





➤ Administrative Report ➤ Budget and Capital Updates	
Audit Plan	Paul K
Draft Air Products Tri-party Servicing Agreement CLOSED SESSION	Kate P
Borrowing Debenture	Paul K
Fort Saskatchewan Sherritt Billing	Kate P
Notices of Motion ➤ Councillor Parks email ➤ Other	All
Round Table	All
Closing Remarks/Adjournment	Ken M



ARROW UTILITIES

# Meeting Minutes November 24, 2023 Organizational Meeting

<b>Date:</b>	November 24, 2023	
<b>Time:</b>	09:00 a.m.	
<b>Location:</b>	ARROW Utilities – Kisiskaciwan	
<b>Attendees:</b>	Ken Mackay – Chair Gordon Harris – Vice-Chair Steven vanNieuwkerk Bill Hamilton Stuart Houston Rick Smith Kristina Kowalski Robert Parks-Virtual Attendance Neal Comeau-Virtual Attendance Lynn Bidney Willis Kozak Stephen Dafoe William Choy	City of St. Albert City of Fort Saskatchewan City of Beaumont City of Leduc City of Spruce Grove Leduc County Parkland County Strathcona County Sturgeon County Town of Bon Accord Town of Gibbons Town of Morinville Town of Stony Plain
<b>Staff Attendees</b>	Kate Polkovsky Cindy de Bruijn Paul Krueger Jay Mason Dwayne Cikaluk Ron Calpito Colleen Moody	Chief Executive Officer Director of Communications Director of Corporate Services Director of Engineering Director of Operations Source Control Supervisor Executive Assistant

Subject	Motion / Recommendation	
Call to Order	Chair Ken Mackay called the meeting to order at 09:00 a.m.	
Adoption of Agenda	CM53-23 MOVED BY Kristina Kowalski THAT the agenda as distributed be adopted	APPROVED UNANIMOUSLY
Election of Chairperson	CEO Kate Polkovsky called for nominations for the position of Chairperson for the ARROW Utilities Board.	

MEMBER MUNICIPALITIES

CITY OF BEAUMONT

CITY OF LEDUC

CITY OF FORT SASKATCHEWAN

CITY OF SPRUCE GROVE

CITY OF ST. ALBERT

TOWN OF BON ACCORD

TOWN OF GIBBONS

TOWN OF MORINVILLE

TOWN OF STONY PLAIN

LEDUC COUNTY

PARKLAND COUNTY

STRATHCONA COUNTY

STURGEON COUNTY





	<p>Rick Smith nominated Ken Mackay for the position of Chairperson of the ARROW Utilities Board.</p> <p>Kate Polkovsky called three more times for further nominations.</p> <p>CM54-23 MOVED BY Lynn Bidney THAT the nominations for Chairperson cease.</p> <p>Ken Mackay was acclaimed as Chairperson of the ARROW Utilities Board.</p>	
<p>Election of Vice Chairperson</p>	<p>Chair Ken Mackay called for nominations for the position of the Vice-Chairperson of the ARROW Utilities Board.</p> <p>Kristina Kowalski nominated Gordon Harris for Vice-Chairperson.</p> <p>Robert Parks nominated William Choy for Vice-Chairperson.</p> <p>Chair Ken Mackay called three more times for further nominations.</p> <p>CM55-23 MOVED BY Chair Ken Mackay THAT the ballots from the election of Vice-Chairperson cease.</p> <p>Ballots were distributed. Bill Hamilton, Steven vanNieuwkerk &amp; Cindy de Bruijn were appointed as scrutineers of the ballots.</p>	



	<p>Gordon Harris was elected Vice-Chairperson of the ARROW Utilities Board.</p> <p>CM56-23 MOVED BY Stephen Dafoe THAT the ballots from the election for Chair's position be destroyed.</p>	
ARROW Utilities' Committees	<p>THAT an Ad Hoc Committee be established to include the Chair, Vice-Chair and Board Members, as volunteered to examine, and bring forward a Terms of Reference of all Committees to be presented at the January 2024 meeting.</p>	APPROVED UNANIMOUSLY
2024 Board Meeting Dates	<p>CM57-23 MOVED BY Bill Hamilton THAT the Board approve the dates as amended for the 2024 Board meetings.</p> <p>January 26, 2024 March 22, 2024 May 15-17, 2024 (Board Workshop) June 14, 2024 September 13, 2024 November 15, 2024 (Organizational Meeting).</p>	APPROVED UNANIMOUSLY
Adoption of September 15, 2023, meeting minutes	<p>CM58-23 MOVED BY William Choy THAT the minutes of the September 15, 2023, meeting as presented be adopted.</p>	APPROVED UNANIMOUSLY
Adoption of November 10, 2023, special meeting minutes	<p>CM59-23 MOVED BY Willis Kozak THAT the minutes of the November 10, 2023, special meeting as presented be adopted.</p>	APPROVED UNANIMOUSLY



Administrative Reports	CM60-23 MOVED BY Steven vanNieuwkerk THAT the administrative Reports be received as information.	APPROVED UNANIMOUSLY
Closed Session	CM61-23 MOVED BY Gordon Harris THAT the Board move into closed session.  CM62-23 MOVED BY Willis Kozak THAT the Board come out of closed Session.  CM63-23 MOVED BY Bill Hamilton THAT the closed session report be received as information.	APPROVED UNANIMOUSLY  APPROVED UNANIMOUSLY  APPROVED UNANIMOUSLY
2024 Budget	CM64-23 MOVED BY Gordon Harris That the 2024 Operating budget of \$36.477 million be approved. SECONDED BY Bill Hamilton  CM65-23 MOVED BY Steven vanNieuwkerk That the 2024 Capital Budget of 84.55 million be approved. SECONDED BY Willis Kozak  CM66-23 MOVED BY William Choy That the flow rate be set at \$1.85 cubic metre effective January 1, 2024, for an attributed revenue of \$64.9M. SECONDED BY Rick Smit  CM67-23 MOVED BY Kritina Kowalski That effective January 1, 2024, the following Load Based rates be set at:	APPROVED UNANIMOUSLY  APPROVED UNANIMOUSLY  APPROVED UNANIMOUSLY  APPROVED UNANIMOUSLY



	<ul style="list-style-type: none"><li>• \$0.4756/kg for Chemical Oxygen Demand (COD) and Biological Oxygen Demand (BOD)</li><li>• \$0.3783/kg for Total Suspended Solids (TSS)</li><li>• \$0.3281/kg for Oil and Grease (O&amp;G)</li><li>• \$2.0630/kg for Total Kjeldahl Nitrogen (TKN)</li><li>• \$15.1885/kg for Total Phosphorus (TP)</li></ul> SECONDED BY Willis Kozak	
Closing Remarks/Adjournment	Chair Ken Mackay adjourned the meeting 01:24 p.m.	
<b>Next Meeting</b>	January 26, 2024.	

UNADOPTED



**Meeting Date January 26, 2024**  
**Committee Terms of References**

<b>Purpose of Report</b>	To present the updated committee Terms of Reference that the Ad Hoc Committee worked to develop with Administration.
<b>Attachments</b>	Terms of Reference: Advocacy and Awareness Committee Terms of Reference: Development Committee Terms of Reference: Finance Committee Terms of Reference: Governance and HR Committee
<b>Alignment to Board’s Strategic Plan</b>	Responsible leadership - provide opportunities for board development Responsible leadership - keep utility rates reasonable and predictable for member municipalities Responsible leadership - engage with the broader community to increase the awareness of the commission and its work
<b>Alignment to ESG Principles</b>	Governance - promotes transparency and accountability Governance - ensures effective policy and financial oversight Social - improves service delivery and community relations
<b>Background and Discussion</b>	<p>During the November 2023 Board meeting an Ad Hoc Committee was established to work with Administration in the creation of new Terms of References for four committees.</p> <p>Historically ARROW had three Board Committees: the Advocacy Committee, the Workshop Committee, and the Performance Management Committee.</p> <p>The Ad Hoc Committee supported the recommendation of four Board Committees: The Advocacy and Awareness Committee, the Development Committee, the Finance Committee and the Governance and HR Committee.</p> <p><b><i>Advocacy and Awareness Committee</i></b></p>

**Author/Title:** Kate Polkovsky, CEO  
**Approved by:** Kate Polkovsky, CEO

	<p>The committee provides strategic leadership and advice to the Board regarding targeted advocacy efforts, and continued regional, provincial, and federal profile awareness.</p> <p><b>Board Development Committee</b> The committee oversees and advises the annual educational development of the Board and the planned annual workshop. The committee will coordinate all reporting back presentations to facilitate knowledge sharing of Board members who attended conferences and/or learning opportunities.</p> <p><b>Audit and Finance Committee</b> The committee provides strategic leadership and advice to the Board regarding its financial oversight compliance, financial risk management, external reporting, and internal control policies and practices.</p> <p><b>Governance and Human Resource Committee</b> The committee oversees the effectiveness of the governing system including the Board’s role in managing its sole employee, the CEO. The committee provides advice to the CEO and the Board regarding all matters related to the governance of the organization and ensures governance practices and processes add value to ARROW Utilities.</p>
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<b>Recommendation</b>	<p>THAT the Terms of Reference for the Advocacy and Awareness Committee are approved.</p> <p>THAT the Terms of Reference for the Board Development Committee are approved.</p> <p>THAT the Terms of Reference for the Audit and Finance Committee are approved.</p> <p>THAT the Terms of Reference for the Governance and Human Resource Committee are approved.</p>
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**Implications of recommendation(s):**

<b>Financial</b>	N/A
<b>Legal / Risk</b>	N/A
<b>Environmental / Safety</b>	N/A
<b>Organizational impacts</b>	The impact to staff resources in supporting the work of these new committees will need to be monitored and evaluated.
<b>External impacts</b>	N/A

**Author/Title:** Kate Polkovsky, CEO  
**Approved by:** Kate Polkovsky, CEO





## MEMBERSHIP

The Committee shall be composed of 3-5 Board Members.

