**	**269,693**	**304,750**

7.7.2 Principal Repayment ($000's)

Line #	Debenture #	2010 Actual	2011 Actual	2012 Forecast	2013 Budget
1	03071A	17	-	-	-
2	03269A	38	-	-	-
3	03336A	12	12	13	14
4	03799A	6	6	7	7
5	03800A	15	16	17	19
6	11039C	52	56	59	63
7	11039D	5	5	5	6
8	11961A	88	94	99	106
9	11961F	1	1	1	1
10	12285A	901	-	-	-
11	12285G	301	317	-	-
12	12286F	37	39	41	44
13	12535A	182	192	203	215
14	12535D	100	106	112	119
15	12535E	1	1	1	1
16	12899A	55	58	62	65
17	13080B	86	91	97	102
18	13080E	149	158	167	177
19	13294D	62	65	68	72
20	13677A	406	424	444	464
21	13677C	235	245	255	266
22	13678A	180	190	200	211
23	13678B	31	33	34	36
24	14015A	583	609	635	328
25	14015D	181	188	196	204
26	14016A	31	33	34	36
27	14016C	1	1	1	1
28	14016D	41	43	45	47
29	14016E	6	6	7	7
30	14082A	9	10	10	11
31	14082B	12	13	13	14
32	14084A	68	71	74	78
33	14084B	154	162	171	180
34	14084C	102	107	112	117
35	14084D	-	5	5	6
36	14293B	213	223	233	243
37	14293C	402	419	437	455
38	14294A	7	7	7	8
39	14294B	19	20	21	22
40	14294C	24	25	26	28
41	14294D	0	52	55	57
42	14294E	0	0	4	4
43	14421A	24	25	27	28
44	14421B	74	78	82	86
45	14421C	70	73	77	81
46	14421D	2	2	2	2
47	14591A	12	13	13	14
48	14592A	94	99	104	109
49	14592B	251	264	278	293
50	14592C	68	71	75	78

Line #	Debenture #	2010 Actual	2011 Actual	2012 Forecast	2013 Budget
51	14592D	88	92	96	101
52	14592E	11	23	24	25
53	14592F	0	12	13	13
54	14592G	0	0	100	104
55	14893A	34	36	38	40
56	14893B	151	158	165	173
57	14893C	12	25	26	28
58	14893D	-	48	50	52
59	14893E	-	75	78	81
60	15244A	495	518	542	567
61	15244B	111	229	239	250
62	15244C	-	314	326	339
63	15244D	-	127	132	138
64	15244E	0	0	66	68
65	15244F	0	0	161	167
66	15244G	0	0	377	390
67	15245A	189	198	207	217
68	15245B	0	12	13	13
69	15245C	0	0	85	87
70	10778A	80	87	94	101
71	10778B	151	162	174	187
72	10778C	47	50	53	57
73	11039A	281	304	328	354
74	11039B	60	65	70	75
75	11249A	380	403	428	454
76	11249B	171	181	192	203
77	11249C	209	221	233	247
78	11761A	52	55	59	62
79	11761B	198	210	224	239
80	11761C	15	16	17	18
81	11961B	7	8	8	9
82	11961C	198	210	222	235
83	11961D	4	5	5	5
84	11961E	102	108	115	121
85	12285B	13	13	-	-
86	12285C	367	386	-	-
87	12285D	172	181	191	201
88	12285E	202	213	224	237
89	12285F	97	101	105	110
90	12286A	118	126	133	142
91	12286B	19	20	21	23
92	12286C	128	136	144	152
93	12286D	218	230	244	258
94	12286E	33	34	36	39
95	12534A	148	155	-	-
96	12535B	67	71	75	79
97	12535C	36	38	40	43
98	13080A	24	26	27	29
99	13080C	42	45	47	50
100	13080D	0	0	0	0

Line #	Debenture #	2010 Actual	2011 Actual	2012 Forecast	2013 Budget
101	13293A	92	95	100	104
102	13293B	111	116	121	126
103	13294A	121	126	132	138
104	13294B	118	123	129	135
105	13294C	47	50	52	54
106	13294E	35	36	38	40
107	13294F	36	38	40	42
108	13677B	333	347	362	377
109	13784A	206	217	229	241
110	13784B	88	92	97	102
111	13784C	241	253	264	277
112	13784D	544	568	593	620
113	14015B	227	237	247	257
114	14015C	843	882	922	963
115	14015E	216	225	234	244
116	14015F	189	196	203	211
117	14015G	2	2	2	2
118	14016B	86	90	94	98
119	14016F	22	23	24	25
120	14293A	64	67	69	72
121	14293D	191	198	206	215
122	14591B	931	969	1,008	1,049
123	14591C	300	312	323	335
124	14591D	74	77	80	83
125	14591E	4	4	5	5
	2012 Borrowing			1,109	1,126
	2013 Borrowing				485
	Less: EPCOR Debt Repayment	(6,027)	(2,944)	(8,723)	(6,072)
	Total Principal Repaid	**9,234**	**12,855**	**8,842**	**12,459**

7.8 Total Expenditures by Program Area ($000's)

Planning	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget
Personnel	2,588	2,481	2,483	2,483	2,590
Materials, Goods & Supplies	31	135	244	244	246
External Services	2,232	2,631	2,030	2,030	2,154
Biosolids	5,418	5,105	8,445	8,445	10,199
Other Expenses	185	61	48	48	45
	10,454	**10,413**	**13,250**	**13,250**	**15,234**
Interdepartmental Charges/(Recoveries)	(87)	(350)	(448)	(449)	(499)
	10,367	**10,063**	**12,802**	**12,801**	**14,735**

Development Services	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget
Personnel	4,951	5,184	5,190	5,190	5,674
Materials, Goods & Supplies	502	353	487	487	363
External Services	1,135	926	1,039	1,039	1,073
Fleet Services	100	74	91	91	91
Other Expenses	222	230	260	260	293
	6,910	**6,767**	**7,067**	**7,067**	**7,494**
Interdepartmental Charges/(Recoveries)	(338)	(25)	(269)	(268)	(747)
	6,572	**6,742**	**6,799**	**6,799**	**6,747**

Operations	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget
Personnel	12,049	11,066	11,181	10,615	12,510
Materials, Goods & Supplies	983	1,298	1,595	1,595	1,679
External Services	663	759	585	690	603
Fleet Services	1,909	1,771	1,773	1,773	1,683
Other Expenses	908	1,020	1,113	1,113	1,165
	16,512	**15,914**	**16,247**	**15,786**	**17,640**
Interdepartmental Charges/(Recoveries)	(3,662)	(4,279)	(197)	(197)	(257)
	12,850	**11,635**	**16,050**	**15,589**	**17,383**

