



City of  
**Peterborough**

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**To:** Members of General Committee

**From:** Sandra Clancy, Chief Administrative Officer

**Meeting Date:** December 2, 2019

**Subject:** Report CAO19-011  
Future of Water and Wastewater Utility Operations

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## **Purpose**

A report to recommend next steps to review the Water and Wastewater utility operations for the City of Peterborough.

## **Recommendations**

That Council approve the recommendations outlined in Report CAO19-011, dated December 2, 2019, of the Chief Administrative Officer as follows:

- a) That a 2020 Capital Project be created for \$150,000 funded from a transfer from the Capital Levy Reserve of \$75,000 and a transfer from the Wastewater Reserve Fund of \$75,000;
- b) That a Request for Proposals be issued by the City to hire a consultant to review all the options available to the municipality to operate its water and wastewater operations, including a review of other municipal structures, a community engagement process and a report back to Council; and
- c) That a Steering Committee be formed including the Chair of Finance and Chair of Public Works and representation from City staff to evaluate the Request for Proposals submissions and guide the review.

## Budget and Financial Implications

It is estimated that the cost of the review will be \$150,000. It is proposed that one-half of the cost be funded from the Capital Levy Reserve and one-half from the Wastewater Reserve Fund.

## Background

### History

In September 2000, the **Energy Competition Act – Bill 35** changed the landscape of how an electrical utility was operated and municipalities had to make a decision whether to sell their electric utility or whether to keep it. City Council decided to retain the electric utility as a separate Corporation. Peterborough Distribution Incorporated (PDI) was created for the poles and wires distribution business.

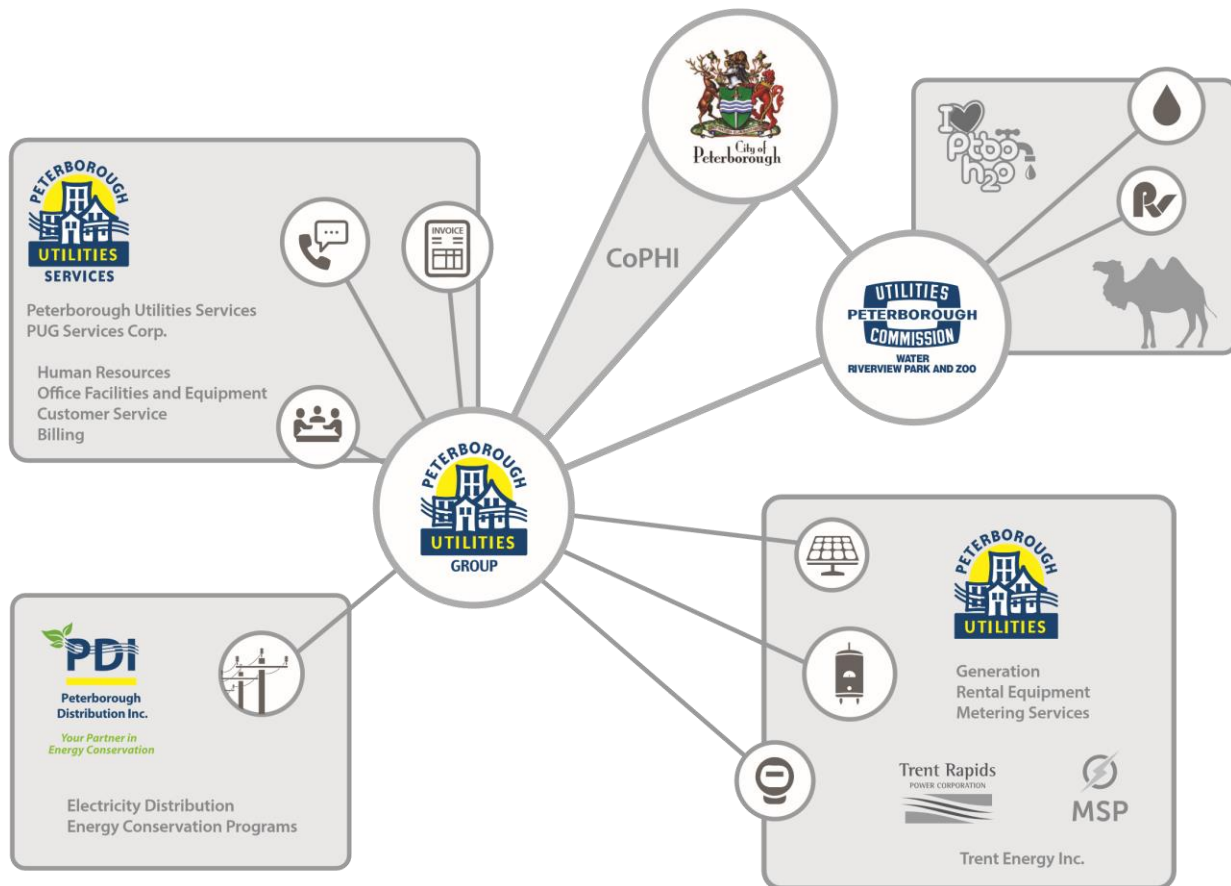
The City also did a review of the Water Utility. A joint City/Peterborough Utilities Commission (PUC) restructuring Committee was established, a consultant was hired and recommendations were made to Council through Report CA00-007 City/PUC Water Utility Review, dated September 25, 2000.

