

June 8, 2023

Name
Address
Address

Re: Notice of application to be filed for approval of water and wastewater franchise agreement between Properties of Northern Bear Inc. and Strathcona County

Dear Property Owner,

Strathcona County is expecting to file an application with the Alberta Utilities Commission (AUC) for approval of an exclusive water and wastewater franchise agreement with Properties of Northern Bear Inc. (PNB). The franchise agreement and the associated bylaw are expected to be considered by Strathcona County Council at the July 4, 2023 Council meeting. The draft franchise agreement is available for inspection at Strathcona County Legislative and Legal Services, 3rd Floor North Wing, Community Centre, 401 Festival Lane in Sherwood Park, Alberta. It can also be accessed online as of June 15, from the Utilities department webpage at strathcona.ca/utilities.

Strathcona County will be submitting the application for approval of the franchise agreement to the AUC pursuant to Section 45(3) of the *Municipal Government Act*. The agreement will grant PNB the exclusive right to deliver water and wastewater services in Northern Bear (refer to attached figure). The proposed term of the agreement is 20 years. Franchise agreements typically include a fee payable to the municipality; the franchise fee payable to Strathcona County is zero in the draft agreement until the end of 2027, at which point Council would have the opportunity to review and potentially implement a franchise fee as part of their annual updates to the Fees, Rates and Charges Bylaw.

Please note that while there is no franchise fee considered in the franchise agreement, the County will begin charging PNB a \$40 per connected lot capital recovery fee as part of the terms of the new Water Supply Agreement

to recover the costs the County incurred in 2012 to install the waterline that serves Northern Bear.

The AUC, the independent utilities regulator, will consider the franchise agreement application to ensure that the delivery of Northern Bear's utility service takes place in a manner that is fair, responsible and in the public's interest.

If you feel you may be affected by this application, you can provide written comment to Strathcona County. Objections, concerns about, or support for the application may be registered with Strathcona County on or before June 30, 2023 by:

- 1) sending an email to scutilities@strathcona.ca, please include the following in the subject line: PNB Franchise Agreement Comments; or
- 2) sending a letter to:

Strathcona County Utilities
2001 Sherwood Drive,
Sherwood Park, AB T8A 3W7

Only written submissions in one of the two methods described above will be accepted. The County will prepare a written response to each written comment received in the same method it was submitted. Unless you request otherwise, your submission and the County's response will be included as part of the County's application to the AUC.

The Alberta Utilities Commission is an independent, quasi-judicial regulatory body responsible for making decisions about utility-related applications. For more information about the AUC or its approval process associated with franchise applications, please contact the AUC directly at 310-4AUC or at info@auc.ab.ca.

Sincerely,

Jason Casault
Director, Utilities

Attachments: Figure 1: Proposed Franchise Area
Background Information / Q&A

Figure 1: Proposed Franchise Area



Background – Strathcona County application for water franchise agreement with Properties of Northern Bear Inc.

Why is Strathcona County applying for a water and wastewater franchise agreement for Northern Bear?

Over the years, property owners have brought forward concerns to Strathcona County around the utility operations, as well as rates and fees, in Northern Bear.

A franchise agreement formalizes the County's requirements and establishes the terms and conditions of service for the utility provider to help ensure the residents and commercial enterprises in Northern Bear have reliable utility service.

As part of the process for the franchise agreement, Properties of Northern Bear Inc. (PNB) will be required to obtain rate approval from the Alberta Utilities Commission (AUC). The AUC is the regulatory authority for investor-owned water utilities; when making rate decisions, the AUC looks to maintain balance between the interests of the utility provider and its customers. Future rate increases would also be subject to review and approval by the AUC and/or the County to ensure rates are justified.

An exclusive franchise agreement also provides long-term certainty with respect to water and wastewater utility servicing in Northern Bear for the utility operator. By providing exclusive rights to PNB to provide utility services to the properties, PNB will have the certainty it needs to make informed business decisions and incorporate growth and renewal projects as required so that utility service is maintained in accordance with the terms and conditions of service.