Other Expenses	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget
Personnel	175	510	611	611	637
Materials, Goods & Supplies	108	95	88	88	89
External Services	61	210	241	241	700
Shared Services	4,583	6,507	5,220	5,220	5,037
Customer Billing Services	3,509	4,133	4,336	4,336	4,362
Other Expenses	521	(62)	243	243	251
Depreciation Expense (net)	8,528	9,179	10,354	10,324	11,350
Debt Interest	9,905	10,511	12,627	11,172	12,972
Local Access Fee	5,116	5,300	7,122	7,018	7,617
Transfer to Sanitary Servicing Strategy Fund	1,300	1,300	1,300	1,300	1,300
	33,806	**37,683**	**42,142**	**40,553**	**44,315**
Interdepartmental Charges/(Recoveries)	(190)	(389)	(695)	(695)	(631)
	33,616	**37,294**	**41,447**	**39,858**	**43,684**

Total Expenditures	**63,406**	**65,734**	**77,098**	**75,048**	**82,549**

7.9 Approved 3-Year Capital Budget and 2015-2021 Priorities Plan ($000's)

	Major Project Class	Approved 3-Year Capital			Forecast							Total 2012-2021
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Renewal & Upgrading	**Drainage Neighbourhood Renewal**	**18,942**	**25,708**	**30,557**	**46,603**	**41,292**	**32,790**	**40,307**	**46,594**	**52,007**	**53,679**	**388,480**
	Drainage Neighbourhood Renewal Coordination	18,413	25,158	29,988	37,728	28,987	16,812	20,396	22,468	23,433	21,107	244,490
	Sewer Upgrading	265	275	285	5,917	6,152	6,391	6,637	6,893	7,143	7,403	47,361
	Service Connection Renewal	265	275	285	2,958	6,152	9,587	13,274	17,233	21,430	25,169	96,629
	Drainage System Rehabilitation	**10,835**	**11,153**	**11,387**	**11,822**	**11,739**	**12,194**	**12,431**	**12,911**	**13,130**	**13,606**	**121,207**
	Structures Rehabilitation	4,222	4,389	4,548	4,722	4,910	5,100	5,296	5,501	5,700	5,907	50,295
	Sewer Rehabilitation	6,613	6,764	6,839	7,100	6,829	7,094	7,135	7,410	7,429	7,699	70,913
	Drainage Facilities Upgrading	**1,465**	**1,505**	**1,655**	**5,864**	**2,338**	**1,221**	**1,195**	**2,930**	**3,607**	**1,962**	**23,741**
	Facilities, Equipment & System Renewal	1,254	1,175	1,313	1,130	1,107	1,221	1,195	2,930	3,607	1,962	16,893
	Residuals Disposal Facility	212	330	342	4,733	1,230	-	-	-	-	-	6,847
	Flood Prevention	**1,870**	**4,956**	**249**	**2,937**	**6,300**	**4,247**	**2,708**	**277**	**2,556**	**-**	**26,100**
Environmental	**Environmental Quality Enhancement**	**1,683**	**2,111**	**1,884**	**1,956**	**1,342**	**1,395**	**1,448**	**1,504**	**1,559**	**1,615**	**16,498**
	Combined Sewer Overflow Strategy	**16,259**	**8,077**	**7,865**	**7,337**	**9,721**	**8,947**	**9,292**	**9,651**	**10,001**	**10,364**	**97,512**
	Opportunistic Sewer Separation	7,235	3,520	3,875	4,260	4,676	3,835	3,982	4,136	4,286	4,442	44,247
	WESS W12	4,156	1,367	-	-	-	-	-	-	-	-	5,523
	Combined Sewer Overflow Control Projects	4,867	3,190	3,989	3,077	5,045	5,113	5,310	5,515	5,715	5,922	47,742
Growth	**Sanitary Servicing Strategy**	**22,721**	**21,675**	**15,673**	**22,780**	**11,136**	**22,241**	**20,376**	**22,541**	**15,716**	**20,580**	**195,436**
	Sanitary Servicing Strategy Projects	21,479	21,041	15,673	22,780	11,136	22,241	20,376	22,541	15,716	20,580	193,561
	Mill Woods Double Barrel Replac/SESS SA1	1,241	634	-	-	-	-	-	-	-	-	1,875
	Drainage System Expansion	**13,803**	**8,095**	**6,793**	**8,710**	**7,334**	**9,408**	**7,911**	**10,147**	**8,515**	**10,897**	**91,612**
		87,578	83,278	76,063	108,008	91,201	92,441	95,668	106,555	107,091	112,703	960,587

Note #1: City Council approved the 2012-2014 Capital Budget as part of the 2012 Budget process. The approved capital plan is currently being carried out and no adjustments are required at this point.

Note #2: The 2012 Approved Capital Budget now includes approved carry forward amounts from 2011 ($2.0 million).

8.0 Stormwater Utility Budget Details

The following sub-sections provide a detailed breakdown of the Proposed 2013 Budget for the Stormwater Utility.

8.1 Stormwater Utility Summary Schedule ($000's)

Line #		Reference	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
	Expenses									
1	Operating and Maintenance	**Schedule 8.2**	11,636	12,126	13,680	14,744	14,488	16,461	1,973	13.6%
2	Depreciation Expense (net)	**Schedule 8.3**	1,228	2,902	3,505	3,845	4,233	4,937	704	16.6%
3	Debt Interest	**Schedule 8.3**	1,944	2,646	3,405	5,437	3,761	5,956	2,195	58.4%
	Total Expenditures		**14,808**	**17,674**	**20,590**	**24,026**	**22,482**	**27,355**	**4,873**	**21.7%**
4	Return on Rate Base	**Schedule 8.5.2**	-	9,233	8,735	12,601	13,689	14,164	475	3.5%
	Total Revenue Requirement		**14,808**	**26,907**	**29,325**	**36,627**	**36,171**	**41,519**	**5,348**	**14.8%**
5	**Non-Rate Revenues**	**Schedule 8.4**	550	558	712	774	774	966	192	24.8%
6	**Existing Rate Revenues**		14,258	26,348	28,613	29,662	30,334	37,101		
7	**Funding Required Through Rate Increase**					**6,191**	**5,063**	**3,452**		
8	**Total Rate Revenue**					**35,853**	**35,397**	**40,553**		

The 2013 total proposed expenditure budget of $27.4 million represents an increase of $4.9 million over the 2012 forecast results. Approximately 60% of the proposed increase ($2.9 million) relates to factors that are a reflection of past decisions. This leaves 40% of the increase ($2.0 million) related to O&M. The information has been prepared with comparisons based on the Approved Budget against the 2012 Forecast.

Non-rate Revenues, accounting for 2% of the Revenue Requirement ($1.0 million), are comprised of Program Revenues such as lot grading and interest income.

Existing Rate Revenues are based on the projected change in the number of customers, density factor, and prior year rates. Details are provided under Section 3.0.