The Board Chairperson and the CEO shall be ex-officio members of the Committee (non-voting).

The Board shall appoint membership to the Committee at the annual organizational meeting.

The Committee shall elect a Chairperson from among its members at its first Committee meeting.

## QUORUM

A majority of appointed committee members (50 per cent plus one) shall constitute a quorum, represented in person or other means that permits participation.

## VOTING

The Committee will work towards consensus.

Each Committee member will have one vote.

Motions require a simple majority of members in attendance to support and pass a motion (50 per cent plus one).

In the event of a tie, the motion is defeated.

## MEETINGS

The Committee will meet a minimum of three (3) times per year and may meet more frequently in the execution of its duties and responsibilities.

Additional meetings outside of its normal schedule may be called to address specific items and are at the discretion of the Chairperson of the Committee.

Reasonable notice shall be provided, preferably seven (7) days notice by email.

The schedule of meetings shall be determined based on the timelines and outputs (or deliverables) of the Committee.

Meetings are public and subject to FOIP.





the Committee Chairperson will provide a verbal report to the Board and the minutes will be circulated at the next Board meeting.

## MEMBERSHIP

The Committee shall be composed of 3-5 Board Members.

The CEO and Board Chairperson shall be ex-officio members of the Committee (non-voting).

The Board shall appoint membership to the Committee at the annual organizational meeting.

## QUORUM

The Committee shall elect a Chairperson from among its members at its first Committee meeting.

A majority of appointed committee members (50 percent plus one) shall constitute a quorum, represented in person or by other means that permits participation by the Committee member.

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The Committee will work towards consensus.

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- Review and recommend investment policies
- Review such matters that the Committee or the Board deem advisable or timely.

5. Statutory Obligations

- The Committee shall ensure that the Board meets its statutory obligations and conducts its affairs in accordance with legal and regulatory requirements.

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## ACCOUNTABILITY TO THE BOARD

The Committee is appointed by the ARROW Utilities Board.

The Committee has no authority to direct management or make commitments on behalf of the Board, unless specifically authorized by the Board through Board motion.

The Committee will report to the Board following each meeting by distributing minutes of its recent meeting to the Board. When a Board meeting closely follows a committee meeting, the Committee Chairperson will provide a verbal report to the Board and the minutes will be circulated at the next Board meeting.

## MEMBERSHIP

The Committee shall be composed of 3-5 Board Members.

The Board Chairperson, CEO and Director of Finance shall be ex-officio members of the Committee (non-voting).

The Board shall appoint membership to the Committee at the annual organizational meeting.

The Committee shall elect a Chair from among its members at its first Committee meeting.

## QUORUM

A majority of appointed committee members (50 per cent plus one) shall constitute a quorum, represented in person or other means that permits participation.

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The Committee will work towards consensus.

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In the event of a tie, the motion is defeated.



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The Committee will report to the Board following each meeting by distributing minutes of its recent meeting to the Board. When a Board meeting closely follows a committee meeting, the Committee Chairperson will provide a verbal report to the Board and the minutes will be circulated at the next Board meeting.

## MEMBERSHIP

The Committee shall be composed of 3-5 Board Members:

- The Board Chairperson
- 2-4 members at large from the Board.

The CEO shall be ex-officio members of the Committee (non-voting).

The Board shall appoint membership to the Committee at the annual organizational meeting.

The Committee shall elect a Chair from among its members at its first Committee meeting.

## QUORUM

A majority of appointed committee members (50 per cent plus one) shall constitute a quorum, represented in person or other means that permits participation.

## VOTING

The Committee will work towards consensus.

Each Committee member will have one vote.

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In the event of a tie, the motion is defeated.

## MEETINGS

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Additional meetings outside of its normal schedule may be called to address specific items and are at the discretion of the Chairperson of the Committee.

Reasonable notice shall be provided, preferably seven (7) days notice by email.

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**Meeting Date January 26, 2024**  
**Committee Membership**

<b>Purpose of Report</b>	That membership is established for each of the Board committees.										
<b>Attachments</b>	N/A										
<b>Alignment to Board's Strategic Plan</b>	Responsible leadership - provide opportunities for board development										
	Organizational excellence - formalize a staff and leadership succession planning process										
	Responsible leadership - engage with the broader community to increase the awareness of the commission and its work										
<b>Alignment to ESG Principles</b>	Governance - promotes transparency and accountability										
	Governance - addresses and mitigates organizational risk										
	Governance - ensures effective policy and financial oversight										
<b>Background and Discussion</b>	The structure, purpose, and objectives of each of the four Board committees are outlined in their respective Terms of Reference. The committees meet as required to carry out the objectives and deliverables required of them.										
	Regular honorarium and expense rates apply for committee meetings that are not held in conjunction with a Board meeting.										
	Membership numbers, as delineated in each of the Terms of References, are as follows:										
	<table border="1"> <thead> <tr> <th><b>Committee</b></th> <th><b>Membership</b></th> <th><b>Ex-officio members</b></th> </tr> </thead> <tbody> <tr> <td><b>Advocacy and Awareness</b></td> <td>3-5 Board members</td> <td>Board Chair and CEO</td> </tr> <tr> <td><b>Board Development</b></td> <td>3-5 Board members</td> <td>Board Chair and CEO</td> </tr> </tbody> </table>	<b>Committee</b>	<b>Membership</b>	<b>Ex-officio members</b>	<b>Advocacy and Awareness</b>	3-5 Board members	Board Chair and CEO	<b>Board Development</b>	3-5 Board members	Board Chair and CEO	
<b>Committee</b>	<b>Membership</b>	<b>Ex-officio members</b>									
<b>Advocacy and Awareness</b>	3-5 Board members	Board Chair and CEO									
<b>Board Development</b>	3-5 Board members	Board Chair and CEO									

**Report Date:**  
**Author/Title:**  
**Approved by:** Kate Polkovsky, CEO

	<b>Audit and Finance</b>	3-5 Board members	Board Chair and CEO and Director of Finance
	<b>Governance and Human Resource</b>	2-4 Board members and Chairperson	CEO

<b>Recommendation</b>	THAT the membership for each of the Board Committees is established.
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**Implications of recommendation(s):**

<b>Financial</b>	N/A
<b>Legal / Risk</b>	N/A
<b>Environmental / Safety</b>	N/A
<b>Organizational impacts</b>	N/A
<b>External impacts</b>	N/A

**Report Date:**  
**Author/Title:**  
**Approved by:** Kate Polkovsky, CEO



**January 26, 2024**  
**2024 Board Workshop**

<b>Purpose of Report</b>	The board is scheduled to host their annual Board Workshop May 15-17, 2024, in Kelowna, B.C.
<b>Attachments</b>	N/A
<b>Alignment to Board's Strategic Plan</b>	Responsible leadership - provide opportunities for board development
<b>Alignment to ESG Principles</b>	Governance - promotes transparency and accountability
<b>Background and Discussion</b>	<p>The 2023 Board workshop was originally scheduled to be hosted in Kelowna, B.C. The purpose was for the Board to better understand the City of Kelowna's advanced biosolids program, as this is a business area that ARROW will need to explore developing in the coming decade.</p> <p>Because the workshop dates overlapped with impending strike action of Westjet pilots, it was determined to host the event locally with the intention of going to Kelowna in 2024.</p> <p>Considering the current financial pressures at ARROW Utilities, it may be prudent to host the event locally, saving the associated travel costs.</p>
<b>Recommendation</b>	THAT the Board cancel travel plans to host their annual workshop in Kelowna and instead host the session at a local venue.
<b>Implications of recommendation(s):</b>	
<b>Financial</b>	Without travel costs and necessary accommodations, the organization is poised to save approximately \$12,000. Cancellation may result in a \$1200 loss of deposit, if this decision is made prior to February 16, 2024. If this decision is made at a later date, we would incur a loss of over \$8000.
<b>Legal / Risk</b>	N/A
<b>Environmental / Safety</b>	N/A
<b>Organizational impacts</b>	N/A
<b>External impacts</b>	The optics of travel at a time of austerity may result in criticism directed at the organization.

