

# PUBLIC RISKS, PRIVATE PROFITS

**EPCOR UTILITIES INC.**

**Profiles of Canada's public-private  
partnership industry**

2015



A JOINT PROJECT OF THE POLARIS INSTITUTE AND THE CANADIAN UNION OF PUBLIC EMPLOYEES



# INTRODUCTION

This corporate profile is part of a series on the primary private water and wastewater services providers involved in the public-private partnership (P3) market in Canada.

The companies profiled are identified by PPP Canada Inc. – the federal crown corporation created to promote P3s across the country – as likely market participants in Canadian water and wastewater P3 projects. They offer a diverse set of capabilities, with some being part of the design and build phase of a P3, while others participate in the operate and finance portion. While some of the companies are specialty water and wastewater services firms, others are P3 financiers. The common thread is their desire to participate in and benefit from water and wastewater P3 projects in Canada.

Given the success of recent efforts to oppose water and wastewater P3s in communities like Abbotsford, Whistler, and Metro Vancouver BC., public opposition is a key concern for the P3 industry in Canada.<sup>1</sup> One way of protecting publicly owned and operated water and wastewater services is to educate the public about the track records of private water services companies vying for contracts to design, build, finance, operate and maintain water and wastewater infrastructure. With intimate knowledge of these companies, municipal officials, city councilors and local supporters of publicly owned and operated water and wastewater services will gain important tools to challenge P3s in their communities.

## OVERVIEW

EPCOR Utilities Inc. is a Canadian utility based in the City of Edmonton, Alberta. Formed in 1996 after the merger of Edmonton's natural gas, water and power utilities, EPCOR, builds, owns, and operates electrical transmission distribution networks, water and wastewater treatment facilities and infrastructure in Canada and the United States. EPCOR, which operates as a for-profit corporation, is governed by an independent board of directors and the company's sole shareholder is the City of Edmonton.<sup>2</sup> As of December 31, 2014, EPCOR employed 2,710 full-time, part-time, temporary and casual employees (200 employees joined EPCOR in February 2012 after the acquisition of Arizona Water and New Mexico Water). Of these employees, 1,725 are unionized (four unions, which represent EPCOR employees, are located in Alberta and as of January 1, 2015, one union is located in Regina, Saskatchewan).<sup>3</sup>

## HEADQUARTERS

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# FINANCIAL INDICATORS

## Annual revenue (in Canadian dollars)

### ANNUAL REVENUE<sup>4</sup>

|      |                 |
|------|-----------------|
| 2014 | \$1.927 billion |
| 2013 | \$1.955 billion |
| 2012 | \$1.959 billion |

### Divisional revenues

| DIVISION                    | 2014 REVENUE <sup>5</sup> | 2013 REVENUE <sup>6</sup> |
|-----------------------------|---------------------------|---------------------------|
| Water Services              | \$578 million             | \$520 million             |
| Distribution & Transmission | \$401 million             | \$380 million             |
| Energy Services             | \$925 million             | \$1.022 billion           |
| Corporate                   | \$23 million              | \$26 million              |
| Total                       | \$1.927 billion           | \$1.955 billion           |

## EXECUTIVES<sup>7</sup>

**Stuart Lee**, President and Chief Executive Officer: Lee became CEO in September 2015, replacing David Stevens, who retired. Prior to becoming CEO, Lee held the position of senior vice-president, corporate development and commercial services, at Capital Power Corporation.

**Guy Bridgeman**, Senior Vice President & Chief Financial Officer: Bridgeman has worked for EPCOR since 1995 in various senior roles. From 1989-1995 he served as a senior economist at the Government of Alberta's Department of Energy.<sup>8</sup>

**John Elford**, Senior Vice President, Water Canada: Elford previously served as divisional vice president of electricity distribution and transmission operations at EPCOR. He joined EPCOR in 2004 and has held various roles within the corporation.<sup>9</sup>

**Joe Gysel**, President, EPCOR Water USA: Gysel is responsible for identifying and developing new opportunities across Canada and the U.S. in all aspects of EPCOR Utilities' municipal and industrial water infrastructure businesses, such as drinking water, wastewater, process water, recycling and reclamation. He has held various senior positions within EPCOR since 2000, and also serves on the board of the Edmonton Waste Management Centre of Excellence (EWMCE).<sup>10</sup>

**Frank Mannarino**, Senior Vice President, Electricity Operations: Prior to working with EPCOR, Mannarino served as the production manager at Shell Canada.<sup>11</sup>

**Amanda Rosychuk**, Senior Vice President, Human Resources and Information Services: Rosychuk joined EPCOR in 1992, and has worked in both the power and water businesses at EPCOR and has been involved in electricity pricing for the corporation. Prior to EPCOR, she consulted for AD Williams Engineering.<sup>12</sup>

**Stephen Stanley**, Senior Vice President, Water Services: Stanley has worked for EPCOR since 1999, and has held various senior positions at the corporation.<sup>13</sup>

## BOARD OF DIRECTORS<sup>14</sup>

EPCOR's board of directors is comprised of numerous CEOs, executives and academics from across Alberta and Canada. It should be noted that while the company is owned by the City of Edmonton, the city has no representation on EPCOR's board of directors.

**Hugh Bolton**, Chair since 2000: Former chair and chief executive partner of Coopers & Lybrand Canada Chartered Accountants and former financial consultant with PricewaterhouseCoopers (PWC). Bolton is also on the board of directors for Capital Power Corporation, Canadian National Railway Company, Teck Resources Limited, WestJet Airlines Ltd., and the Toronto-Dominion Bank.