8.2 Operations and Maintenance ($000's)

Line #		Reference	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
1	Personnel	Schedule 8.2.1	4,064	4,122	5,701	8,895	8,595	9,784	1,189	13.8%
2	Materials, Goods, and Supplies		941	892	998	928	928	1,166	238	25.6%
3	External Services	Schedule 8.2.2	1,164	1,568	1,627	1,867	1,912	2,105	193	10.1%
4	Fleet Services	Schedule 8.2.3	739	398	451	790	790	723	(67)	-8.5%
5	Shared Services	Schedule 8.2.4	926	1,382	1,362	1,874	1,874	2,359	485	25.9%
6	Customer Billing Services		747	814	1,003	1,013	1,013	1,029	16	1.6%
7	Other Expenses		615	418	318	442	442	472	30	6.8%
8	Interdepartmental Charges/(Recoveries)		2,440	2,532	2,220	(1,065)	(1,066)	(1,177)	(111)	10.4%
	Total Operations & Maintenance		**11,636**	**12,126**	**13,680**	**14,744**	**14,488**	**16,461**	**1,973**	**13.6%**

Line 8 – Interdepartmental Charges/(Recoveries)

Change from 2010 & 2011 Actual costs to 2012 Forecast and 2013 Budget is a result of refining the allocation between Sanitary and Stormwater to reflect true costs and the streamlining of interdepartmental charges/recoveries.

8.2.1 Personnel Costs ($000's)

Line #		2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
1	Salaries & Wages	3,052	3,179	4,276	6,605	6,304	7,308	1,004	15.9%
2	Overtime	111	110	270	257	258	283	25	9.7%
3	Allowances and Benefits	901	833	1,155	2,032	2,033	2,193	160	7.9%
	Total Personnel Costs	**4,064**	**4,122**	**5,701**	**8,895**	**8,595**	**9,784**	**1,189**	**13.8%**

From an operational perspective, operational and administrative staff do not distinguish their time working on Sanitary vs. Stormwater Infrastructure. As such, the budget has been allocated between the two Utilities on the following basis (the accounting and payroll systems were adjusted to reflect the total costs on this basis in 2012):

Operational staff	30% Stormwater	70% Sanitary	(Ratio of non-contributed assets)
Administration staff	40% Stormwater	60% Sanitary	(Planning is done on a holistic basis)

Included in the $1.0 million increase for Salaries & Wages is $0.3 million to implement the third year of employee contract settlements and employee step increments. Also, the Proposed 2013 Budget contains a request for an increase of 9.5 permanent FTE's (split between Sanitary and Stormwater) as well as funding for temporary FTE's. The permanent FTE positions have been budgeted assuming an April hiring and consist of the following:

Project Engineer	1.00	CEMA
Industrial Waste Inspector	1.00	Local 30
Drainage Leader	1.00	Local 30
Drainage Supervisor	1.00	Local 30
Labourers	2.00	Local 30
Training & Safety Instructor	1.00	Local 30
Engineering Technologists	0.75	Local 52
Lot Grading Inspector	1.00	Local 52
Co-Op Student	0.75	Out of Scope
	9.50	

The Proposed 2013 Budget for Overtime has been adjusted to reflect potential requirements in the Mapping & Records area. Overtime is used to manage unplanned peak requirements that are most effectively managed through the use of existing staff.

The projected increase for Allowances and Benefits has been prepared to reflect rates provided corporately. This was offset with a 4% decrease to the paid absence rate.

Note: The 2012 Budget has been adjusted to reflect contract settlements that took place subsequent to the approval of the Budget and Rate Filing. The corresponding amount has also been adjusted under External Services.

8.2.2 External Services ($000's)

Line #		2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
1	Planning	552	720	790	995	995	1,127	132	13.3%
2	Development Services	251	477	399	498	498	528	30	6.0%
3	Operations & Maintenance	319	362	346	231	276	238	(38)	-13.8%
4	Other	42	9	92	143	143	212	69	48.3%
	Total External Services	**1,164**	**1,568**	**1,627**	**1,867**	**1,912**	**2,105**	**193**	**10.1%**

Line 1 - Planning

The increase is primarily due to studies for the overall planning of the Drainage System which includes Area Planning and Servicing studies, Low-impact Development, Asset Management, Biosolids Management & Public Education.

Note: The 2012 Budget has been adjusted to reflect contract settlements that took place subsequent to the approval of the Budget and Rate Filing. The corresponding amount has also been adjusted under Personnel Costs.

8.2.3 Fleet Services ($000's)

Line #		2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
1	Fleet Charges	643	316	263	244	244	190	(54)	-22.1%
2	Fuel	30	25	48	174	174	173	(1)	-0.6%
3	Major Repairs	66	57	140	372	372	360	(12)	-3.2%
	Total Fleet Services	**739**	**398**	**451**	**790**	**790**	**723**	**(67)**	**-8.5%**

Fleet maintenance is provided by the City of Edmonton through the Fleet Services Branch. It operates on a cost recovery basis which include direct administration costs, but not corporate overheads.

Line 1 – Fleet Charges

The reduction in Fleet Charges is the result of Drainage Services now purchasing vehicles through the capital program instead of leasing through Fleet. As the vehicles leased through Fleet Services are replaced by purchased vehicles, Fleet Charges will continue to decline.

Note: The 2012 Budget has been adjusted to reflect settlements that took place subsequent to the approval of the Budget and Rate Filing. The costs are now allocated more appropriately between expense types.

8.2.4 Shared Services ($000's)

Line #		2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
1	Human Resources			69	216	216	223	7	3.2%
2	Legal Services			43	75	75	102	27	36.0%
3	Communications			26	44	44	43	(1)	-2.3%
4	Corporate Information System	506	915	121	60	60	70	10	16.7%
5	Information Technology			177	577	577	813	236	40.9%
6	Materials Management			14	204	204	88	(116)	-56.9%
7	Financial Services			150	300	300	469	169	56.3%
8	Space Rent, Facility Maintenance & Land Services			446	287	287	347	60	20.9%
9	Central Management Fees	420	467	316	111	111	204	93	83.8%
	Total Shared Services	**926**	**1,382**	**1,362**	**1,874**	**1,874**	**2,359**	**485**	**25.9%**

The overall increase in the Proposed 2013 Budget for Shared Services is primarily due to the refining of the internal allocation of costs from the Sanitary Utility to better reflect their true portion of these types of costs.

This is partially offset by the streamlining of Shared Services allocation between Drainage Services and Drainage Design and Construction at the corporate level and a reduced requirement for space rent and facility maintenance as a result of streamlining Branch needs.

The variances year over year since 2009 is due to the City of Edmonton undertaking a major re-organization in June 2011, resulting in significant changes to the overall structure and restatement of figures in some cases to realign cost categories.