The Water Utility remained a separate corporation, the Peterborough Utilities Commission (PUC), for the following reasons:

- There were synergies between the electric and water utilities as there were shared operations and resources such as training, the billing system and combined purchasing power. Administration costs were also shared with 65% assigned to the electric utility;
- It was assumed that additional labour costs would exceed any efficiencies gained should the City assume the water operation;
- Although some synergies between water and wastewater were identified, it was deemed that the synergies between electric and water were more significant.

### Current Governance Structure for Peterborough Utilities Group of Companies

The chart on the following page shows the current structure of the Peterborough Utilities Group of Companies (PUG).



There is a pending sale of the PDI business to Hydro One. The transaction is currently awaiting approval of the Ontario Energy Board (OEB). None of the other companies are part of the potential sale.

### Current Governance Structure for Water

- The City owns the water utility and retains the PUC format for the water utility which operates the water and zoo operations on a contract basis;
- Council is represented by five Councillors appointed to the PUC;
- The PUC operates for the most part, financially independent from the City, but seeks approval for certain transactions (eg. debt issuance);
- The debt of the PUC falls within the City's debt capacity;
- The City does not receive any dividend from the PUC;
- Council relies upon the PUC to fulfill its regulatory obligations under the **Clean Water Act**, nevertheless, the City remains liable for its regulatory obligations under the **Clean Water Act**.

## **Updated Review**

With the pending sale of PDI to Hydro One, it is a natural time to review the governance structure. When the sale closes and the electric operations are moved to Hydro One, the synergies that were present back in 2000 between the electric and water utility will not exist.

It is recommended that a Request for Proposals (RFP) be issued by the City to hire a consultant to review all the options available to the municipality to operate its water and wastewater operations. A review would include information on:

- Changes in legislation since 2000;
- The current water operations;
- The current wastewater operations;
- The current synergies between water and wastewater;
- Impact on other operations such as stormwater and major road reconstruction;
- Financial considerations, including rate impacts, debt impacts, future operating and capital requirements and ability to fund those requirements;
- The governance structures in other municipalities;
- Potential negative impacts of each option;
- Other impacts to the ratepayers such as customer service;
- Identification of any risks;
- Impact on Asset Management responsibilities; and
- Implications to staffing.

The review would explore all options where the City retains ownership such as, but not limited to, the following and make a recommendation to City Council:

- Status Quo: Water service provided by PUC, Wastewater service provided by the City
- Re-structure the Utility to include Wastewater Service
- Re-structure the City to include Water Service

## **Timing**

The review will take time and upon receiving the recommendations, Council will be faced with making a decision that may have major implications for both the City, the PUC and other companies within the City of Peterborough Holdings Inc. (COPHI). If a reorganization is approved, a plan will need to be developed and implemented to make the changes. This will also take a significant period of time.

For these reasons, it is recommended that the review proceed in early 2020. The consultant should assume that the assets of PDI is being sold to Hydro One.

## **Steering Committee**

It is recommended that a Steering Committee be formed that would include:

- Chair of Finance
- Chair of Public Works
- Chief Administrative Officer
- Commissioner of Infrastructure and Planning Services
- Commissioner of Corporate and Legislative Services

The Steering Committee would evaluate the RFP to be issued, the submissions and work with the consultant as they do their review.

## **COPHI Work Done to Date**

Staff and the Board of COPHI will be very involved in the review and will need to provide some key information required by the consultant. They have also done some preliminary work on the option of moving the Wastewater to the Utility which can be shared with the consultant.

## **Community Engagement**

The review will include community engagement. A re-organization of the water and wastewater operations will impact the water and wastewater ratepayers in terms of the operations, billing, customer service and the decision will have an operational and financial impact on other areas of responsibility for the City. The Steering Committee will include a community engagement plan in the RFP to provide the opportunity for the community to express their opinions.

## **Summary**

It is recommended that a Request for Proposals be issued to hire a consultant to review the Water and Wastewater utility operations for the City of Peterborough.

Submitted by,

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Chief Administrative Officer  
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