**Author/Title:** Cindy de Bruijn, Director of Communications and Stakeholder Relations  
**Approved by:** Kate Polkovsky, CEO



**January 26, 2024**  
**Administrative Report**

<b>Purpose of Report</b>	This report provides a summary of operations, incidents and contraventions, and any public relations matters.
<b>Recommendation</b>	This report is for information purposes.
<b>Attachments</b>	Operations Report (November 1 – December 31, 2023)
<b>Alignment to Board's Strategic Plan</b>	Respecting our environment - release water of the highest possible quality into the NSR
	Organizational excellence - enhance the health, well-being and safety of all employees and contractors
	Responsible leadership - engage with the broader community to increase the awareness of the commission and its work
<b>Alignment to ESG Principles</b>	Environment - addresses our impact to the environment
	Social - improves service delivery and community relations
	Governance - promotes transparency and accountability
<b>Background and Discussion</b>	<p>No reportable incidents or contraventions occurred in November/December 2023. Regarding Environmental Contravention - Untreated Wastewater Release into Big Lake (EPO-EPEA-39639) from December 2022, we were notified on December 5, 2023, that the order is now closed.</p> <p><b>St. Albert Station Pump Upgrade:</b> The insertion of a valve was executed on the upgrade piping to allow for the entire system to be cleaned and prepped for commissioning.</p> <p><b>RAS Screw Pump:</b> 42-P-017 was removed from service due to failure of a sealed lower bearing. Pump 42-P-016 was placed into service.</p>

**Author/Title:** Dwayne Cikaluk, Director of Operations, Wade Teveniuk, Director of Regulatory Services, and Cindy de Bruijn, Director of Communications & Stakeholder Relations  
**Approved by:** Kate Polkovsky, CEO

	<p><b>West fermenter:</b> The hydraulic drive motor and reducer gear failed resulting in the fermenter to be isolated. Teardown and repairs were completed.</p> <p><b>Fort Saskatchewan Station:</b> Emergency back-up power progressed with the installation and commissioning of a new generator. Production of electrical switch gear continues to be delayed.</p> <p><b>Spruce Grove:</b> Wet weather storage project was completed by winterizing the station and dewatering the forcemain.</p> <p><b>Gibbon's Station:</b> Sewage Pump 1 upgrade project STI and commissioning was completed.</p> <p><b>Parkland Station:</b> Damage occurred to all 3 entry gates to the station due to a drunk driver. RCMP were immediately notified and apprehended the individual.</p> <p><b>EPCOR Update:</b> Clover Bar Biosolids lagoon site Cell 3 west rehabilitation of berms were completed.</p> <p>Plant treatment was relatively stable while influent wastewater temperatures remained at approximately 14 degrees Celsius. The attached operations report delineates effluent treatment throughout the past two months.</p>
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Implications of recommendation(s):	
<b>Financial</b>	No financial implications beyond what is traditionally planned for as part of regular operations.
<b>Legal / Risk</b>	N/A
<b>Environmental / Safety</b>	N/A
<b>Organizational impacts</b>	N/A
<b>External impacts</b>	We continued to receive inquiries (from media as well as from member municipalities) regarding the rate increase and our intentions of seeking a Ministerial Order in 2024 to increase our debt limit.

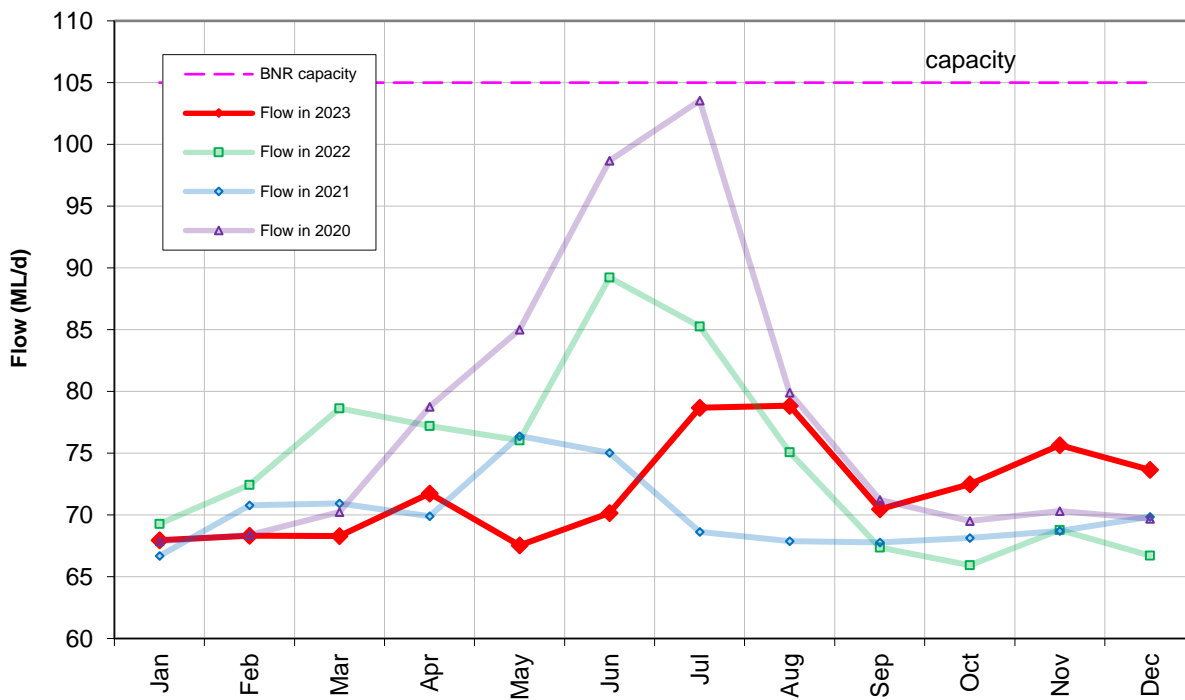
**Author/Title:** Dwayne Cikaluk, Director of Operations, Wade Teveniuk, Director of Regulatory Services, and Cindy de Bruijn, Director of Communications & Stakeholder Relations  
**Approved by:** Kate Polkovsky, CEO



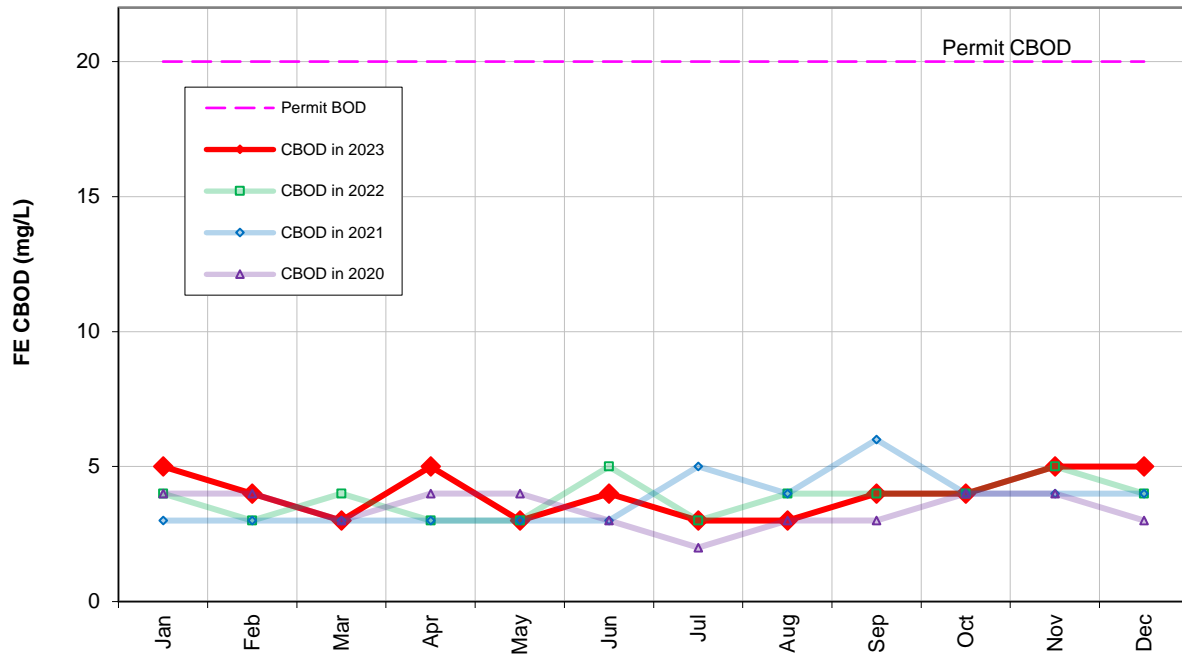
## Operations Report – November/December 2023

