





Closed Session – Governance & Human Resource Committee	Kate P
Auditor’s Report - 10:00 am TIME SPECIFIC (closed session post review)	Kate P
Approval of the 2023 Financial Statements	Kate P
January/February Administration Updates <ul style="list-style-type: none"><li>➤ Administrative Report</li></ul>	Kate P
Technical Advisory Committee Meeting Update	Jay M
Name Change Resolution	Kate P
Post Grant Announcement – Next Steps	Kate P
Financial Report Borrowing Limit	Kate P
Closed Session - Legal Matter	Kate P
Notices of Motions from Committee Meetings <ul style="list-style-type: none"><li>➤ Committee Meetings</li><li>➤ Other</li></ul>	Ken M
Round Table	All
Closing Remarks/Adjournment	Ken M









<p>Committee Membership</p>	<p>CM08-24 MOVED BY Robert Parks THAT the membership in the following Committees be put in place.</p> <p>Advocacy and Awareness Kristina Kowalski Neal Comeau Rick Smith Steven vanNieuwkerk Stuart Houston</p> <p>Board Development Lynn Bidney Rick Smith Stephen Dafoe William Choy Willis Kozak</p> <p>Audit and Finance Gordon Harris Robert Parks Stephen Dafoe Stuart Houston William Choy</p> <p>Governance and Human Resource Ken Mackay Bill Hamilton Gordon Harris Kristina Kowalski Robert Parks</p>	<p>APPROVED UNANIMOUSLY</p>
<p>2024 Board Workshop</p>	<p>CM09-24 MOVED BY Bill Hamilton THAT the Board cancel travel plans to host the 2024 annual workshop in Kelowna and instead host the session at a local venue.</p>	<p>APPROVED UNANIMOUSLY</p>



Administrative Reports	CM10-24 MOVED BY Willis Kozak THAT the Administrative Reports be received as information.	APPROVED UNANIMOUSLY
Budget and Capital Updates	CM11-24 MOVED BY Stephen Dafoe THAT the Budget and Capital Update report be received as information.	APPROVED UNANIMOUSLY
Audit Plan	CM12-24 MOVED BY Robert Parks THAT The Audit Plan Report be received as information.	APPROVED UNANIMOUSLY
Closed Session-Draft Air Products Tri-party Servicing Agreement	CM13-024 MOVED BY Lynn Bidney THAT the Board move into closed session at 11:39 am.	APPROVED UNANIMOUSLY
	CM14-24 MOVED BY Robert Parks THAT the Board come out of closed Session at 12:02 pm.	APPROVED UNANIMOUSLY
	CM15-24 MOVED BY Robert Parks THAT the closed session report be received as information.	APPROVED UNANIMOUSLY
Borrowing Debenture	CM16-24 MOVED BY Robert Parks That the Borrowing Debentures for the 2024 Capital Program be approved with the additions of paragraph #9.  <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</li></ol>	11 in favour with one opposed (Parks)



	<p>not exceeding the amount authorized and shall be dated having regard to the date of borrowing.</p> <ol style="list-style-type: none"><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>	
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	<p>9. THAT the 200% borrowing limit is not exceeded until provincial approval is obtained.</p> <p>10. THAT the resolution comes into force on the date it is passed.</p>	
Fort Saskatchewan Sherritt Billing	<p>CM17-24 MOVED BY Robert Parks THAT ARROW provides a response to the City of Fort Saskatchewan that the billing for Sherritt over the period of 2018-2020 has been examined and will not be reconsidered.</p>	11 in favour with one opposed (Harris)
Notices of Motion	<p>MOVED by Neal Comeau THAT Councillor Parks motion to be referred to the Governance and Human Resource Committee for review.</p> <p>MOVED by William Choy THAT the proposed motion from Stuart Houston be referred to the Governance and Human Resource Committee for review.</p>	<p>APPROVED UNANIMOUSLY</p> <p>APPROVED UNANIMOUSLY</p>
Closing Remarks/Adjournment	Chair Ken Mackay adjourned the meeting at 13:07 p.m.	
Next Meeting	March 22, 2024.	

These minutes approved this \_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_  
ARROW Utilities Board Chairman

\_\_\_\_\_  
Chief Executive Officer

Recorder:  
Colleen Moody  
Executive Assistant



## Committee Report – Audit and Finance

<b>Board meeting date</b>	March 22, 2024
<b>Date of committee meeting</b>	March 6, 2024
<b>Members in attendance</b>	<p>Gord Harris Robert Parks Stephen Dafoe</p> <p>Administration: Kate Polkovsky Jessica Szewczuk Stephanie Porter</p>
<b>Items of discussion</b>	<p>The draft 2023 draft financial audit was presented to the Committee by the auditor, Edward Telford a principal from JDP Wasserman.</p> <p>A wholesome conversation was had about the reporting of reserves as it has been identified as an item for management to amend going forward through the management report.</p> <p>The Committee was introduced to Jessica Szewczuk and Stephanie Porter two of the financial supports brought in to support the transitional period until the new Director of Financial Services begins their tenure at ARROW on June 3, 2024.</p>



## Committee Report - Audit and Finance

<b>Board meeting date</b>	March 22, 2024
<b>Date of committee meeting</b>	February 1, 2024
<b>Members in attendance</b>	<p>William Choy          Robert Parks          Stuart Houston          Ken MacKay          Gord Harris (technology challenges and was unable to connect)</p> <p>Administration:          Kate Polkovsky          Paul Krueger</p>
<b>Items of discussion</b>	<p>A committee Chair was chosen, William Choy</p> <p>Some background on audit history was provided by administration:</p> <ul style="list-style-type: none"> <li>• Previous auditors</li> <li>• Frequency of contract</li> </ul> <p>The Chairperson requested that the last 5 years of financial statements and audit reports were shared with the committee. They will be provided by Administration to the Committee towards the middle of February.</p> <p>Committee area of focus was discussed through a round table and will be further addressed at the next meeting (i.e. rate modelling background, the long-term asset management/capital plan was discussed and the 2024 budget included a major study which is expected towards the end of 2024).</p> <p>Administration will follow up with the Auditor to gain some insight when they would be available to present the audit findings to the Committee prior to the March Board Meeting</p> <ul style="list-style-type: none"> <li>• When a timeline is known Administration will send out some time options for consideration</li> </ul>



## Committee Report – Advocacy and Awareness

<b>Board meeting date</b>	March 22, 2024
<b>Date of committee meeting</b>	February 9, 2024
<b>Members in attendance</b>	Ken Mackay Kristina Kowalski Rick Smith Neal Comeau Stuart Houston Steven vanNieuwkerk  Administration: Kate Polkovsky
	Chairperson was determined – Neal Comeau
	Background information was discussed. <ul style="list-style-type: none"> <li>• Advocacy is a journey               <ul style="list-style-type: none"> <li>○ Water conservation</li> <li>○ How we build</li> <li>○ Rural and urban growth and development</li> </ul> </li> <li>• Important to share on a myriad of fronts</li> <li>• Continued need for advocacy for RMR and Train 5</li> </ul>
	Regional Education an important topic
	Strategic Communication <ul style="list-style-type: none"> <li>• Consistency</li> <li>• Opportunities</li> </ul>
	Federal Advocacy <ul style="list-style-type: none"> <li>• Rick Smith to connect with Senator</li> <li>• Just Transition</li> </ul>
	MOTION that the Committee is committed to advocate on the federal front.



## Committee Report – Development

<b>Board meeting date</b>	March 22, 2024
<b>Date of committee meeting</b>	February 8, 2024
<b>Members in attendance</b>	<p>William Choy Lynn Bidney Stephen Dafoe Ken MacKay (ex-officio)</p> <p>Administration: Kate Polkovsky</p>
<b>Items of discussion</b>	<p>A Committee Chair was determined: William Choy</p> <p><b>Workshop</b></p> <ul style="list-style-type: none"> <li>• Tentative dates are mid May (15-17). It was determined to host over 2 full days, and an email will be sent to the whole committee to ascertain whether there are any objections to hosting at a hotel in St. Albert – as we can do a tour of the St. Albert Pump Station as a part of the workshop.</li> <li>• The expectation would be that Board Members would stay the 1 night to continue opportunistic connections and non-formal work in the evening.</li> <li>• Administration will pull together a couple options of hotels in St. Albert to recommend hosting at for the committee to approve via email.</li> <li>• Discussion was had doing the workshop over two full days as opposed to two half days and one full day.</li> <li>• Lynn Bidney Motioned that the 2024 ARROW Workshop is hosted in St. Albert over two full days.</li> </ul> <p><b>Board Development</b></p> <ul style="list-style-type: none"> <li>• A high-level discussion on the types of conferences Board members attend, budget allocations, numbers attending an individual conference, and a process to report back.</li> <li>• William will provide a baseline list of conferences that could be on the “approved list” and Kate will provide some Canadian based water/wastewater conference recommendations for consideration.</li> </ul>

	<ul style="list-style-type: none"><li>• Consideration would be that there is a pre-approved list and Board members approach the committee to identify which conferences they may want to attend to represent ARROW.</li><li>• William to provide a template on reporting back to the Committee after a conference is attended.</li></ul>
	<ul style="list-style-type: none"><li>• Next meeting will be set for 8:30 on March 22, 2024 (prior to the March board meeting)</li></ul>



## Committee Report – Governance and HR

<b>Board meeting date</b>	March 22, 2024
<b>Date of committee meeting</b>	March 11, 2024
<b>Members in attendance</b>	<p>Bill Hamilton          Gord Harris          Robert Parks          Kristina Kowalski          Ken MacKay</p> <p>Administration:          Kate Polkovsky</p>
<b>Items of discussion</b>	<p>The draft terms of reference were discussed.</p> <p>Committee had a discussion related to governance decision making of Train 4.</p> <p>Conversation to occur midstream vs at the end, and it was determined that an examination upon completion may provide better information.</p> <p>Consideration of financial examination by the CEO's interim financial consultants to support continuous improvement changes going forward.</p>



## Committee Report – Governance and HR

<b>Board meeting date</b>	March 22, 2024
<b>Date of committee meeting</b>	February 8, 2024
<b>Members in attendance</b>	<p>Ken MacKay          Kristina Kowalski          Bill Hamilton          Robert Parks</p> <p>Administration:          Kate Polkovsky</p>
<b>Items of discussion</b>	<p>A Committee Chair was determined: Gord Harris</p> <p><b>Discussion of Stuart Houston’s Motion</b></p> <ul style="list-style-type: none"> <li>• The Committee discussed the Terms of Reference provided by Mr. Cuff through Stuart</li> <li>• Ken identified he had thanked Mr. Cuff for his pro bono work.</li> <li>• Through conversations with Gord between Committee members it was identified that Gord would take a first draft attempt at a terms of reference to present to the Committee.</li> </ul> <p><b>HR side of the Committee</b></p> <ul style="list-style-type: none"> <li>• Discussion about the intent of the Committee             <ul style="list-style-type: none"> <li>○ Terms of reference supports, performance management, succession planning, recruitment when needed for the role of the CEO.</li> </ul> </li> <li>• Discussion about sharing HR changes, ARROW’s long term FTE strategy when its prepared, and HR gaps in the CEO’s organization, and HR policies.</li> </ul> <p>• Next meeting will be set for 11:30 on March 22, 2024 (directly after the board meeting)</p>



March 22, 2024

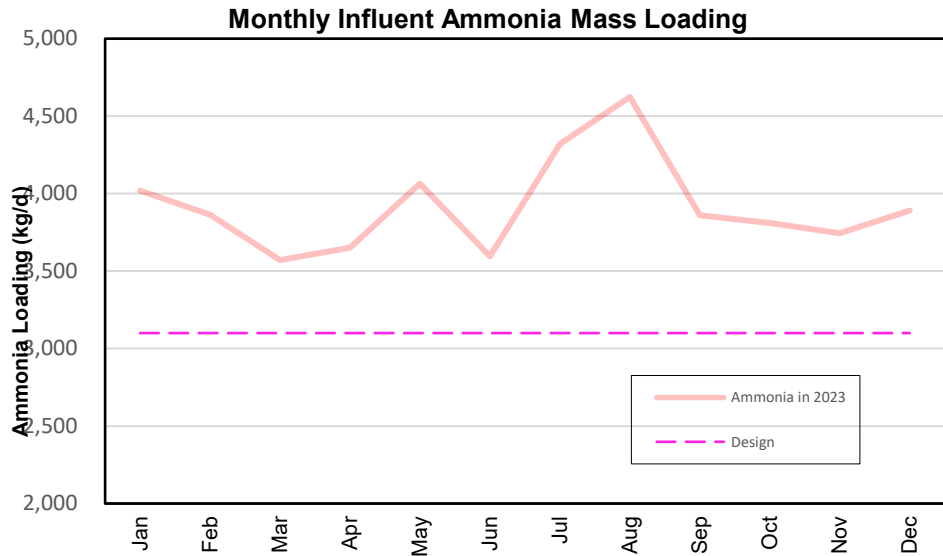
**2023 Auditor’s Report/ Audited Financial Statements and Financial Information Return**

<p><b>Purpose of Report</b></p>	<p>To provide the Board with the Financial Statements and Financial Information Return that has an auditor’s unqualified opinion on the statements and report on the previous year’s financial position.</p> <p>As the report highlights the financial position of the Commission in 2023, a number of the draft annual report highlights have been included in the report to support the 2023 deliverables.</p>
<p><b>Attachments</b></p>	<p>ARROW 2023 Draft Financial Statements ARROW 2023 Draft Audit Findings Report 2023 Financial Report and Comparaison</p>
<p><b>Alignment to Board’s Strategic Plan</b></p>	<p>Responsible leadership - keep utility rates reasonable and predictable for member municipalities</p>
<p><b>Alignment to ESG Principles</b></p>	<p>Governance - promotes transparency and accountability</p> <p>Governance - ensures effective policy and financial oversight</p>
<p><b>Background and Discussion</b></p>	<p>As per section 602 of the MGA, a Commission must prepare annual financial statements for the immediate preceding year. Once approved, the Commission must make available its financial statements and Auditor’s report to the Minister and each member of the Commission by May 1 of the year following the year for which the return and statements have been prepared.</p> <p><b>2023 Organizational Highlights</b></p> <p>To support the financial delivery, administration is currently finalizing the 2023 Annual Report, and have included a few organizational highlights:</p> <p>Operations continued to focus on the maintenance of essential service delivery averaging a daily influent flow rate of 72MLD. Throughout 2023, Operations treated in excess of the designed influent ammonia loading conveyed to the wastewater treatment plant, as shown on the below graph.</p>

**Report Date:** March 22, 2024

**Author/Title:** Kate Polkovsky

**Approved by:** Kate Polkovsky, CEO



Engineering delivered on a series of critical infrastructure projects both related to RMR and Growth. The Parkland Pumpstation HVAC system was completed due to a failure in infrastructure to the aging system. The Alum System was upgraded to support the orthophosphate addition in the drinking water system. Within Area 20 of the plant an additional blower was installed to provide redundancy in the aeration of the system and a bioreactor valve actuator was replaced to provide some support to the Control Room to improve air supply. A myriad of other projects were both completed and continue to be in progress and will be highlighted in the 2023 Annual Report.

2023 saw a focus on cyber security through the completion of a Managed Risk project in which offered substantial benefits for improving ARROW Utilities' cybersecurity posture. This service goes beyond traditional vulnerability assessments by continuously scanning networks, endpoints, and cloud environments for a wider range of risks, including risky software, misconfigurations, and exposed accounts. The Information Technology work group now has a comprehensive understanding of the attack surface, empowering staff to proactively address vulnerabilities and harden defenses. Cyber management will continue to be a priority area of focus for the Commission through the coming years.

The year found good engagement with industrial and commercial businesses throughout the region through the Commission's Source Control Program. A total of 319 inspections were conducted at businesses and of those inspected 93% were compliant to the Quality of Wastewater Bylaw. The laboratory incorporated a number of continuous improvement initiatives from strategically planning equipment replacement plans for appurtenances reaching end of life to improved operational efficiency in processes and coverage. The EMS achieved the renewed 3-year recertification in the ISO14001:2015 with zero nonconformances identified and some areas for continuous improvement.

**Report Date: March 22, 2024**

**Author/Title:** Kate Polkovsky

**Approved by:** Kate Polkovsky, CEO

	<p><b>2023 Financial Highlights</b> Administration is please to present the 2023 audited consolidated financial statements. ARROW’s auditors, JDP Wasserman LLP have audited these statements and have provided an unqualified opinion.</p> <p>These financial statements meet the requirements of Section 602 of the Municipal Government Act and are consistent with Canadian Generally Accepted Accounting Principals as recommended by Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.</p> <p>Administration offers the following high-level financial analysis:</p> <p><b>2023 Consolidated Statement of Financial Position</b> The 2023 consolidated statements provide a high-level examination of the financial landscape over 2023. Excess revenues over expenses in 2023 equated to \$7.04 million equating to approximately \$55M in revenues with a total of \$48.859M in expenses over the year.</p> <p>Operations incurred an additional \$7.2M in expenses in 2023 as compared to 2022 largely due to an increase in unplanned infrastructure repair. Overall, approximately 88% of expenses are allocated to Operations and the essential management of the Commission in the conveyance and treatment of used waters.</p> <p>The Commission saw an increase in the equity in tangible capital assets of \$6.8M to a total of \$187.8M in 2023. While the capital reserve delineate a total of \$18.828M this is encumbered dollars earmarked for Train 4 MBR Plant upgrade.</p> <p>Over 2023, ARROW issued \$38M in new debenture largely pulled for the Parkland Rehabilitation Project and Train 4 MBR Plant upgrade, while paid down \$5.1M in principle on outstanding debentures.</p> <p><b>Continuous Improvement Opportunity</b> Going forward, Administration will be working with the board on exploring, updating, and working towards continuous improvement initiatives as it relates to reserve management, both stabilization reserve considerations and long term earmarked capital reserve considerations, and best practices in rate model stabilization to look to continually advance and improve the financial position of ARROW.</p>
<p><b>Recommendation</b></p>	<p>THAT the attached 2023 audited financial statements and financial information return be approved by the Board.</p> <p>THAT the attached audit findings report be received for information.</p> <p>THAT the attached 2023 Financial Report and Comparisons be received for information.</p>

**Report Date:** March 22, 2024  
**Author/Title:** Kate Polkovsky  
**Approved by:** Kate Polkovsky, CEO

<b>Implications of recommendation(s):</b>	
<b>Financial</b>	The financial statements provide the base to start the budgeting process for 2025. With the changes in biosolids management, there may be an impact to the rate. While ARROW has committed to partner on biosolids management with EPCOR for a 10-year window (currently at year 3) a priority for Administration in 2026 will be a long-term biosolids management plan that provides cost certainty for the future.
<b>Legal / Risk</b>	Under section 15-1 of the Municipal Government Act, we are required to prepare and distribute audited financial statements and financial information return
<b>Environmental / Safety</b>	N/A
<b>Organizational impacts</b>	N/A
<b>External impacts</b>	N/A

**Report Date:** March 22, 2024  
**Author/Title:** Kate Polkovsky  
**Approved by:** Kate Polkovsky, CEO

*Financial Statements of*  
**ARROW UTILITIES**  
*December 31, 2023*

DRAFT



Chartered Professional Accountants

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## INDEPENDENT AUDITORS' REPORT

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To the Members of Arrow Utilities (formerly Alberta Capital Region Wastewater Commission)

### *Opinion*

We have audited the financial statements of Arrow Utilities (formerly Alberta Capital Region Wastewater Commission, "Arrow"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Arrow as at December 31, 2023, and the results of its operations and accumulated surplus, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Arrow in accordance with ethical requirements that are relevant to our audit of financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for 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.

In preparing the financial statements, management is responsible for assessing Arrow's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Arrow or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (the Board of Directors) are responsible for overseeing Arrow's financial reporting process.