**Sheila C. Weatherhill**, Vice Chair since 2002: Former president and CEO of Alberta's public health authority, Capital Health (1996, 2008). She was appointed to the board of Alberta Health Services in 2011, but resigned in 2013 after an expense scandal was exposed in which she approved inappropriate expense claims, which were made by Capital Health's former chief financial officer, Allaudin Merali, and Capital Health's executive, Michele Lahey.<sup>15</sup> Weatherhill also served as a member of the Prime Minister's Advisory Committee on the Public Service from 2006 to 2013 and serves on the boards of Shaw Communications, Inc., Alberta Innovates Technology Futures, and is the chair of the University of Alberta President's Think Tank.

**Vito Culmone**, Director since 2013: Former chief financial officer and executive vice president, finance for WestJet from 2007-2013. Prior to working for WestJet, Culmone worked at Molson Inc. for 12 years.

**Robert G. Foster**, Director since May 2014: Former mayor of Long Beach, California from 2006 to 2014. He is also currently chair of the California Independent System Operator and previously president of Southern California Edison. He has also held executive positions in Edison International.

**Allister J. McPherson**, Director since 2008: Former executive vice president of Canadian Western Bank and former deputy provincial treasurer for the Province of Alberta from 1984-1996. He serves as a director of Capital Power Corporation and the Churchill Corporation.

**Douglas H. Mitchell**, Director since 2001: National co-chair of Borden Ladner Gervais LLP (a national law firm). Mitchell serves on the boards of the Calgary Airport Authority and the Banff Global Business Forum. He was formerly the chair of the Southern Alberta Institute for Technology (SAIT) board of governors and president of the Calgary Chamber of Commerce.

**Larry M. Pollock**, Director since 1998: Pollock served as president and chief executive officer of Canadian Western Bank and Canadian Western Trust from 1996-2013. He serves as a director for West Jet Airlines and the C.D. Howe Institute and is a member of the executive council of the Canadian Bankers' Association.

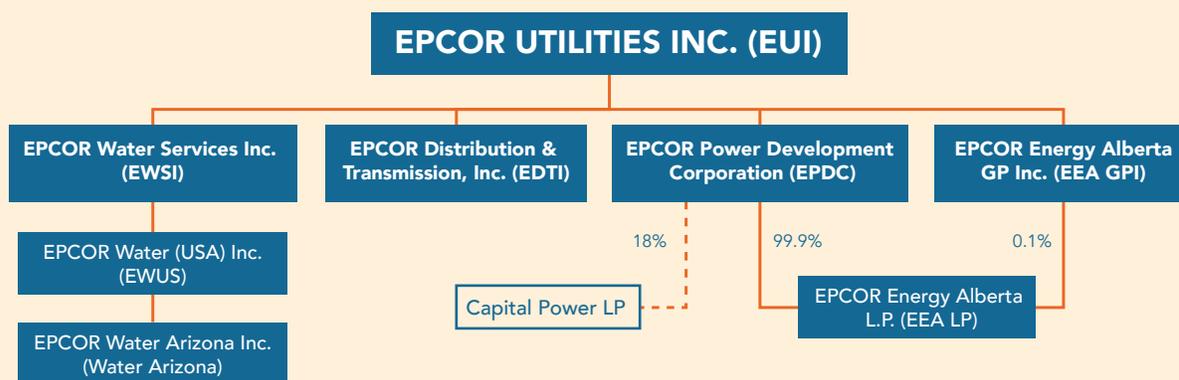
**Helen Sinclair**, Director since 2008: Founder and CEO of BankWorks Trading Inc. and its business television network (BCN.tv). Sinclair currently serves on the boards of TD Bank Financial Groups, McCain Capital Corporations, Superbuild, the Canada Pension Plan Investment Board, and Davis and Henderson.

**Nizar J. Somji**, Director since September 2015: Somji is the CEO of Jaffer Inc., an Edmonton-based real estate investment and development company. He sits on the boards of Redline Communications, Zafin Inc., Critical Control Energy Services Corp., and is a member of the University of Alberta's Board of Governors.

**Catherine M. Roozen**, Director since November 2014: Roozen is also chair and secretary of Cathton Investments Ltd. (a private investment firm) since 2009, previously she served as vice president of Cathton Investments Ltd. She is also the director and secretary of the Allard Foundation and serves on the board of directors of both Melcor Developments Ltd. and Corus Entertainment Inc.<sup>16</sup>

# OPERATIONS<sup>17</sup>

EPCOR Utilities provides power and water services in Alberta, Ontario, British Columbia, and in the U.S. states of Arizona and New Mexico. EPCOR is also the leading electricity transmission and distribution service provider in Alberta providing electricity service to over 620,000 residential and small commercial customers. The company distributes about 14 per cent of Alberta’s energy consumption to about 333,000 residential and 36,000 commercial consumers in Edmonton.<sup>18</sup> EPCOR also provides water, wastewater and distribution services to over one million people in over 75 communities and counties across Western Canada.<sup>19</sup>



(Source: EPCOR Annual Information Form 2014, p.3)

The company operations are split between its water and energy businesses. These two businesses are further separated into three segments: water services, energy services and distribution and transmission. These segments are operated by EPCOR’s wholly owned subsidiaries: EPCOR Water Services Inc. (EWSI), EPCOR Distribution & Transmission Inc. (EDTI) and EPCOR Energy Alberta L.P. (EEA LP). These wholly owned subsidiaries build, own and operate power plants, electrical transmission and distribution networks, water and wastewater treatment facilities in Canada and the United States.<sup>20</sup> Capital Power L.P.,\* the fourth EPCOR subsidiary, is not a wholly owned subsidiary. It is an Ontario limited partnership, in which EPCOR has financial interest.<sup>21</sup>

\* In 2009, EPCOR began the divestment of some of its power generation assets. The move came as the company re-focused attention on its core utility and energy services businesses. To begin the divestment EPCOR created a publicly traded subsidiary known as Capital Power L.P. Capital Power which develops, acquires, and operates power generation assets from a variety of energy sources (including coal, natural gas, recycled energy sources, renewable energy sources - hydro, biomass, wind and landfill natural gas). Capital Power L.P. was created through issuance of a 25 per cent Initial Public Offering (IPO) by EPCOR Utilities. EPCOR eventually sold all of its power generation assets and related operations to Capital Power. EPCOR has continued to sell portions of its interest in Capital Power, and has plans to sell all of its ownership interest in Capital Power.