Why does the County not provide water and wastewater utility service for Northern Bear?

Northern Bear is a private property development in a remote area of the County. Water and wastewater utility service for the golf resort and residential areas was always intended to be provided by a private water and wastewater utility provider. The levels of water service provided in Northern Bear, which includes full pressure water, are typical of those found in urban areas such as Sherwood Park.

The utility infrastructure in Northern Bear has always been privately owned. All water and wastewater infrastructure within the proposed franchise area (see attached figure) is privately owned by PNB.

Strathcona County previously applied for a water franchise agreement. What has changed this time?

When the AUC approved the long-term water supply agreement between Strathcona County and PNB in 2016, it denied the franchise agreement between Strathcona County and PNB in the same decision. In its decision, the AUC indicated it would be prepared to consider a revised franchise agreement once PNB had submitted and received approval for its rate application, but no rate application has ever been submitted. The County is expecting to submit the franchise agreement to the AUC for approval once PNB has submitted its rate application to the AUC, which is anticipated to be submitted in the next few months.

What is the estimated rate structure?

PNB currently charges \$20 as a single fixed fee and \$10/m³ as consumption charges. PNB is estimating a new rate structure of approximately \$75 and \$10 fixed monthly water and wastewater fees, respectively, and approximately \$4.25/m³ for consumption charges for water only. Please note the estimated rates presented here for PNB's fixed and consumption charges are not finalized and may ultimately be revised prior to PNB's submission of its rate application to the AUC.

Current and estimated residential sample bill - Northern Bear

Charge*	Current Northern Bear (with 14.5 m³ use)	Estimated Northern Bear (with 14.5 m³ use)
PNB – Water & WW Fixed	\$20.00	\$85.00
PNB – Consumption	\$145.00	\$61.63
PNB – Capital Recovery	-	\$40.00
SC – WW Treatment	\$16.96	\$16.96
SC – Waste Collection	\$27.25	\$27.25
TOTAL	\$209.21	\$230.84

*PNB = charged on PNB bill, SC = charged on Strathcona County bill

Why are utility rates higher in Northern Bear than other areas of the County?

In Strathcona County, the costs of providing utility services are borne by the user. There is significant additional infrastructure required (e.g., local reservoir and pumphouse) to offer urban levels of service in a remote area of the County and a relatively small customer base responsible for bearing

the costs associated with that infrastructure and operation of the water and wastewater systems.

Strathcona County is aware that Northern Bear residents pay higher overall utility rates than residents in other areas of the County, and that this is primarily due to significantly higher water rates. The AUC will determine whether the water rates PNB ultimately submits for approval are justified.

The County will continue to charge residents of Northern Bear the same rates as other Country Residential areas for wastewater treatment (via lagoon) and solid waste collection, which are services not provided by PNB.

What is the capital recovery fee?

The capital recovery fee recovers costs for the waterline extension to Northern Bear.

Prior to 2012, water was commercially hauled by truck to the PNB reservoir. In 2010, the utility operator at the time approached the County about the potential to extend the water line that had recently been constructed to South Cooking Lake. In 2011, Council approved the construction of an extension to Northern Bear under the provision that the Northern Bear properties benefitting from the extension would ultimately be responsible for payment. As presented to Council of the day, PNB had agreed that each connected service in Northern Bear would pay \$40 per month to pay for the waterline extension.

This \$40 per month charge has never been collected as the fee was to start once the franchise agreement had been approved, which it never was.

Residents of Northern Bear and the golf course have been benefitting from the waterline extension, completed in 2012, for more than a decade. The waterline ultimately cost \$735K, including \$470K of debt. The \$40 fee has been incorporated into the updated Water Supply Agreement that the County and PNB have just renewed and will come into effect either the earlier of the AUC approval of the franchise agreement or January 1, 2024.

How is my utility service going to change? Will utility service be interrupted?

While there are several requirements of the utility provider in the franchise agreement, residents should not experience any interruption or noticeable difference to their water and wastewater utility services, which have been provided by a private utility operator since Northern Bear's inception.