(continued)

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Arrow's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Arrow's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Arrow to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Edmonton, Alberta  
March 22, 2024

Chartered Professional Accountants

**ARROW UTILITIES**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2023**  
(in 000's)

	<u>2023</u>	<u>2022</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 35,132	\$ 9,070
Receivables from Commission members (Note 13)	3,907	3,800
Other receivables	1,484	1,064
Investments (Note 4)	10,120	19,388
	<u>50,643</u>	<u>33,322</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 13)	27,386	10,123
Debt (Notes 5,12)	87,461	54,516
Deferred revenues	375	375
Other liabilities	469	425
	<u>115,691</u>	<u>65,439</u>
 <b>NET DEBT</b>	<u>(65,048)</u>	<u>(32,117)</u>
 <b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 6)	275,262	235,629
Inventory held for consumption	1,172	932
Prepaid expenses	239	132
	<u>276,673</u>	<u>236,693</u>
 <b>ACCUMULATED SURPLUS (Note 8)</b>	<u>\$ 211,625</u>	<u>\$ 204,576</u>
 Contractual commitments and contingent liabilities (Note 10)		

**ARROW UTILITIES**  
**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(in 000's)

	<b>2023 Actual</b>	<b>2023 Budget</b>	<b>2022 Actual</b>
<b>REVENUES</b>			
Treatment charges (Note 13)	\$ 54,541	\$ 53,880	\$ 51,612
Investment income	1,289	100	443
Government transfers	-	-	136
Other revenue	78	73	72
Total revenues	<u>55,908</u>	<u>54,053</u>	<u>52,263</u>
<b>EXPENSES (Note 9)</b>			
Plant/pump station	43,051	39,093	36,788
Corporate services	2,925	2,552	2,256
Engineering	997	995	1,130
Regulatory services	1,629	1,539	1,402
Board	257	143	139
Total expenses	<u>48,859</u>	<u>44,322</u>	<u>41,715</u>
<b>Excess of revenues over expenses</b>	7,049	9,731	10,548
Accumulated surplus at beginning of year	<u>204,576</u>	<u>204,576</u>	<u>194,028</u>
<b>Accumulated surplus at end of year</b>	<u><u>\$ 211,625</u></u>	<u><u>\$ 214,307</u></u>	<u><u>\$ 204,576</u></u>

**ARROW UTILITIES**  
**STATEMENT OF CHANGE IN NET DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(in 000's)

	<b>2023 Actual</b>	<b>2023 Budget</b>	<b>2022 Actual</b>
<b>Excess of revenues over expenses</b>	\$ 7,049	\$ 9,731	\$ 10,548
Acquisition of tangible capital assets	(49,207)	(69,700)	(19,299)
Amortization of tangible capital assets	9,266	9,400	8,818
Loss on disposal of tangible capital assets	309	-	617
Change in inventory held for consumption	(240)	-	26
Change in prepaid expenses	(108)	-	(33)
Change in net debt	(32,931)	(50,569)	677
Net debt at beginning of year	(32,117)	(32,117)	(32,794)
<b>Net debt at end of year</b>	<b>\$ (65,048)</b>	<b>\$ (82,686)</b>	<b>\$ (32,117)</b>

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**ARROW UTILITIES**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(in 000's)

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating transactions</b>		
Cash receipts from members, government transfers and other	\$ 54,091	\$ 51,429
Cash paid to employees	(7,293)	(6,540)
Cash paid to suppliers	(24,404)	(24,277)
Interest received	1,268	398
Interest on debt	(1,623)	(1,289)
	<u>22,039</u>	<u>19,721</u>
<b>Cash flows from capital transactions</b>		
Acquisition of tangible capital assets	<u>(38,213)</u>	<u>(15,365)</u>
<b>Cash flows from investing transactions</b>		
Increase in investments	<u>9,291</u>	<u>(10,245)</u>
<b>Cash flows from financing transactions</b>		
Proceeds from debt	38,000	10,000
Repayment of debt	(5,055)	(4,455)
	<u>32,945</u>	<u>5,545</u>
<b>Increase (decrease) in cash</b>	26,062	(344)
<b>Cash at beginning of year</b>	<u>9,070</u>	<u>9,414</u>
<b>Cash at end of year</b>	<u>\$ 35,132</u>	<u>\$ 9,070</u>

DRAFT

**ARROW UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
**(in 000's)**

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**1. NATURE OF THE ORGANIZATION**

Arrow Utilities (formerly Alberta Capital Region Wastewater Commission, the "Commission") is constituted under the *Municipal Government Act*. Alberta Regulation 129/85 established the Commission in May 1985 for the purposes of constructing, maintaining, controlling, and managing a regional wastewater treatment system.

The members of the Commission include City of Beaumont, City of Fort Saskatchewan, City of Leduc, 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, and Sturgeon County.

The Commission is exempt from income taxation under section 149 of the *Income Tax Act* (Canada).

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are prepared by management in accordance with Canadian public sector accounting standards and reflect the following policies:

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized in the period in which the transactions or events occur and are measurable. Expenses are recognized in the period goods and services are consumed, or a liability is incurred.

Investments

Investments consist of guaranteed investment certificates and deposits that are redeemable at the Commission's discretion. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

Revenue Recognition

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Treatment charges, investment and other revenue are recognized as revenue when earned and collection is reasonably assured.

Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Actual results could differ from those estimates.

Non-financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

**ARROW UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(in 000's)

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Engineering Structures	5 - 75
Machinery & Equipment	10

Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Interest capitalization

The Commission does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(iv) Leased tangible capital assets

Leases that transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(v) Inventory held for consumption

Inventory held for consumption consists of spare parts used in the maintenance of Commission facilities and is valued at the lower of cost or replacement costs. Inventory items issued out are expensed to materials, goods, supplies and utilities. The cost of inventory is assigned by using the first-in, first-out cost formula.

**ARROW UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
**(in 000's)**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred Revenues

Deferred revenues represent amounts received for which the related activities have yet to be performed. These amounts will be recognized as revenues in the period that the activities are performed.

Asset Retirement

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Commission to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with the use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the Commission reviews the carrying amount of the liability. The Commission recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Commission continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

**3. FINANCIAL INSTRUMENTS**

The Commission's financial instruments consist of cash, investments, receivables from Commission members, other receivables, accounts payable and accrued liabilities, debt and other liabilities. It is management's opinion that the Commission is not exposed to significant interest, currency, or credit risk arising from these financial instruments. Long-term debt is initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. Unless otherwise noted, except for the long-term debt, the fair value of these financial instruments approximates their carrying value.

**4. INVESTMENTS**

Investments consist of a notice demand account that bears interest at rates between 1.60% and 5.55% (2022 - 1.65% and 6.45%) with a maturity date of no more than 90 days' notice (2022 - 90 days' notice).

**ARROW UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(in 000's)

**5. DEBT**

	<b>2023</b>	<b>2022</b>
Debenture payable to the Province of Alberta due in semi-annual instalments of \$217 including principal and interest, bears interest at 3.569% and matures June 15, 2026.	\$ 1,028	\$ 1,414
Debenture payable to the Province of Alberta due in semi-annual instalments of \$246 including principal and interest, bears interest at 2.769% and matures March 15, 2027.	1,629	2,066
Debenture payable to the Province of Alberta due in semi-annual instalments of \$243 including principal and interest, bears interest at 2.599% and matures September 17, 2027.	1,834	2,263
Debenture payable to the Province of Alberta due in semi-annual instalments of \$347 including principal and interest, bears interest at 3.586% and matures September 16, 2028.	3,152	3,718
Debenture payable to the Province of Alberta due in semi-annual instalments of \$123 including principal and interest, bears interest at 2.814% and matures September 15, 2029.	1,352	1,557
Debenture payable to the Province of Alberta due in semi-annual instalments of \$120 including principal and interest, bears interest at 2.385% and matures September 15, 2030.	1,533	1,732
Debenture payable to the Province of Alberta due in semi-annual instalments of \$287 including principal and interest, bears interest at 2.768% and matures December 15, 2032.	4,540	4,979
Debenture payable to the Province of Alberta due in semi-annual instalments of \$209 including principal and interest, bears interest at 3.051% and matures September 17, 2033.	3,578	3,880
Debenture payable to the Province of Alberta due in semi-annual instalments of \$84 including principal and interest, bears interest at 3.051% and matures September 17, 2033.	1,431	1,552
Debenture payable to the Province of Alberta due in semi-annual instalments of \$211 including principal and interest, bears interest at 3.201% and matures December 17, 2033.	3,590	3,890
Debenture payable to the Province of Alberta due in semi-annual instalments of \$124 including principal and interest, bears interest at 2.872% and matures March 15, 2034.	2,231	2,410
Debenture payable to the Province of Alberta due in semi-annual instalments of \$121 including principal and interest, bears interest at 2.552% and matures December 16, 2034.	2,308	2,488

**ARROW UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(in 000's)

**5. DEBT (continued)**

Debenture payable to the Province of Alberta due in semi-annual instalments of \$194 including principal and interest, bears interest at 2.033 % and matures June 15, 2035.	3,965	4,268
Debenture payable to the Province of Alberta due in semi-annual instalments of \$114 including principal and interest, bears interest at 1.789 % and matures December 15, 2035.	2,462	2,645
Debenture payable to the Province of Alberta due in semi-annual instalments of \$233 including principal and interest, bears interest at 2.040 % and matures September 15, 2036.	5,302	6,654
Debenture payable to the Province of Alberta due in semi-annual instalments of \$467 including principal and interest, bears interest at 4.650 % and matures December 15, 2037.	9,526	10,000
Debenture payable to the Province of Alberta due in semi-annual instalments of \$584 including principal and interest, bears interest at 5.290 % and matures September 15, 2038.	12,000	-
Debenture payable to the Province of Alberta due in semi-annual instalments of \$390 including principal and interest, bears interest at 5.290 % and matures September 15, 2038.	8,000	-
Debenture payable to the Province of Alberta due in semi-annual instalments of \$467 including principal and interest, bears interest at 5.150 % and matures December 15, 2038.	18,000	-
	\$ 87,461	\$ 54,516

Debt principal and interest amounts in each of the next five years and thereafter are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 6,930	\$ 3,433	\$ 10,363
2025	7,178	3,185	10,363
2026	7,219	2,927	10,146
2027	7,013	2,671	9,684
2028	6,531	2,421	8,952
Balance to maturity	52,590	11,394	63,984
	\$ 87,461	\$ 26,031	\$ 113,492

The Commission has a demand operating line of credit available for use, up to a maximum of \$2,000 bearing interest at prime rate (2022 - prime rate) and unsecured. As at December 31, 2023, nil (2022 - nil) was drawn against the available operating line of credit.

**ARROW UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(in 000's)

**6. TANGIBLE CAPITAL ASSETS**

	<b>Land</b>	<b>Engineering Structures</b>	<b>Machinery &amp; Equipment</b>	<b>2023 Totals</b>	<b>2022 Totals</b>
<b>Cost:</b>					
Balance at beginning of year	\$ 2,347	\$ 387,285	\$ 1,109	\$ 390,741	\$ 372,763
Additions	-	49,028	179	49,207	19,299
Disposals	-	(1,112)	-	(1,112)	(1,321)
<b>Cost at end of year</b>	<b>2,347</b>	<b>435,201</b>	<b>1,288</b>	<b>438,836</b>	<b>390,741</b>
<b>Accumulated amortization:</b>					
Balance at beginning of year	-	154,199	913	155,112	146,998
Amortization in the year	-	9,200	66	9,266	8,818
Accumulated amortization disposals	-	(804)	-	(804)	(704)
<b>Accumulated amortization at end of year</b>	<b>-</b>	<b>162,595</b>	<b>979</b>	<b>163,574</b>	<b>155,112</b>
<b>Net book value</b>	<b>\$ 2,347</b>	<b>\$ 272,606</b>	<b>\$ 309</b>	<b>\$ 275,262</b>	<b>\$ 235,629</b>

The net book value of tangible capital assets includes \$30,884 (2022 - \$9,285) related to engineering structures in design or under construction that are not amortized in the year. Contributed tangible capital assets in 2023 were nil (2022 - nil).

**7. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<b>2023</b>	<b>2022</b>
Tangible capital assets	\$ 438,836	\$ 390,741
Accumulated amortization	(163,574)	(155,112)
Long-term debt	(87,461)	(54,516)
	<b>\$ 187,801</b>	<b>\$ 181,113</b>

**8. ACCUMULATED SURPLUS**

	<b>2023</b>	<b>2022</b>
Reserves		
Capital	\$ 18,828	\$ 17,208
Operating	4,996	6,255
	<b>23,824</b>	<b>23,463</b>
Equity in tangible capital assets (Note 7)	187,801	181,113
Total accumulated surplus	<b>\$ 211,625</b>	<b>\$ 204,576</b>

The capital reserve sets aside funds for the purpose of financing future capital acquisitions and development. This reserve is funded from annual surplus funds and disposals of capital assets. Surplus funds in excess of the required contribution to the operating reserve are contributed to the capital reserve. The capital reserve has \$18,539 currently allocated to the Train 4 MBR Plant upgrade project.

The operating reserve was established to provide rate stability and to provide funds for years when unforeseen expenses or lost revenues accrue. Increases to the reserve are funded from the annual surplus.

**ARROW UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(in 000's)

**9. EXPENSES BY OBJECT**

	<b>2023 Actual</b>	<b>2023 Budget</b>	<b>2022 Actual</b>
Salaries and benefits	\$ 7,337	\$ 7,039	\$ 6,568
Contracted and general services	24,034	19,125	19,165
Materials, goods, supplies and utilities	5,247	5,116	4,920
Purchased from other governments	725	765	336
Interest	1,941	2,877	1,291
Amortization	9,266	9,400	8,818
Loss on disposal of tangible capital assets	309	-	617
	<b>\$ 48,859</b>	<b>\$ 44,322</b>	<b>\$ 41,715</b>

**10. CONTRACTUAL COMMITMENTS AND CONTINGENT LIABILITIES**

In the normal course of operations, the Commission may be subject to various claims and legal actions. Based on the information available, management believes that the resolution of such matters will not have a material adverse effect on the Commission's financial position.

In 2008, the Commission entered into the Regional Wastewater Exchange Agreement with the City of Edmonton. This agreement expires in 2028. In 2019, the agreements were officially transferred to EPCOR Water Service Inc.

In 2021, the Commission entered into a biosolids management contract effective 2022 with EPCOR Water Service Inc. This agreement has a ten-year notice before it can expire.

In 2022, the Commission entered into a contract with Direct Energy Marketing Limited to supply natural gas. This agreement expires in 2026.

In 2023, the Commission entered into a contract with CP Energy Marketing L.P. to supply electricity. This agreement expires in 2028.

In 2023, the Commission entered into a contract with Prairie Waste Solutions to haul biosolids. This contract expires in 2026 with a potential additional one-year extension.

As of December 31, 2023, the Commission has contractual commitments for work still outstanding for the following projects:

- Plant MBR Train 4 Upgrade for \$24,168, with \$13,115 of work still outstanding. Completion expected in 2025.
- 5kv Switchgear Upgrade for \$2,524, with \$2,311 of work still outstanding. Completion expected in 2024.
- Parkland Gravity Transmission System Upgrade for \$19,512, with \$6,914 of work still outstanding. Completion expected in 2024.
- Fort Sask. Pumpstation Generator System Upgrades for \$4,749, with \$2,123 of work still outstanding. Completion expected in 2024.
- South East Regional Trunk System North Twinning project for \$10,827, with \$1,404 of work still outstanding. Completion expected in 2024.

**ARROW UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(in 000's)

- In 2021, a major blockage occurred that caused a bypass into the North Saskatchewan River. The incident is being investigated by Environment Canada and Alberta Environment. The Commission has completed an internal root cause analysis and is currently in a legal dispute with contractor over recoverable expenses. (See note 13).

**11. LOCAL AUTHORITIES PENSION PLAN**

All eligible employees of the Commission participate in the Local Authorities Pension Plan (“LAPP”) under the *Public Sector Pension Plans Act*. Required contributions by the Commission to the LAPP are 8.45% (2022 – 8.45%) of pensionable earnings up to the year’s pensionable earnings maximum under the Canada Pension Plan and 12.23% (2022 – 12.80%) on pensionable earnings above this amount. Employees are required to contribute 7.45% (2022 – 7.45%) of pensionable salary up to the year’s maximum pensionable salary and 11.23% (2022 – 11.80%) on pensionable salary above this amount.

Contributions for current service are recorded as expenditures in the year in which they become due. Contributions made during the year by the Commission and its employees were \$532 and \$479, respectively (2022 - \$495 by the Commission and \$446 from its employees).

At December 31, 2022, the LAPP disclosed an actuarial surplus of \$12,671,000 (\$12.671 billion).

**12. DEBT LIMITS**

Section 3 of Alberta Regulation No. 76/2000 requires that debt and debt servicing limits for the Commission be disclosed as follows:

	2023	2022
Total debt limit	\$ 111,816	\$ 104,254
Total debt	87,461	54,516
Amount of total debt limit remaining	\$ 24,355	\$ 49,738
Debt servicing limit	\$ 19,568	\$ 18,245
Debt servicing	10,363	6,678
Amount of total debt servicing remaining	\$ 9,205	\$ 11,567

The debt limit is calculated at 2 times revenue of the Commission (as defined in Alberta Regulation No. 76/2000) and the debt servicing limit is calculated at 0.35 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify commissions that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Commission. Rather, the financial statements must be interpreted as a whole.

The Commission has a debt management policy with a self-imposed debt limit of 1.5 times revenue. The total debt limit calculated using 1.5 times revenue is \$83,862, with \$3,599 total debt limit over because of the new Train 4 MBR plant upgrade being constructed.

**ARROW UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
**(in 000's)**

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**13. RELATED PARTY TRANSACTIONS**

The municipalities that are members of the Commission are considered to be related parties.

At year-end, receivables from Commission members include a total of \$3,907 (2022 - \$3,800) receivable from the various member municipalities, and accounts payable and accrued liabilities include \$1,475 (2022 - \$55) payable to various member municipalities.

Revenues generated include \$47,812 (2022 - \$44,734) paid by member municipalities.

Contracted and general services includes \$670 (2022 - \$341) paid to Strathcona County for transmission maintenance services. Capital expenditures includes \$1,431 (2022 - nil) paid to Strathcona County for transmission capital transmission projects. There is a \$1,100 legal dispute from the Commission's 2021 major blockage incident currently underway (*See Note 10*).

These transactions are in the normal course of operations and are measured at the exchange amounts as established and agreed to by the related parties.

**14. APPROVAL OF FINANCIAL STATEMENTS**

The Board of Directors and management have approved these financial statements.

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Chartered Professional Accountants

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March 22, 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 Findings Report**

This letter has been prepared to assist you with your review of Arrow Utilities (formerly Alberta Capital Region Wastewater Commission, “Arrow”)’s audited financial statements for the year ending December 31, 2023.

### **Significant Risks**

As outlined in our audit planning letter issued ahead of the year-end audit, in planning our audit we were required to 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 included substantive testing of revenues, a detailed examination of cut-off and review of journal entries.

There were no changes to our audit plan or anticipated audit procedure response with respect to these risks and we identified no areas with significant residual risk after application of our audit procedures.

### **Significant Difficulties Encountered**

We encountered no difficulties whatsoever during the audit that should be brought to the attention of the Board.

### **Accounting Policies and Accounting Estimates**

We did not identify any issues with management’s choice of accounting policies, nor their accounting estimates, that could materially misstate the financial statements.



## Significant Financial Statement Disclosures

We did not identify any financial statement disclosures that are particularly significant, sensitive or require significant judgements that we believe should be specifically drawn to your attention.

## Uncorrected Misstatements

There were no uncorrected misstatements aggregated by our firm for the year ended December 31, 2023.

## Significant Deficiencies in Internal Control

A deficiency in internal control exists when a risk is not treated by a control or when a control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis. A **significant** deficiency then, is defined as a deficiency or combination of deficiencies in internal control that, in the auditors' professional judgement, is of sufficient importance to merit the attention of the Board.

We did not identify any control deficiencies that, in our judgement, would be considered significant deficiencies. However, we have provided a letter to management outlining our recommendations that management can provide to the Board upon request.

## Written Representations

In a separate communication, we required a number of written representations from management with respect to their responsibility for the preparation of the financial statements in accordance with Canadian public sector accounting standards.

## Independence

Canadian generally accepted auditing standards requires that we communicate at least annually with you regarding all relationships between Arrow and ourselves that, in our professional judgement, may reasonably be thought to bear on our independence. In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the *Chartered Professional Accountants of Alberta* and applicable legislation, covering such matters as: holding a financial interest, either directly or indirectly, in a client; holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client; personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client; economic dependence on a client; and provision or services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters: We are not aware of any relationships between Arrow and ourselves that, in our professional judgement, may reasonably be thought to bear on our independence that have occurred from January 1, 2023 to March 22, 2024.

## 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.

We would like to thank Paul Krueger, Kate Polkovsky and all Arrow staff involved in the audit process for their cooperation and assistance. We greatly appreciate the opportunity to be of service to Arrow.