## **Water services – 29.99 per cent of annual revenue (\$578 million in 2014)**

EPCOR's Water Services division, which is managed through EPCOR Water Services Inc. (EWSI), is primarily involved in the treatment and distribution of water and the treatment of wastewater within Edmonton and other communities throughout Western Canada and the Southwestern U.S. EPCOR's water services supply communities with drinking water, supply industrial process water, and wastewater treatment.<sup>22</sup> EWSI builds, owns and operates water and wastewater facilities and works in partnership (through design, build and finance options) with governments, municipalities and industrial clients.<sup>23</sup> In 2010, EPCOR Water (USA) Inc. made significant investments in water assets in the United States, and is the largest private water provider in Arizona and New Mexico, providing water and wastewater services to 22 communities and seven counties; and owning operations in 12 water utility districts in Arizona and New Mexico.<sup>24</sup> The company owns eight and operates 19 water treatment and distribution facilities in Alberta and British Columbia. EPCOR also owns five and operates 23 wastewater collection and treatment facilities in Alberta, British Columbia and Saskatchewan.<sup>25</sup> EPCOR's water services and operations are organized into four separate lines of business: Regulated Retail Water Sales; Wholesale Water Sales; Wastewater Treatment Services; and Industrial and Municipal Water and Wastewater Management Services.<sup>26</sup>

## **Distribution and transmission – 20.81 per cent of annual revenue (\$401 million in 2014)**

EPCOR Distribution & Transmission operations are involved in the distribution and transmission of electricity primarily within Edmonton. These services are provided through EPCOR's wholly owned subsidiary EPCOR Distribution & Transmission Inc. (EDTI), an energy utility service provider.<sup>27</sup> The company builds, owns and operates electrical transmission and distribution networks (power transmission facilities). EDTI provides transmission services to the Alberta Electric System Operator (AESO), an independent non-profit entity. EPCOR Technologies Inc., a wholly owned, non-material subsidiary of EPCOR, which is part of the Distribution & Transmission business segment, provides designs, installation, maintenance and repairs for specialized lighting, traffic control signals and light rail transit services.

In Edmonton, in 2014 alone, EDTI distributed electrical energy to approximately 333,000 residential and 36,000 commercial consumers through five distribution substations, 284 distribution feeders and approximately 5,390 circuit kilometers of primary distribution lines.<sup>28</sup> Furthermore, EPCOR is responsible for distributing approximately 13.46 per cent of Alberta's total energy consumption.<sup>29</sup> Its top competitors are Direct Energy L.P. and Enmax Corporation.<sup>30</sup>

## **Energy services – 48 per cent of annual revenue (\$925 million in 2014)**

EPCOR's energy services is primarily involved in the provision of Regulated Rate Option (RRO) electricity services to more than 600,000 residential, small commercial and agricultural customers in Alberta. The RRO is a regulated electricity charge based on month-ahead energy purchases on the Alberta wholesale energy market.<sup>31</sup> EPCOR's

energy services division operates through its wholly owned subsidiary, EPCOR Energy Alberta L.P., (EEA LP).

In March 2014, EPCOR reorganized its Energy Services division, previously it operated through EPCOR Energy Alberta Inc. (EEAI), however, in February 2014, the Alberta Utilities Commission approved the transfer of EPCOR's RRO electricity services business from EEAI to EPCOR Energy Alberta Limited Partnership, through its general partner EPCOR Energy Alberta GP Inc.<sup>32</sup> The EEA LP provides billing to customers and collection of tariffs for both the RRO electricity services, as well as the default supply electricity services. The default supply electricity rate is based on the electricity pool price (the actual market price of electricity that varies from hour to hour, depending on weather, time of day and demand for electricity).<sup>33</sup> EEA LP also provides billing, collection and contact centre services to the City of Edmonton's Waste and Drainage departments, EPCOR Water Services Inc., and Capital Power.<sup>34</sup> Furthermore, in May 2014, EPCOR launched Encor, which provides electricity and natural gas products to Albertan consumers. Encor allowed customers to buy electricity and natural gas through 3-year and 5-year 'opt out anytime' plans. However, EPCOR continues to provide the RRO to Edmonton and Fortis consumers who do not opt for the energy plan.<sup>35</sup>

### **Corporate – 1.19 per cent of annual revenue (\$23 million in 2014)**

This segment holds EPCOR's investment in Capital Power, and reflects revenues from its 9.1 per cent interest in the company (as of July 2015).<sup>36</sup>

## **LOBBYING ACTIVITIES**

Like most wealthy corporations operating in the infrastructure and services sector, convincing public authorities to select them for lucrative contracts is part of everyday business practice. EPCOR, through in-house and contracted lobbyists and industry associations, actively lobbies municipal, regional and national governments wherever it operates around the world.

### **Canadian federal lobbying activity<sup>37</sup>**

Below is lobbying activity conducted by EPCOR Utilities Inc. between August 2008<sup>38</sup> and July 2015 targeting the Government of Canada. While EPCOR has not registered any lobbying activity with the Office of the Commissioner of Lobbying of Canada since January 2012, the company continues to register in-house lobbyists. The company is currently registered to lobby on subjects related to the Building Canada Fund, the *Navigable Waters Protection Act*, as well as PPP Canada Inc. regarding the promotion of P3 funding for municipal water infrastructure developments.<sup>39</sup>

