

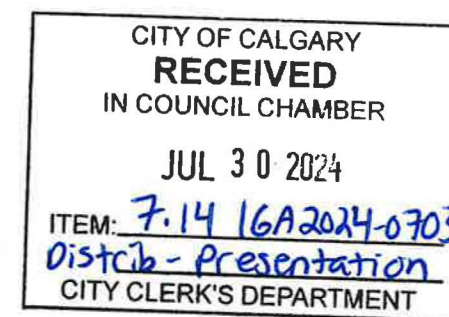
Calgary



Regional Utility Servicing Rates Setting

Intergovernmental Affairs Committee – Verbal Report

2024 July 18 Public Version





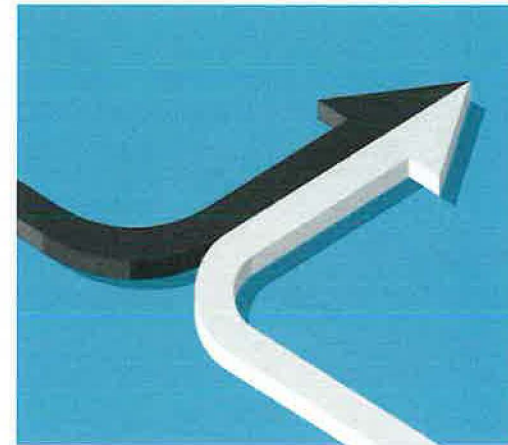
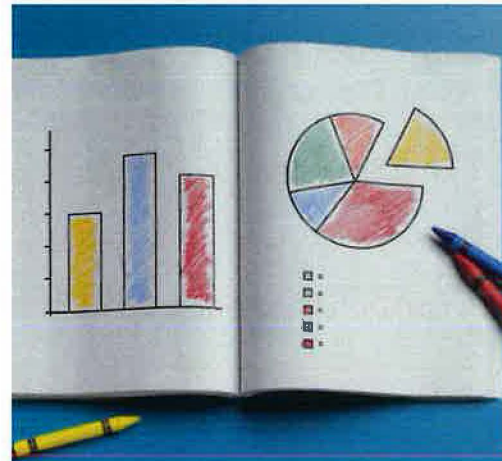
Regional Utility Services Rate Setting

✓ Policy direction



✓ Council approval

✓ Cost of Service study



✓ Alberta Utilities Commission oversight

Q1: Do regional rates achieve 100% cost recovery? What might be missing?

- Yes, all costs allocated to Regional Customers for services provided, are recovered through the rates
- Rates are set looking forward based on cost and demand projections
- The rates recover the regional share of existing and planned fixed assets
- 'Return on rate base' covers annual debt interest and a return on equity
- Charges are adjusted annually through an annual 'true up' process

Q2: Why can't we build 'economic benefit' into regional utility rates?

- Regional rates are subject to oversight by the Alberta Utilities Commission in accordance with legislation
- The Alberta Utilities Commission has historically ensured that rates are consistent for customers and are not unreasonably discriminatory

Q3: How is regional growth factored into long range infrastructure planning?

- Regional growth projections are considered in The City's long range capital infrastructure processes and plans
- Any new regional service request is assessed to understand its impacts on The City's current and planned utility system
- City provides servicing to a boundary location – infrastructure beyond that boundary is owned, operated and paid for by the Regional Customer

Q4: Who pays for regional growth accelerating plant or linear infrastructure investment?

- The cost of future plant expansions or pipe extensions is covered by the Off-site Levy for growth within Calgary and by the regional rates for the Regional Customers
- To date, we have not accelerated growth infrastructure solely for Regional Customers
- Regional rates achieve full cost recovery over time; regional cost recovery extends beyond The City's debt payments on the initial investment



Q5: Is Calgary enabling industrial growth from which it receives no benefit?

- No - by supporting development that is consistent with the regional growth plan The City's interests are captured
- The Calgary Metropolitan Region Board (CMRB) Growth and Servicing Plans encourage regional collaboration on matters of economic development and servicing solutions
- Servicing decisions follow Council's Regional Servicing Policy which was updated to focus servicing in preferred and regionally significant growth areas
- City Council decides when and where utility servicing is provided by Calgary



Q6: Can Calgary's Master Servicing Agreements (MSAs) and regional rates support new economic collaborations?

- MSAs can enable new economic collaborations but the shared benefits are pursued through other tools
- Benefit may be achieved through 'shared investment, shared servicing, shared benefit' framework, not through regional utility rates
- If opportunity relates to a specific customer or development, rates might be customized to ensure appropriate cost recovery

Q7: How might drought and the water main break change how we provide regional service?

- Still to be fully answered
- Policy and precedent support new regional service securing water license
- Prior to main break, series of phased infrastructure planned to improve overall system reliability and redundancy while also supporting growth in Calgary and the region; implementation has started with the first project (North Calgary Water Servicing)
- During the main break, water outage clauses in MSAs set expectations and responsibilities for proportional reductions - regional water customers achieved similar, sometimes better, water reductions
- Post main break actions will impact inside city and regional rates
- Calgary is committed to providing service for the duration of existing MSAs