



Utilities Indicative Rates – Revised for 2017 and 2018

C2016-0688
2016 September 19

C2016-0688
ATTACHMENT 3

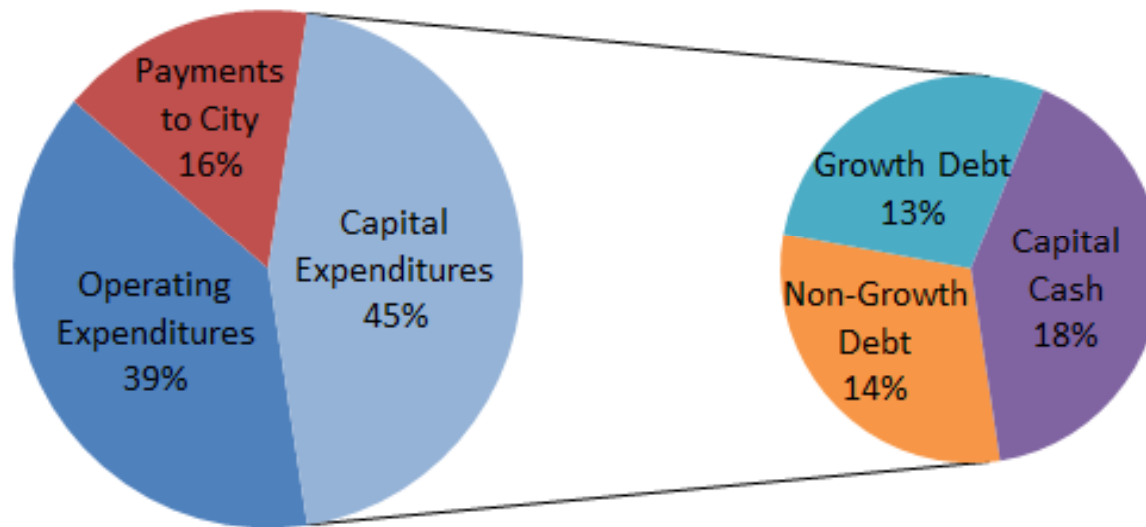


Utilities – context

- Self supported
- Capital intensive
- Financial policies
- Rates for 2015-2018 approved through Action Plan







Water and Wastewater (Utilities) 2015 Expenditures



Total budget = \$591M



Four Investment Drivers

	Maintain Assets 15-20%	Maintaining, protecting and extending the life of infrastructure investments.
	Regulatory and Environmental Protection 15-20%	Continuing to meet increasingly stringent regulatory and environmental protection requirements.
	Service 25-30%	Continuing to provide reliable and high quality services to meet the needs of citizens.
	Growth 35-40%	Providing infrastructure to meet the needs of a growing Calgary.

Outcome Focused



2015-2018 Action Plan

Utility rate increases approved in 2014

				Financial Policy			Estimated total 2015 - 2018
	Increased operating costs	Increased capital program	Franchise fee	100% cash financing & 10% reserves	Debt limit / Debt servicing limit	60/40 Debt / equity	
Budget requirement	\$29M	\$100M	10% of revenues	Compliance by 2018	\$2B max 40% max	Compliance by 2018	8.3%
Estimated rate impact	2.0%	1.6%	0.8%	1.5%	2.4%	0%	

Estimated 2019 – 2022 utility rate increases were 2.0 – 3.0%



2M2016 Off-Site Levy Bylaw

- 100% recovery for growth related investments and a new forecast of infrastructure requirements
- Will have a downward pressure on rates in 2019 - 2022

OSL Rev Projection	2016	2017	2018	2019+
Previous SDA	\$45M	\$47M	\$49M	
Current SDA	\$108M	\$85M	\$94M	~\$125M/yr

Risks: *There is uncertainty in OSL revenue if forecasted growth does not materialize due to economic conditions*
Currently projecting \$15.1M unfavourable for 2016