Sincerely,

**JDP WASSERMAN LLP CHARTERED PROFESSIONAL ACCOUNTANTS**

Edward Telford, CPA, CA  
Partner

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**ARROW  
UTILITIES**



# FINANCIAL REPORT AND COMPARISONS

# 2023



*Sustainable  
Wastewater  
Solutions* ➤

## Statement of Operations

For the fiscal year ended December 31,  
(in 000's)

	2019	2020	2021	2022	2023	2023
	<i>(Actual)</i>	<i>(Actual)</i>	<i>(Actual)</i>	<i>(Actual)</i>	<i>(Actual)</i>	<i>(Budget)</i>
<b>Revenues</b>	<b>\$ 40,448</b>	<b>\$ 43,890</b>	<b>\$ 49,688</b>	<b>\$ 52,263</b>	<b>\$ 55,908</b>	<b>\$ 54,053</b>
<b>Operation and Maintenance</b>						
Amortization	7,895	9,399	9,048	9,435	9,265	-
Biosolids management	5,375	6,320	5,690	6,182	10,038	6,313
Contract maintenance and materials	2,504	2,380	2,213	3,114	4,263	3,053
External treatment	7,703	8,250	8,337	9,556	9,795	9,866
Financing costs	1,257	1,278	1,298	1,291	1,942	-
Other	532	590	596	720	1,075	892
Salaries and benefits	3,312	3,472	3,457	3,604	3,707	3,642
Utilities	2,163	2,089	2,419	2,887	2,966	3,050
	30,741	33,778	33,058	36,789	43,051	26,816
<b>Board</b>	98	117	112	139	257	143
<b>Corporate Services</b>	1,956	2,114	2,077	2,256	2,925	2,552
<b>Engineering</b>	1,027	899	959	1,130	997	995
<b>Regulatory Services</b>	1,307	1,311	1,298	1,402	1,629	1,539
<b>Total Expenses</b>	<b>35,129</b>	<b>38,219</b>	<b>37,504</b>	<b>41,716</b>	<b>48,859</b>	<b>32,045</b>
<b>Excess of Revenues over Expenses</b>	<b>\$ 5,319</b>	<b>\$ 5,671</b>	<b>\$ 12,184</b>	<b>\$ 10,547</b>	<b>\$ 7,049</b>	<b>\$ 22,008</b>

## Financial Highlights and Comparisons

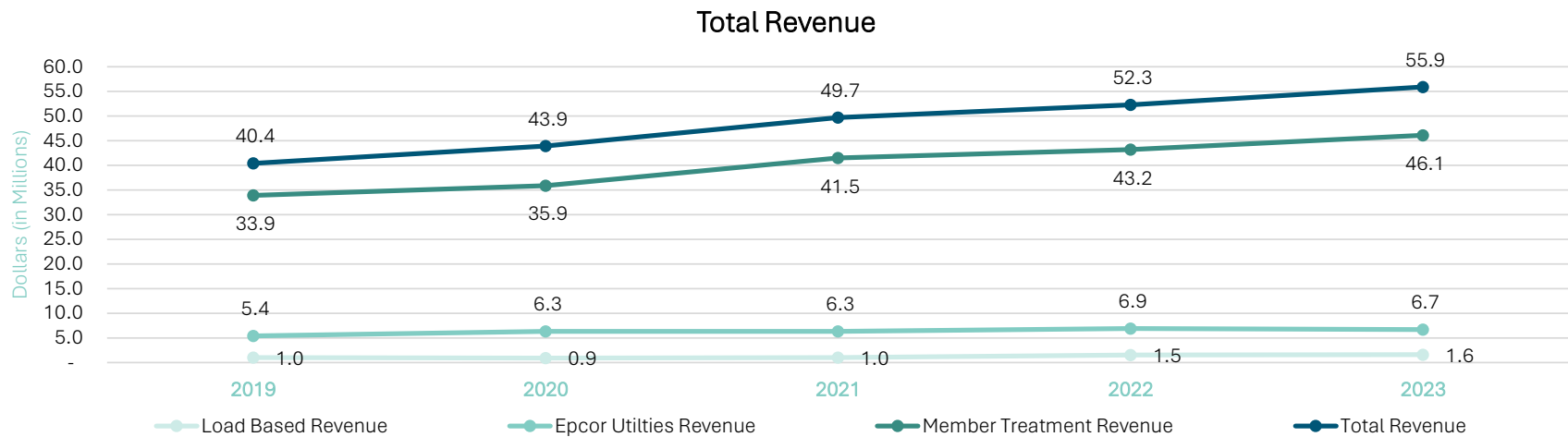
### Revenues

Arrow Utilities generated \$55.9 million in gross revenues in 2023 which is an increase of \$3.6 million compared to prior year (\$52.3 million in 2022) and \$1.9 million over budget (\$54.1 million in 2023 budget).

\*\* Member Treatment Revenue increased by \$2.9 million year over year.

\*\* Epcor Utilities Revenue remained fairly consistent with a decrease of about \$200 thousand year over year.

\*\* Load Based Revenue remained fairly consistent with an increase of about \$100 thousand year over year.

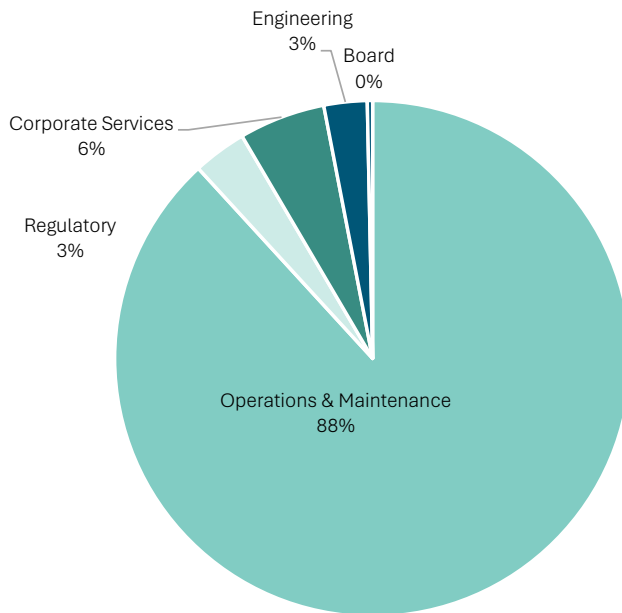


## Expenses

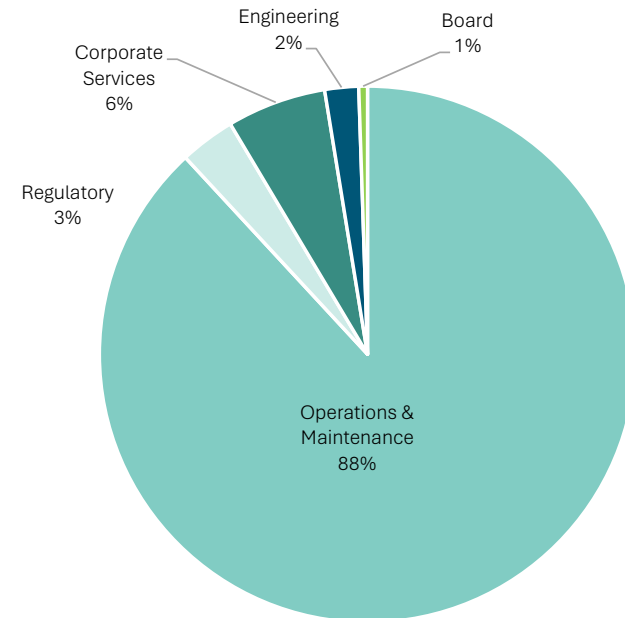
Arrow Utilities incurred \$48.9 million in expenses in 2023 which is an increase of \$7.2 million compared to prior year (\$41.7 million) and \$16.8 million over budget (\$32.0 million).

\*\* Operations & Maintenance increased \$6.3 million year over year due primarily to unexpected repairs.

### 2022 Expense by Department



### 2023 Expense by Department

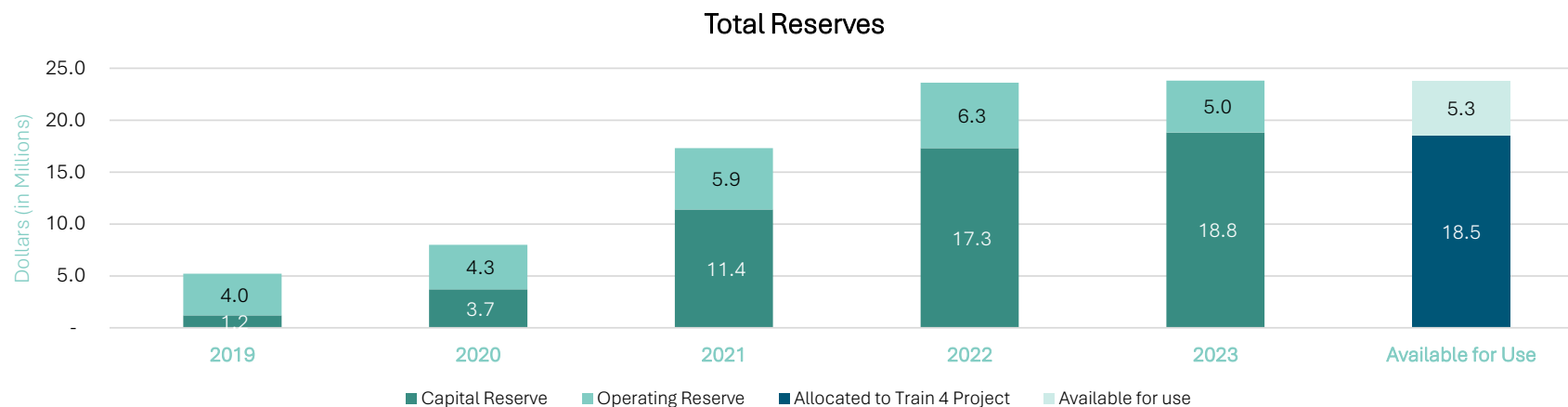


## Equity in Tangible Capital Assets and Total Accumulated Surplus

The equity in tangible capital assets increased \$6.8 million to \$187.8 million while total accumulated surplus increased by \$7 million to \$211.6 million.

	(in 000's)	
	2023	2022
Tangible capital assets	\$ 438,836	\$ 390,741
Accumulated amortization	- 163,574	- 155,112
Long-term debt	- 87,461	- 54,516
<b>Equity in tangible capital assets</b>	<b>187,801</b>	<b>181,113</b>
Capital reserve	18,828	17,208
Operating reserve	4,997	6,255
<b>Total accumulated surplus</b>	<b>\$ 211,626</b>	<b>\$ 204,576</b>

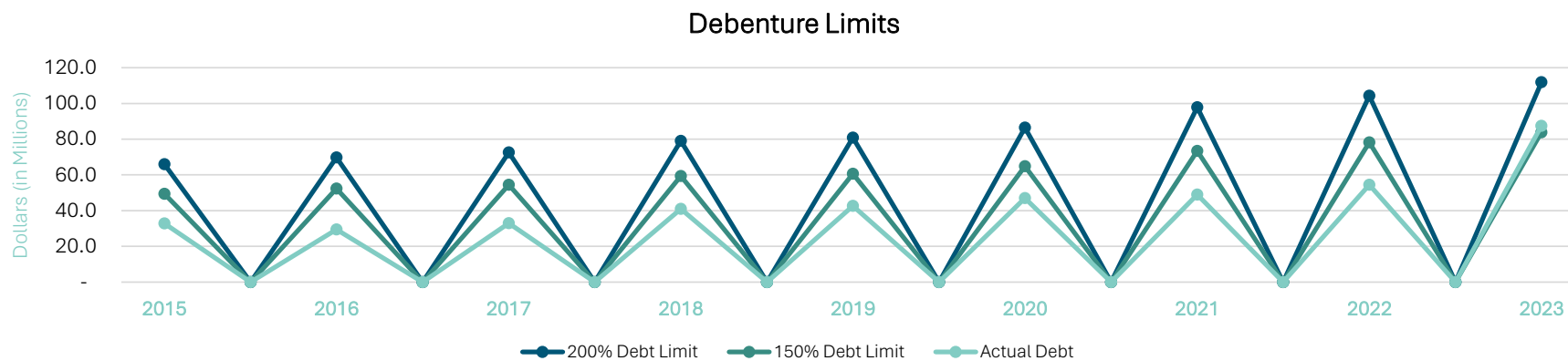
*\*\*The 2023 capital reserve has \$18,539 currently allocated to the Train 4 MBR Plant upgrade project.*



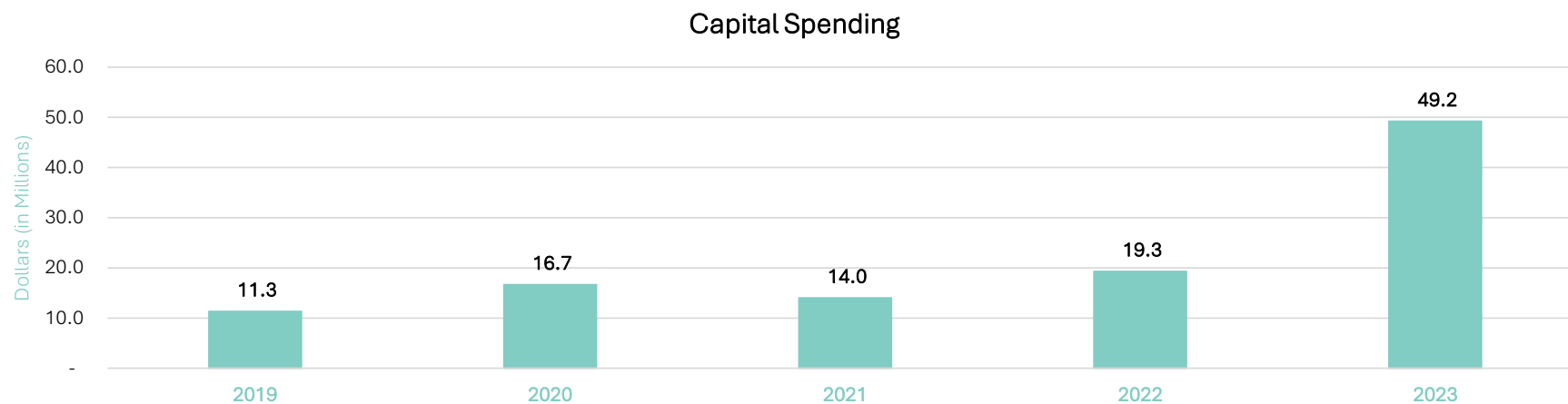
## Debentures

Debentures increased by \$32.9 million (%) to \$87.5 million (\$54.5 million in 2022) to a debt to revenue percentage of 156%. Arrow Utilities issued \$38 million in new debentures and paid down \$5.1 million in principle on outstanding debentures.

	(in 000's)	
	<u>2023</u>	<u>2022</u>
Total debt limits - 150% (Board Limit)	\$ 83,862	\$ 78,191
Total debt	- 87,461	- 54,516
<b>Remaining (overage) of debt</b>	<b>-\$ 3,599</b>	<b>\$ 23,675</b>
Debt servicing limit	\$ 19,568	\$ 18,245
Debt servicing	- 10,363	- 6,678
<b>Remaining of debt servicing</b>	<b>\$ 9,205</b>	<b>\$ 11,567</b>



## Capital Spending



### Capital Projects (000's)

	<u>2023</u> <i>(Actual)</i>	<u>Project</u> <u>To Date</u>	<u>Total Project</u> <u>Estimates</u>	<u>Remaining</u> <u>Future Costs</u>
Plant Upgrade and Wastewater Reuse	\$ 10,400	\$ 10,400	\$ 165,900	\$ 155,500
PSTS Rehab / Replacement, by Big Lake	12,450	12,450	18,700	6,250
SERTS N Twinning Upgrade	9,300	9,300	10,800	1,500
FSPS Generator and MCC System	2,700	2,700	4,500	1,800
Spruce Grove WWF - Phase I (PS, FM, and Lagoon)	2,900	2,900	2,900	-
Biogas Pipeline Replacement and Gas De-Moisture	600	600	2,800	2,200
Sky Feeder Breaker Replacement (6)	150	150	2,450	2,300
Alum System Upgrade	1,450	1,450	1,450	-
PLPS HVAC System Upgrade	1,300	1,300	1,300	-
SAPS Pumping / Electrical Upgrade	450	450	450	-
Gibbons Pump Replacement	450	450	450	-
Blower Motors	375	375	375	-
Waste Gs Burner System Upgrade	50	50	250	200
START Replacement (905GR067 to 905GR069)	120	120	120	-
Unplanned Line Replacement	5,950	5,950	-	5,950
Annual Minor Capital	500	500	-	500
<b>Total Capital Requirements</b>	<b>\$ 49,145</b>	<b>\$ 49,145</b>	<b>\$ 212,445</b>	<b>\$ 163,300</b>



**March 22, 2024**  
**Administrative Report**

<b>Purpose of Report</b>	This report provides a summary of operations, incidents and contraventions, and any public relations matters.
<b>Attachments</b>	Operations Report (January and February 2024) Incidents & Contraventions Report (January and February 2024)
<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><b>Regulatory Services / Incidents and Contraventions:</b></p> <p>The draft municipality specific 2023 Annual Source Control Reports will be shared with the respective Technical Advisory Committee member for review and feedback prior to issuing as final. Each Board member will receive a copy of the final report.</p> <p>Incidents and Contraventions report (January 1 – February 29, 2024) attached. One environmental contravention and one near miss environmental incident.</p> <p><b>Operations:</b></p> <p><b>Plant Electrical Surge:</b> A high surge of incoming electrical voltage resulted in a long duration power failure and damage to several electrical pieces of equipment. It was determined that a failure of Alta Link's regulating voltage equipment caused the surge.</p>

**Report Date: March 22, 2024**

**Author/Title:** Dwayne Cikaluk, Director of Operations  
 Wade Teveniuk, Director of Regulatory Services  
 Cindy de Bruijn, Director of Communications & Stakeholder Relations

**Approved by:** Kate Polkovsky, CEO

	<p><b>Plant Digesters:</b> The Primary digester broke its gas seal due to the power failure. Operations manually reversed solids from the Secondary to Primary digester to create a gas seal.</p> <p><b>St. Albert Station Upgrade:</b> The installation of SP 2 and 4 pumps were complete. The Force main valves and PLC programming testing requires further work.</p> <p><b>Outfall Gravity Line:</b> In January a sinkhole was discovered near manhole 904 - 3 on Department of National Defense property. Operations secured the site until excavation and repairs were completed.</p> <p><b>Parkland Gravity:</b> The relining of 3.2 kilometers of pipe was successfully completed.</p> <p><b>Public Relations:</b></p> <p>We have begun to strategize tactics for mitigating odour complaints that will accompany spring melt in the area of the Spruce Grove Lagoons.</p> <p>We hosted the Technical Advisory Committee (TAC) meeting on February 22, 2024. Separate agenda item to follow with more details.</p> <p>On May 1 and 2, ARROW will be co-hosting the Canadian Water Network’s Municipal Leadership Consortium in partnership with EPCOR. The purpose of this meeting is to create and reinforce relationships with national peers and build an understanding of shared challenges and opportunities. A deeper dive into procurement innovation and alternative capital delivery models, especially in the context of new financial drivers and future uncertainty, will be discussed. There will also be discussion on drought/resilience preparations, business continuity planning, upskilling the utility workforce, asset management priorities, net-zero actions, risk communications, etc.</p>
<b>Recommendation</b>	This report is for information purposes.
<b>Implications of recommendation(s):</b>	
<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: March 22, 2024**

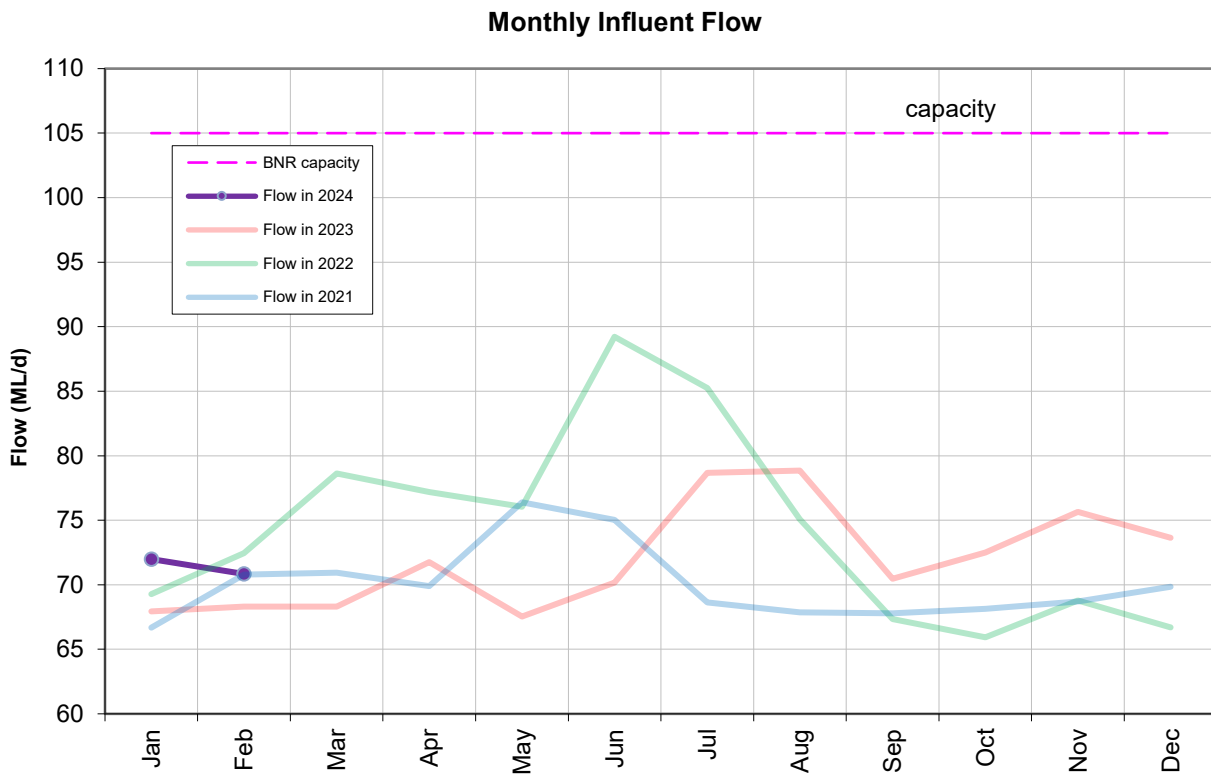
**Author/Title:** Dwayne Cikaluk, Director of Operations  
Wade Teveniuk, Director of Regulatory Services  
Cindy de Bruijn, Director of Communications & Stakeholder Relations