### Treatment Targets by Concentrations

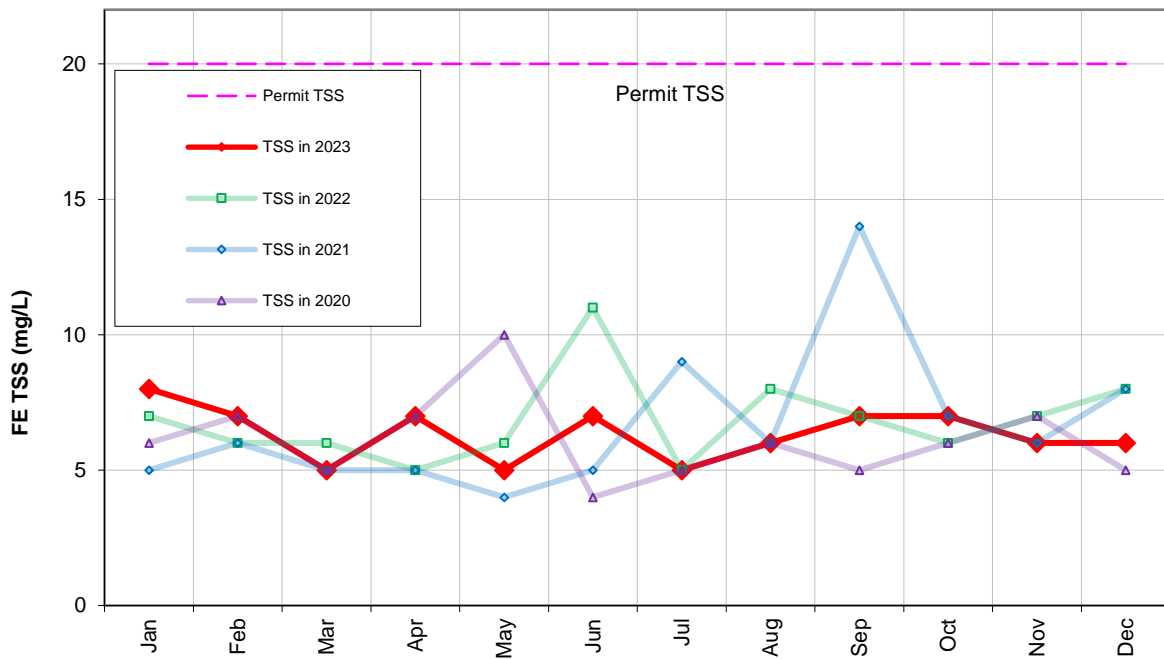
Monthly Influent Flow



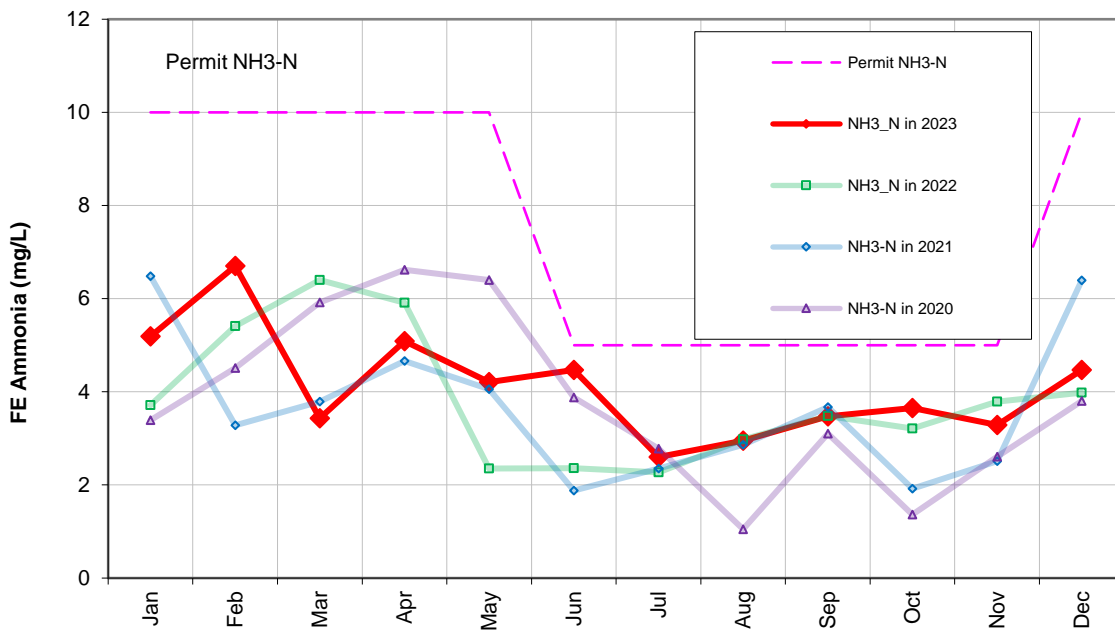
### Monthly Effluent Carbonaceous Biological Oxygen Demand



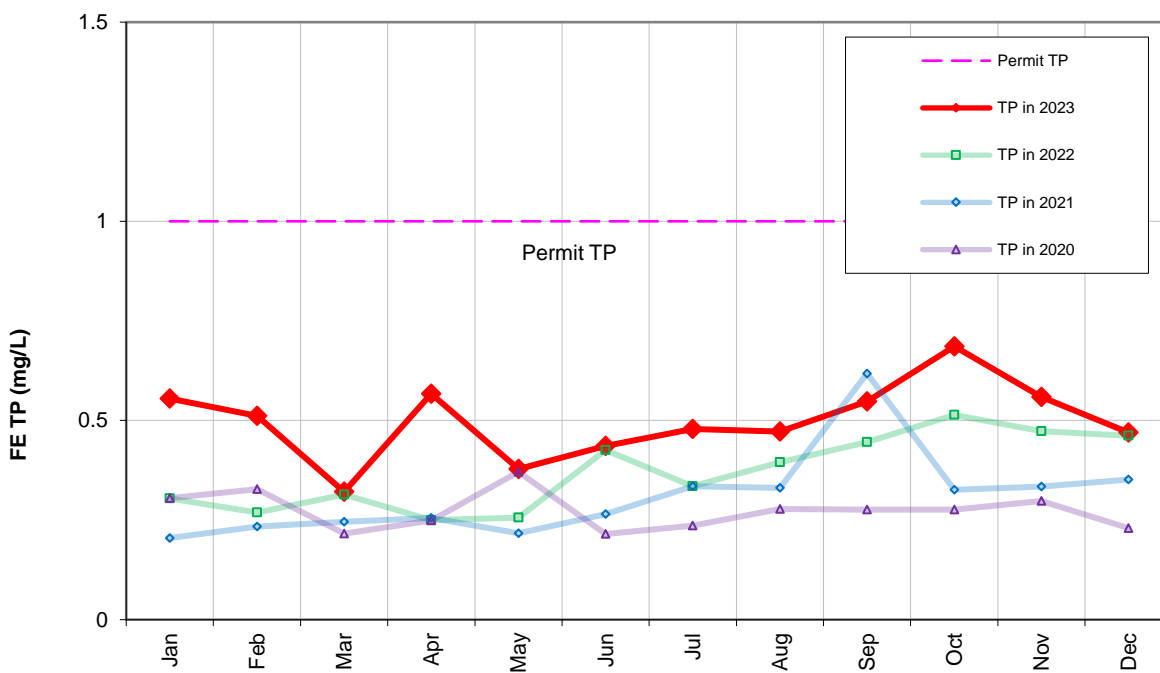
### Monthly Effluent Total Suspended Solids