8.3 Depreciation and Interest Expense ($000's)

Line #		Reference	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
1	Depreciation Expense	**Schedule 8.3.1**	13,553	16,492	18,204	19,197	19,491	20,739	1,248	6.4%
2	Amortization (CIAC)	**Schedule 8.3.2**	(12,325)	(13,590)	(14,699)	(15,352)	(15,258)	(15,802)	(544)	3.6%
	Total Depreciation Expense (net)		**1,228**	**2,902**	**3,505**	**3,845**	**4,233**	**4,937**	**704**	**16.6%**
3	Interest Expense	**Schedule 8.3.3**	1,944	2,646	3,405	5,437	3,761	5,956	2,195	58.4%
4	Principal Repayment	**Schedule 8.6.2**	1,273	2,211	2,464	3,603	5,874	4,470	(1,404)	-23.9%

Depreciation Expense represents the amount of Non-Contributed Asset life used up during the operating period. The depreciation rate is dependent upon the class of asset as each has an estimated useful life based upon historic experience.

Amortization represents the amount of benefit from Contributed Assets that are realized during the operating period. It is used to offset the amount of Depreciation.

Interest Expense and Principal Repayment represent the total annual cash requirement to service outstanding debt. Interest expense is projected to increase by $2.2 million in 2013 due to timing of borrowing in 2012 and $22 million in debt issued in 2011 and planned issuance of $42 million in 2012 and $41 million in 2013.

The reduction in principal repayment for the 2013 Budget relative to the 2012 Forecast is the result of the outstanding AHMC loan ($1.8 million) being repaid in 2012.

8.3.1 Depreciation Expense ($000's)

Line #	Asset Class	Expected Useful Life in Years	Forecast Accumulated Depreciation Dec 2012	2013 Depreciation on Existing	1/2 Year Depreciation on 2013 New	2013 Total Depreciation
1 Bldgs-Warehouses	**110310**	10	1,507	-	-	-
2 Computer Eqpt.	**110510**	5	1,246	466	-	466
3 GBIS/SCADA/DC Eqpt	**110520**	10	519	150	59	209
4 Machinery & Eqpt	**110530**	5	698	108	-	108
5 GA-Com-Support	**111000**	75	2,911	89	-	89
6 GA-Com-Pipes	**111010**	75	14,980	543	-	543
7 GA-Stm-Support	**111030**	75	78,681	4,659	-	4,659
8 GA-Stm-Sup-Swales	**111040**	75	2,300	136	-	136
9 GA-Stm-Pipes	**111060**	75	251,467	12,828	556	13,384
10 GA-Stm-Serv Conn	**111080**	75	9,811	621	-	621
11 GA-Stm-Misc Struct.	**111085**	75	1,386	347	-	347
12 GA-Com-Misc Struct.	**111086**	75	146	16	-	16
13 GA-Stm-Pumpstations	**111100**	44	520	159	-	159
Total Depreciation			**366,171**	**20,124**	**615**	**20,739**

8.3.2 Amortization of Contributed Assets ($000's)

Line #	Asset Class	Expected Useful Life in Years	Forecast Accumulated Amortization Dec 2012	2013 Amortization on Existing	1/2 Year Amortization on 2013 New	2013 Total Amortization
1 Bldgs-Warehouses	**110310**	10				-
2 Computer Eqpt.	**110510**	5				-
3 GBIS/SCADA/DC Eqpt	**110520**	10				-
4 Machinery & Eqpt	**110530**	5				-
5 GA-Com-Support	**111000**	75				-
6 GA-Com-Pipes	**111010**	75				-
7 GA-Stm-Support	**111030**	75				-
8 GA-Stm-Sup-Swales	**111040**	75				-
9 GA-Stm-Pipes	**111060**	75	(220,206)	(15,531)	(271)	(15,802)
10 GA-Stm-Serv Conn	**111080**	75				-
11 GA-Stm-Misc Struct.	**111085**	75				-
12 GA-Com-Misc Struct.	**111086**	75				-
13 GA-Stm-Pumpstations	**111100**	44				-
Total Amortization			**(220,206)**	**(15,531)**	**(271)**	**(15,802)**

8.3.3 Debt Servicing Costs ($000's)

Line #	Debenture #	2009 Actual	2010 Actual	2011 Actual	2012 Forecast	2013 Budget
1	13401A	157	153	148	144	138
2	13401B	58	56	55	53	51
3	13401C	1	1	1	1	1
4	13676A	135	131	127	123	119
5	13676B	1	1	1	1	1
6	13731A	27	23	18	13	8
7	13731B	10	9	7	6	4
8	13826A	56	55	53	52	50
9	13826B	46	45	43	42	41
10	14017A	27	24	20	16	12
11	14017B	11	9	8	7	5
12	14018A	156	152	148	143	138
13	14018B	46	45	43	42	41
14	14083A	15	13	11	9	7
15	14083B	24	21	19	16	13
16	14291A	43	38	33	28	22
17	14291B	14	12	11	9	8
18	14292A	56	54	53	51	49
19	14292B	20	25	24	24	23
20	14292C	-	-	8	163	159
21	14422A	164	160	157	153	149
22	14422B	40	50	48	47	46
23	14422C	0	2	2	2	2
24	14422D	-	59	232	227	221
25	14422E	-	-	6	121	118
26	14593A	317	310	302	294	285
27	14593B	345	338	330	323	314
28	14593C	132	164	160	156	152
29	14890A	13	13	12	12	12
30	14890B	4	87	85	83	81
31	15243A	26	548	536	523	509
32	15243B	-	20	77	76	74
33	15243C	-	29	616	601	586
34	15243D	-	-	6	137	133
35	15243E	-	-	2	43	42
36	15243F	-	-	1	23	22
	2012 Borrowing					1,417
	2013 Borrowing					903
	Total Debt Servicing	**1,944**	**2,646**	**3,405**	**3,761**	**5,956**
	Average Cost of Debt	4%	4%	4%	4%	4%

8.4 Non-Rate Revenue ($000's)

Line #		2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Change from 2012 Forecast	% Variance
1	Program Revenues	317	364	396	346	346	375	29	8%
2	Interest Revenue	233	194	316	428	428	591	163	38%
	Total Non-Rate Revenues	**550**	**558**	**712**	**774**	**774**	**966**	**192**	**25%**

Line 2 – Interest Revenue

The forecasted ending Cash Balance for the Stormwater Utility in 2012 is $29.6 million, up from $21.4 million forecasted in 2011 which drives the increase in interest revenue.

8.5 Revenue Requirement ($000's)

Line #		Reference	2012 Forecast	2013 Budget
1	Personnel	**Schedule 8.2**	8,595	9,784
2	Materials, Goods, and Supplies	**Schedule 8.2**	928	1,166
3	External Services	**Schedule 8.2**	1,912	2,105
4	Fleet Services	**Schedule 8.2**	790	723
5	Shared Services	**Schedule 8.2**	1,874	2,359
6	Customer Billing Services	**Schedule 8.2**	1,013	1,029
7	Other Expenses	**Schedule 8.2**	442	472
8	Interdepartmental Charges/(Recoveries)	**Schedule 8.2**	(1,066)	(1,177)
9	Depreciation Expense (net)	**Schedule 8.3**	4,233	4,937
10	Interest Expense	**Schedule 8.3**	3,761	5,956
Total - Expenditures			**22,482**	**27,355**
11	Return on Rate Base	**Schedule 8.1**	13,689	14,164
Total - Revenue Requirement			**36,171**	**41,519**
12	Non-Rate Revenues	**Schedule 8.1**	774	966
Total - Rate Revenue			**35,397**	**40,553**

8.5.1 Rate Base ($000's)

Rate Base is the mid-year Net Book Value on Non-Contributed Assets, plus 45 days of working capital, and any shortfall between depreciation and principal repayment.