## DETAIL OF EPCOR'S FEDERAL LOBBYING ACTIVITIES

|  |   |
|--|---|
| <p>Total meetings between Designated Public Office Holders (DPOH)<sup>40</sup> and EPCOR's in-house lobbyist<sup>41</sup> between August 2008 and January 2012</p> | <p>39</p>   |
| <p>Number of DPOHs involved in these meetings:</p>   | <p>48</p>   |
| <p>Of the 48 DPOHs that EPCOR met with between August 2008 and January 2012</p>  | <p>4 were cabinet ministers<br/>6 were deputy ministers<br/>7 were Chief of Staffs to the Minister</p>  |
| <p>List of ministers and the number of times each has met with EPCOR between August 2008 and January 2012</p>  | <ul style="list-style-type: none"> <li>• Jim Prentice – met with EPCOR once in 2010 when he was serving as Minister of the Environment</li> <li>• Lisa Raitt – met with EPCOR twice. In 2008 and in 2009 when she was serving as Minister of Natural Resources</li> <li>• Rob Merrifield – met with EPCOR once in 2009 when he was serving as Minister of State for Transport</li> </ul>  |
| <p>List of government institutions lobbied by EPCOR with the number of times they were involved in meetings in brackets</p>  | <ul style="list-style-type: none"> <li>• Prime Minister's Office (6)</li> <li>• Infrastructure Canada (1)</li> <li>• Finance Canada (1)</li> <li>• Environment Canada (16)</li> <li>• Natural Resources Canada (14)</li> <li>• Transport Canada (1)</li> <li>• Public-Private Partnership Canada (1)</li> <li>• Plans and Consultations (1)</li> </ul>  |
| <p>Subject matter of EPCOR's lobbying activity with the number of meetings related to each subject in brackets</p>   | <ul style="list-style-type: none"> <li>• Infrastructure (2)</li> <li>• Government procurement (2)</li> <li>• Environment (2)</li> <li>• Federal Framework on Air Emissions (25)</li> <li>• Greenhouse gas regulations (3)</li> <li>• Cap and trade (5)</li> <li>• Budget 2009 (2)</li> <li>• Green Energy Fund (3)</li> <li>• Alignment of US and Canadian cap and trade programs (3)</li> <li>• Distribution and transmission (1)</li> <li>• Electricity market regulations (1)</li> </ul> |

## PROVINCIAL LOBBYING ACTIVITY

EPCOR has registered lobbyists in British Columbia, Alberta and Ontario. The following section outlines the company's lobbying activities in these jurisdictions.

**Alberta** – The CEO and president of EPCOR Utilities Inc., Stuart Lee, is currently registered in Alberta's lobbyist registry. Recently, EPCOR has focused its lobbying activities on the following Government of Alberta ministries: Energy, Environment & Sustainable Resource Development; Municipal Affairs; Culture and Transportation.<sup>42</sup>

**British Columbia**<sup>43</sup> – According to the Official Registrar of Lobbyists for the Province of British Columbia, EPCOR has actively lobbied numerous government ministries and agencies between 2010 and 2012. The registrar lists four in-house lobbyists and one consultant lobbyist as having met with DPOHs on behalf of the company. The list of EPCOR lobbyists in British Columbia includes:

- Paul Daynes – Daynes was hired by EPCOR as a consultant lobbyist to arrange two separate meetings with various MLAs and ministers.
  - The first meeting took place in April 2010 and was on the subject of the 'maintenance of positive business environment for water and waste treatment infrastructure.' Present at the meeting were: Bill Bennett, Minister of Community and Rural Development; Barry Penner, Minister of Environment; Les John, MLA for Chilliwack; Jane Thornthwaite, MLA for North Vancouver Seymour.
  - The second meeting took place in March 2012 on a similar topic to the April 2010 meeting. Present at the meeting were: Ida Chong, Minister of Community, Sport and Cultural Development; Steve Thomas, Minister of Forests, Lands and Natural Resource Operations; Gordon Hogg, MLA for Surrey-White Rock; John Horgan, MLA for Juan de Fuca; Joan McIntyre, MLA for West Vancouver-Sea to Sky; Claire Trevena, MLA for North Island.
- EPCOR's four in-house lobbyists, Jeffrey Bertram, Lee Jenkins, Karin Kassan and Terrie Moore were registered between May 2010 and November 2012 to meet exclusively with Partnerships BC. Inc. to, according to EPCOR's registration with BC's registrar, provide information on the company's "expertise in water and wastewater treatment operations and electricity distribution and transmission for commercial, industrial and municipal customers."

**Ontario** – The senior manager for Government Relations at EPCOR, Jeffrey Bertram, is currently registered in the province's lobbyist registry as an in-house lobbyist. Darcy McNeill, a consultant lobbyist is also registered in the province's lobbyist registry. Under Bertram, the company's registration notes that the ministries EPCOR plans on lobbying are: the Ministry of Energy and the Ministry of Municipal Affairs and Housing, as well as the Ontario Clean Water Agency to discuss "water and wastewater infrastructure development for municipalities." Under lobbyist Darcy McNeill, the lobbying subject matter includes: energy and infrastructure, and EPCOR plans on lobbying Members of Provincial Parliament (MPPs), the Ministry of Economic Development Employment and

Infrastructure and the Ministry of Energy to raise “awareness with government officials about services [the company] provides, including water and wastewater infrastructure development.”<sup>44</sup>

## CONTRACTS

As a large infrastructure and services company, EPCOR is involved in numerous contracts in Canada and the United States. What follows is a sample list of EPCOR's water and wastewater contracts located in Canada and in the United States. Some of these contracts are defined as a P3 while others are service contracts or concessions. The company has also been identified by PPP Canada Inc. as a likely P3 market participant.<sup>45</sup>

### **P3 Definition:**

P3s can come in many different forms. For the purposes of this profile, a P3 will be defined as a long-term contract that fulfills two prerequisites.

First, the project must have private sector involvement in at least two of the following structural elements:

- *design*, where the private sector is responsible for all or almost all of the project's design activities;
- *build*, where the private sector is responsible for all or almost all construction activities;
- *finance*, where the private sector is responsible for arranging private financing that will be used to ensure performance during the construction and/or the maintenance and operating period of the project;
- *operate*, where the private sector is responsible for all or almost all activities related to the operation of the project; or
- *maintain*, where the private sector is responsible for all or almost all maintenance of the project.