Utility Rates - Guiding Principles

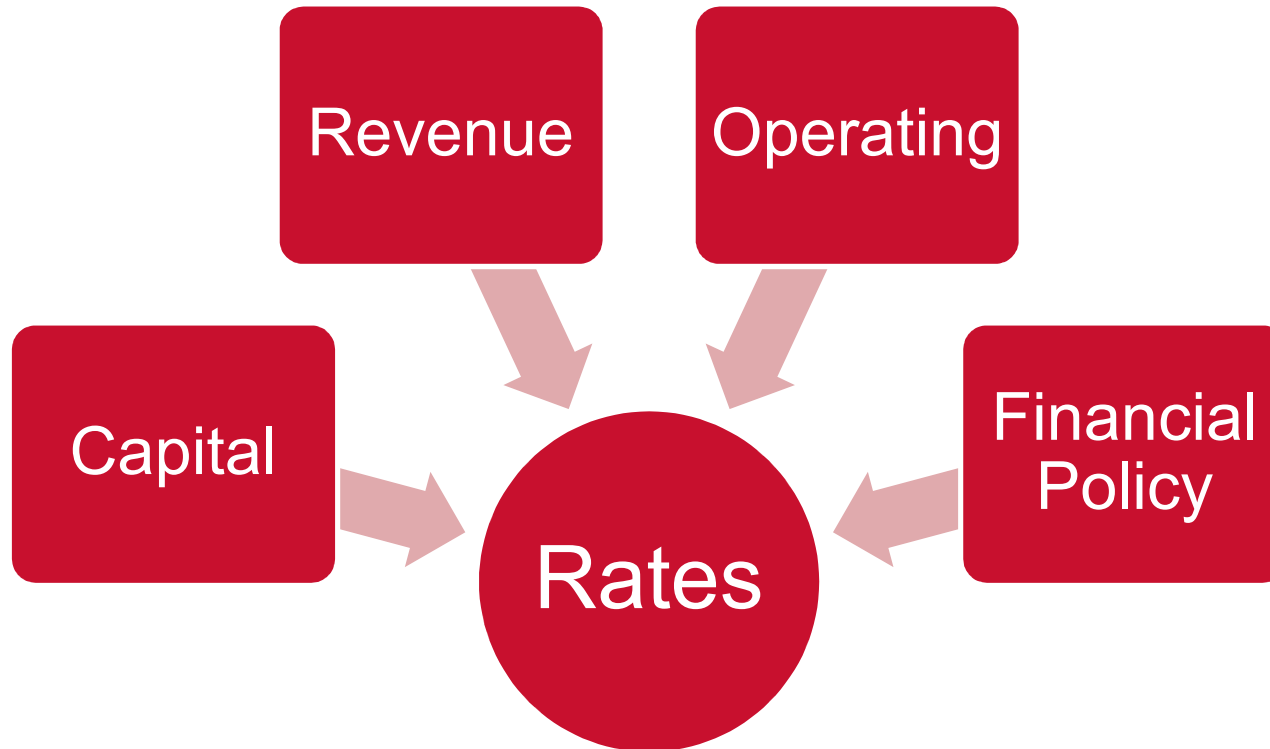
Financial
Sustainability

Fairness and
Equity to
Customers

Water
Resource
Management



Levers to manage utility rates





Implications of 2% reduction in Utilities operating expenditures

Efficiencies

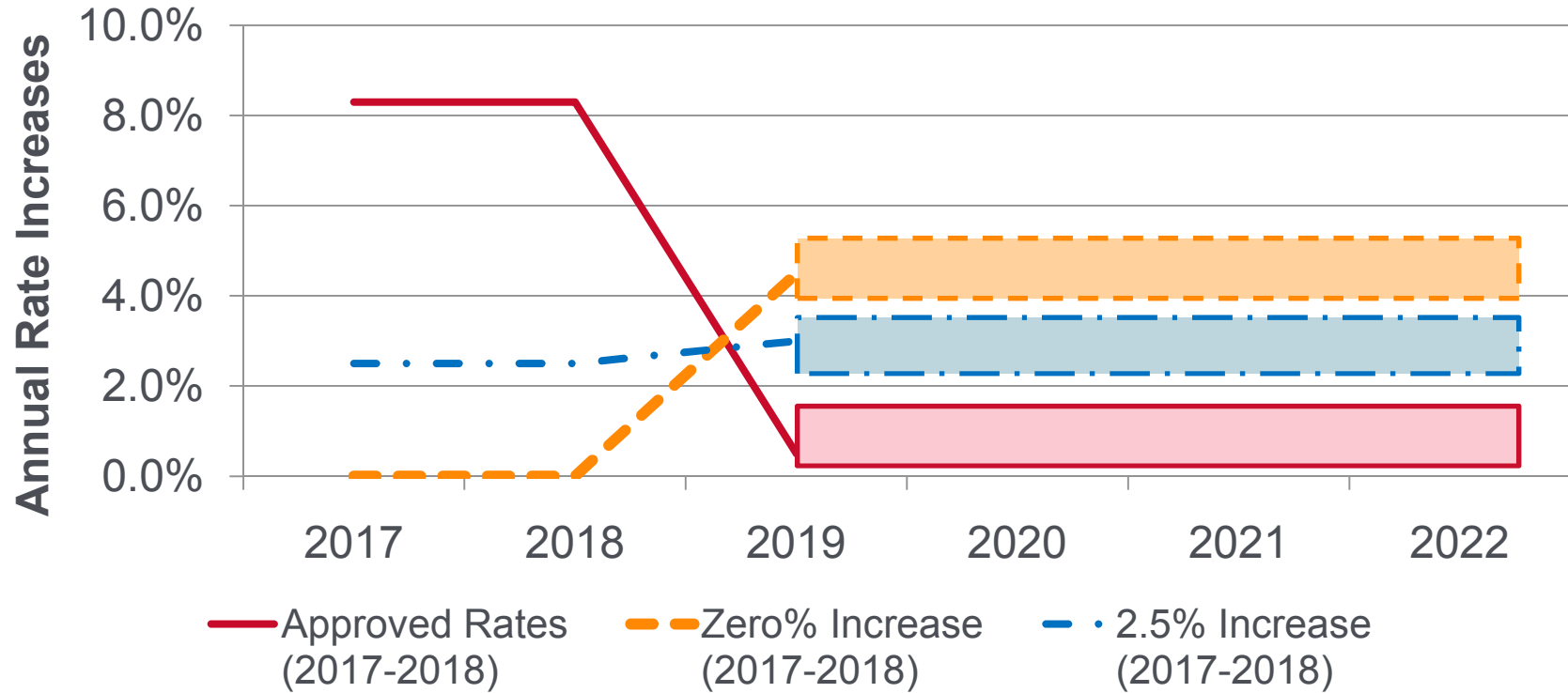
- Advance energy management
- Ongoing optimization of fleet
- Savings due to lower growth rates

Service Reductions

- Implementation of ZBR recommendations
- Deferred updates to Industry guidance documents



Options for utility rate increases





Varying Utility Rate Increases 2017 and 2018

2017 and 2018 Increase	Operating Budget	Capital Priorities	Cash for Capital Maint.	Max Debt \$B	Max Debt Service %	10% of Revenue Reserve Balance	Rate increase 2019-22
8.3% Action Plan Approved	100%	100%	100%	\$1.907 (2020)	25.7%	2018	0 to 1%
Zero %	98% of Action Plan	100%	100%	\$1.975 (2021)	26.3%	2022	4 to 5%
2.5%	98% of Action Plan	100%	100%	\$1.919 (2020)	26.1%	2022	2.5 to 3.5%



Customer Implications

**Annual customer savings,
relative to Action Plan approved rates**

Typical monthly bill (residential metered)