**Approved by:** Kate Polkovsky, CEO

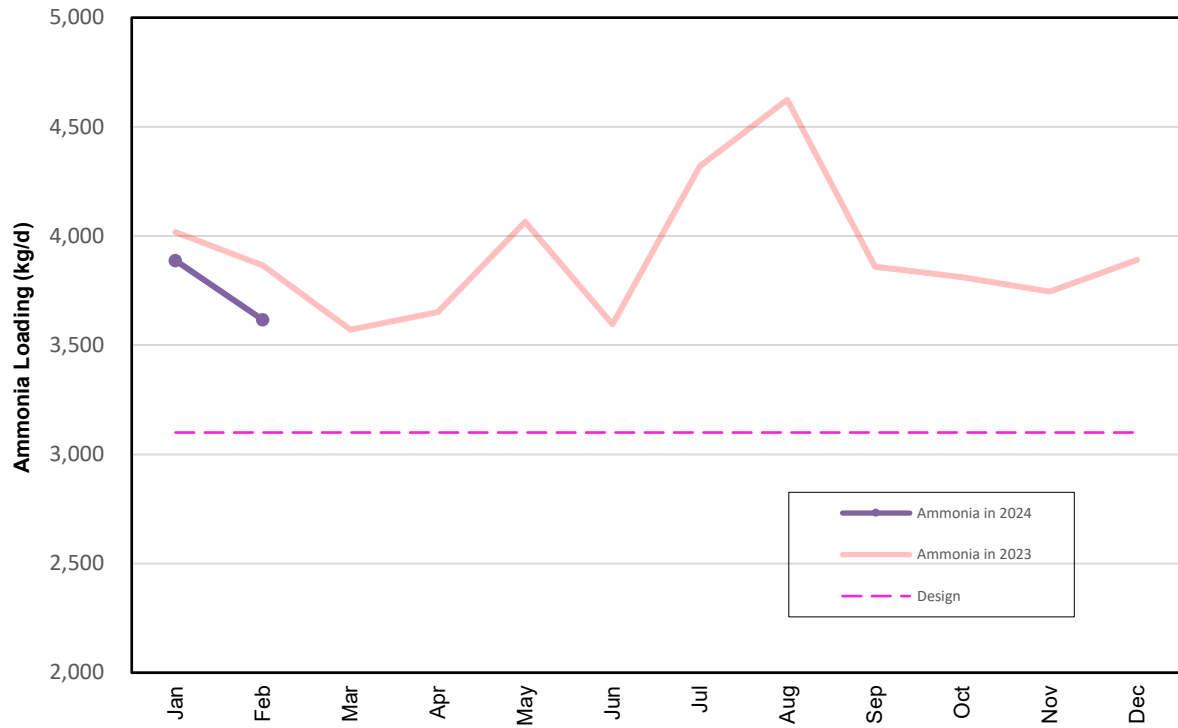


## Operations Report – January/February 2024

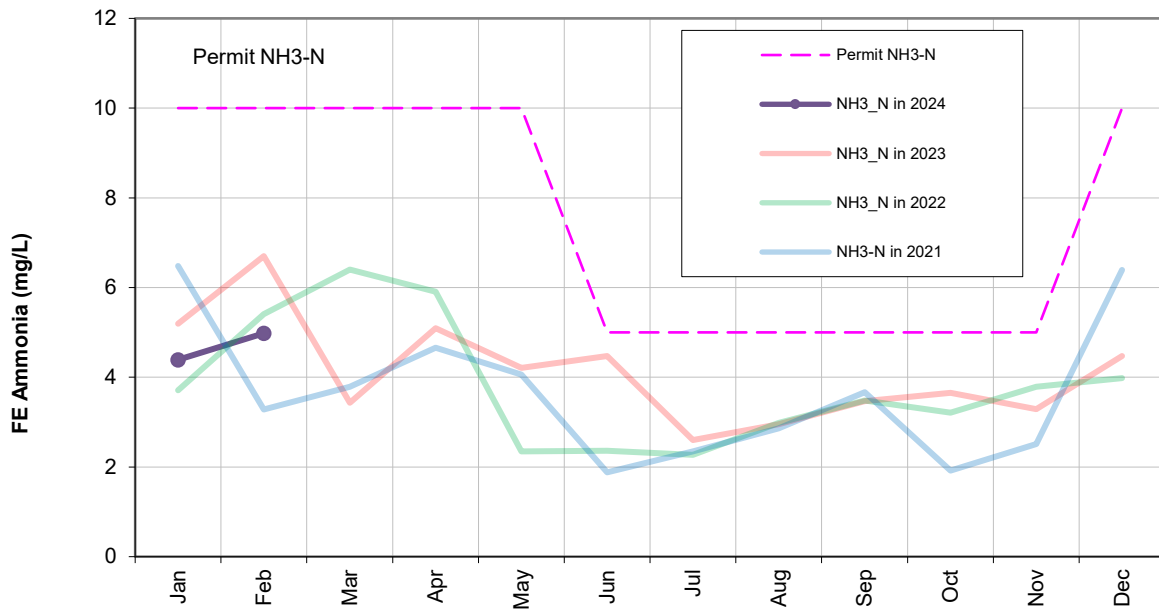
### Treatment Targets by Concentrations



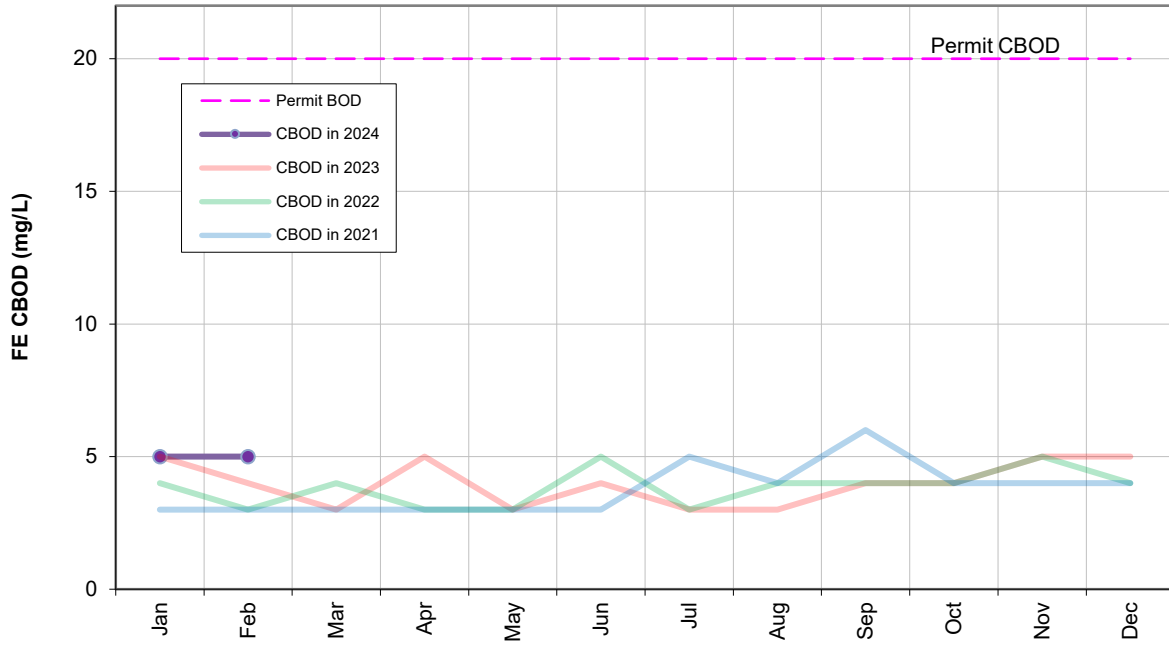
**Monthly Influent Ammonia Mass Loading**



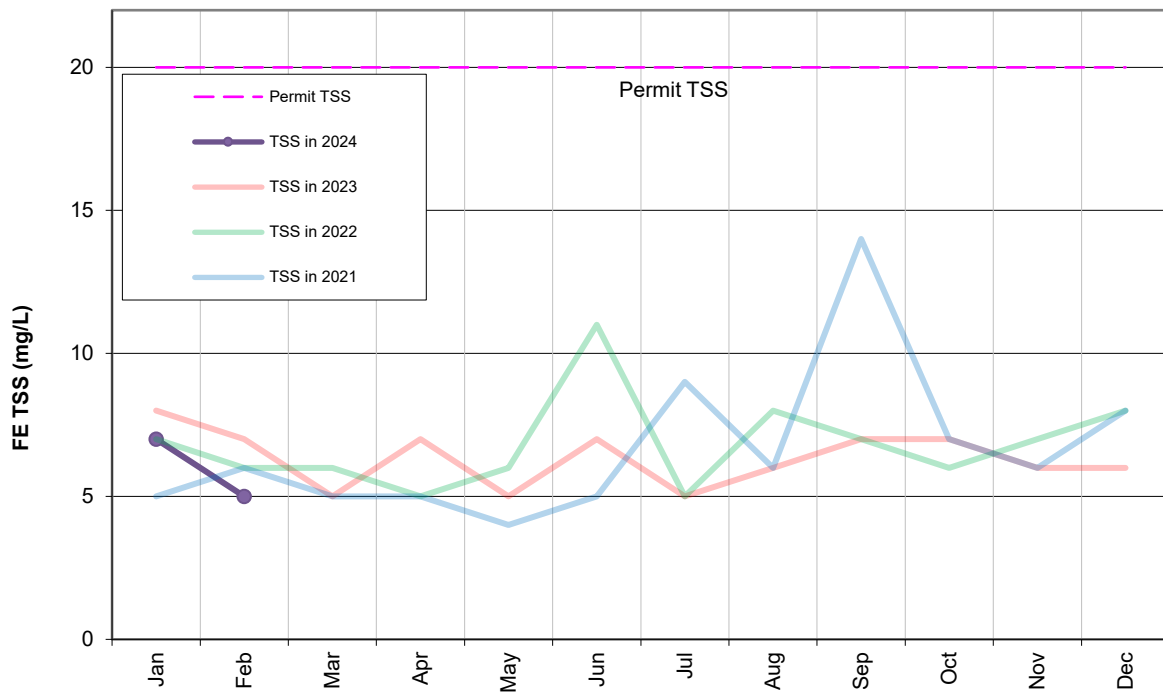
**Monthly Effluent Ammonia**



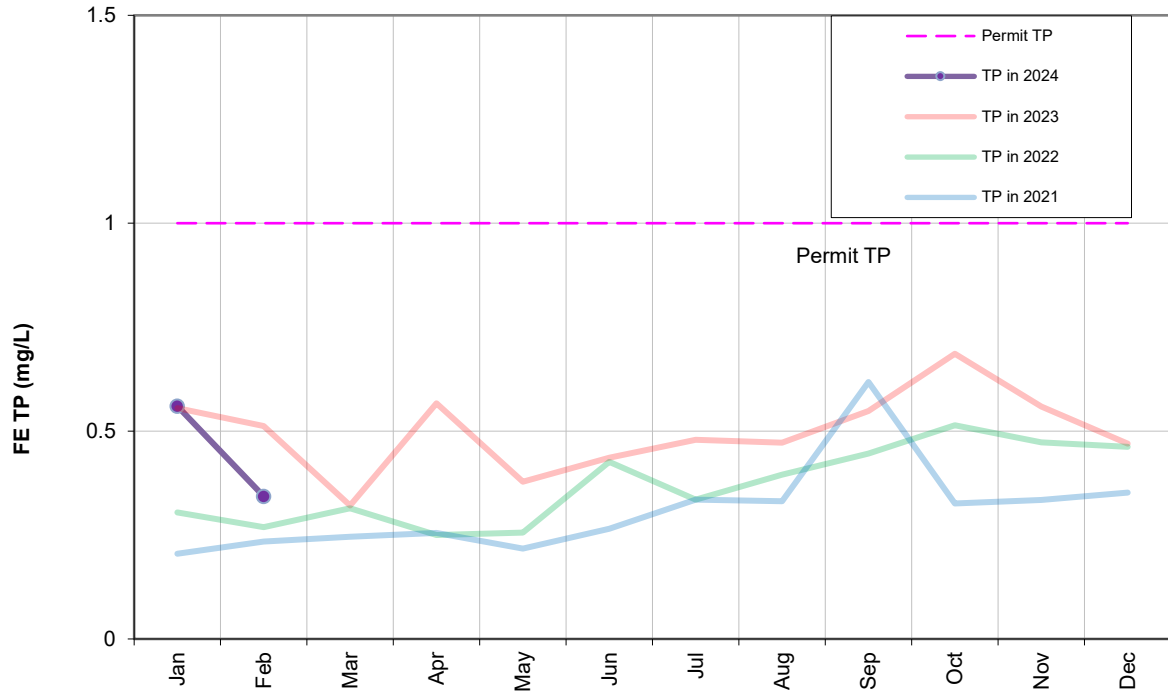
**Monthly Effluent Carbonaceous Biological Oxygen Demand**



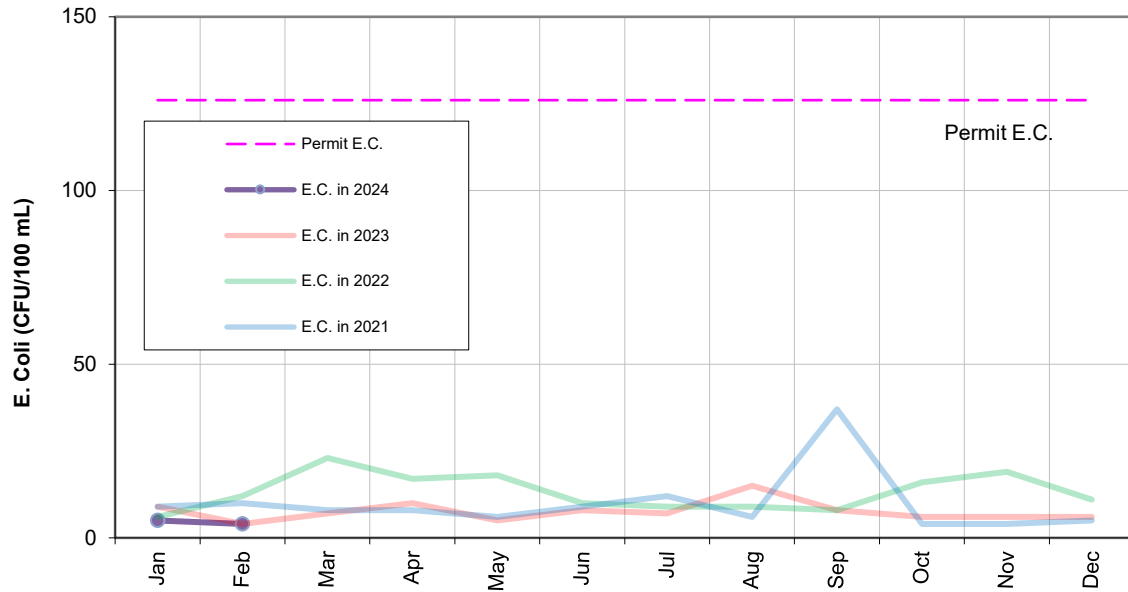
**Monthly Effluent Total Suspended Solids**



### Monthly Effluent Total Phosphorus



### Monthly Effluent E. Coli



## Incidents/Contraventions Summary

Date: March 6, 2024

Reporting Period: January 1, 2024, to February 29, 2024

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**Incident Classification:** Environmental Contravention

**Date of Release:** January 21, 2024

**Location:** ARROW Utilities Treatment Plant

**Contaminant:** Digester Biogas

**Estimated Volume of Release:** 29,700 m<sup>3</sup>

**Description of Events:**

January 20: Due to variable frequency drives (VFDs) failing on multiple pumps, Thickened Waste Activated Sludge (TWAS) flow was interrupted to the digesters. This resulted in the release of entrained biogas from the Primary Digester to atmosphere.

**Recovery and control actions:**

January 20/21: ARROW's Electrical & Instrumentation (E&I) personnel had replaced the failed VFD and completed required programming allowing all systems to be restarted. Operations staff initiated the Digester Biogas Release Emergency Response Procedure. The release to atmosphere was reported to Alberta Environment & Protected Areas.

January 22: Digester gas seal was restored ending the 6-hour release of biogas to atmosphere. Plant site perimeter hydrogen sulphide (H<sub>2</sub>S) readings were taken with results establishing there was no risk to public health.

**Causes and future actions:**

The 11-hour interruption of TWAS flow to the digesters inhibited maintaining the hydraulic level within the digester causing the loss of gas seal resulting in the release of entrained gas to atmosphere. AltaLink (electricity service provider) confirmed a blown fuse and tap changer issue occurred on January 20th at the substation that feeds ARROW's wastewater treatment plant which resulted in a spike in the plant's utility power voltage causing the VFD failures.

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**Incident Classification:** Near Miss Environmental

**Date:** January 29, 2024

**Location:** City of Edmonton ~700m west of 82 Street and 90m south of Valour Avenue

**Description of Events:**

Less than a meter-long crown section of the Outfall transmission gravity pipeline collapsed resulting in a small sink hole adjacent to a manhole. The untreated wastewater was contained within the intact lower section of the pipeline.

Prepared by: Wade Teveniuk, Director, Regulatory Services

Approved by: Kate Polkovsky, CEO

**Recovery and control actions:**

January 29: Implemented the Transmission Emergency Recovery Plan. Fencing was erected to secure the area around the sinkhole. A temporary measure was taken by layering fabric over the collapsed crown section of the pipeline, and then reinforced with concrete to prevent more soil and clay from entering the pipeline.

January 30: Rig matting was installed to mitigate adverse environmental impacts.

January 31: Excavation conducted to expose the compromised section of the pipeline and repair was completed.

February 1: Backfill of excavation completed.

**Causes and future actions:**

Gaskets were found to be corroded on the crown of the pipeline resulting in a gap allowing clay/soil to enter the pipeline. Corrosion of the gaskets were likely due to the H<sub>2</sub>S present in the pipeline's air space.

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**March 22, 2024  
TAC Meeting Update**

<b>Purpose of Report</b>	A summary of the presentation provided to the Technical Advisory Committee on February 22, 2024.
<b>Attachments</b>	TAC Presentation – February 22, 2024
<b>Alignment to Board’s Strategic Plan</b>	<p>Responsible leadership - engage with the broader community to increase the awareness of the commission and its work</p> <p>Responsible leadership - keep utility rates reasonable and predictable for member municipalities</p>
<b>Alignment to ESG Principles</b>	<p>Governance - promotes transparency and accountability</p> <p>Social - improves service delivery and community relations</p>
<b>Background and Discussion</b>	<p>On February 22, 2024, members of ARROW Utilities presented to the Technical Advisory Committee. The Technical Advisory Committee consists of technical management and field staff from the member municipalities. In attendance from ARROW Utilities were all members of the Engineering team as well as the Directors of Operation, Corporate Services, Communication and Stakeholder Relations, and Regulatory Services.</p> <p><u>Four topics were presented:</u></p> <ol style="list-style-type: none"> <li>1. Setting the Context- this consisted of an overview of the Commission, how ARROW intends to engage and what the communication strategy entails.</li> <li>2. Wet Weather Strategy- this was a review of the strategy development implemented in 2014 to reducing wet weather flows to the plant and the negative impacts associated. A large component of the strategy is the future rate structure. The timeline for the rate model was pushed to 2027.</li> <li>3. Transmission System- the presentation focused on the existing system, the asset status, key projects delivered in 2023 and a discussion on the upcoming Utility Master Plan to be delivered in 2024 and 2025.</li> </ol>

**Report Date:** March 22, 2024  
**Author/Title:** Jay Mason, Director of Engineering  
**Approved by:** Kate Polkovsky, CEO

4. Treatment Capacities – this provided focus on the factors that have led to the growth of the plant (Train 4). Details included the industrial loadings we receive and the challenges in treating, the future hydraulic requirements, the timelines of future membranes in train 4, and the benefits of an MBR plant.

Each presentation included a question-and-answer period that followed.

Key Takeaways:

1. Industrial Loading – Is there an ability to push industry to manage loading at the industry site prior to release? If not can the Commission push industry to pay for Capital Expenditures or increase overstrength charges.