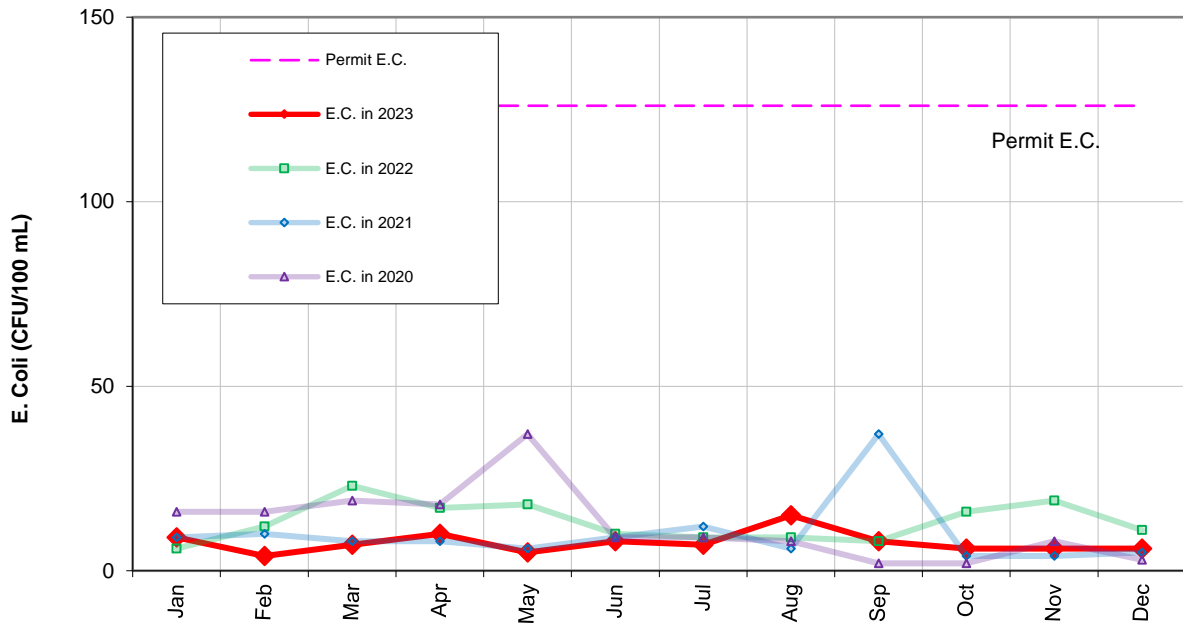
### Monthly Effluent Ammonia



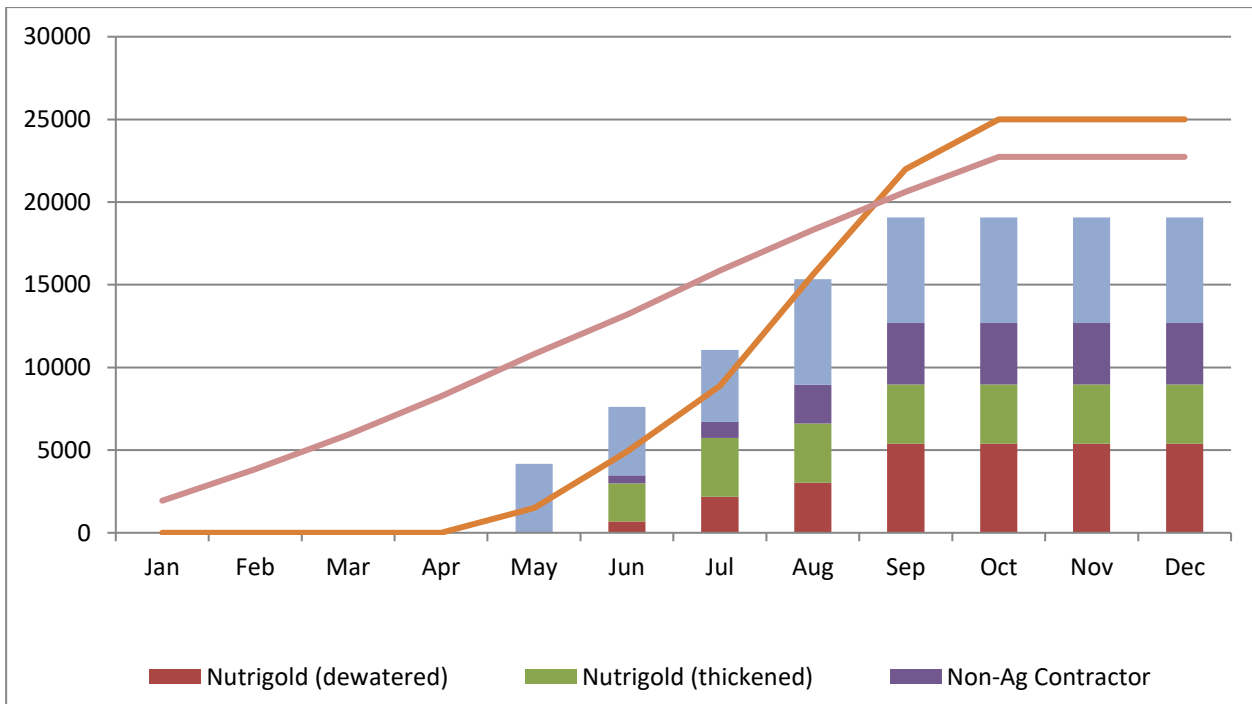
### Monthly Effluent Total Phosphorus



### Monthly Effluent E. Coli



### Biosolids – November-December 2023





**January 26, 2024**  
**Budget and Capital Updates**

<b>Purpose of Report</b>	To provide an update to the approved capital plan, and the impacts to the rate model if the provincial government does not allocate a \$50M grant in 2024.
<b>Attachments</b>	Rate Scenarios
<b>Alignment to Board’s Strategic Plan</b>	Responsible leadership - keep utility rates reasonable and predictable for member municipalities
<b>Alignment to ESG Principles</b>	Governance - ensures effective policy and financial oversight
<b>Background and Discussion</b>	<p><b>Capital Update:</b>  <u><i>The Train 4 MBR Plant Upgrade</i></u>  The Train 4 MBR Plant Upgrade is on schedule for completion in Q4 of 2025. The design components have been finalized and the final drawing details are currently in the works with shop drawings in various stages of review.</p> <p>Major construction activities include:</p> <ul style="list-style-type: none"> <li>• Excavation work is over 70% complete.</li> <li>• Dewatering efforts are in full swing.</li> <li>• Mudslabs have all been poured and both raft slabs and pile walls have been started.</li> <li>• Sheltered workspaces have been constructed.</li> <li>• Long lead items have all been ordered for delivery throughout 2024 and 2025.</li> </ul> <p><u><i>Parkland Gravity Line Rehabilitation</i></u>  The Parkland Gravity Line Rehabilitation relining has completed approximately 2.5km of the relining with the final 700m to be completed starting the last week of January and concluding towards the end of February. Final site cleanup will be done during the spring/summer of 2024.</p> <p><b>Impacts to the Rate:</b>  The 2024 budget process included an unapproved \$50M provincial grant for the Train 4 MBR Plant Upgrade, projected to be dispersed over 3 years.</p>

**Author/Title:** Jay Mason, Director of Engineering, and Paul Krueger, Director of Corporate Services  
**Approved by:** Kate Polkovsky, CEO

Throughout January there have been a number of conversations with Provincial Ministers and their senior staff members to look for solutions to support ARROW with a grant, over a reasonable timeframe. While these negotiations are positive in nature, Administration has completed several scenarios examining the rate implications if a grant is not actualized in 2024.

While ARROW continues to model a myriad of considered scenarios for rate management, Administration has included 7 tabled rate results as contingency if Provincial discussions do not result in grant funding.

#### *Scenario A*

This scenario maintains the current rate for 2024, and would require Ministerial approval to allow ARROW to exceed the 200% debt limit in 2024 through 2026. The maximum debt limit that would be required would occur in 2025, exceeding the debt limit by 80%. This model incorporates a total of \$136M in new debt over the next three years. The 2025 rate would have to rise to the forecasted rate of \$2.05/m<sup>3</sup> and no increase in 2026.

#### *Scenario B*

This scenario maintains the current rate for 2024, and would require Ministerial approval to allow ARROW to exceed the 200% debt limit in 2024 through 2026. The maximum debt limit that would be required would occur in 2025, exceeding the limit by 71%. This model incorporates a total of \$121M in new debt over the three-year period. The 2025 and 2026 rate would be forecasted at \$2.25/m<sup>3</sup>.

#### *Scenario C*

This scenario maintains the current rate for 2024, and would require Ministerial approval to allow ARROW to exceed the 200% debt limit in 2024 and 2025. The maximum debt limit that would be required would occur in 2025, exceeding the limit by 56%. This model incorporates a total of \$105M in new debt over the two-year period. The 2025 and 2026 rate would be forecasted at \$2.58/m<sup>3</sup>.

#### *Scenario D*

This scenario incorporates a midyear rate increase to be in effect for July 1, 2024, with an updated rate of \$1.88/m<sup>3</sup>. This scenario would require ARROW to seek Ministerial approval to exceed the 200% debt limit in 2024 and 2025. The maximum debt limit that would be required would occur in 2025, exceeding the limit by 54%. This model incorporates a total of \$105M in new debt over the two-year period. The 2025 and 2026 subsequent rates would be forecasted at \$2.56/m<sup>3</sup>.

#### *Scenario E*

This scenario incorporates a midyear rate increase to be in effect for July 1, 2024, with an updated rate of \$2.00/m<sup>3</sup>. This scenario would require ARROW to seek Ministerial approval to exceed the 200% debt limit in

**Author/Title:** Jay Mason, Director of Engineering, and Paul Krueger, Director of Corporate Services

**Approved by:** Kate Polkovsky, CEO

2024 and 2025. The maximum debt limit that would be required would occur in 2025, exceeding the limit by 45%. This model incorporates a total of \$103M in new debt over the two-year period. The 2025 and 2026 subsequent rates would be required forecasted at \$2.56/m<sup>3</sup>.

*Scenario F*

This scenario incorporates a midyear rate increase to be in effect for July 1, 2024, with an updated rate of \$2.12/m<sup>3</sup>. This scenario would require ARROW to seek Ministerial approval to exceed the 200% debt limit in 2024 and 2025. The maximum debt limit that would be required would occur in 2025, exceeding the limit by 38%. This model incorporates a total of \$102M in new debt over the two-year period. The 2025 and 2026 subsequent rates would be forecasted at \$2.52/m<sup>3</sup>.

*Scenario G*

This scenario incorporates a midyear rate increase to be in effect for July 1, 2024, with an updated rate of \$2.96/m<sup>3</sup>. This scenario would NOT require ARROW to seek Ministerial approval to exceed the 200% debt limit. The maximum debt limit that would be required would occur in 2024, with an actualization of the 200% borrowing capacity. This model incorporates a total of \$73M in new debt over the two-year period. The 2025 and 2026 subsequent rates would be forecasted at \$2.96/m<sup>3</sup>.

**Water Re-use Rate**

The 2024 work plan and overall critical path attributed to both the Train 4 MBR Plant Upgrade incorporated the commencement of the re-use rate model. This cost-plus model requires a number of the detailed acquisition details (equipment loading, projected utility costs, cost of borrowing, etc.) to provide the baseline rate that the “plus” portion of the attributed rate structure would be linked to. As engineering is able to acquire the details through the shop drawing finalization the draft rate model will be prepared for presentation and consideration. For planning purposes the re-use rate model has been estimated at 90% of the flow rate.

**Recommendation**

To receive the report for information. While Administration has presented 7 examples of unplanned rate adjustments that could be further examined if discussions with the province change course, the recommendation is that a change in the current projection may be premature. Active conversations (week of January 15, 2024) with Ministers and senior staff have suggested that the province will commit \$10M in 2024 and \$40M in 2025. Should this come to fruition, ARROW would seek Ministerial approval to exceed the 200% debt limit in 2024 by 12%, and by 3% in 2025.

**Implications of recommendation(s):**

**Author/Title:** Jay Mason, Director of Engineering, and Paul Krueger, Director of Corporate Services  
**Approved by:** Kate Polkovsky, CEO

<b>Financial</b>	See above.
<b>Legal / Risk</b>	N/A
<b>Environmental / Safety</b>	N/A
<b>Organizational impacts</b>	A mid-year rate increase may make it challenging to maintain a positive rapport with member municipalities.
<b>External impacts</b>	A mid-year rate increase may make it challenging for member municipalities' budgets and their ability to remit.