Policy C304C Drainage Services Utility Fiscal Policy, adopted by City Council on June 1, 2011, establishes the following target for calculating the Return on Rate Base:

> "City Council, as Regulator, will aim to achieve a targeted Return on Rate Base between 4% and 10%, subject to City Council decision making during the budget process. The lower limit of 4% reflects the lowest expectation for average cost of debt. The return should cover the cost of debt used to finance capital investment. The upper limit at 10% provides for a reasonable return for a public utility."

Line #		2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget
1	**Investments in Tangible Capital Assets**						
2	Gross Book Value - Non Contributed	215,235	245,855	274,950	343,873	322,357	373,680
3	Gross Book Value - Contributed	978,832	1,097,449	1,140,445	1,204,658	1,187,191	1,231,525
4	Gross Book Value - All Assets	1,194,067	1,343,304	1,415,395	1,548,531	1,509,548	1,605,205
5	Accumulated Depreciation - Non Contributed	(135,544)	(138,227)	(141,731)	(145,468)	(145,965)	(150,902)
6	Accumulated Depreciation - Contributed	(176,659)	(190,249)	(204,948)	(220,301)	(220,206)	(236,008)
7	Accumulated Depreciation - All Assets	(312,203)	(328,476)	(346,680)	(365,769)	(366,171)	(386,910)
8	Net Book Value - Non Contributed	79,691	107,628	133,219	198,405	176,392	222,778
9	Net Book Value - Contributed	802,173	907,200	935,496	984,357	966,985	995,517
10	Net Book Value - All Assets	881,864	1,014,828	1,068,715	1,182,762	1,143,377	1,218,295
11	**Non-Contributed Assets (Mid-Year)**	**68,239**	**93,660**	**120,424**	**177,439**	**154,805**	**199,585**
12	**Working Capital Requirement**						
13	Cash Expense before Transfers	13,580	14,772	17,085	20,181	18,249	22,417
14	**Minimum of 45 Days Operations**	**1,674**	**1,821**	**2,106**	**2,488**	**2,250**	**2,764**
15	Depreciation Expense - Non-Contributed	1,228	2,902	3,505	3,845	4,233	4,937
16	Principal Repayment	1,273	1,692	2,464	3,603	5,874	4,470
17	**Principal Shortfall**	45	-	-	-	1,641	
18	**Working Capital**	**1,674**	**1,821**	**2,106**	**2,488**	**609**	**2,764**
Rate Base (Mid-Year)		**69,913**	**95,481**	**122,530**	**179,927**	**155,415**	**202,349**

8.5.2 Return on Rate Base ($000's)

Line #		Reference	2012 Forecast	2013 Budget
1	Mid-Year Rate Base	**Schedule 8.5.1**	155,415	202,349
2	Rate of Return		8.8%	7.0%
3	**Return on Rate Base**		**13,689**	**14,164**

The Proposed 2013 Budget includes a Return on Rate Base of 7.0% which is the same as the 2012 Budget. This level of return is necessary to generate sufficient cash over the long term to allow the Utility to fund future capital investments through Retained Earnings. At this level, the Debt to Net Assets Ratio must still remain at 70% per year for the next four years before gradually reducing it towards the 60% target. It is projected that this target will be reached at the end of 2020.

8.6 Long Term Debt

Since Stormwater became a Utility, it has steadily increased its reliance on Long Term Debt to finance its capital investments. By the end of 2011, the Cash balance totaled $23.2 million and outstanding debt was $88 million.

Based on the current approved Capital Budget, the Utility plans to increase the annual amount of capital to be financed using Retained Earnings instead of debt financing. The Proposed 2013 Budget contains 32% cash financing of capital compared to 19% in the 2012 Budget. As the cash position is maintained through the Return on Rate Base, similar strategy will be used such that the targeted 60% Debt to Rate Base Ratio can be achieved in 2018.

8.6.1 Outstanding Long Term Debt ($000's)

Line #	Debenture #	2009 Actual	2010 Actual	2011 Actual	2012 Forecast	2013 Budget
1	13401A	2,613	2,535	2,452	2,364	2,271
2	13401B	1,068	1,037	1,004	970	934
3	13401C	24	23	22	21	21
4	13676A	2,492	2,420	2,344	2,264	2,179
5	13676B	23	22	21	21	20
6	13731A	556	455	348	238	121
7	13731B	207	176	144	110	75
8	13826A	1,189	1,155	1,119	1,081	1,042
9	13826B	945	921	897	871	844
10	14017A	575	489	399	306	208
11	14017B	237	207	176	143	110
12	14018A	3,297	3,201	3,101	2,997	2,887
13	14018B	945	921	897	871	844
14	14083A	323	275	224	172	117
15	14083B	542	474	403	328	251
16	14291A	965	843	717	585	447
17	14291B	281	251	220	187	153
18	14292A	1,235	1,201	1,165	1,128	1,089
19	14292B	495	484	473	462	449
20	14292C	-	-	5,066	4,932	4,794
21	14422A	3,076	3,010	2,940	2,866	2,789
22	14422B	990	969	947	923	899
23	14422C	44	43	42	41	40
24	14422D	-	6,000	5,855	5,705	5,548
25	14422E	-	-	3,750	3,651	3,548
26	14593A	6,557	6,395	6,225	6,047	5,861
27	14593B	6,489	6,349	6,202	6,046	5,883
28	14593C	3,266	3,197	3,124	3,047	2,966
29	14890A	245	240	234	228	222
30	14890B	1,900	1,858	1,814	1,769	1,721
31	15243A	12,018	11,753	11,477	11,187	10,884
32	15243B	-	2,000	1,952	1,902	1,849
33	15243C	-	14,520	14,186	13,837	13,474
34	15243D	-	-	4,238	4,126	4,010
35	15243E	-	-	1,334	1,299	1,262
36	15243F	-	-	700	681	662
37	AMHC Loan	2,391	1,904	1,801	-	-
	2012 Borrowing				40,491	39,375
	2013 Borrowing					40,992
	Total Outstanding	**54,986**	**75,327**	**88,012**	**123,897**	**160,842**