*ARROW response: Currently we work off of cost recovery with the overstrength program. A direction to move to have industry subsidize capital and/or pay a revenue/penalty against overstrength is a change in philosophy. ARROW does not want to be the restriction to development of industry or commercial as there are other significant benefits to the region that this would impact by possibly limiting growth by charging capital investments. The hydraulic capacity of the plant was already requiring an increase with the expected flows coming in the next two years.*

2. The One Drive being set up by ARROW for sharing information, will it be available for all future Advisory Committees?

*ARROW Response: The current one being set up will be for TAC but ARROW will determine if it makes sense to keep all three together (Finance, Communications, and Technical) or separate, and will advise the TAC.*

3. Rates – The future Wet Weather Rate structure may be difficult to take on with the increases due to the expansion.

*ARROW response: Understood, the plan is to keep the TAC and FAC apprised as it develops. Timing will be looked at to minimize any rate increases, however currently wet weather impacts are budgetary items that are impacting rates and will continue to only get worse. Wet weather will continue to impact infrastructure at a municipal level as well so will need a focus.*

4. As above in number 1, can industry take on a larger portion of the rates through capital investment or an increase in overstrength charges?

*ARROW response: Same as in number 1, but also ARROW has an industrial partner that will be purchasing water at a rate that will offset Capital expenditures through a mutually beneficial arrangement. ARROW will continue to look for future partnerships.*

**Report Date: March 22, 2024**

**Author/Title:** Jay Mason, Director of Engineering

**Approved by:** Kate Polkovsky, CEO

<b>Recommendation</b>	For information purposes.
<b>Implications of recommendation(s):</b>	
<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:** March 22, 2024  
**Author/Title:** Jay Mason, Director of Engineering  
**Approved by:** Kate Polkovsky, CEO



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# Technical Advisory Committee

**February 22, 2023**  
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# History of the Alberta Capital Region Wastewater Commission

For nearly 40 years, ARROW Utilities has provided an essential service to residents and industries by processing and reclaiming water, thanks to active participation and guidance from its 13 members:

- > 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

While serving the environment, we also seek opportunities to provide more value through the circular economy. Recovered wastewater can unlock boundless new forms of energy, and together we're taking aim at that better future.

The 1970's saw rapid growth in Edmonton and surrounding municipalities. This growth taxed existing sewage management systems to an extent that the Province of Alberta felt that a review of the system and treatment facilities was needed.

- > **1977** *Edmonton Regional Utilities Study was conducted and recommended centralizing sewage treatment.*
- > **1980** *Design and construction for a plant and trunk sewers to support a regional wastewater treatment system began.*
- > **1985** *In May, ten Edmonton-area municipalities formed the Capital Region Sewage Commission.*
- > **1985** *Morinville and Gibbons joined the Commission in December.*
- > **2000** *The name of the Commission was changed to the Alberta Capital Region Wastewater Commission (ACRWC).*
- > **2002** *Town of Bon Accord joined the Commission.*
- > **2023** *The name of the Commission was changed to ARROW Utilities.*



- > Not-for-profit entity, governed by the Municipal Government Act
- > Board of Directors comprised of an elected official from each of the 13 member municipalities
- > Board members are appointed by their respective Councils
- > Board members annually sign a covenant, inclusive of their responsibilities such as:
  - > *Guide the Commission by establishing a strategic planning framework and reviewing it regularly.*
  - > *Make decisions which we believe to be in the best interests of the Commission recognizing that the needs of our members as well as other stakeholders need to be thought through and reflected in such decisions.*
  - > *Seek to participate actively in decision-making by welcoming and encouraging diverse ideas and viewpoints and having purposeful discussion to determine which to act on.*



# The Team



# What Do We Manage

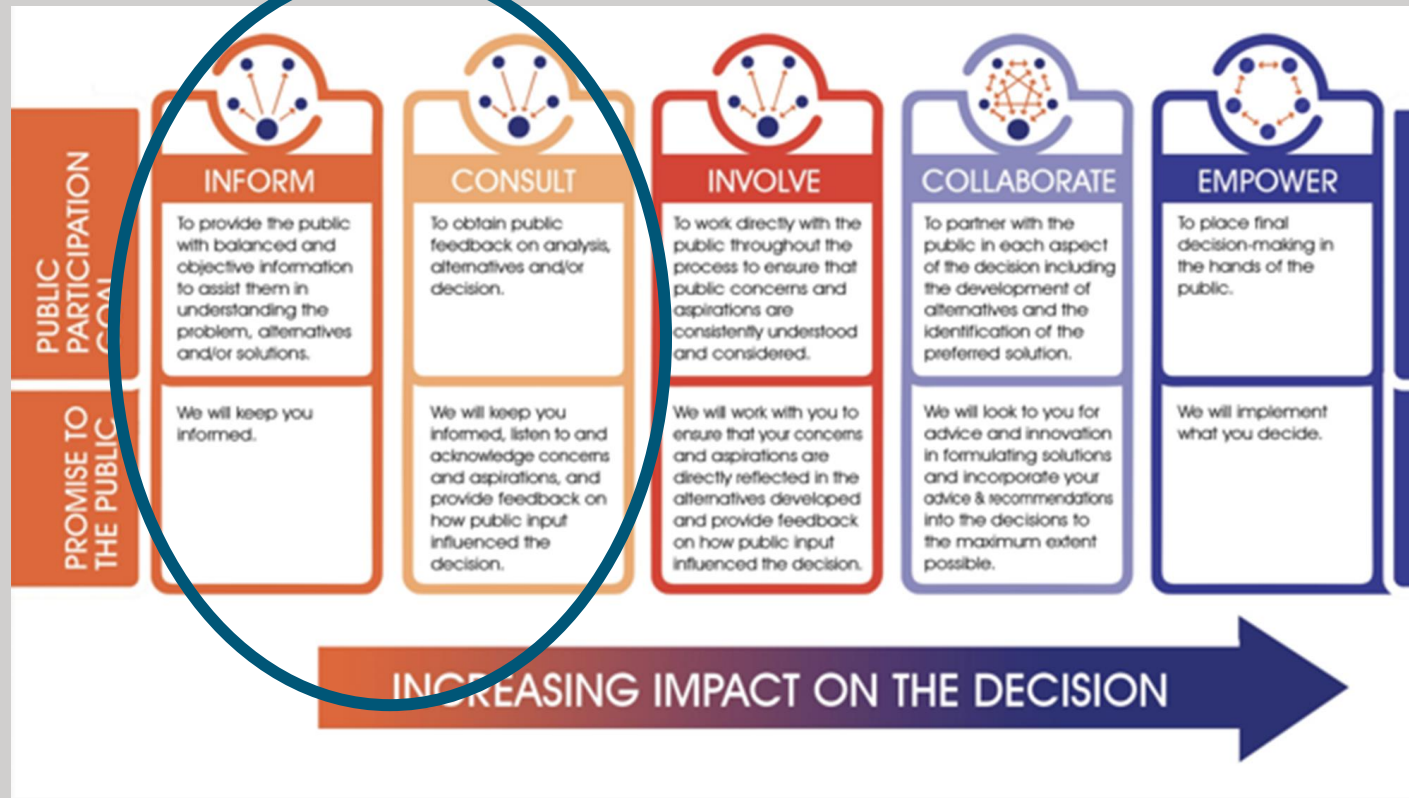


- ARROW Utilities manages the transmission pipes from the municipalities and the plant that conducts the treatments.
- EPCOR reciprocal agreement
- Influent characteristics
- Single provincial permit



# Moving Forward

"Engagement, or public participation, is a process for making better decisions that incorporates the interests and concerns of all affected stakeholders and meets the needs of the decision-making body". International Association of Public Participation



# Moving Forward



## REGULAR COMMUNICATION COMMITMENTS

### JANUARY

Annual letter of ARROW  
Utilities contacts for  
information requests -

Sent to Board  
representatives, CAOs, and  
TAC/CAC/FAC  
representatives

### FEBRUARY

Annual report released -  
  
Sent to Board  
representatives, CAOs, and  
posted to the website

### MARCH

Financial statements  
released -  
  
Received by the Board  
representatives and  
posted to the website

### JUNE

Proposed rate and anticipated  
implications information sheet  
released -

Sent to Board representatives,  
CAOs, TAC/FAC representatives

Annual CAO breakfast

### SEPTEMBER

Rate confirmation letter -  
  
Sent to Board representatives,  
CAOs, and TAC/FAC/CAC  
representatives

Budget Report -  
Posted to the website

Did you know that  
'Board Briefs' are sent  
to each member  
municipality's Board  
representative and  
CAO, after every  
meeting?

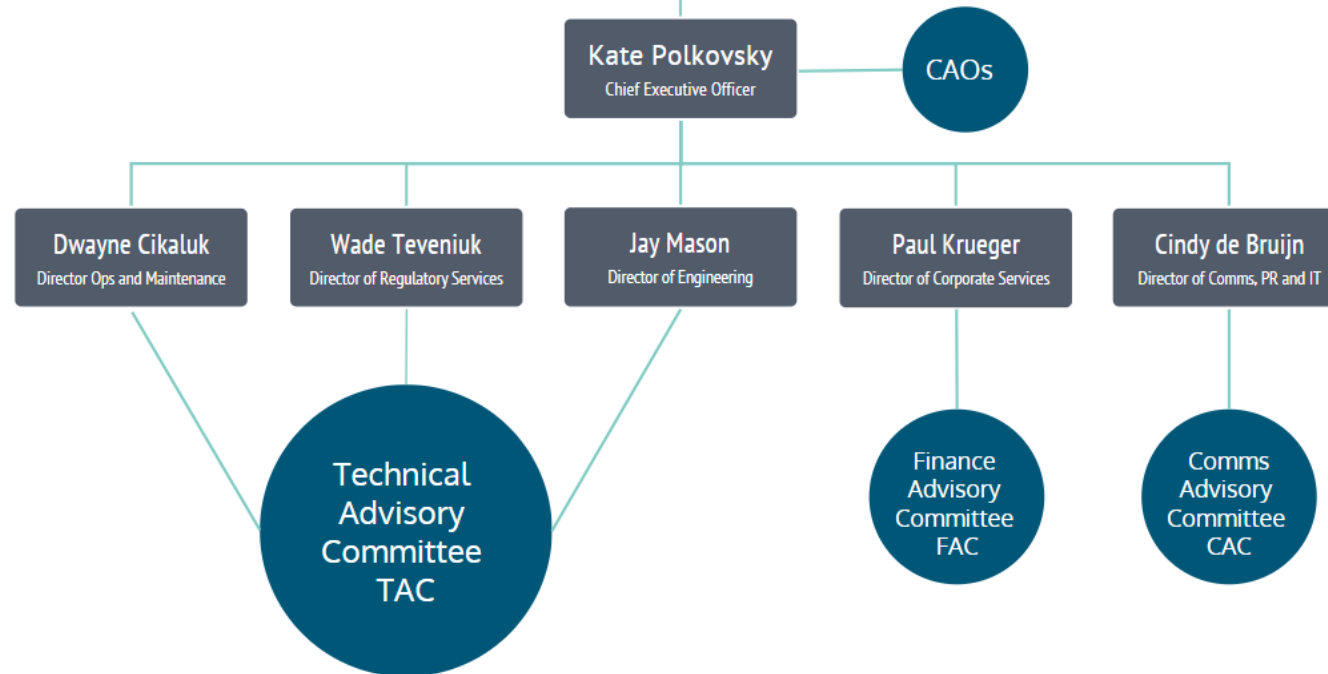


# Moving Forward



13 Member Municipalities

LINES OF COMMUNICATION



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*Sustainable Wastewater Solutions* >



# Today's Agenda

- Wet Weather Strategy
- Transmission System Updates
- Treatment Parameters and Train 4 Upgrades





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# ***Sustainable Wastewater Solutions*** >

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# Wet Weather Strategy

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# Wet Weather Facility Management Strategy - History



In 2014, the ARROW Utilities Board approved the current Wet Weather Flow Management Strategy.

- Data Collection & Analysis
- Communication & Education
- Investment Planning & Decision-Making
- Rate Setting
- Program Management & Continuous Improvement



# Wet Weather Facility Management Strategy - History



- Various initiatives but working in silos
- Challenges to produce meaningful information and results to reduce WWF
- Regulatory framework was needed to ensure that member municipalities are accountable for working towards the reduction of WWF impacts on the regional system



# Wet Weather Facility Management Strategy - History

In 2017, the Regulatory Framework was developed with the Technical Advisory Committee.

- Defined requirements set out in the WWF Discharge Permits (Quality of Wastewater Bylaw)
- The Framework has two phases and sets out requirements for:
  - Inflow/Infiltration (I&I) assessments
  - Wet Weather Flow Management Plans
  - Provision of I&I testing for new subdivisions.



# Wet Weather Regulatory Framework Phase 1 Update



- Assessments of wastewater collection systems to understand the sources of Wet WF and develop action plans and programs to manage those flows
  - I&I Study
  - WWF Management Plan
- Required adopt minimum standards for the installation and testing of new sanitary sewers
  - develop minimum standards
  - members submit a summary report showing new development and projects are compliant with their standards
- Share information (WW flow data, studies, asset conditions, etc.)



# Wet Weather Regulatory Framework Phase 2 Update



- Re-assess Phase I result after a five-year period
- More prescriptive solutions and decision-making for wet weather facility management
- Wet weather flow rate structure

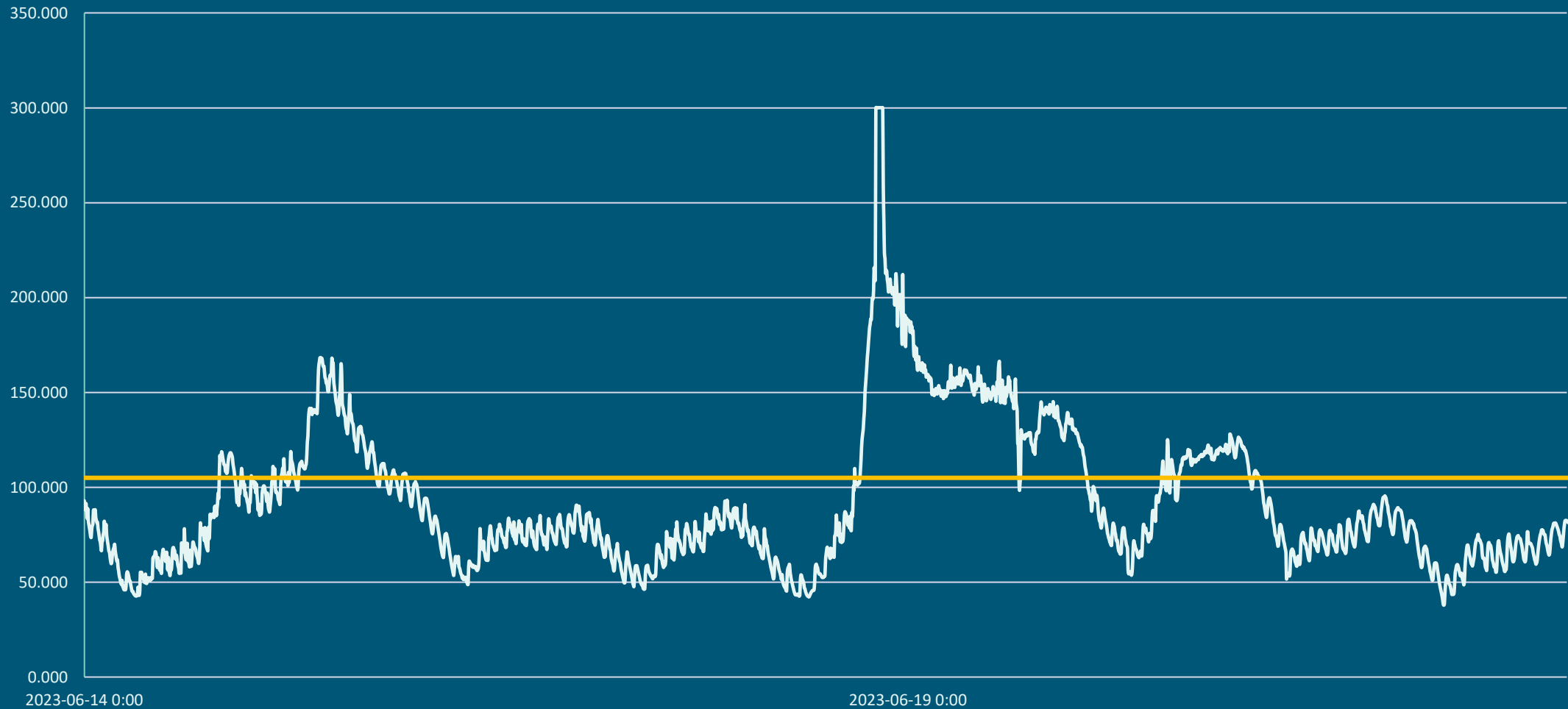


# Wet Weather Regulatory Framework Status

- I/I study
  - 10 members' assessments have met the terms of reference criteria
  - 3 members with wet weather storage facilities were not required to conduct a study
- WWF management plan
  - 8 of 10 members' plans have been accepted
  - 2 remain in progress
  - 3 members with WW storage not required
- Members' Standards Audit
- WWF rate model Concept
  - Visited 8 member municipalities in 2023



# Plant Influent - July 17-18, 2023, Rainfall Event



# General Rate Concept

- All costs associated with operating, maintaining, financing, constructing wet weather management attributed services divided by averaged annual wet weather flows over calculated thresholds.
- Use Consultant to deliver best practices
- Example costs
  - Electricity
  - Depreciation on Wet Weather attributed Capital Assets
  - Debenture interest
  - Maintenance and Operational costs of Wet Weather Facility



# Rate Structure Timeline



- 2024/2025 - Gather financial information
- 2026 - Financial structure complete with proposed rate for 2027



# Feedback to Wet Weather Facility Rate Concept

- Understanding of peak flow-based WWF rate concept
- Understanding of self performance
- Financial and management related questions
  - Overage?
  - Average out for different areas?
  - Credit from existing facilities?





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# ***Sustainable Wastewater Solutions***

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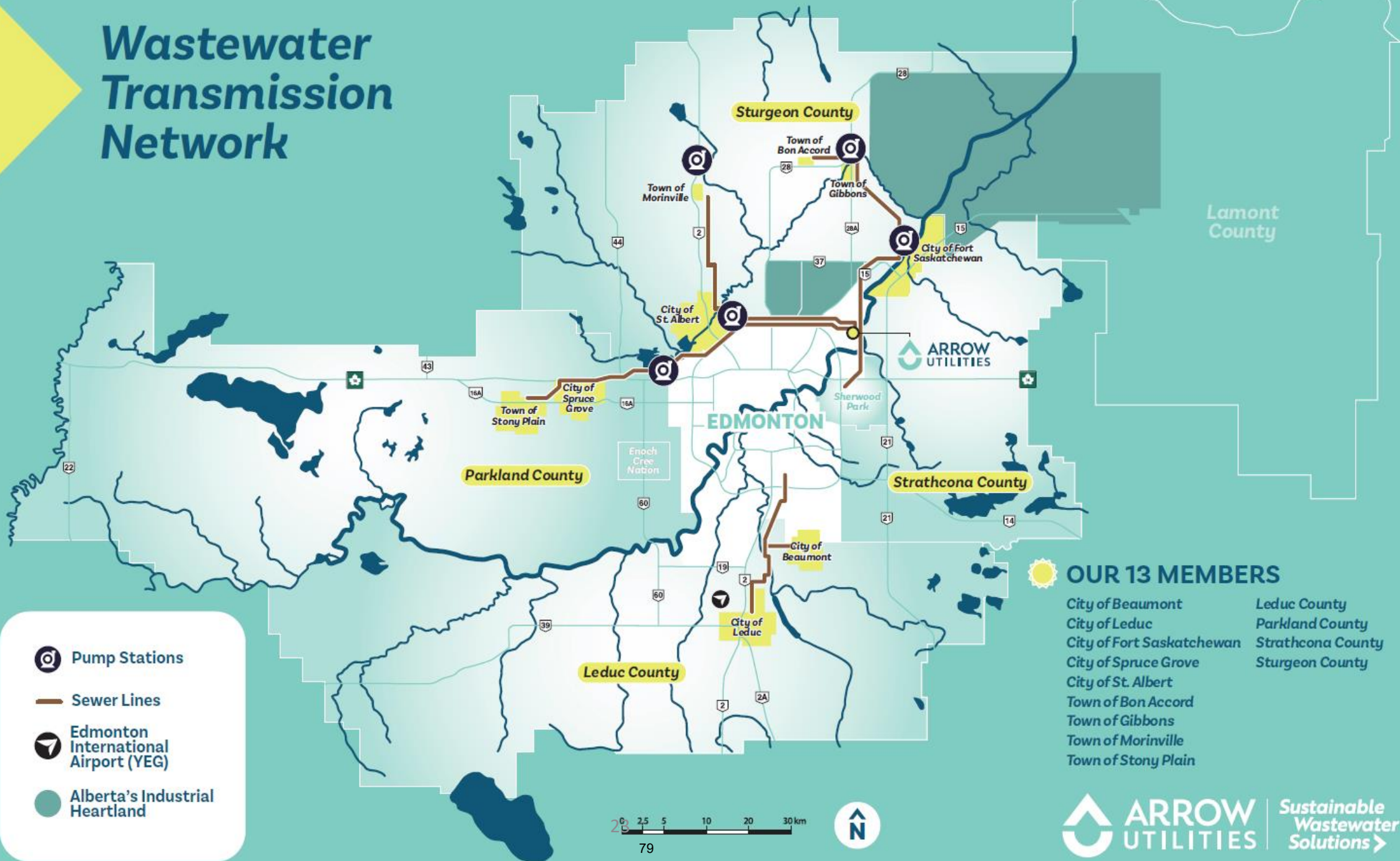