Second, at least one of the two structural elements must include operate, maintain or finance.<sup>46</sup>

## CANADIAN WATER AND WASTEWATER CONTRACTS AND P3s

| DATE AND LOCATION                      | TYPE  | DESCRIPTION   |
|--|---|---|
| <b>SASKATCHEWAN</b>                    |   |   |
| Regina<br>2014-present                 | <b>Design,<br/>Build,<br/>Finance,<br/>Operate,<br/>Maintain<br/>(DBFOM)<br/>P3</b>               | In May 2014, EPCOR led a consortium, and won a 30-year DBFOM contract for a new wastewater treatment facility in Regina, the largest wastewater treatment DBFOM contract ever undertaken in Canada. The consortium also includes: Gracorp Capital Advisors, Graham, Lockerbie Stanley Inc./ AECOM and Stantec. The project is being supported by PPP Canada and the City of Regina. The city initially had a budget of \$224 million for the project. <sup>47</sup> The construction of the plant is currently ongoing, and is scheduled to be complete by December 2016. In August 2014, EPCOR took over operations of the existing wastewater treatment plant in Regina, therefore, the agreement includes operation of both the new and existing facilities. <sup>48</sup> |
| <b>ALBERTA</b>                         |   |   |
| Kananaskis<br>2012-present             | <b>Design,<br/>Build,<br/>Partially<br/>Finance,<br/>Operate,<br/>Maintain<br/>(DBFOM)<br/>P3</b> | In October 2012, EPCOR Utilities Inc. signed a \$59 million, 10-year contract with the Province of Alberta to upgrade (design, build, partially finance, operate and maintain) the Evan-Thomas water and wastewater treatment facilities. The project will receive close to \$9.95 million in funding from the P3 Canada Fund. <sup>50</sup>  |
| Town of<br>Chestermere<br>2010-present | <b>Operate,<br/>Maintain<br/>P3</b>   | EPCOR holds a 20-year contract with the Town of Chestermere to maintain the town's water and wastewater infrastructure, which includes a reservoir, sanitary lift stations, and the water distribution and wastewater collection system, as well as water meter installation and serves approximately 15,000 people. <sup>51</sup>  |
| Town of<br>Strathmore<br>2010-present  | <b>Operate,<br/>Maintain<br/>P3</b>   | In 2010, EPCOR was awarded a 20-year operating contract to maintain the Town of Strathmore's water distribution, sanitary and storm sewers. EPCOR's responsibility is to maintain the wastewater treatment and wastewater/storm water collection systems for approximately 12,800 people. <sup>52</sup>   |
| Town of Taber<br>2010-present          | <b>Design,<br/>Build,<br/>Finance,<br/>Operate<br/>P3</b>   | In 2010, EPCOR was awarded a 20-year utility management contract with the Town of Taber to run its entire municipal water system, and serves approximately 8,000 people. <sup>53</sup> The company has designed and built the upgrades to Taber's wastewater treatment facilities and north storm water system, yet the town continues to own the water and wastewater assets, and set their own rates and bills for customers. <sup>54</sup>   |
| Red Deer<br>County<br>2009-present     | <b>Operate,<br/>Maintain<br/>P3</b>   | In 2009, EPCOR was awarded a five-year contract for the maintenance and operation of water, wastewater, and storm systems in five communities in Red Deer County: Benalto, Spruce View, Gasoline Alley, Lousana, Springbrook. EPCOR serves approximately 1,800 customers (residential and commercial) between these five communities. The county continues to own the assets, set rates and bill the customers. <sup>55</sup>   |

| DATE AND LOCATION               | TYPE   | DESCRIPTION  |
|---------------------------------|--|--|
| Banff<br>2009-2014              | <b>Operate,<br/>Maintain<br/>P3</b>                        | EPCOR Water Services Inc. was contracted to operate the Banff wastewater treatment plant. Banff retained ownership of the wastewater facility, as well as the water treatment system. In 2014 the municipality ended its contract with EPCOR. <sup>56</sup> The plant was originally designed and constructed by Parks Canada in the 1980s. <sup>57</sup>  |
| Okotoks<br>2005-present         | <b>Design,<br/>Build,<br/>Operate,<br/>Maintain<br/>P3</b> | EPCOR signed a 20-year partnership agreement with the Town of Okotoks to upgrade the existing wastewater treatment plant as well as ongoing operation and maintenance of the water and sewage utilities for \$11.2 million. Ownership of assets resides with Okotoks, who also continues to set annual utility rates, approve annual utility budgets and bill customers. EPCOR serves approximately 24,511 people. <sup>58</sup>   |
| Town of Canmore<br>2000-present | <b>Operate,<br/>Maintain<br/>P3</b>                        | In 2000, EPCOR was awarded a 10-year utility management agreement with the Town of Canmore, which included water and wastewater treatment, water distribution, wastewater collection, storm drainage, meter reading, billing, and account managing. <sup>59</sup> However, EPCOR's performance-based utility management agreement to supply the town with services is set to continue until 2020. The town of Canmore continues to set utility rates and retains ownership of the waterworks-related assets. <sup>60</sup> |