8.6.2 Principal Repayment ($000's)

Line #	Debenture #	2009 Actual	2010 Actual	2011 Actual	2012 Forecast	2013 Budget
1	13401A	74	78	83	88	93
2	13401B	29	31	33	34	36
3	13401C	1	1	1	1	1
4	13676A	68	72	76	80	84
5	13676B	1	1	1	1	1
6	13731A	97	101	106	111	116
7	13731B	30	31	32	34	35
8	13826A	33	34	36	38	39
9	13826B	22	23	24	26	27
10	14017A	82	86	90	94	98
11	14017B	29	30	31	32	34
12	14018A	91	95	100	105	109
13	14018B	22	23	24	26	27
14	14083A	46	48	50	53	55
15	14083B	66	68	71	74	77
16	14291A	117	122	127	132	137
17	14291B	29	30	31	33	34
18	14292A	33	34	36	37	39
19	14292B	5	11	11	12	12
20	14292C	-	-	-	134	138
21	14422A	63	66	70	74	78
22	14422B	10	21	22	23	25
23	14422C	-	1	1	1	1
24	14422D	-	-	145	151	157
25	14422E	-	-	-	99	102
26	14593A	155	162	170	178	187
27	14593B	133	140	147	155	164
28	14593C	34	70	73	77	81
29	14890A	5	5	6	6	6
30	14890B	-	42	44	46	48
31	15243A	-	265	277	290	303
32	15243B	-	-	48	50	52
33	15243C	-	-	334	349	364
34	15243D	-	-	-	112	116
35	15243E	-	-	-	35	36
36	15243F	-	-	-	19	19
37	AMHC Loan	-	519	164	1,801	-
	2012 Borrowing				1,267	1,117
	2013 Borrowing					422
	Total Principal Repaid	**1,273**	**2,211**	**2,464**	**5,874**	**4,470**

8.7 Total Expenditures by Program Area ($000's)

Planning	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget
Personnel	576	789	1,191	1,654	1,654	1,725
Materials, Goods & Supplies	2	6	51	163	163	164
External Services	551	720	790	995	995	1,127
Other Expenses	124	31	32	33	33	32
	1,253	**1,546**	**2,064**	**2,845**	**2,845**	**3,048**
Interdepartmental Charges/(Recoveries)	(85)	(46)	(117)	(277)	(277)	(310)
	1,168	**1,500**	**1,947**	**2,568**	**2,568**	**2,738**

Development Services	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget
Personnel	2,446	2,158	2,269	2,366	2,366	2,604
Materials, Goods & Supplies	254	298	134	3	3	188
External Services	252	477	399	498	498	528
Other Expenses	222	42	60	113	113	133
	3,174	**2,975**	**2,862**	**2,980**	**2,980**	**3,453**
Interdepartmental Charges/(Recoveries)	13	(21)	(69)	(373)	(373)	(483)
	3,187	**2,954**	**2,793**	**2,607**	**2,607**	**2,970**

Operations	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget
Personnel	834	1,118	2,070	4,585	4,285	5,152
Materials, Goods & Supplies	670	577	780	725	725	776
External Services	319	362	346	231	276	238
Fleet Services	739	398	450	790	790	721
Other Expenses	167	211	180	234	234	244
	2,729	**2,666**	**3,826**	**6,566**	**6,310**	**7,131**
Interdepartmental Charges/(Recoveries)	2,890	1,951	2,861	70	69	87
	5,619	**4,617**	**6,687**	**6,636**	**6,379**	**7,218**

Other Expenses	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget
Personnel	208	57	171	290	290	303
Materials, Goods & Supplies	15	11	33	37	37	38
External Services	42	9	92	143	143	212
Shared Services	926	2,030	1,362	1,874	1,874	2,359
Customer Billing Services	747	814	1,003	1,013	1,013	1,029
Other Expenses	102	134	47	62	62	65
Debt Interest	1,944	2,646	3,405	5,437	3,761	5,956
Net Depreciation	1,228	2,902	3,505	3,845	4,233	4,937
	5,212	**8,603**	**9,618**	**12,701**	**11,413**	**14,900**
Interdepartmental Charges/(Recoveries)	(378)	-	(455)	(486)	(485)	(471)
	4,834	**8,603**	**9,163**	**12,215**	**10,928**	**14,429**

Total Expenditures	**14,808**	**17,674**	**20,590**	**24,026**	**22,482**	**27,355**

8.8 Approved 3-Year Capital Budget and 2015-2021 Priorities Plan ($000's)

		Budget			Forecast							
	Major Project Class	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total 2012-2021**
Renewal & Upgrading	**Drainage Neighbourhood Renewal**	**18,942**	**25,709**	**30,557**	**46,603**	**41,292**	**32,790**	**40,307**	**46,594**	**52,007**	**53,679**	**388,481**
	Drainage Neighbourhood Renewal Coordination	18,413	25,159	29,988	37,728	28,987	16,812	20,396	22,468	23,433	21,107	244,491
	Sewer Upgrading	265	275	285	5,917	6,152	6,391	6,637	6,893	7,143	7,403	47,361
	Service Connection Renewal	265	275	285	2,958	6,152	9,587	13,274	17,233	21,430	25,169	96,629
	Drainage System Rehabilitation	**9,174**	**9,426**	**9,597**	**9,964**	**10,422**	**10,826**	**11,011**	**11,436**	**11,601**	**14,983**	**108,440**
	Creek Erosion Protection	529	550	570	592	1,230	1,278	1,327	1,379	1,429	4,442	13,326
	Structures Rehabilitation	2,032	2,112	2,188	2,272	2,362	2,454	2,549	2,647	2,743	2,843	24,202
	Sewer Rehabilitation	6,613	6,764	6,839	7,100	6,829	7,094	7,135	7,410	7,429	7,699	70,913
	Drainage Facilities Upgrading	**1,254**	**1,174**	**1,314**	**1,130**	**1,107**	**1,221**	**1,195**	**2,930**	**3,607**	**1,962**	**16,893**
	Flood Prevention	**5,014**	**6,142**	**9,232**	**3,920**	**7,278**	**3,544**	**5,678**	**8,799**	**6,109**	**1,190**	**56,907**
	Neighbourhood Flood Prevention Projects	466	174	2,616	602	6,289	2,516	4,611	7,691	4,960	-	29,925
	Opportunistic Flood Prevention Project	-	1,100	5,699	2,367	-	-	-	-	-	-	9,166
	Overland Drainage	851	884	916	951	989	1,028	1,067	1,108	1,149	1,190	10,135
	Morris Pond	3,697	3,984	-	-	-	-	-	-	-	-	7,681
Environmental	**Environmental Quality Enhancement**	**1,116**	**1,563**	**2,549**	**1,509**	**2,184**	**6,743**	**498**	**379**	**393**	**407**	**17,340**
	Environmental Enhancement Projects	1,116	1,178	2,093	917	954	352	365	379	393	407	8,153
	Mill Creek End of Pipe Treatment Facility	-	385	456	592	1,230	6,391	133	-	-	-	9,187
	Mill Creek Storm Improvements	-	-	-	-	-	-	-	-	-	-	-
	Environmental Monitoring											-
	Combined Sewer Overflow Strategy	**4,156**	**1,366**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,522**
Growth	**Sanitary Servicing Strategy**	**7,772**	**5,966**	**2,508**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,245**
	Drainage System Expansion	**6,725**	**13,827**	**3,784**	**4,639**	**4,085**	**5,011**	**4,407**	**5,404**	**4,743**	**5,804**	**48,914**
		54,153	**65,172**	**59,541**	**67,765**	**66,369**	**60,134**	**63,095**	**75,543**	**78,461**	**78,025**	**658,743**

Note #1: City Council approved the 2012-2014 Capital Budget as part of the 2012 Budget process.