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# Transmission System

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# Wastewater Transmission Network

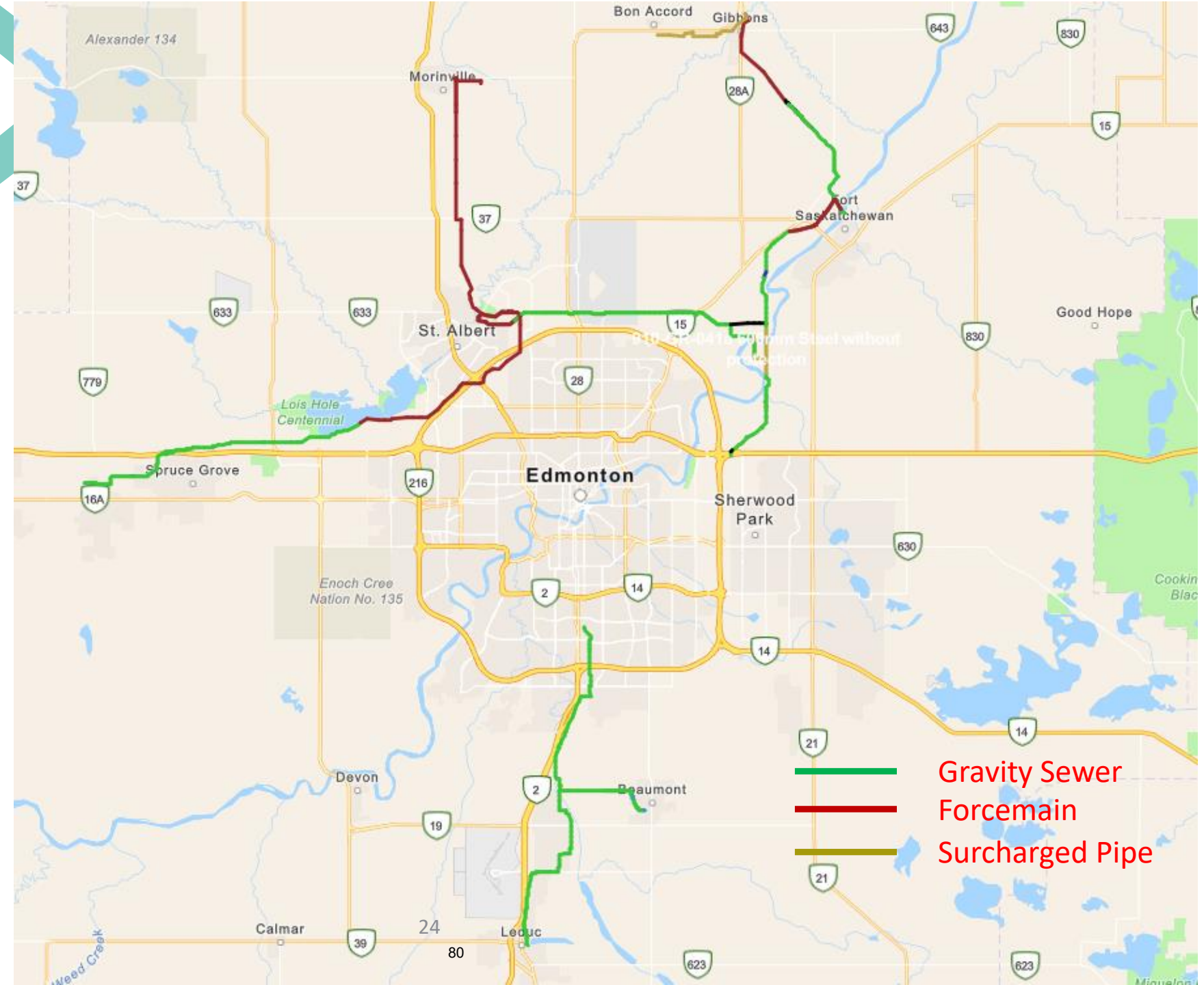


-  Pump Stations
-  Sewer Lines
-  Edmonton International Airport (YEG)
-  Alberta's Industrial Heartland

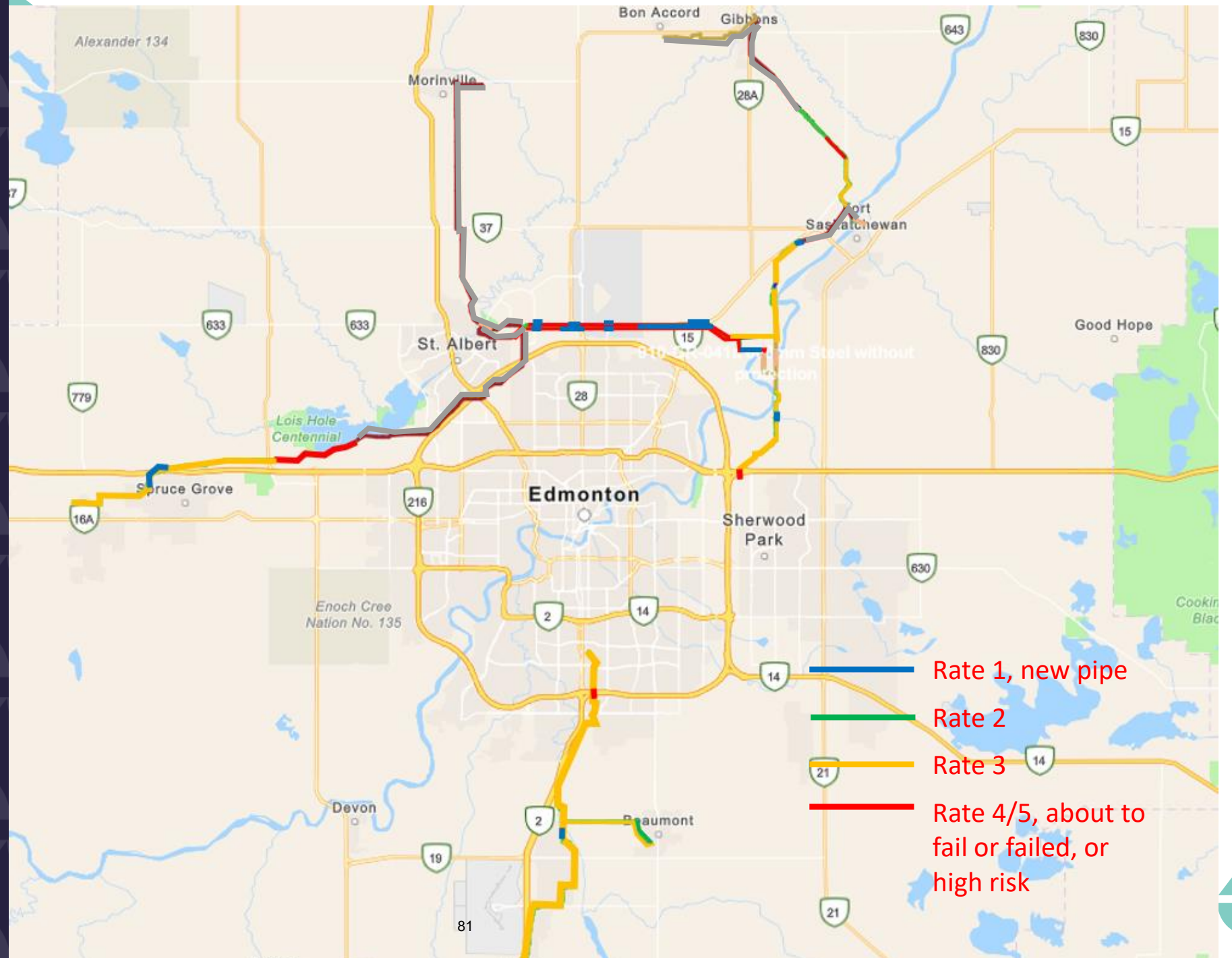
-  **OUR 13 MEMBERS**
- City of Beaumont
  - City of Leduc
  - City of Fort Saskatchewan
  - City of Spruce Grove
  - City of St. Albert
  - Town of Bon Accord
  - Town of Gibbons
  - Town of Morinville
  - Town of Stony Plain
  - Leduc County
  - Parkland County
  - Strathcona County
  - Sturgeon County



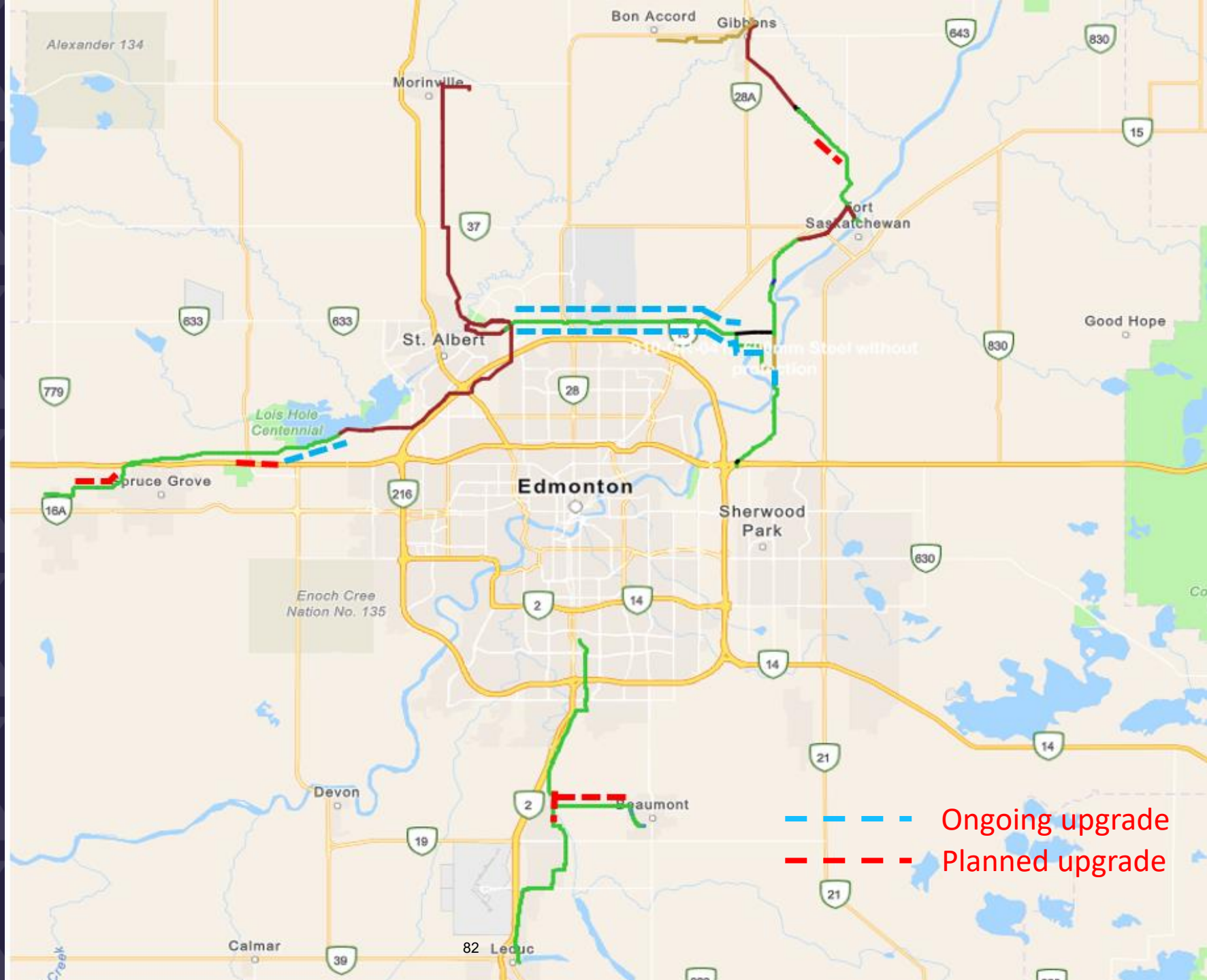
# Pipeline Function Types



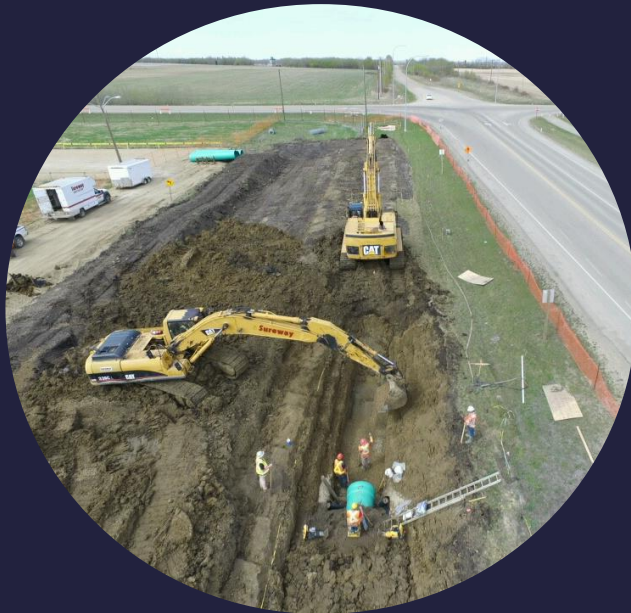
# Pipeline Existing Conditions



# Previous Upgrade Plan



# 2023 Projects



# Parkland Forcemain Break



- Rupture in steel forcemain
- Location minimized environmental footprint
- Stantec & Sureway
- Replacement cost - \$1.6M
- 7 weeks to complete



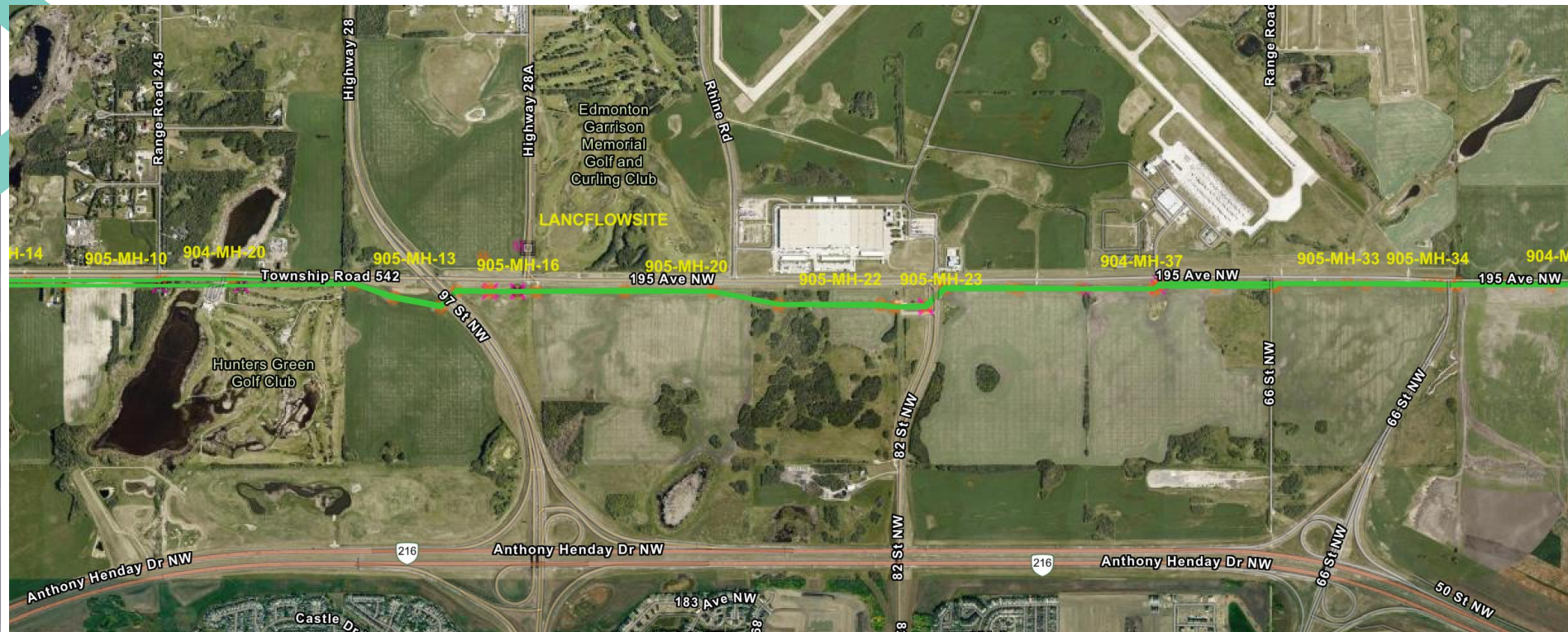
# Parkland Forcemain Break



# Parkland Forcemain Break



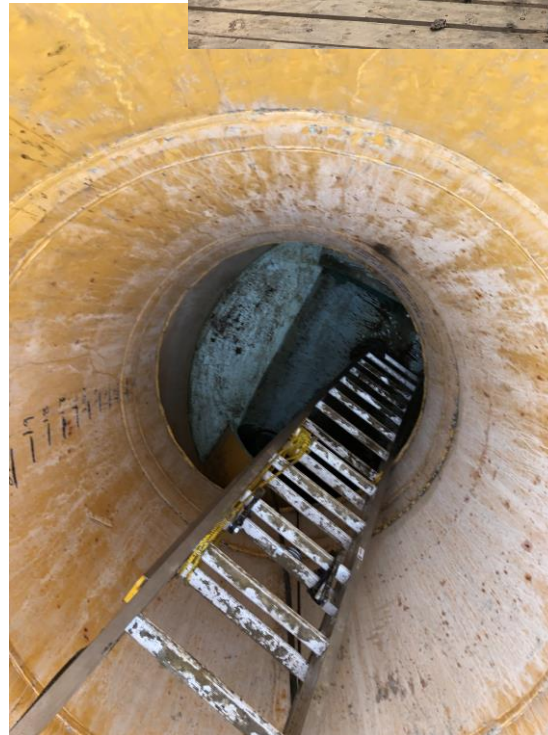
# START & Outfall Gravity Trunk Emergent Repairs



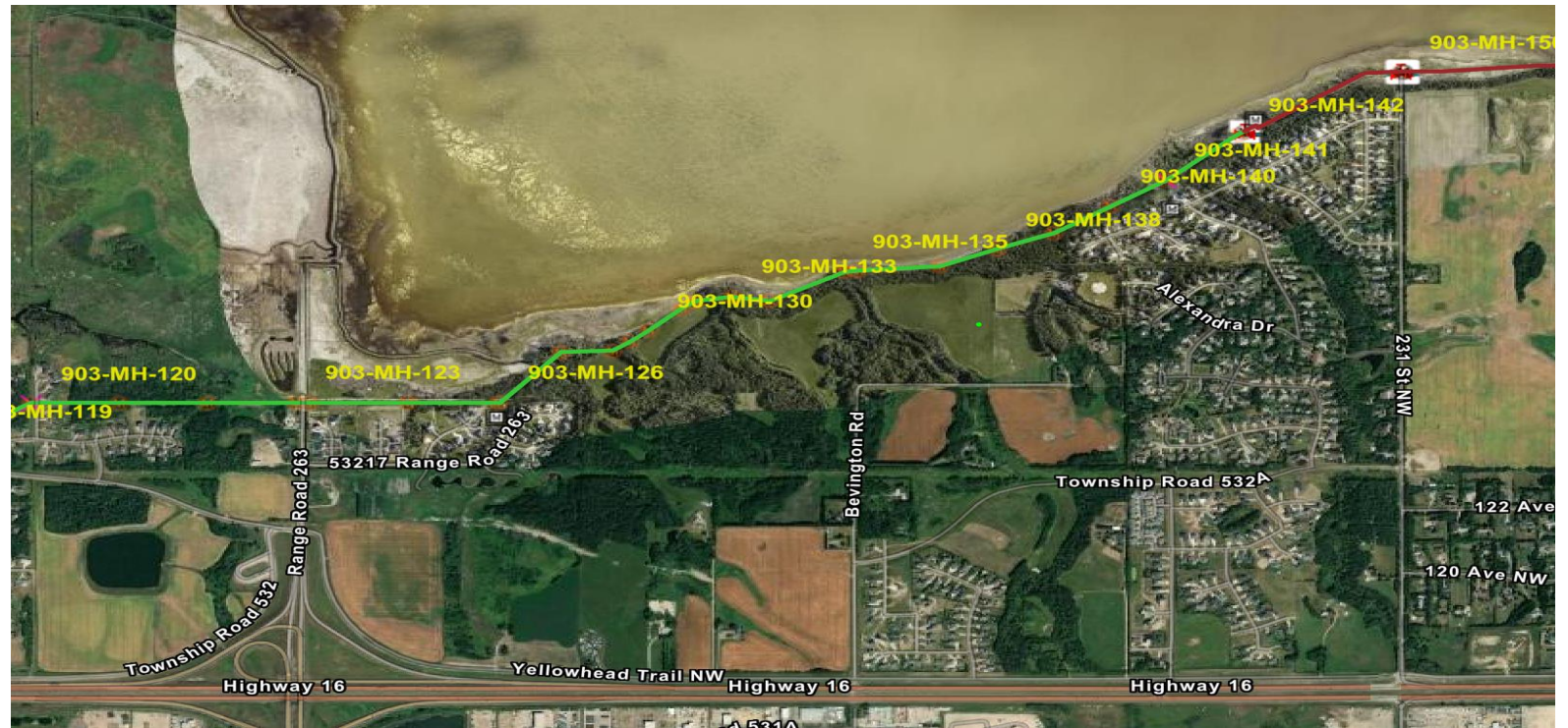
- 4 locations in 2023
- \$4.6M spent on repairs in 2023
- Stantec and Sureway