	2017	2018
Zero % Scenario	\$100	\$209
2.5% Scenario	\$70	\$148



Policy Implications – Utilities and Corporation

Utilities

- Marginal impact but still compliant with \$2.0 billion debt limit in 2019 – 2022
- Maintain Debt Service to Revenue ratio of <40%
- 10% Sustainment Reserve achieved by 2022

Corporation

- Manageable within Corporation's debt and debt servicing limits
- Reduced franchise fees in 2017-2018



Franchise Fee Impact

2017 and 2018 increase	2017 \$M	2018 \$M	Less than Approved \$M (2017)	Less than Approved \$M (2018)	Less than Approved \$M (2017-18)
8.3% (Action Plan Approved)	63.1	68.4	0	0	0
Zero % Scenario	58.2	58.2	(4.9)	(10.2)	(15.1)
2.5% Scenario	59.7	61.2	(3.4)	(7.2)	(10.6)

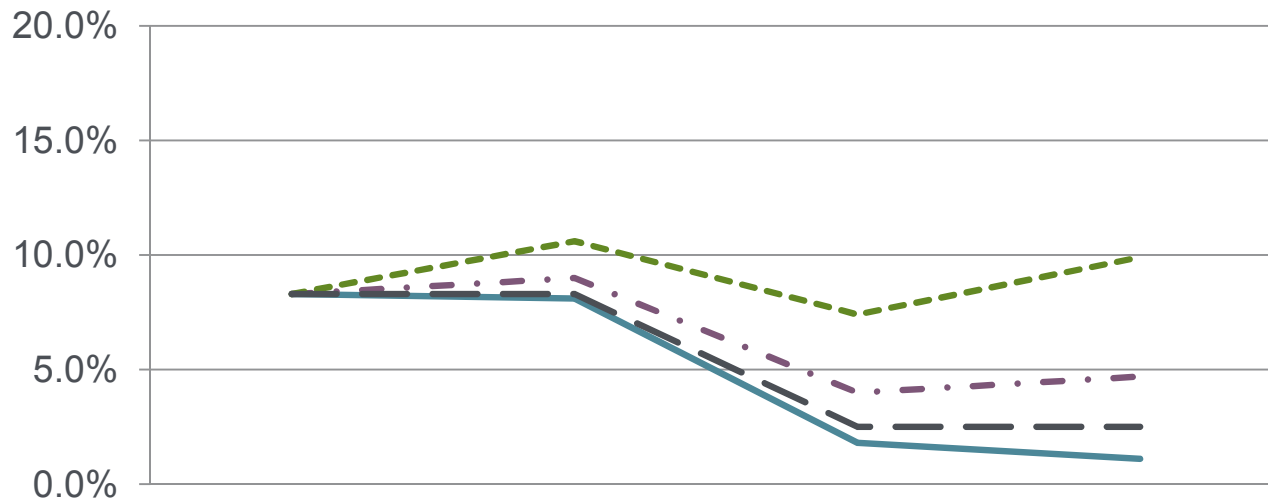


Recommended Water/Wastewater Rate Increases

	2017	2018
Blended	2.5%	2.5%
Water	0%	0%
Wastewater	5.1%	4.9%



Blended Water and Wastewater Rate Increases By Customer Class - Revised for 2017 and 2018



	2015	2016	2017	2018
Residential Metered	8.3%	8.1%	1.8%	1.1%
General Service Regular	8.3%	9.0%	4.0%	4.7%
General Service Large	8.3%	10.6%	7.4%	9.9%
Indicative Rate	8.3%	8.3%	2.5%	2.5%





Recommendations

That Council direct Administration to:

- Present an operating budget adjustment for 2017 and 2018 and related bylaw amendments based on the reduced utility rate increases in Attachment 2 as part of Mid Cycle Adjustments; and
- Report back in Q1 2017 with revisions to Utilities Financial Plan that integrate utility industry best practice and the change to the timeframe of building the sustainment reserve balance.