## INDUSTRIAL WATER AND WASTEWATER CONTRACTS IN ALBERTA

|   |                 |  |
|---|-----------------|--|
| Wood Buffalo:<br>Suncor Energy<br>- EPCOR<br>2008-present     | <b>Contract</b> | In 2008, EPCOR designed, built, owned and operated potable water and wastewater treatment facilities at Suncor's Voyageur site in Fort McMurray. In 2009, EPCOR acquired potable water and wastewater treatment assets from Suncor for the Steepbank, Firebag and Borealis sites in the Wood Buffalo Region of Alberta, for approximately \$100 million. In 2010 and 2012, EPCOR acquired additional assets within the Borealis site for \$9 million and \$1.5 million (respectively). EPCOR will operate and maintain most of the assets it obtained, but will also design, build, finance and operate upgrades to other assets. Through this acquisition, EPCOR will provide services to workers at camps and/or site operations and administration in the area. <sup>61</sup> In total, approximately 6,000 Suncor oil sands workers will be provided water and wastewater services by EPCOR. <sup>62</sup> |
| Fort McMurray:<br>Shell Canada<br>Energy – EPCOR<br>2010-2013 | <b>Contract</b> | In 2010, EPCOR was awarded a contract with Shell Canada to operate its water and wastewater facilities in Albion Sands' Jackpine Mine near Fort McMurray, until August 31, 2013. <sup>63</sup> EPCOR provides water and wastewater services to 1,000 oil sands workers. <sup>64</sup>  |

## EDMONTON, AB<sup>65</sup>

|                          |                                    |   |
|--------------------------|------------------------------------|---|
| Rossdale<br>1996-present | <b>Build,<br/>Own,<br/>Operate</b> | The Rossdale Water Treatment Plant was constructed in 1903. It was Edmonton's first water treatment plant. The current Rossdale Water Treatment Plant was built in 1947. <sup>66</sup> In 1996, the City of Edmonton's Water Branch became part of EPCOR, and this was renamed in 1999 as EPCOR Water Services. |
|--------------------------|------------------------------------|---|

| DATE AND LOCATION          | TYPE                               | DESCRIPTION  |
|----------------------------|------------------------------------|--|
| E.L. Smith<br>2008-present | <b>Build,<br/>Own,<br/>Operate</b> | The E.L. Smith Water Treatment plant was built in 1976 to help serve the City of Edmonton. In 2008 EPCOR completed upgrades to the plant, which supplies water for Edmonton and the surrounding region. <sup>67</sup>  |
| Gold Bar<br>2009-present   | <b>Own,<br/>Operate</b>            | In 2009, EPCOR acquired the Gold Bar Waste Water Treatment Plant from the City of Edmonton. Gold Bar serves the residents of the city of Edmonton. At the same time, the City of Edmonton and EPCOR's Water Services Inc (EWSI) entered into a wastewater treatment franchise agreement. This agreement gave EWSI exclusive rights to provide wastewater treatment services within the city of Edmonton. This agreement expires in 2029. <sup>68</sup> |

## BRITISH COLUMBIA

|                                   |  |  |
|-----------------------------------|--|--|
| French Creek<br>2006-present      | <b>Own,<br/>Operate</b>                      | In 2006, EPCOR began operating in the French Creek, BC. area. EPCOR French Creek is a Class III Water Treatment Plant and obtains drinking water from ground water and surface water sources. <sup>69</sup>  |
| White Rock<br>2005-2015           | <b>Own,<br/>Operate</b>                      | In 2005, EPCOR White Rock Water Inc. purchased the privately owned and operated water distribution White Rock Utilities and the amalgamation was completed in 2006. EPCOR owns the water assets and operates them on behalf of the residents of White Rock and serves 20,000 people (including some areas of Surrey and Semiahmoo First Nation). <sup>70</sup> In June 2013, the City of White Rock unanimously voted to remunicipalize its utility and buy ownership of the water system from EPCOR. <sup>71</sup> In September 2013, the City Council approved the hiring of KPMG LLP to help with negotiating an appropriate purchase agreement. <sup>72</sup> White Rock City Council voted in June 2015 to direct city staff to acquire title to the water utility by September 30, 2015. <sup>73</sup> |
| District of Sooke<br>2004-present | <b>Design,<br/>Build,<br/>Operate<br/>P3</b> | In 2004, EPCOR entered into a \$23 million design, build and operate P3 with the District of Sooke to construct a sewer system and wastewater treatment plant. <sup>74</sup> EPCOR serves a population of approximately 11,000.  |

## INDUSTRIAL WATER AND WASTEWATER CONTRACTS IN BRITISH COLUMBIA

|                                |   |   |
|--------------------------------|---|---|
| Britannia Mine<br>2005-present | <b>Design,<br/>Build,<br/>Finance,<br/>Operate<br/>P3</b> | In 2005, EPCOR signed a 20-year performance contract with the BC government to clean up the Britannia Mine site, which was releasing acid rock drainage into Howe Sound. EPCOR designed, built, financed and operates the Britannia Water Treatment facility near Squamish BC. <sup>75</sup> In July 2012, the Auditor General of British Columbia issued a report which identified a problem with transparency. The auditor found that Ministry of Forests, Lands and Natural Resource Operations were relying on EPCOR's own reports, posing a risk to the province of overpayments to the company. <sup>76</sup> |
|--------------------------------|---|---|