# START & Outfall Gravity Trunk Emergent Repairs



# Parkland Gravity System Relining



- Planned relining based on condition assessment
- Highly sensitive environmental area
- ISL & Insituform
- Rehabilitation cost - \$17M
- 3.2km total through 20MH's in 5 shots
- 4 months to complete



# Parkland Gravity System Relining



# Parkland Gravity System Relining



# Parkland Gravity System Relining



# Parkland Gravity System Relining



# Parkland Gravity System Relining



# Parkland Gravity System Relining



# New Utility Master Plan Development





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# Treatment Capacities

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# Outline



- Drivers for Treatment Expansion
- Design Capacity
- Nutrient Loading Comparison: ARROW WWTP vs. EPCOR Gold Bar WWTP
- Regional Wastewater Exchange Agreement with EPCOR
- Projected New Industrial Flows and Loads
- Plant Expansion Based on Ammonia Loading
- Benefits of Membrane Bioreactors (MBR)

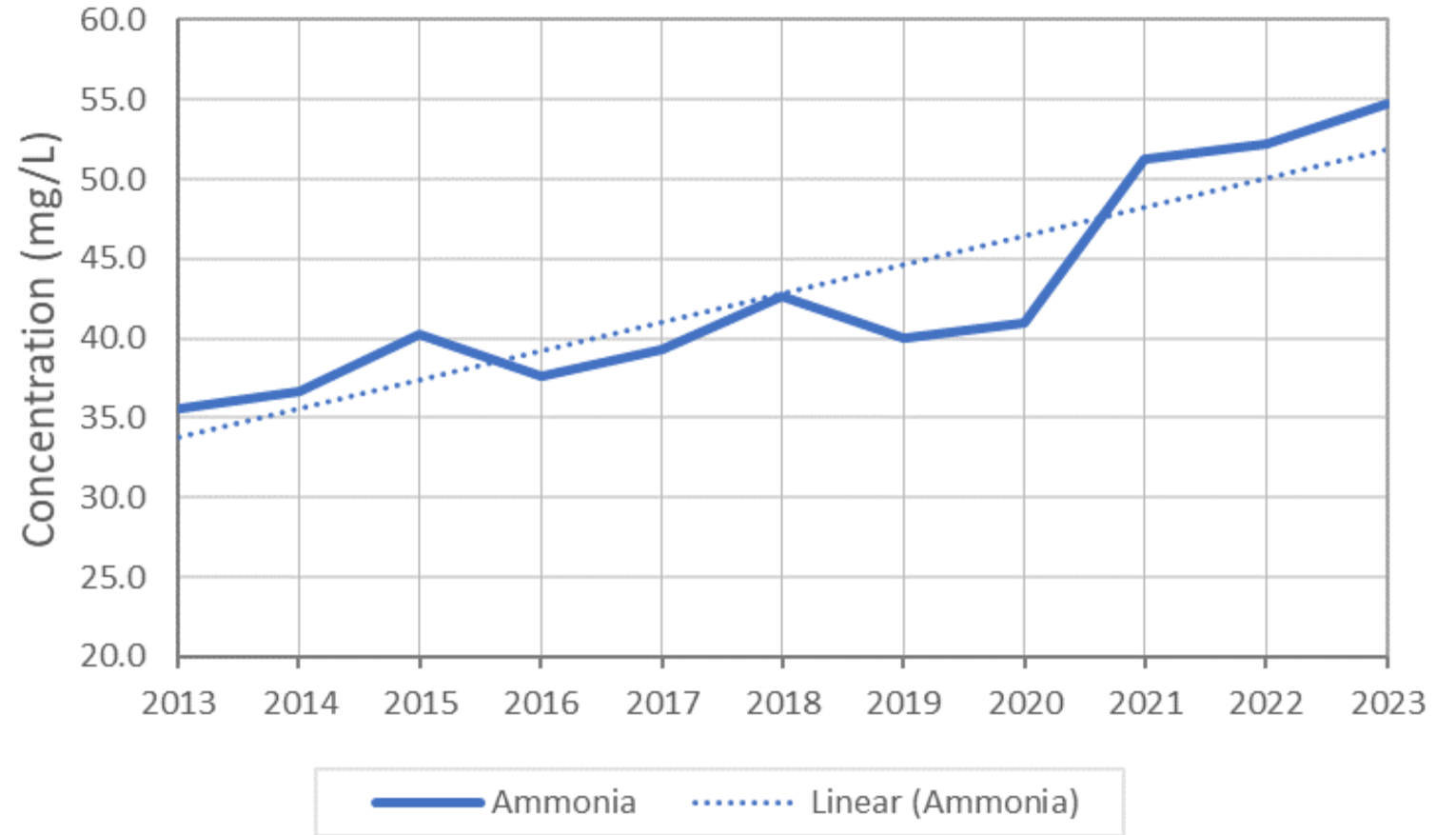


# Drivers for Expansion

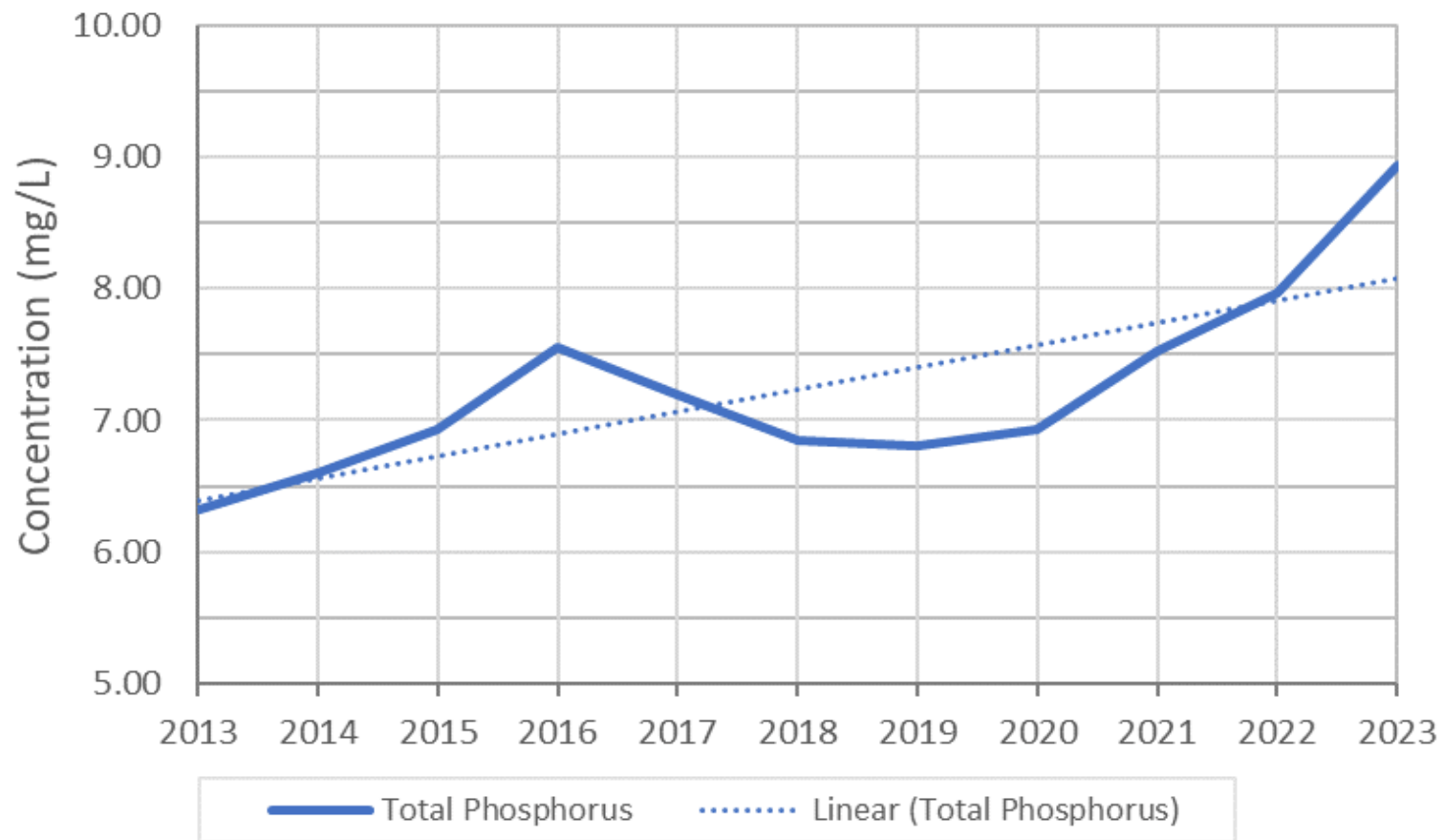
- Approval Discharge Limits
- Respecting our Environment
- Historical Ammonia and Phosphorus Concentrations
- Industrial Flow and Loading Projections
- Municipal Flow and Loading Projections



# Annual Average Ammonia Concentration



# Annual Average Phosphorus Concentration



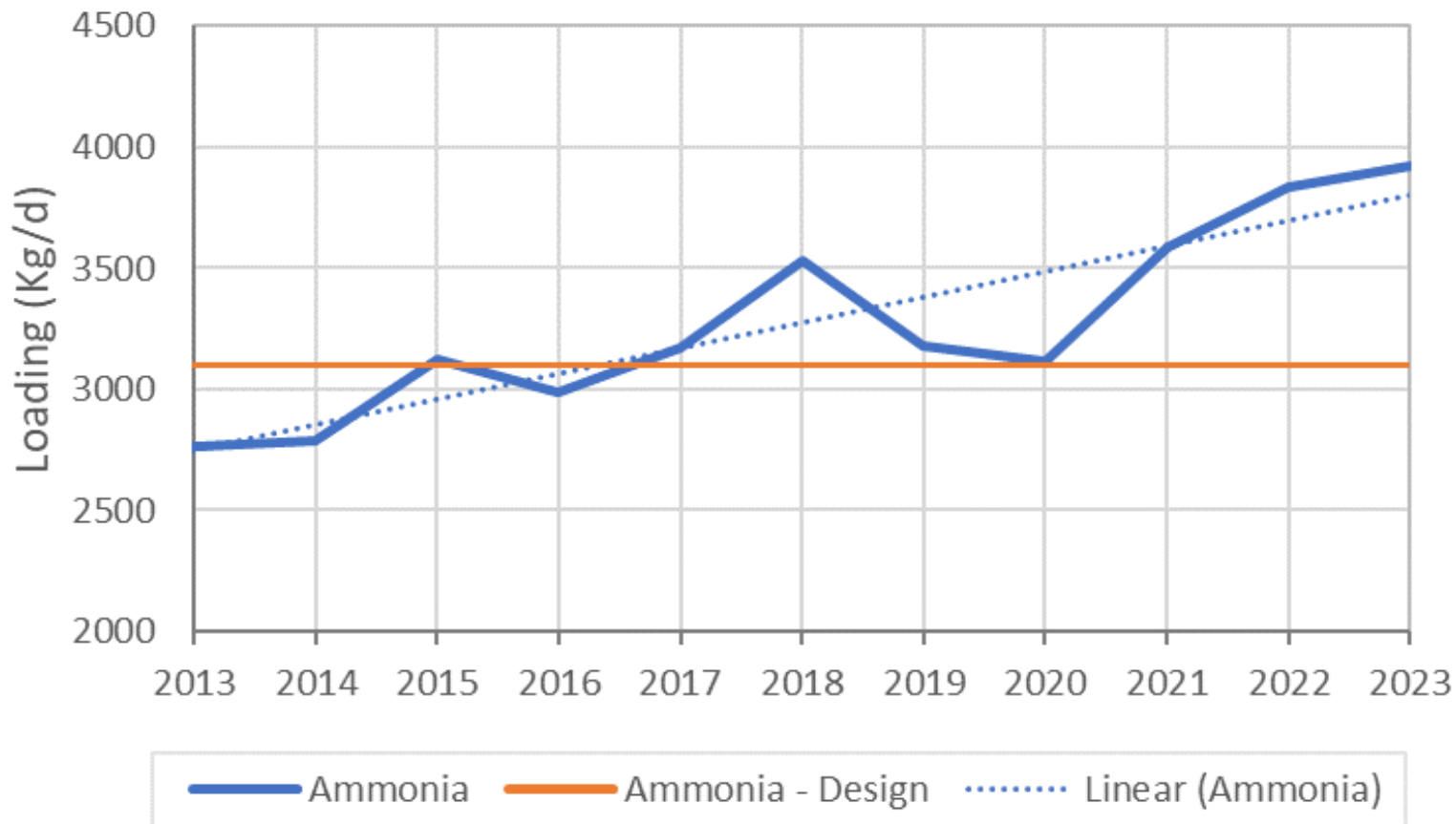
# Design Capacity



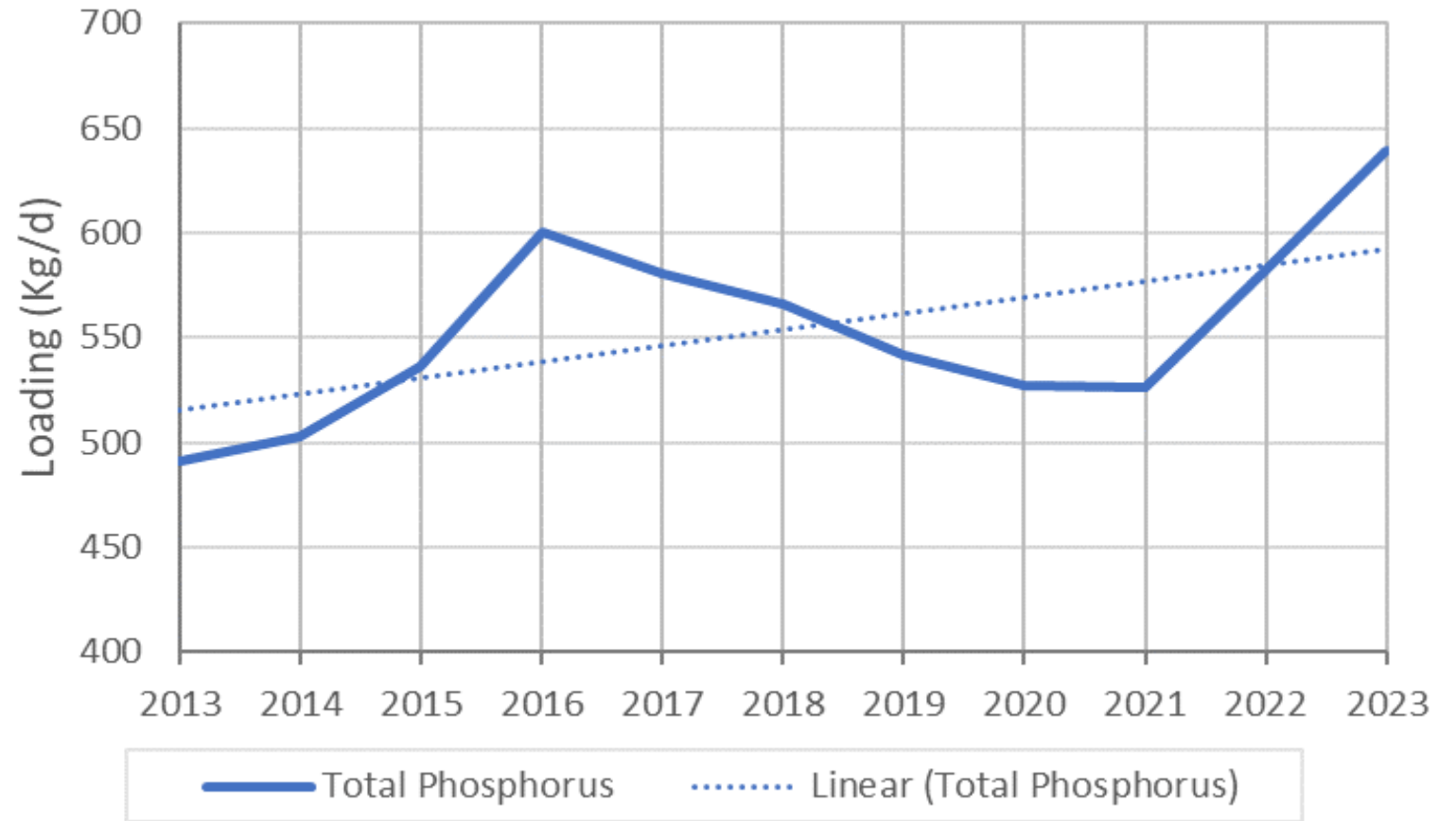
- Plant hydraulic monthly design capacity of the Biological treatment process is 105 MLD.
- Influent average dry weather flows have remained constant over the past 13 years due to the conservation of municipal water consumption.
- High nutrient loading of Ammonia and Total Phosphorus has contributed to a reduction in the design capacity.