Note #2: The 2012 Approved Capital Budget now includes approved carry forward amounts from 2011 ($0.1 million).

Note #3: The 2013 Budget includes a new budget adjustment request of $9.5 million for a new Stormwater project. Please see Section 9.1 for further details.

9.0 2012 – 2014 Capital Budget Update

The 2012 – 2014 Capital budget update summarizes how and where Drainage Services allocates resources to provide a balance between achieving City of Edmonton's strategic goals and priorities and reflecting the needs of the residents. It also outlines what has been or will be accomplished in 2012.

The 2012 – 2014 Capital Budget outlines an expenditure of $426 million over the three year cycle which has been allocated among the four programs listed below:

- Renewal and Upgrading Program
- Flood Prevention Program
- Environmental Program
- Growth Program (Developer Financed)

The 2012 projected expenditure is $142 million, with $284 million remaining over 2013 and 2014.

Renewal and Upgrading Program

The Renewal and Upgrading Program comprises of the following major project classes:

- Drainage Neighbourhood Renewal
- Drainage Systems Rehabilitation
- Drainage Facilities Upgrading

Currently to date, under the Drainage Neighbourhood Renewal class, 19 neighbourhoods have been completed since 2007. It is expected that by the end of 2012 that the entire annual budget ($37 million) will be spent resulting in the completion of another 12 neighbourhoods. Currently in 2012, $21 million (as of August 2012) has been spent.

About 12 neighbourhoods have been identified (please see table below) as part of the Drainage Neighbourhood Renewal Program for 2013 and 2014. Some of the neighbourhoods are coordinated with Transportation Services while others are identified as priorities by Drainage Services requiring only sewer renewal. The capital budget allocated for 2013 and 2014 is $110 million.

2013 and 2014 Drainage Neighbourhood Renewal Program (Planned)		
Calder Central McDougall Cromdale Homesteader	Lansdowne Lorelei McKernan Queen Alexandra	Rosslyn Spruce Avenue Strathcona Westmount

Flood Prevention Program

In 2006, a budget of $146 million was approved to upgrade and extend drainage systems in 31 neighbourhoods by 2020 as part of the Flood Prevention Program. Construction of projects has been completed in 12 neighbourhoods since the inception of the program. Construction of projects in another 10 neighbourhoods is scheduled to be completed by 2014. $1.8 million has been spent in 2012.

With the recent flooding in July 2012, the Flood Prevention Program will need to be expanded to include remedial measures to reduce flood risk in new areas affected. Detailed assessment work will be starting soon and when completed in 2013, an expanded program will be recommended to City Council for approval.

Environmental Program

The Environmental Program has a budget of $49 million (2012-2014) split between the Environmental Quality Enhancements ($11 million) and Combined Sewer Overflow Strategy ($38 million) groups.

Construction for the Mill Creek Opportunistic Sewer Separation Project started in September of 2012 with a 2012 budget of $2.7 million. This multi-year project is scheduled to be completed in 2014. In coordination with the Mature Neighbourhood Program, the Central McDougall Opportunistic Sewer Separation Project has been moved ahead to 2013 with project completion expected in 2015. Design work has commenced and is expected to be complete in 2013.

Construction of the main tunnel for WESS W12 is complete with $3.8 million spent in 2012. Construction of the RTC3 gate and other minor works amounting to $2.7 million are planned to be completed in 2013.

Growth Program

The Growth Program, which is developer financed, has a budget of $129 million (2012-2014) split between the Sanitary Servicing Strategy ($76 million) and Drainage System Expansion ($53 million) groups.

Construction for WESS W14 is currently underway with expected construction completion in 2013. Expenditures of $4 million of the 2012 budget of $13 million has been completed as of August 2012. Construction for the SE4a ($2.67 million) is currently underway with construction expected to be complete by the end of 2012.

9.1 Capital Budget Adjustment - Southeast Edmonton Stormwater Trunk at 41st Avenue SW Interchange (Business Case)

Drainage Services requires a capital budget adjustment for 2013 for the Southeast Edmonton Stormwater Trunk at 41st Avenue SW Interchange. For further details, please see the following attached business case.

Business Case
Southeast Edmonton Stormwater Trunk at 41st Avenue SW Interchange

September 19, 2012

Infrastructure Services
Drainage Services
Strategic Planning

Approvals	Name	Signature	Date
Branch Manager	Chris Ward	____________________	___/___/_____
Director	James Tan	____________________	___/___/_____
Program Manager	William Bailie	____________________	___/___/_____

1. **Executive Summary:**

This is a business case recommending Drainage Services paying for the design and construction (front ending) of a stormwater trunk in order to provide a catalyst for future development in south east Edmonton which will pay for the costs through the Permanent Area Contribution process. Alberta Transportation and City of Edmonton Transportation Services are planning to construct a highway interchange at Queen Elizabeth II Highway (QEII) and 41st Avenue SW (the south boundary of the City of Edmonton). Stormwater drainage for approximately 525ha of south east Edmonton (in particular the area bounded by 50 St SW, 41 Avenue SW, Queen Elizabeth II Highway and approximately 25 Avenue SW) must traverse the QEII at the planned interchange. This will require the installation of a storm trunk with capacity for the anticipated volume of stormwater resulting from development of the above mentioned area. By combining the design and construction of this storm trunk with the design and construction of the interchange (including the design and construction of the stormwater drainage for the interchange), it will be possible to create synergy between the two projects. In particular, the construction cost for the storm trunk will be a fraction of what it would be if construction is delayed until after the completion of the interchange.

2. **Program Scope:**

Project scope is to provide design and construction for the portion of the storm trunk needed to convey this drainage across the lands that are within the scope of the interchange design and construction project.

3. **Business Drivers**

3.1. Growth/Demand Implications

3.1.1. Construction of the interchange will spur development of southeast Edmonton. Installing this portion of the storm infrastructure now will prevent delays in development.

3.1.2. Approval of this business case will support an anticipated timeframe that would begin tender development in late 2012 and tender process along with the tender awarded in the first quarter of 2013. Substantial completion of construction is expected by the fourth quarter of 2013.

3.2. Changes to Policy

3.2.1. At the September 18, 2012 Transportation and Infrastructure Committee meeting, council asked administration to begin development of a policy to support an outcome of fostering commercial/industrial land development on a city wide basis.