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## Rate Scenarios

The scenarios maintain the capital spending in each of the three years. The Regional Exchange Agreement was set at \$1.77 for 2024 and with 3 cent increases in each of the next two years.

### Scenario A (maintains the current 2024 rate)

Year	Rate	Capital	Debt	Debt Limit	Capital Reserves	Operating Reserves
2024	\$1.85/m3	\$93.4M	\$49M	231%	\$0.3M	\$3.2M
2025	\$2.05/m3	\$88.7M	\$73M	280%	\$0.4M	\$3.2M
2026	\$2.05/m3	\$38.5M	\$13.5M	257%	\$0.3M	\$3.2M

### Scenario B (maintains the current 2024 rate)

Year	Rate	Capital	Debt	Debt Limit	Capital Reserves	Operating Reserves
2024	\$1.85/m3	\$93.4M	\$49M	231%	\$0.3M	\$3.2M
2025	\$2.25/m3	\$88.7M	\$67M	271%	\$0.7M	\$3.2M
2026	\$2.25/m3	\$38.5M	\$5M	220%	\$0.8M	\$3.2M

### Scenario C (maintains the current 2024 rate)

Year	Rate	Capital	Debt	Debt Limit	Capital Reserves	Operating Reserves
2024	\$1.85/m3	\$93.4M	\$49M	231%	\$0.3M	\$3.2M
2025	\$2.58/m3	\$88.7M	\$56M	256%	\$0.3M	\$3.2M
2026	\$2.58/m3	\$38.5M	\$0	179%	\$9.3M	\$3.2M

### Scenario D (considers a mid-year rate adjustment – first half of 2024, \$1.85/m3)

year	Rate	Capital	Debt	Debt Limit	Capital Reserves	Operating Reserves
2024	\$1.88/m3	\$93.4M	\$49M	230%	\$0.7M	\$3.2M
2025	\$2.58/m3	\$88.7M	\$56M	254%	\$0.7M	\$3.2M
2026	\$2.58/m3	\$38.5M	\$0	179%	\$9.7M	\$3.2M

### Scenario E (considers a mid-year rate adjustment – first half of 2024, \$1.85/m3)

Year	Rate	Capital	Debt	Debt Limit	Capital Reserves	Operating Reserves
2024	\$2.00/m3	\$93.4M	\$47M	228%	\$0.6M	\$3.2M
2025	\$2.56/m3	\$88.7M	\$56.5M	245%	\$0.7M	\$3.2M
2026	\$2.56/m3	\$38.5M	\$0	179%	\$9.1M	\$3.2M

**Scenario F (considers a mid-year rate adjustment – first half of 2024, \$1.85/m3)**

<b>Year</b>	<b>Rate</b>	<b>Capital</b>	<b>Debt</b>	<b>Debt Limit</b>	<b>Capital Reserves</b>	<b>Operating Reserves</b>
<b>2024</b>	\$2.12/m3	\$93.4M	\$45M	224%	\$0.5M	\$3.2M
<b>2025</b>	\$2.52/m3	\$88.7M	\$57.5M	238%	\$0.5M	\$3.2M
<b>2026</b>	\$2.52/m3	\$38.5M	\$0	179%	\$7.6M	\$3.2M

**Scenario G (considers a mid-year rate adjustment – first half of 2024, \$1.85/m3)**

<b>Year</b>	<b>Rate</b>	<b>Capital</b>	<b>Debt</b>	<b>Debt Limit</b>	<b>Capital Reserves</b>	<b>Operating Reserves</b>
<b>2024</b>	\$2.96/m3	\$93.4M	\$31.3M	200%	\$0.1M	\$3.2M
<b>2025</b>	\$2.96/m3	\$88.7M	\$42M	169%	\$0.1M	\$3.2M
<b>2026</b>	\$2.96/m3	\$38.5M	\$0	131%	\$24.8M	\$5.2M



**January 26, 2024  
Audit Plan**

<b>Purpose of Report</b>	To provide an auditing plan for the 2023 financial statements, 2023 financial information return and 2023 annual contributions of LAPP.
<b>Attachments</b>	Audit Planning Letter
<b>Alignment to Board’s Strategic Plan</b>	Responsible leadership - keep utility rates reasonable and predictable for member municipalities
<b>Alignment to ESG Principles</b>	Governance - promotes transparency and accountability
	Governance - ensures effective policy and financial oversight
<b>Background and Discussion</b>	<p>The annual financial statements, financial information return, and contributions of LAPP are audited as required by the Municipal Government Act, under Part 15-1, sections 602.35 to 602.36. In June the Board approved a five-year contract with JDP Wasserman LLP to perform these auditing services. The auditing plan will provide adequate resources to provide a fair opinion on the items.</p> <p>The onsite portion of the financial audit will be the week of February 5th, 2024. The financial statements and audit report will be completed for the March Board Meeting. The audit plan will have a 2% materiality of expenses and will look over internal controls and look at significant reporting risks.</p> <p>If there are specific areas that the Board believes warrants particular attention during the audit, please communicate these prior to the commencement of the year-end audit work.</p>
<b>Recommendation</b>	For information purposes only
<b>Implications of recommendation(s):</b>	
<b>Financial</b>	NA
<b>Legal / Risk</b>	NA
<b>Environmental / Safety</b>	NA
<b>Organizational impacts</b>	NA
<b>External impacts</b>	NA

**Author/Title:** Paul Krueger, Director of Corporate Services  
**Approved by:** Kate Polkovsky, CEO



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January 4, 2024  
Privileged and Confidential

Arrow Utilities  
23262 Township Road 540  
Fort Saskatchewan, AB  
T8L 4A2

**Attention: Board of Directors**

sent via e-mail: [pkrueger@arrowutilities.ca](mailto:pkrueger@arrowutilities.ca)

Dear Directors:

**Re: 2023 Audit Planning Letter**

We are writing this letter in connection with our audit of Arrow Utilities (the “Commission”)’s financial statements for the year ending December 31, 2023. The purpose of this letter is to ensure effective two-way communication between us in our role as auditors and yourselves with the role of overseeing the financial reporting process. In this letter, we will address our responsibilities as independent auditors, as well as provide information about the planned scope and timing of the audit and request a response to some audit questions including additional information that you may have that could be relevant to the audit.

### **Auditors’ Responsibilities**

We will conduct our audit of the Commission in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence of the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.



In making our risk assessments, we consider internal control relevant to the Commission's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

### **Management's Responsibilities**

Our audit will be conducted on the basis that management (and, where appropriate, Board members) acknowledge and understand that they are responsible for: the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards; such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; providing us unrestricted access to all individuals within the Commission we determine it necessary to obtain audit evidence; and access to all information of which management is aware that is relevant to the audit and the preparation of the financial statements.

### **Planned Scope of Our Audit**

Our objective as auditors is to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with Canadian Public Sector Accounting Standards.

In developing our audit plan, we work with management to understand the nature of the Commission and to identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error. Our audit plan has been designed to focus on the areas we identify to be of higher risk of material misstatement.

### **Materiality**

We will determine an overall materiality dollar value of 2% of the lower of total revenues and expenses. We will also consider misstatements that could be material in qualitative financial statement disclosures. Materiality will be used to plan and perform the audit, and evaluate the effects of identified and uncorrected misstatements on the audit procedures performed as well as on the financial statements. The materiality amount will be reassessed prior to the end of the engagement to ensure it remains appropriate.

### **Internal Controls**

To help identify and assess the risk of material misstatement in the financial statements, we obtain an understanding of internal controls relevant to the audit. This understanding is used in the design of appropriate audit procedures. It is not used for the purpose of expressing an opinion on the effectiveness of internal controls. Should we identify any significant deficiencies in the internal control and accounting systems, we will communicate them to you in our audit findings report.

## Significant Risks

In planning our audit, we identify significant financial reporting risks that, by their nature, require special audit consideration. Canadian generally accepted auditing standards requires us to consider revenue recognition and management override as inherently significant risks. To reduce the residual risk in these areas, our main audit procedures will include substantive testing of revenues, a detailed examination of cut-off and review of journal entries.

***If there are specific areas that the Board believes warrants our particular attention during the audit or where you would like us to undertake some additional procedures, or if there are any Board members with any knowledge of actual, suspected or alleged fraud, please communicate these prior to the commencement of our year-end audit work.***

## Audit Timing and Engagement Team

Our interim audit planning was completed in December. We anticipate completing our year-end audit work in February, reviewing **DRAFT** financial statements with management in early March before presenting **FINAL DRAFT** financial statements to the Board for their approval at the March Board meeting.

Our engagement team consists of:

Audit Partner	Edward Telford, CPA, CA
Concurring Partner	Israel Wasserman, CPA, CMA
Audit Junior(s)	Jaymin Wudkevich, CPA student

## Audit Findings

At the conclusion of our audit, we will prepare an audit findings report to assist you with your review of the financial statements. This report will include our views and comments on matters such as: significant matters, if any, arising from the audit that were discussed with management; significant difficulties, if any, encountered during the audit; qualitative aspects of the Commission's accounting practices; uncorrected misstatements; and any other audit matters we deem to be of Board interest.