# Annual Average Ammonia Loading



# Average Annual Phosphorus Loading

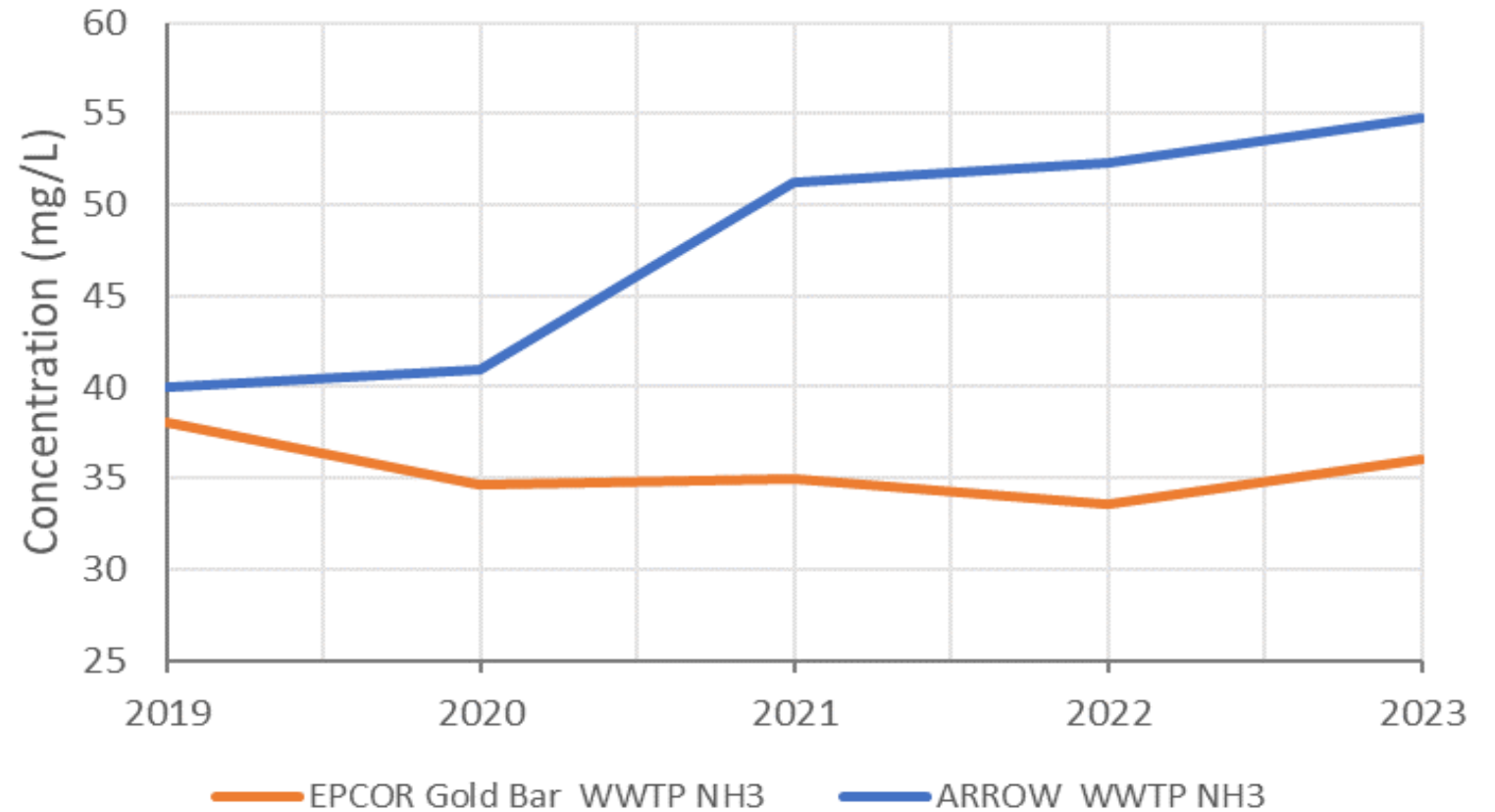


# Nutrient Loading Comparison : EPCOR Gold Bar and ARROW WWTPs

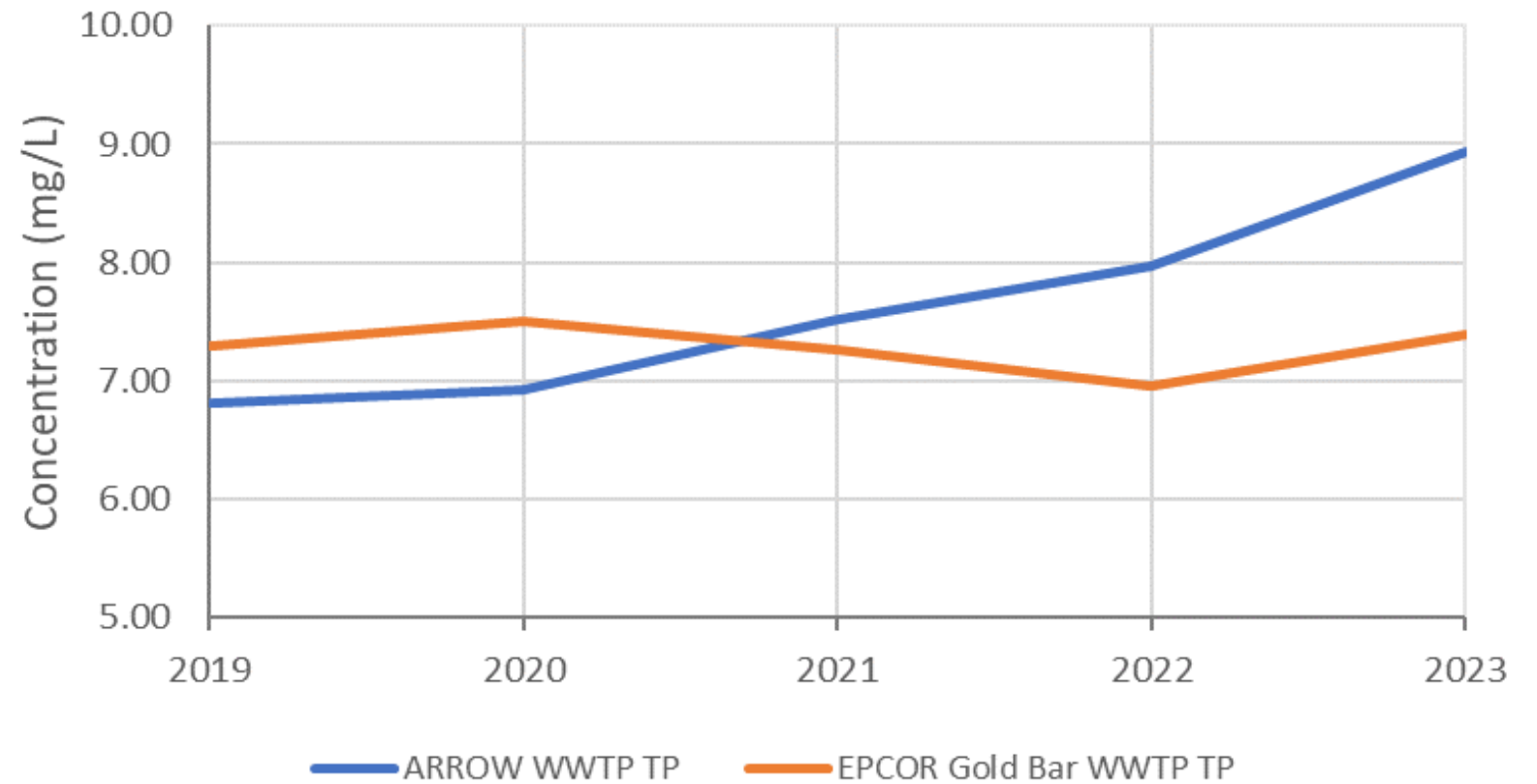
- Both EPCOR Gold Bar and ARROW receive high nutrient loading from the Clover Bar Lagoons as part of Biosolids agreement.
- EPCOR's ammonia and phosphorus loading has remained constant over the past 5 years.
- ARROW's ammonia and phosphorus loading has significantly increased over the same period due to increased industrial loading and additional biosolids supernatant return.



# Annual Average Ammonia Concentration - ARROW vs. EPCOR



# Average Annual Phosphorus Concentration - ARROW vs. EPCOR



# Regional Wastewater Exchange Agreement with EPCOR

- ARROW receives NE Edmonton Flows
- EPCOR receives South Regional Flow
- Annual differential - EPCOR receives 33% more flow
- ARROW's goal is to achieve flow equalization
- EPCOR has requested to send up to 15 MLD more flow by 2026



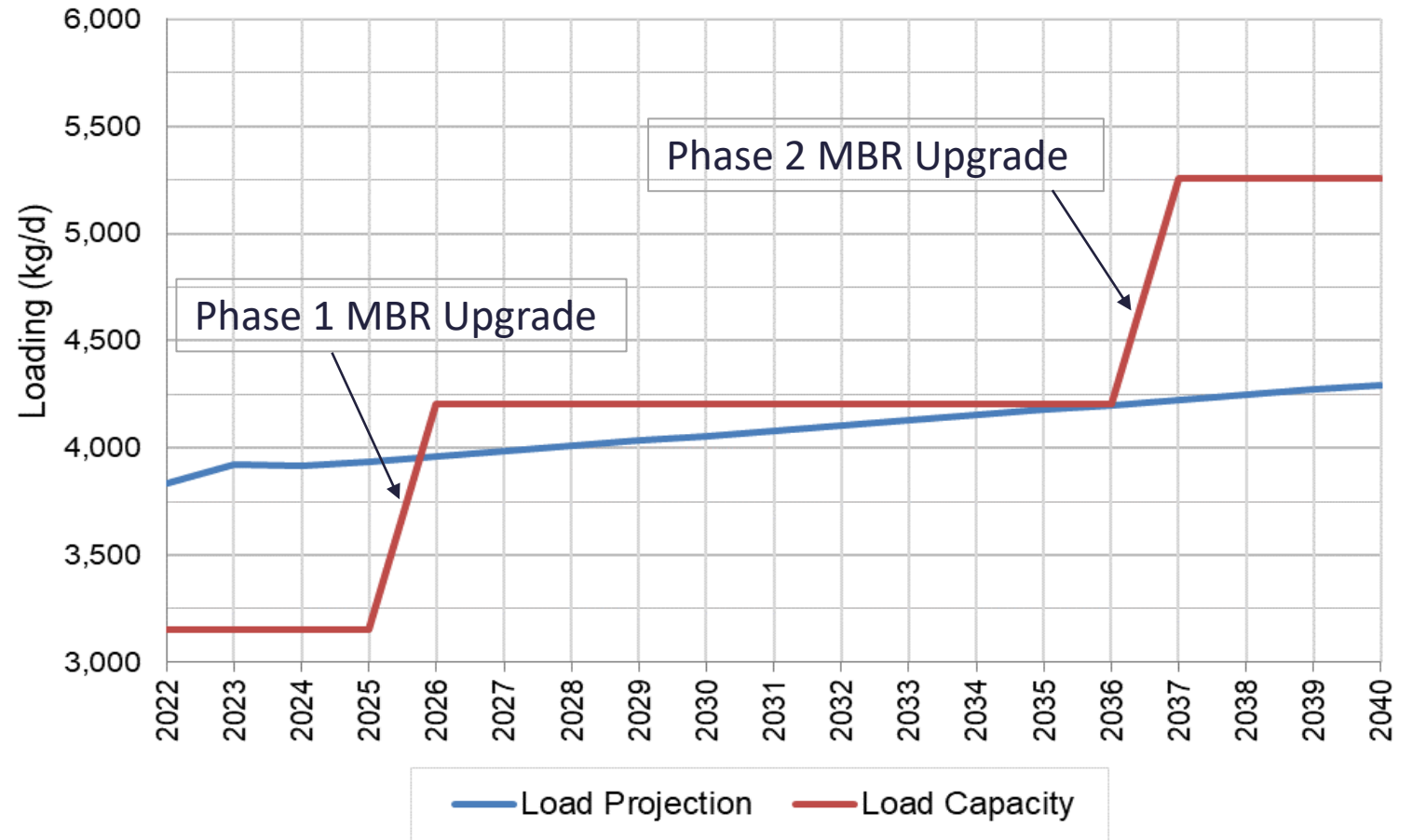
# Projected New Industrial Flows and Loads



- ARROW WWTP is projected to receive a flow ranging from 5 MLD to 10 MLD from the new Aurum Park Hydrogen facility.
- Expected that two large existing facilities in the industrial heartland will begin discharging to ARROW's WWTP in 2026 with projected average combined flows of 3.6 MLD up to 6 MLD maximum.
- Effluent characterizations ongoing to determine loading.
- Discharge volumes and loadings from two of these three facilities are projected to increase with future phased project expansions.



# Plant Expansion Based on Ammonia Loading Capacity



# Benefits of the MBR System

- Produces high effluent quality to meet future more stringent effluent discharge limits
- Produces high effluent quality for industrial reuse and potential future wastewater reuse customers
- Demonstration of ARROW's environmental sustainability leadership



# Questions?





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**March 22, 2024**  
**Name Change Resolution**

<b>Purpose of Report</b>	To finalize the branding and name modernization with the Province of Alberta.
<b>Attachments</b>	Letter from Minister McIver re name change resolution
<b>Alignment to Board's Strategic Plan</b>	Responsible leadership - engage with the broader community to increase the awareness of the commission and its work
	Responsible leadership - build partnerships that benefit the commission and the community
<b>Alignment to ESG Principles</b>	Social - improves service delivery and community relations
<b>Background and Discussion</b>	<p>This report provides an update to the branding and name modernization that Administration has been delivering on, as directed at the May 2023 Board Workshop.</p> <p>A letter was received from Minister McIver on December 19, 2023, that identified how the public sector delivery model may not be fully understood by the region with the full adoption of the ARROW Utilities name.</p> <p>Through a response provided to Minister McIver on January 22, 2024, an operating name with a tag line was considered a reasonable compromise: <i>ARROW Utilities, A Capital Region Commission</i>.</p> <p>It is important to ensure that the public nature of the work done by ARROW remains clear to stakeholders and taxpayers. The Minister agreed that this was a reasonable place to land; while the legal name will remain as ARROW Utilities, an operating name and tag line will include ARROW Utilities: A Capital Region Commission.</p> <p>As requested from Minister McIver, a new board resolution that reflects both the new legal name (ARROW Utilities) and operating schematic (ARROW Utilities: A Capital Region Commission) is required to be submitted to enable the name change.</p>

**Report Date:** March 22, 2024  
**Author/Title:** Kate Polkovsky, CEO  
**Approved by:** Kate Polkovsky, CEO

<b>Recommendation</b>	<p>THAT the Board approve the new legal name, ARROW Utilities, and an operating name with tag line, ARROW Utilities: A Capital Region Commission.</p> <p>THAT a Board resolution is signed and submitted to the Office of the Minister of Municipal Affairs.</p>
<b>Implications of recommendation(s):</b>	
<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:** March 22, 2024  
**Author/Title:** Kate Polkovsky, CEO  
**Approved by:** Kate Polkovsky, CEO



Office of the Minister  
MLA, Calgary-Hays

AR112757

February 20, 2024

Mr. Ken MacKay  
Board Chair  
ARROW Utilities (A Capital Region Commission)  
23262 Township Road 540  
Fort Saskatchewan AB T8L 4A2

Dear Mr. MacKay and Board of Directors:

Thank you for your letter of January 22, 2024, responding to my concerns regarding the name change of your commission from Alberta Capital Region Wastewater Commission to ARROW Utilities.

I appreciate you will add the clarifying tagline to your name, such that the commission will be publicly referred to as ARROW Utilities (A Capital Region Commission). While this is not a legal change in name, it is an acceptable compromise. Thank you for addressing my concerns and informing me of the work the commission does to serve Albertans.

To enable the list of regional services commissions to be updated to reflect this name change, please submit a board resolution that reflects both your new legal name (ARROW Utilities) and operating name (ARROW Utilities: A Capital Region Commission). Once received, a copy of an updated Ministerial Order confirming this change will be provided to you.

If you have any questions, please contact Bright Asibey, Municipal Collaboration Advisor, toll-free by dialing 310-0000, then 780-427-2225.

Sincerely,

Ric McIver  
Minister

cc: Brandy Cox, Deputy Minister, Municipal Affairs  
Kate Polkovsky, General Manager, ARROW Utilities  
Gary Sandberg, Assistance Deputy Minister, Municipal Services Division,  
Municipal Affairs  
Bright Asibey, Municipal Collaboration Advisor, Municipal Affairs



**Date: March 22, 2024**

**Post Grant Announcement – Next Steps**

<b>Purpose of Report</b>	To provide the Board with an update on the next steps now that the Province of Alberta has announced the \$50M in funding for Train 4.
<b>Attachments</b>	N/A
<b>Alignment to Board’s Strategic Plan</b>	<p>Responsible leadership - keep utility rates reasonable and predictable for member municipalities</p> <p>Responsible leadership - engage with the broader community to increase the awareness of the commission and its work</p>
<b>Alignment to ESG Principles</b>	<p>Governance - ensures effective policy and financial oversight</p> <p>Governance - promotes transparency and accountability</p>
<b>Background and Discussion</b>	<p>During Budget 2024/2025 the Province of Alberta announced a \$50M funding line item to support the Commission in the construction of Train 4 with installments of \$10M this year and next, and \$30M in 2026.</p> <p>Directly after the funding announcement, the Board Chairperson sent a thank you letter to Minister Dreeshen, and following the press conference on March 18, thank you letters will be sent from the Board Chairperson thanking all of the participants that joined the Commission on Monday morning.</p> <p>It is critical to ensure that provincial momentum, connections, and updates continue over the coming years to ensure the Commission secures the subsequent funding over 2025 and 2026, as currently the initial \$10M is secured with the following years being forecasted.</p> <p>The next critical component of the overall project progression is working with both Treasury and Municipal Affairs to receive approval to increase the debt ceiling limitation on ARROW’s borrowing capacity. Based on the updated financial modelling that occurred over the first half of March, ARROW will need to work towards this approval for June 2024, with the greatest borrowing to occur in 2025.</p> <p>ARROW will be working to develop a progress reporting plan to keep the Government of Alberta updated and engaged on the progress of the project.</p>

**Report Date:** March 22, 2024

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

**Approved by:** Kate Polkovsky, CEO

	<p>ARROW will be putting together a stakeholder map of third-party advocates, including industry, to engage in sharing their appreciation of the Government of Alberta investment, building confidence that the Government of Alberta made a positive investment with regional impact.</p> <p>The Awareness and Advocacy Committee has been actively working towards plans for both continued provincial and federal engagement to profile and highlight the need to invest in the Commission due to the regional, economic, environmental and affordability lenses in which a project such as Train 4 provides.</p>
<b>Recommendation</b>	Receive for Information.
<b>Implications of recommendation(s):</b>	
<b>Financial</b>	Ensuring long term funding forecasted dollars are actualized to reduce future rate increases and ensure that all levels of Government understand the need to support the project and the Commission.
<b>Legal / Risk</b>	N/A
<b>Environmental / Safety</b>	N/A
<b>Organizational impacts</b>	Due to resourcing demands this work will entail, it will impact the implementation of some continuous improvement initiatives including bringing in back staffing levels to a rate that will reduce and prevent burnout.
<b>External impacts</b>	The Board of Directors will need to strategically and cohesively guide next steps to optimize this and any other funding opportunities.

**Report Date:** March 22, 2024  
**Author/Title:** Kate Polkovsky, CEO  
**Approved by:** Kate Polkovsky, CEO



March 22, 2024

**Train 4 - Borrowing Limit Projections**

<b>Purpose of Report</b>	To provide the Board the background and information necessary to inform borrowing requirements attributed to Train 4. This information will be shared with the Province of Alberta to request approval to borrow over the 200% borrowing limit.
<b>Attachments</b>	N/A
<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>ARROW has been proceeding with the design and construction of the Train 4 plant expansion. The delivery model attributed to the project has incorporated a Construction at Risk process which utilizes contractor expertise throughout design, and as designs of components are finalized they are actualized in the field.</p> <p>This process mitigates change orders that would likely occur during a traditional design-bid-build process as challenges are considered prior to being implemented in the field. During a traditional design-bid build process which would have likely finalized in June 2024, if this process was utilized, with two months of tendering and final pricing with contingencies being evaluated in September 2024, it would be expected that a certain amount of change orders would be expected due to the nature of designers exclusively being party to the technical design and having construction eyes considering the implementation after tendering.</p> <p>In this process, final pricing would have been presented to the Commission in Q3 2024 carrying a relatively large contingency to support changes.</p> <p>Construction values that have been reported towards Train 4 have considered \$166M of construction dollars (zero contingency) with Engineering (supported by the board in 2023 budget) for \$10M.</p>

**Report Date:** March 22, 2024

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

**Approved by:** Kate Polkovsky, CEO

	<p>Administration modelled the maximum borrowing limit to include engineering, construction, and contingency totalling a maximum value of \$195M. These borrowed dollars equate to a maximum borrowing limit of 180%. While this considers the announced provincial grant of \$10M in 2024/2025, \$10M 2025/2026, and \$30M 2025/2027 (provincial fiscal year), as the majority of these dollars would be projected to arrive at the tail end of construction and post-construction, they would facilitate shorter loan periods mitigating long-term interest payments over the \$50M, however would still require ARROW to borrow over the short term.</p> <p>Over the next 3 years as the rate increases, the borrowing capacity will increase to account for the increase in revenues (current borrowing capacities are based on the previous year's revenues). Furthermore, updated policy and processes attributed to reserve management will be discussed for implementation at the 2024 Board Strategic Workshop to provide the framework to mitigate the requirement to borrow consistently for capital replacement of RMR projects.</p> <p>Administration has begun some preliminary conversations with Government of Alberta administration and there is a very specific set of information requirements that ARROW will be prioritizing to submit to the province to support the debt increase including:</p> <ul style="list-style-type: none"> <li>• The 2023 accounted prepared financial statements for ARROW.</li> <li>• Estimates of both debt limit and debt service limit requirements.</li> <li>• The rationale for the request.</li> <li>• The timeframe in which the debt extension will be required.</li> <li>• Board meeting minutes demonstrating support for the debt limit extension request.</li> <li>• Source of repayment, repayment plan and cash flow schedule demonstrating how the Commission is able to ensure current operations.</li> <li>• Details regarding project costs.</li> </ul> <p>The Finance Team will be working to provide details on these responses to the province to ensure the Commission is able to continue to progress the project.</p>
<b>Recommendation</b>	<p>THAT the board direct Administration to work with the province of Alberta to increase the debt limit to support Train 4 to 180%, and the debt servicing limit to 120% of the provincially legislated amount.</p>
<b>Implications of recommendation(s):</b>	
<b>Financial</b>	<p>If this debt limit is not requested, then ARROW would require to increase the rates over the next two years to a value in excess of \$2.85 a cubic meter and would be required to do a mid-year rate increase in 2024 at the June board meeting.</p>

**Report Date:** March 22, 2024  
**Author/Title:** Kate Polkovsky, CEO  
**Approved by:** Kate Polkovsky, CEO

<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: March 22, 2024**

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

**Approved by:** Kate Polkovsky, CEO



**March 22, 2024**  
**Legal Matter**

<b>Purpose of Report</b>	To provide the Board with an update on an emergent legal matter.
<b>Attachments</b>	Confidential Backgrounder
<b>Background and Discussion</b>	There is a matter that has been brought to Administration’s attention that the Board needs to be made aware.
<b>Recommendation</b>	THAT the Board move to a closed session to discuss an emergent legal matter.
<b>Implications of recommendation(s):</b>	
<b>Financial</b>	To be discussed.
<b>Legal / Risk</b>	To be discussed.
<b>Environmental / Safety</b>	N/A
<b>Organizational impacts</b>	N/A
<b>External impacts</b>	N/A

**Report Date:** March 22, 2024  
**Author/Title:** Kate Polkovsky, CEO  
**Approved by:** Kate Polkovsky, CEO