

## EPCOR WATER SERVICES INC. - UTILITY COMMITTEE REPORTING REQUIREMENTS

### RECOMMENDATION

That the February 4, 2022, Financial and Corporate Services report FCS00936, be received for information.

#### Report Purpose

##### Information only.

This report informs Utility Committee of the regulatory reporting framework and timelines proposed by EPCOR Water Services Inc. for the water, wastewater treatment and drainage services it provides to Edmontonians.

### Executive Summary

- EPCOR Water Services Inc. is seeking to review and confirm the regulatory reporting requirements for Utility Committee and City Council.
- In this report, EPCOR Water Services Inc. provides details of the principles and framework it will use in presenting its regular reports to Utility Committee.
- The proposed reporting framework is generally consistent with the format and timelines adopted for the 2018 to 2021 timeframe as approved by Utility Committee in 2018.
- A planned schedule of reports to be provided to Utility Committee over the 2022 to 2024 timeframe is also provided, leading up to the next Performance Based Rates applications being submitted for Drainage and Wastewater Treatment in the 3rd quarter of 2024 (effective April 1, 2025).

### REPORT

To facilitate City Council's role as regulator, EPCOR Water Services Inc. (EWSI) is obligated to provide information and reporting to Utility Committee and City Council. Reporting requirements and a reporting framework for Water, Wastewater Treatment and Drainage Services were established in 2018 subsequent to the transfer of drainage services from the City of Edmonton to

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EWSI. These reporting requirements and framework were endorsed at the February 23, 2018, Utility Committee meeting (Financial and Corporate Services report CR\_5525).

In Attachment 1, EWSI reviews the proposed reporting framework to be utilized going forward for Water, Wastewater Treatment and Drainage Services. EWSI's reporting to Utility Committee is based on the following principles:

1. **Reporting Basis:** Performance Based Rates (PBR) applications establish the baseline against which all reporting is assessed.
2. **Visibility and Transparency:** EWSI has an obligation to present information in a clear and concise manner and EWSI is looking to Utility Committee and City Administration to provide direction in this regard.
3. **Consistency and Comparability:** the structure and format of information will remain consistent with previously provided material.
4. **Collaborative Approach:** all material is provided to City Administration for review.

EWSI's proposed reporting framework generally matches the format and content of the framework previously endorsed by Utility Committee in 2018, but has been expanded to include insights from the recently approved PBR applications for Water Services (effective April 1, 2022 to March 31, 2027), and Wastewater Treatment and Drainage Services (effective April 1, 2022 to March 31, 2025). The reporting framework and reports to be provided going forward are summarized below:

1. **PBR Application:** PBR applications, to be submitted every five years (except three years for the next Drainage and Wastewater Treatment applications effective April 1, 2025) and provide the forecast operating and capital expenditures upon which utility customer rates are established over the five year PBR term. The approved PBR applications are the foundation upon which all other periodic and annual reporting is developed including the Annual Operational Plan and PBR Progress Report.
2. **Annual Operational Plan:** the plan is typically presented to Utility Committee in February or March of each year and is intended to provide awareness of significant operational initiatives planned for the calendar year.
3. **PBR Progress Report (prior year's actual results):** the report is presented annually to Utility Committee (typically mid-year) and provides a comprehensive review of the prior calendar year's performance of each utility including financial performance, capital projects and performance metrics.
4. **Initiative Specific Updates:** detailed, stand alone reports and updates on a wide range of significant initiatives including, but not limited to, the following; (i) significant operational and capital initiatives, (ii) legislated and regulatory changes, (iii) long term plans, and (iv) new technologies.
5. **Utility Committee Motions:** detailed reports on specific issues or initiatives as requested by Utility Committee.
6. **PBR Application Preparatory Initiatives:** ongoing reports related to complex topics that likely require a more substantial review than just during the PBR hearing. EWSI is proposing to continue, and likely expand, this process going forward including

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presenting the following reports to Utility Committee prior to submitting the next PBR applications; (i) utilization of deferral accounts, (ii) stormwater rate structure, and (iii) return on equity.

EWSI believes that this framework will provide a comprehensive view of utility operations, but will comply with further Utility Committee directions with respect to the framework and reporting requirements. Administration is in support of the ongoing reporting framework proposed by EWSI.

EWSI provides a table on page 5 of Attachment 1 with details of the planned schedule of reports to be presented to Utility Committee over the 2022 to 2024 timeframe, leading up to the next PBR applications being submitted for Drainage and Wastewater Treatment in the 3rd quarter of 2024 (effective April 1, 2025).

### **COMMUNITY INSIGHT**

The general public was engaged during the review and approval of the most recent EWSI PBR applications to set new utility rates for Water, Wastewater Treatment and Drainage Services effective April 1, 2022, including providing feedback at the June 25, 2021, Utility Committee meeting. The PBR applications form the foundation upon which all regulatory reporting will be developed.

### **GBA+**

GBA+ specific to this report was not conducted, as the information is regarding internal reporting standards.

The cost of providing water, wastewater and drainage services is equitably allocated to customers. Customer rates are guided by industry best practice and well established cost of service and utility rate design principles. Utility fees and charges are based on a cost of service methodology whereby customer rates are designed to recover the fairly apportioned cost of providing utility service to individual customer classes.

### **ATTACHMENT**

1. EPCOR Water Services Inc. - Utility Committee Reporting Framework