## New and Upcoming Canadian Public Sector Accounting Standards

<i>Asset Retirement Obligations</i> , Section PS3280	Application for fiscal years beginning on or after April 1, 2022
<i>Portfolio Investments</i> , Section PS3041	Application for fiscal years beginning on or after April 1, 2022
<i>Foreign Currency Translation</i> , Section PS2601	Application for fiscal years beginning on or after April 1, 2022
<i>Financial Statement Presentation</i> , Section PS1201	Application for fiscal years beginning on or after April 1, 2022
<i>Financial Instruments</i> , Section PS3450	Application for fiscal years beginning on or after April 1, 2022

<i>Revenue, Section PS3400</i>	Application for fiscal years beginning on or after April 1, 2023
<i>Purchased Intangibles, Section PSG-8</i>	Application for fiscal years beginning on or after April 1, 2023
<i>Public private partnerships, Section PS3160</i>	Application for fiscal years beginning on or after April 1, 2023
<i>Financial Statement Presentation, Section PS1202</i>	Application for fiscal years beginning on or after April 1, 2026
<i>The Conceptual Framework for Financial Reporting in the Public Sector</i>	Application for fiscal years beginning on or after April 1, 2026

When and where appropriate, we encourage Commission management to review these standards to determine any impact to the Commission prior to the application year. We will communicate to management those standards we expect to impact on the Commission's financial statements prior to the application year; perform audit procedures in the application year to ensure the Commission's financial statements, including related disclosures, are not materially misstated; and would be happy to assist management under a separate engagement (with the 2022 / 23 transition included in our regular audit fees per our audit proposal).

**Conclusion**

This letter was prepared for the sole use of the Board to carry out and discharge their responsibilities. The content should not be disclosed to any third party without our prior written consent.

Sincerely,

**JDP WASSERMAN LLP CHARTERED PROFESSIONAL ACCOUNTANTS**



Edward Telford, CPA, CA  
Partner



**January 26, 2024**  
**Borrowing Debenture**

<b>Purpose of Report</b>	To get approval to borrow debentures for the 2024 capital program.
<b>Attachments</b>	N/A
<b>Alignment to Board's Strategic Plan</b>	Responsible leadership - keep utility rates reasonable and predictable for member municipalities
	Responsible leadership - build partnerships that benefit the commission and the community
<b>Alignment to ESG Principles</b>	Governance - ensures effective policy and financial oversight
<b>Background and Discussion</b>	<p>During the 2024 budget approval, the Board approved the Train Four treatment expansion increase which will treat primary effluent through a Membrane Bioreactor (MBR) and produce a higher quality effluent than that which the existing BNR reactors are able to achieve. The Train 4 expansion will be used as a revenue generating opportunity supplying industry with process water while supporting the additional influx of wastewater inflow and both ammonia and phosphorus concentrations that the ARROW Utilities Plant continues to receive as the region grows.</p> <p>The overall project is budgeted at \$165.9M. Throughout 2024 both Administration and the Board focused on advocacy to the provincial government to secure grant funding and work with the local councils to raise awareness and have more voices identifying the need for grant funding. The project continues to move forward to meet 2025 timelines, due to both influent wastewater capacity constraints and commitments to support the timelines for processed water needs of the initial customer.</p> <p>It is anticipated that ARROW will be required to finance approximately 70% of project costs if grants are able to be confirmed through the 2024 provincial budget. As such, a debenture authorizing borrowing up to an additional \$31.25M is recommended to ensure that the project continues to move forward on the projected timelines and would support the first 1/2 of the project delivery.</p> <p>The approval of this debenture borrowing authorization would move ARROW to the 200% debt limit by the end of 2024. Additional debenture would exceed the 200% Debt limit as outlined by the MGA. The projected cash flow on this project</p>

**Report Date:** January 12, 2024  
**Author/Title:** Paul Krueger, Director of Corporate Services  
**Approved by:** Kate Polkovsky, CEO

	<p>would consider pulling \$10M from this debenture in Q1 2024 and the remaining \$21.25M in Q3/Q4 2024.</p> <p>As outlined in the Board’s Debt Management Policy, ARROW Utilities obtains debt financing from the Treasury Board through the Province of Alberta. According to provincial guidelines, debt is borrowed for specific projects.</p>
<p><b>Recommendation</b></p>	<ol style="list-style-type: none"> <li>1. THAT for the purpose of constructing the Train 4 Plant MBR Upgrade project that the sum of \$31,250,000 be borrowed from the Province of Alberta by way of debenture on the credit and security of the Commission.</li> <li>2. THAT the debentures to be issued under this authorization shall not exceed the sum of \$31,250,000 and may be in any denomination not exceeding the amount authorized and shall be dated having regard to the date of borrowing.</li> <li>3. THAT debentures shall bear interest during the currency of the debentures at a rate not exceeding 8% per annum, or the interest rate fixed from time to time by the Province of Alberta, per annum, payable semi-annually.</li> <li>4. THAT debentures shall be issued in such manner that the principal and interest will be combined and be made payable in, as nearly as possible, equal semi-annual or annual installments over a period not exceeding 20 years in accordance with the debenture schedule.</li> <li>5. THAT debentures shall be payable in lawful money of Canada at the Toronto Dominion Bank or at such other bank or financial institution as the Commission may authorize as its banking agency during the currency of the debenture.</li> <li>6. THAT the Chairperson and Chief Executive Officer of the Commission shall authorize such bank or financial institution to make payments to the holder of the debentures on such date and in such amounts as specified in the repayment schedule forming part of each debenture.</li> <li>7. THAT the debentures shall be signed by the Chairperson and Chief Executive Officer of the Commission or their designates.</li> <li>8. THAT there shall be levied and raised in each year of the currency of the loan a wastewater rate to all Commission members, sufficient to provide an annual amount adequate to pay the principal and interest falling due to such year to repay the loan.</li> </ol> <p>THAT the resolution comes into force on the date it is passed</p>
<p><b>Implications of recommendation(s):</b></p>	
<p><b>Financial</b></p>	<p>There is a potential that we would be above the Debt limit in 2024 depending on capital cash flows and 2023 revenues which is used to calculate the next years debt limit.</p>

**Report Date:** January 12, 2024  
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<b>Legal / Risk</b>	There is a risk that the province of Alberta would not approve a Ministerial order to allow ARROW to exceed the MGA 200% debt limit.
<b>Environmental / Safety</b>	N/A
<b>Organizational impacts</b>	The capital and operational programs have been put on hold to manage cash flows. As such, a number of asset management projects, operational projects, and FTE requirements have been deferred to mitigate further impacts to the rate and will be managed through risk mitigation protocols.
<b>External impacts</b>	Both the cost of construction and the identified operational issues could have further impacts on the rate which would affect ratepayers.

**Report Date:** January 12, 2024  
**Author/Title:** Paul Krueger, Director of Corporate Services  
**Approved by:** Kate Polkovsky, CEO



**January 26, 2024**  
**Fort Saskatchewan Sherritt Billing**

<b>Purpose of Report</b>	The City of Fort Saskatchewan has requested that ARROW Utilities consider a negotiated settlement with Sherritt regarding meter issues that occurred throughout the period of 2018-2020.
<b>Attachments</b>	Fort Saskatchewan Utilities Letter_ARROW Utilities
<b>Alignment to Board's Strategic Plan</b>	Responsible leadership - keep utility rates reasonable and predictable for member municipalities
<b>Alignment to ESG Principles</b>	Governance - promotes transparency and accountability
	Social - improves service delivery and community relations
<b>Background and Discussion</b>	<p>Sherritt notified the City of Fort Saskatchewan (the City) in late 2020 that they were experiencing metering issues with their wastewater volumes from late 2018 to mid-2020.</p> <p>As a follow up to the Sherritt inquiry, the City had a third-party engineering report completed examining the information provided by Sherritt. The consultant's theoretical modelling and investigation correlated with Sherritt's claim and identified that the conveyed volumes were lower than the volumes that were being read by the flow meter during the timeframe in question.</p> <p>As this investigation continued it was determined that Sherritt did not have a regular preventative maintenance or regular calibration program in place for the flow meter, reducing the validation of historical numbers. Regular maintenance on wastewater appurtenances and annual calibration programs are considered industry good practice.</p> <p>The Wastewater Services Agreement between Sherritt and the City dated May 14, 1999, was in effect during the claim period (October 16, 2018 - June 15, 2020). Article 5.1(m) of the agreement states:</p> <p><i>Sherritt shall maintain and operate the Metering Equipment at the locations where such Metering Equipment is located as of the date of this agreement.</i></p>

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**Approved by:** Kate Polkovsky, CEO

	<p>Article 11 continues with requirements surrounding Calibration of Metering Equipment. Clause 11.1 states:</p> <p><i>The accuracy of the Metering Equipment shall be verified by Sherritt at its sole expense upon receipt of the written request of the City for the verification of such accuracy. The City may have a representative present to witness or audit such verification.</i></p> <p>Sherritt provided records that the “TRED” flume meter was verified with the City September 26, 2018, and again on September 17, 2019. It is assumed Sherritt and the City agreed the meter was within accuracy tolerances after each verification event.</p> <p>Sherritt’s claim however, suggests the meter was inaccurate due to scale buildup within the flume. Sherritt also provided records of maintenance occurring on related metering equipment during the claim period; specifically, cleaning effluent screens and visually inspecting weirs. There was no record of checking the flumes.</p> <p>Sherritt is basing the discrepancy on their theoretical pond level calculations. The accuracy of these calculations has many variables and is dependent on whether the ponds are cleaned and maintained. Maintenance records were not provided to support the validity of their calculations. This unconventional approach to volume calculations using pond elevation, as assessed by a third party engineer, appears to have validity but cannot be proven without a number of assumptions to yield the predicted volumes.</p> <p>This file has had several legal reviews from ARROW’s solicitor, and the recommendation provided through legal counsel was to not enter into negotiation on this file with Sherritt. Considering a reassessment of wastewater volumes due to lack of consistent calibrations and preventative maintenance would create a precedence for a myriad of claims in the future.</p>
<b>Recommendation</b>	THAT ARROW provides a response to the City that the billing for Sherritt over the period of 2018-2020 has been examined and will not be reconsidered.
<b>Implications of recommendation(s):</b>	
<b>Financial</b>	Potential revenue credits in our financials that have not been budgeted for.
<b>Legal / Risk</b>	Recommendation from legal counsel has provided direction not to enter into negotiation over the 2018-2020 billing attributed to Sherritt due to the lack of preventative maintenance on the system and the lack of annual calibration to annually confirm the functionality of the readings.