| DATE AND LOCATION  | TYPE                                 | DESCRIPTION   |
|--|--------------------------------------|---|
| <b>ARIZONA</b>   |                                      |   |
| <p>Numerous municipalities, Arizona<br/>2010-present</p> | <p><b>Build, Own, Operate P3</b></p> | <p>In 2010 EPCOR Water (USA) Inc., a wholly owned subsidiary of EPCOR Utilities Inc., entered into an agreement to acquire Chaparral City Water Company (Chaparral) of Arizona for \$35 million U.S. (this is EPCOR's first water acquisition in the U.S.). The acquisition was complete in 2011.</p> <ul style="list-style-type: none"> <li>• Chaparral was responsible for the purchase, production, distribution, and sale of water to approximately 14,000 customers in the Town of Fountain Hills and a small portion of Scottsdale, Arizona.</li> <li>• Chaparral operations was brought under the management of 'Water Arizona' in 2012.</li> </ul> <p>In 2011, EPCOR Water (USA) Inc. entered into an agreement to acquire 100 per cent of Arizona American Water (a wholly owned subsidiary of American Water Works Company, Inc) - later renamed 'EPCOR Water Arizona Inc.' (Water Arizona). In 2012, EPCOR acquired all outstanding shares of Water Arizona. In April 2013, Water Arizona acquired North Mohave Valley Corporation in Bullhead City, Arizona, which provided water services to approximately 2,000 customers. In September 2013, Water Arizona entered into an agreement with Global Water Resources, Inc. to purchase and assume its responsibilities to provide wastewater and recycled water services for a 7,000-acre area along the Loop 303 Corridor within the City of Glendale, Arizona. EPCOR Water (Arizona) Inc. will pay Global Water Resources, Inc. \$4.1 million over several years.</p> <ul style="list-style-type: none"> <li>• Water Arizona is now the largest, private regulated water utility in Arizona.</li> <li>• Water Arizona provides water service to approximately 114,000 customers and wastewater services to approximately 54,000 customers, most of which are located in a 20-mile radius of Phoenix, Arizona.</li> <li>• Water Arizona provides services through nine water utility districts and five wastewater utility districts</li> <li>• Water Arizona obtains water from three sources: surface water from the Central Arizona Project (a canal built to bring water from Colorado River to areas within Arizona), groundwater wells and treated effluent (this water is mainly for irrigational or commercial use).</li> </ul> |
| <b>NEW MEXICO, U.S.</b>                                  |                                      |   |
| <p>New Mexico<br/>2011-present</p>                       | <p><b>Build, Own, Operate P3</b></p> | <p>In 2011 EPCOR Water (USA) Inc., a wholly owned subsidiary of EPCOR Utilities Inc., acquired New Mexico-American Water Company, Inc., then renamed EPCOR Water New Mexico Inc. (or Water New Mexico). Water New Mexico provides water services (builds, owns and operates water and wastewater treatment facilities and infrastructure) to the City of Clovis, New Mexico, and in the greater Edgewood area near Albuquerque, New Mexico, serving about 18,500 customers. EPCOR began operating Water New Mexico utilities in February 2012.<sup>84</sup></p>   |

# CONTROVERSIES

EPCOR has been involved in many controversies over the past few years and it has been criticized because of its contradictory position as a publicly-owned utility operating as a private corporation.

EPCOR is an example of a fully corporatized utility, which reduces the involvement and oversight of operations by Edmonton's city council and other stakeholders. EPCOR has fully embraced the culture and practices of a for-profit corporation and in doing so has restricted the accountability and transparency to the public and its single shareholder, the City of Edmonton.

According to a report prepared by the Federation of Canadian Municipalities and the University of Toronto's Munk Centre for International Studies, other disadvantages of a corporatized model in the delivery of water services are potentially higher costs and incompatibility with public services mandates. In addition, the corporatized utility model used by EPCOR is widely seen as a forerunner to full privatization.<sup>85</sup>

## REMUNICIPALIZATION

Numerous municipalities around the world are following the recent trend of transferring water services from private companies back to municipal authorities. Known as remunicipalization, this trend has emerged out of growing frustration with the downsides of privatized water services such as higher water rates and poor quality service among others. In 2013, two British Columbia municipalities voted to remunicipalize their water agreements with EPCOR:

**Banff** – Since 2009 operations of Banff's wastewater treatment plant has been contracted out to EPCOR. On December 31, 2014 that contract came to an end. EPCOR and Banff had been in discussion for three years to enter into a new 10-year contract, however, in October 2014 the town council opted to take control over its wastewater services and integrate all of Banff's utilities. The proposed new contract between Banff and EPCOR to operate the integrated utilities was quoted at \$4.1 million, which was 9.11 per cent higher than the \$3.8 million the town estimated it would cost to provide the same service itself. Therefore, a renewed contract between EPCOR and Banff would have most likely resulted in a fee increase for Banff residents.<sup>86</sup>

**White Rock** – In September, 2015, the City of White Rock reached an agreement to buy the municipality's water system from EPCOR, ending two years of negotiations that began in 2013 and did not always go smoothly. EPCOR had bought the utility from a private owner in 2005. In June 2015, the city voted unanimously to expropriate the system<sup>87</sup>, but the two parties eventually reached a deal with an estimated buyback cost of \$23 million.<sup>88</sup> In 2013, the White Rock mayor said the buyback "was in the best interest of taxpayers."<sup>89</sup> The city will finance the purchase over up to 30 years at low interest rates, through the BC Municipal Finance Authority.<sup>90</sup> The city has faced ongoing water quality issues, including elevated levels of arsenic and manganese. The city made

the move to own its water utility as EPCOR was preparing to spend nearly \$12 million upgrading the system to comply with a health authority order to chlorinate the city's water, and had applied to raise rates to cover the cost. EPCOR was projecting a \$428,000 profit from White Rock's water system in 2015, rising to \$878,000 by 2017.<sup>91</sup>

**Port Hardy** – In September 2013, councillors in the North Vancouver Island district of Port Hardy voted to end the community's agreement with EPCOR. The director of corporate services for Port Hardy, which originally signed the contract with the EPCOR in 1999, stated that taking control of water and sewer services was "in the best interest of the taxpayers."<sup>92</sup>

### **Some other controversies involving EPCOR are listed below.**

**Arizona, 2015** – EPCOR has proposed to unite the five districts for which it provides water services (Agua Fria, Anthem, Sun City, Sun City West and Mohave) in Arizona into one, in order to stabilize rates by spreading them over a larger number of customers. Along with the company's request to the Arizona Corporation Commission (the state's public utilities commission) to combine its service districts, it is seeking approval for new service rates for its customers. If approved, the consolidation plan would double monthly bills in Sun City, while adding 11 per cent to the bills of residents in Sun City West.<sup>93</sup> In late December 2014, the Arizona Corporation Commission approved interim rate hikes for two of the five districts.<sup>94</sup>