3.3. Regulatory Drivers

3.3.1. Storm trunk will be designed and constructed in compliance with all applicable regulations and standards.

3.4. Operational Efficiencies

3.4.1. Combining construction of storm trunk with interchange construction will minimize disruption of traffic on QEII. It will be possible to install trunk crossings of highway traffic lanes by open cut rather than by tunneling for significant cost savings.

3.5. Safety Implications

3.5.1. Installing storm trunk at same time as interchange construction will be safer for construction crew. Storm trunk construction will take place in context of overall interchange construction traffic diversions/detours. A delayed construction schedule will create a requirement for safety protocols to address safety of working adjacent to high speed traffic on QEII and with traffic on 41 Ave SW where there is currently no traffic.

4. Business Benefits

4.1. Tangible Benefits

4.1.1. Constructing this storm water sewer is estimated to be 156% lower in cost than waiting until after the 41 Avenue SW interchange is complete. Utilizing primarily open cut methods, this project which will be substantially completed in 2013, is estimated to cost $9.5 million. When compared to an estimated $24.3 million cost of installing the sewer by trenchless methods after the road works, moving forward with the project now will save the developers of land in south east Edmonton about $14.8 million.

4.1.2. This storm trunk will facilitate development of the Ellerslie/Southeast Edmonton area. Installing the storm trunk in conjunction with the interchange will allow synergy between the two projects. Property development in this area will translate into new property tax and rate revenue for the City sooner.

4.2. Intangible Benefits

4.2.1. Having storm infrastructure already in place will make it easier for developers to proceed with storm management. This would be a particularly difficult portion of off-site works for developers to complete. While it will be recoverable from PAC charges, the PAC will be lower than if works are delayed until after completion of the interchange. Off-site works are typically more difficult for developers to undertake than on-site works.

5. Impacts and Challenges

5.1. Impacts

5.1.1. The impact of adopting Option 1 and adding the $9.5M to the capital budget will be an increase of $0.03 to both the 2013 and 2014 Stormwater Utility rate. This is planned to be recovered through future PAC.

5.1.2. All storm trunk construction will be on publicly owned lands (within the rights of way of QEII and 41st Ave SW).

5.2. Challenges

5.2.1. This project will require cooperation between City of Edmonton and Alberta Transportation, and will involve internal cooperation between City of Edmonton Drainage Services and City of Edmonton Transportation Services.

5.2.2. Approvals from regulatory agencies (primarily Alberta Environment and Sustainable Resource Development) will be required. Outfall into Blackmud Creek will require AESRD approval.

5.3. Key Risks

5.3.1. A key risk of not proceeding with the project in conjunction with interchange design and construction is the possibility of delays to future development of SE Edmonton as construction of the storm trunk across a fully functioning interchange will be needed, requiring disruption to traffic on QEII and

regulatory challenges from AESRD and AT. There will be additional challenges from crossing the existing CPR, utilities and pipeline rights of way that can be more easily addressed in conjunction with the interchange construction.

5.3.2. A key risk of proceeding is that the project is built and the recovery though the PAC process takes longer than expected or not at all.

6. Program Alternatives

6.1. Technical Solutions and Alternatives within the Program

6.1.1. Option 1: Construct Storm Sewer across interchange on proposed alignment in conjunction with interchange construction.

6.1.1.1. This option allows for construction synergies with interchange construction.

6.1.1.2. Estimated cost: $8.3M plus engineering fees for a total of $9.5M

6.1.2. Option 2: Construct a portion of Storm Sewer in conjunction with interchange bridge construction. Remaining portion of Storm Sewer to be completed when required by development in upstream storm basin.

6.1.2.1. This option allows for some synergy with interchange construction on east side of interchange, allowing installation of storm sewer under proposed bridge and ramp, as well as crossing of major underground utilities (Pembina gas pipeline, Keyera gas pipeline, EPCOR water main, South East Regional Trunk Sewer plus other utilities located within QEII Right of Way) as well as crossing of CPR line. Steel casings would be installed at crossing locations of QEII northbound and southbound lanes for future use. Remainder of construction, including storm sewer outfall into Blackmud Creek, would be delayed until require by development. In order to complete the works, the contractor will be required to mobilize and de-mobilize a second time, as well as establish traffic safety measures for working within the QEII Right of Way.

6.1.2.2. Estimated cost is approximately $6.9M for construction of phase 1 plus engineering fees for a total of $8.1M for phase 1. Phase 2 is estimated at $2.25M .It is anticipated that phase 1 would be constructed in 2013. Phase 2 would proceed when required by development in the upstream basin.

6.1.3. Option 3: Delay construction of Storm Sewer until required by development in upstream basin.

6.1.3.1. Under this option, the entire storm sewer would be installed by tunneling at a much greater cost than open cut construction.

6.1.3.2. Construction cost estimate is approximately $23.1M plus engineering fees for a total of approximately $24.3M

7. Financial Analysis and Assumptions

7.1. Program Costs

7.1.1. CH2M Hill has presented preliminary cost estimate for the preferred alignment option. The cost for this alignment option is approximately $8.3 million. Drainage Planning estimated the costs for Options 2 and 3.

7.1.2. Costs listed above do not include engineering design and project management fees which are estimated at $1.2 million (based on 15% of construction cost).

7.1.3. Contingency - cost estimates include a contingency of 20%.

7.1.4. Cost estimates will be refined in detailed design.

Option	Materials and Construction Cost	Engineering Fee & Contingency	Total
1: Install storm sewer in conjunction with interchange construction	$8,315,000	$1,200,000	$9,515,000
2a. Install only the steel casings for major crossings plus the storm sewer under the east side bridge and ramp	$6,915,000	$1,200,000	$8,115,000
2b. Install remainder of storm sewer including open cut trench across QEII RoW plus outfall into Blackmud Creek	$2,245,000	n/a (covered in 2a)	$2,245,000
Total cost option 2:			$10,360,000
3. Install storm sewer after completion of interchange. Entirety of works by tunneling.	$23,152,000	$1,200,000	$24,352,000

7.2. Financing Alternatives

7.2.1. Design costs to be covered by Transportation Services. Construction costs to be front-ended by City of Edmonton and recovered from developers through PAC.

7.3. Financial Assumptions Used

7.3.1. Cost estimates are based on 2012 prices, compiled from vendor quotes for materials and equipment and CH2M Hill historical database.

7.3.2. Estimates include surveying and construction.

8. Proposed Schedule

Works are proposed to be completed in conjunction with interchange construction in 2013-2015.

9. Resource Requirements

9.1. Internal

9.1.1. None identified

9.2. External

9.2.1. CH2M Hill is the design consultant for the interchange. Their scope of work will be amended to include design of the storm trunk.

9.2.2. Construction of the storm trunk will be added to the tender package for the interchange and will be the responsibility of the successful contractor.

10. Recommendation

Proceed with Option 1. The estimated cost of this option is the most favourable of the three options reviewed.