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**Approved by:** Kate Polkovsky, CEO

	There will continue to be a risk of legal action directed at ARROW if a negotiation is not considered.
<b>Environmental / Safety</b>	N/A
<b>Organizational impacts</b>	N/A
<b>External impacts</b>	N/A

**Author/Title:** Paul Krueger, Director of Corporate Services, and Wade Teveniuk, Director of Regulatory Services  
**Approved by:** Kate Polkovsky, CEO



December 7, 2023

Paul Krueger  
Director of Corporate Services  
ARROW Utilities

By way of background, in June 2020, the City of Fort Saskatchewan (the “City”) received an informal notice from Sherritt International Corporation (“Sherritt”) that it had observed that effluent volumes measured at the 'metering' flume used for billing purposes exceeded the volume released from their wastewater ponds.

In November 2020, the City received a written notice from Sherritt indicating that it had completed an investigation to compare recorded holding pond volumes against measured billing volumes. Sherritt advised that between October 16, 2018, and June 15, 2020, the effluent volume reported for billing exceeded actual discharge volume by 840,045 m<sup>3</sup>.

Sherritt's position is that the overstatement of volume for billing purposes resulted in payment on effluent that was never actually discharged or treated. Sherritt is requesting to be reimbursed for the alleged overbilling (the “Claim”).

The City completed a preliminary review of actual invoices and found that the volume claimed by Sherritt should be adjusted to 810,936 m<sup>3</sup>. The City also retained AECOM engineering consultants to review the information provided by Sherritt. The report was shared with ARROW Utilities Administration. AECOM concluded that:

- The discrepancy time frame aligns with the catch basin repairs coordinated by Sherritt on their property.
- The methodology used by Sherritt to calculate actual discharge and to calculate the reporting discrepancy was reasonable; and although some statistical error could exist, the numbers provided by Sherritt were reliable. It is reasonable to conclude that actual volumes discharged by Sherritt to the City and further to the Alberta Capital Region Wastewater Commission (now ARROW Utilities) were less than the volumes reported for billing.
- Although AECOM concluded that the calculations provided by Sherritt were reliable, observation of the timing and significance of the volume discrepancy differed from Sherritt's position.
- No explanation is given by Sherritt for the discrepancy from late 2018 to Mid 2019.

- From August 2019 to June 2020, the discrepancy between recorded pond and flume volumes increased significantly. After June 2020, the pond and flume volumes correlated within a reasonable tolerance.
- It is the City's position that any discrepancy prior to August 2019 should not be considered, and that Sherritt's claim should be reduced from 840,045 m<sup>3</sup> to 623,284 m<sup>3</sup>.

The financial impact of reimbursing Sherritt for the Claim is described in the table below:

	City's Cost	Arrow Utilities' Cost	Total Cost
<b>Full Sherritt Claim<sup>1</sup> (Adjusted from 840,045 to 810,936 based on review of actual billing)</b>	\$ 24,328	\$ 1,024,380	\$1,048,708
<b>City's position Noticeable Variation<sup>2</sup> 623,284 cubic meters</b>	\$ 18,699	\$ 792,987	\$ 811,686

<sup>1</sup> discrepancy between October 16, 2018 to June 15, 2020

<sup>2</sup> significant change in discrepancy observed between August 16, 2019 to June 15, 2020

Based on the City's review of the Claim and AECOM's findings, it is likely that Sherritt was billed for more than the service it used during this period. Under the Contract, Sherritt is obligated to maintain and operate the Metering Equipment. As such, there is some uncertainty in the responsibility for the cost of the discrepancy. Depending upon the response from the City and ARROW Utilities, it is possible that Sherritt may pursue the Claim through litigation. The City would prefer to resolve this matter with Sherritt and ARROW Utilities through negotiations.

Please advise as to whether ARROW Utilities will consider negotiations with Sherritt, should they wish to challenge the Claim further.

If ARROW Utilities would like to discuss further, please contact Sadie Miller with the City.

Thank you for your consideration,



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CC: Kate Polkovsky  
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**January 26, 2024**  
**Water Re-use Tri-Party Draft Agreement**

<b>Purpose of Report</b>	The draft Tri-Party Water Re-use Agreement is at a stage where it can be presented to the Board to provide for information only. Upon finalization of comments from consultants, solicitors, and stakeholders from each of the parties to the agreement, it will be brought back to the Board of Directors for approval.
<b>Attachments</b>	Draft Water Re-Use Tri-Party Agreement
<b>Alignment to Board's Strategic Plan</b>	<p>Responsible leadership - build partnerships that benefit the commission and the community</p> <p>Responsible leadership - keep utility rates reasonable and predictable for member municipalities</p> <p>Respecting our environment - anticipate and respond to climate change</p>
<b>Alignment to ESG Principles</b>	<p>Social - improves service delivery and community relations</p> <p>Governance - addresses and mitigates organizational risk</p> <p>Environment - addresses our impact to the environment</p>
<b>Background and Discussion</b>	<p>Over the last 9 months, Administration has been actively working in conjunction with Air Products and EPCOR to create a Tri Party Water Re-use Agreement. While the current status of the agreement is still in draft form, the majority of the contents are currently in place.</p> <p>All three parties are still undergoing internal reviews to ensure that all the active components are represented and acceptable.</p> <p>While a few comments are in the process of being finalized and we are conducting an additional review with our third party rate consultant, the bulk of the document is complete.</p> <p>The Tri Party Water Re-use agreement is outlined in a number of sections:          Definitions         <ul style="list-style-type: none"> <li>Containing all the critical language clarifications that are used throughout the agreement</li> </ul> </p>

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	<p>Execution of the Work</p> <ul style="list-style-type: none"> <li>• A delineation of the water pipeline work, the MBR work, the potable water work, and the wastewater work, and the attributed responsibilities</li> <li>• The necessary responsibilities from a regulatory approval perspective</li> <li>• Rate approval responsibilities of each party at the various stages</li> </ul> <p>Ownership of Assets</p> <ul style="list-style-type: none"> <li>• A clear delineation of which party retains ownership of each asset.</li> </ul> <p>Purchase and Sale of Water</p> <ul style="list-style-type: none"> <li>• There are a number of water types that will be bought and sold both on an interim basis and over the long-term including: <ul style="list-style-type: none"> <li>○ Interim water and wastewater management during the period in which the MBR facility is not operational</li> <li>○ Operational period management of processed water, wastewater, and potable water</li> </ul> </li> </ul> <p>Payment</p> <ul style="list-style-type: none"> <li>• Standard consideration of how receipts and billing will be managed</li> </ul> <p>Metering and Testing</p> <ul style="list-style-type: none"> <li>• Management of leak testing, custody transfer metering points of delivery and testing</li> </ul> <p>Repairs, Maintenance and Replacement</p> <ul style="list-style-type: none"> <li>• Processes for notifying and coordinating both regular maintenance and asset management programs in the system and managing periods of water outages due to planned maintenance processes</li> </ul> <p>Force Majeure</p> <ul style="list-style-type: none"> <li>• Contractual management during periods of time when contractual obligations are challenged</li> </ul> <p>Term of the Agreement</p> <ul style="list-style-type: none"> <li>• 20 years, and the consideration for extensions</li> </ul> <p>Dispute Resolution</p> <ul style="list-style-type: none"> <li>• Providing the necessary steps to manage dispute through negotiated resolutions, mediation, or litigation</li> </ul> <p>Confidentially</p> <ul style="list-style-type: none"> <li>• Providing all parties the assurance that confidential information and business practices are protected and as a result supports the fostering of good relationships throughout the duration of the contract.</li> </ul> <p>Miscellaneous Provisions</p> <ul style="list-style-type: none"> <li>• Providing provisions to a number of final outstanding components like public announcements, notices, etc.</li> </ul> <p>A number of schedules are included at the back end of the Agreement that provide the technical information to the various programs.</p>
<b>Recommendation</b>	For information only

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Implications of recommendation(s):	
<b>Financial</b>	A final financial review of the rate terms and conditions is currently in progress by the third-party rate consultant to provide Administration final recommendations on any additional additions or amendments to the language.
<b>Legal / Risk</b>	Legal reviews with Reynolds, Mirth, Richards, and Farmer LLP have occurred at various milestones along the project; final comments were sent to Air Products in early January 2024 for incorporation.
<b>Environmental / Safety</b>	N/A
<b>Organizational impacts</b>	N/A
<b>External implications</b>	N/A

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