**French Creek, British Columbia, 2015** – Monthly water rates for residents of French Creek, British Columbia will increase from \$45.30 to \$62.42 after EPCOR asked the BC comptroller of water rights in February to increase water bills. EPCOR, who owns and operates the water system in French Creek, stated that the rate increase was needed to cover the cost of drilling new wells, as well as ongoing maintenance and upgrades to the system which were triggered by a health authority order on treating surface water.<sup>95</sup> The French Creek Resident's Association (FCRA) fought the rate increase after gaining intervenor status with comptroller. After the decision was made to increase water rates, the FCRA stated that it would explore the possibility of buying the utility from EPCOR.<sup>96</sup>

**Regina, Saskatchewan, 2015** – Nine months after taking over Regina's wastewater treatment plant operations, EPCOR received a letter of non-compliance from the province's water security agency due to E. coli levels reaching double the allowed amount in discharged water. Residents downstream from Regina (in the communities around the Calling Lakes) and 11 First Nations in the area have asked for interim measures to be put in place in order to reduce bacterial levels in the water. EPCOR is in the process of building a new wastewater treatment facility that the company says will replace the current plant's outdated technology.<sup>97</sup>

**Fountain Hills, Arizona, 2013-2014** – In April 2013, EPCOR requested a 34.8 per cent water rate increase for approximately 14,000 customers in Fountain Hills, Arizona. In August 2014, the Arizona Corporation Commission approved a 17.81 per cent increase (which amounts to an approximate increase of \$6.74 per month on residents' water bills).<sup>98</sup>

**Edmonton, Alberta, 2009** – According to the Edmonton Journal the directors of EPCOR sold \$5 billion of power assets (electricity-generating plants) owned by EPCOR Utilities to Capital Power. The transaction between EPCOR and Capital Power was decided by city councilors in a closed-door meeting.<sup>99</sup> In June 2009, three unions filed a lawsuit challenging the transaction, as they claim that the city council is required to make their decisions in public forums and are therefore outside the jurisdiction of the municipality under the *Municipal Government Act*.<sup>100</sup> This transaction also spurred the launch of a campaign by a group called ‘Our Power Citizens Group,’ which is calling for the end of EPCOR’s privatization and for a public vote on the selling or keeping of EPCOR’s power generation assets. The city councillors argued that they are exempt from making decisions in the public domain while acting as shareholders (as they are with EPCOR). The lawsuit was dismissed by an Alberta judge in December 2009.<sup>101</sup>

**Whistler, British Columbia, 2008** – In 2008, EPCOR was awarded the contract to design and construct the water supply and wastewater facilities for the Whistler Olympic/Paralympic Park. EPCOR also operated both facilities during the Vancouver 2010 Olympic and Paralympic Games.<sup>102</sup> The contract ran until July 2010, and ownership and operation of facilities were then transferred to Whistler Sport Legacies, the non-for-profit society that now owns operates three 2010 Olympic and Paralympic Winter Games venues.<sup>103</sup> EPCOR’s participation in the 2010 Olympics and Paralympics was critiqued as being nothing more than a prime ‘greenwashing’ opportunity for a corporation involved in the privatization and commodification of water.<sup>104</sup>

**Sooke, British Columbia, 2004-2011** – In 2005, EPCOR completed a \$23 million sewer and wastewater treatment facility for the community of Sooke near Victoria, British Columbia. In 2004, the company attempted to secure a 22-year operating agreement with the district municipality. However, residents concerned with a lengthy deal successfully petitioned the city council to sign a five-year contract with the company. Council could have taken the longer agreement to referendum but chose instead to go with a shorter five-year deal not requiring a referendum.<sup>105</sup> In 2011, EPCOR went back to the city council seeking a 21-year extension of its management contract. The proposed 21-year extension ran into considerable opposition from the community where activists complained the contract was too long and that it should have been dealt with competitively. A total of 20 per cent of the electorate signed a petition opposing the 21-year deal, and, as they did in 2004, council decided to dump the 21-year deal in favour of a five-year contract that would not require a referendum.<sup>106</sup>

**French Creek, British Columbia, 2005** – Breakwater Enterprises Ltd. is a private company that operated and owned the water utility in French Creek BC.<sup>107</sup> In 2005, EPCOR made a bid to purchase Breakwater and all of its assets.<sup>108</sup> The Regional District of Nanaimo (RDN), a district located on the eastern coast of Vancouver Island, British Columbia, provides publicly owned water services to 14 water systems, including approximately 243 users in the Sandpiper area through its French Creek Water Utility District.<sup>109</sup> John Finnie (RDN’s general manager of environmental services) stated that the Regional District of Nanaimo had been interested in purchasing Breakwater Enterprises Ltd. and expanding its French Creek water district provider to include all of French Creek for a number of years.<sup>110</sup> When Breakwater had finally decided to sell, RDN made

an offer. RDN wanted to transfer a privately owned water system into public ownership, and was supported by CUPE Local 401.<sup>111</sup> However, Breakwater owners decided to sell the utility to EPCOR. RDN then went through negotiation to see if it could purchase Breakwater from EPCOR. These negotiations fell through. In 2010, residents complained about the water rates proposed by EPCOR being too high. EPCOR blamed the need to have high water rates on the deterioration of the facilities that had been allowed by Breakwater (although the condition of the facilities was known to EPCOR when they bought the utility). At the time, French Creek's water rates were some of the most expensive on Vancouver Island.<sup>112</sup>

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- <sup>38</sup> Lobbying activity before August 2008 is unavailable as only after Canada's Lobbying Act was amended in July 2008, was detailed information on lobbying activity available to the public through the website of the office of the Commissioner of Lobbying. The July 2008 amendments required companies and organizations to report any arranged verbal conversations (but not e-mail, letter and fax communications) with Designated Public Office Holder's (DPOHs) and identify the name of the DPOH, the title of the DPOH and the organization and branch for which they work, the date of the conversation and the subject discussed.
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