

# 2017 Annual Progress Report Performance Based Regulation

**EPCOR Water Services**

(Water Services and Wastewater Treatment Services)

June 8, 2018



# 2017 PBR Progress Report

- The 2017 PBR Progress Report provides an annual update to the City of Edmonton on the operational and financial results for In-City Water Services and Wastewater Treatment Services in accordance with the 2017-2021 PBR Plan approved in the EPCOR Water Services and Wastewater Treatment Bylaw No. 17698.
- The annual update includes:
  - Financial performance;
  - Capital expenditures;
  - Operational performance; and
  - Bill comparisons with other municipalities.
- The PBR Progress Report also includes a description of the non-routine adjustments to 2018 Water & Wastewater Rates.



# Customers and Consumption

In-City Water	2017			
	Forecast	Actual	Variance	%
Customers				
Residential	256,306	259,335	3,029	1.2%
Multi-Residential	3,746	3,752	5	0.1%
Commercial	19,257	19,438	181	0.9%
Total	279,310	282,524	3,215	1.2%
Annual Consumption (ML)				
Residential	45,057.0	45,477.9	420.8	0.9%
Multi-Residential	18,370.0	17,828.8	(541.3)	-2.9%
Commercial	28,539.0	27,536.6	(1,002.4)	-3.5%
Total	91,966.1	90,843.2	(1,122.8)	-1.2%
Monthly consumption per customer (m <sup>3</sup> )				
Residential	14.6	14.6	(0.0)	-0.2%
Multi-Residential	408.6	396.0	(12.6)	-3.1%
Commercial	123.5	118.1	(5.4)	-4.4%



# Financial Performance

In-City Water	2017	
	Forecast	Actual
	(\$ millions)	
Forecast Revenue Requirement/Actual Revenue	190.1	187.4
Operating expenses	(100.7)	(98.8)
Depreciation and amortization	(25.6)	(25.9)
Interest	(26.6)	(27.0)
<b>Net Income</b>	<b>37.1</b>	<b>35.7</b>
Mid-year equity portion of rate base	365.1	364.1
<b>Return on Equity</b>	<b>10.175%</b>	<b>9.80%</b>

- Revenues were \$2.8 M less than forecast,
- Operating expenses were \$1.9 M less than forecast,
- Net Income was \$1.4 M less than forecast.



# Financial Performance

Wastewater	2017	
	Forecast	Actual
	(\$ millions)	
Forecast Revenue Requirement/Actual Revenue	94.0	90.8
Operating expenses	(54.0)	(47.1)
Depreciation and amortization	(13.9)	(14.4)
Interest	(10.0)	(10.2)
<b>Net Income</b>	<b>16.1</b>	<b>19.1</b>
Mid-year equity portion of rate base	158.0	151.9
<b>Return on Equity</b>	<b>10.175%</b>	<b>12.60%</b>

- Revenues were \$3.2 M less than forecast,
- Operating expenses were \$6.9 M less than forecast,
- Net Income was \$3.0M greater than forecast.



# Capital Expenditures - Water

Project Category	2017		2017-2021	
	PBR Forecast	Actual	PBR Forecast	Current Projection
	(\$ millions)		(\$ millions)	
Regulatory	2.2	2.5	11.6	12.3
Growth/Customer Requirements	23.4	28.8	97.5	139.1
Health, Safety & Environment	0.7	0.8	26.6	27.1
Reliability & Life-cycle Improvements	53.6	52.0	262.4	275.6
Accelerated	12.8	13.4	67.8	66.5
Performance Efficiency & Improvement	5.4	4.8	28.1	25.8
Water D&T Facility Expansion	16.0	-	16.0	16.0
E.L. Smith Solar Farm	-	1.5	-	32.5
<b>Sub-total</b>	<b>114.1</b>	<b>103.7</b>	<b>510.1</b>	<b>594.9</b>
Contributions	(6.0)	(5.6)	(34.3)	(31.3)
<b>Capital Expenditures</b>	<b>108.1</b>	<b>98.1</b>	<b>475.8</b>	<b>563.5</b>



# Capital Expenditures – Water Variances

	2017-2021		Variance	
	PBR Forecast	Current Projection	\$	%
	(\$ millions)		(\$ millions)	%
Project with Major Variances				
E.L. Smith Solar Farm		32.5	32.5	n/a
Network Private Development Construction	14.4	27.9	13.5	94%
Transmission - Cost Sharing Program	3.0	10.8	7.7	255%
LRT Relocates *	10.4	25.1	14.7	141%
Additional Growth Projects	69.7	75.4	5.7	8%
Developer Contributions	-34.3	-31.3	3.0	-9%
Total Project Variances	63.2	140.3	77.1	122%
All Other Projects	412.6	423.2	10.6	3%
<b>Total Capital Projects</b>	<b>475.8</b>	<b>563.5</b>	<b>87.7</b>	<b>18%</b>

\*LRT Relocates meet criteria for a non-routine adjustment



# Capital Expenditures - Wastewater

Project Category	2017		2017-2021	
	PBR Forecast	Actual	PBR Forecast	Current Projection
	(\$ millions)		(\$ millions)	
Reliability & Life-cycle Improvements	40.6	36.9	203.4	206.8
Hydrovac Sanitary Grit Facility	8.4	6.7	8.4	7.2
Performance Efficiency & Improvement	3.3	2.3	17.6	16.0
Growth/Customer Requirements	1.5	-	1.5	1.5
Health, Safety & Environment	0.8	1.0	4.5	7.2
<b>Capital Expenditures</b>	<b>54.5</b>	<b>46.8</b>	<b>235.4</b>	<b>238.7</b>

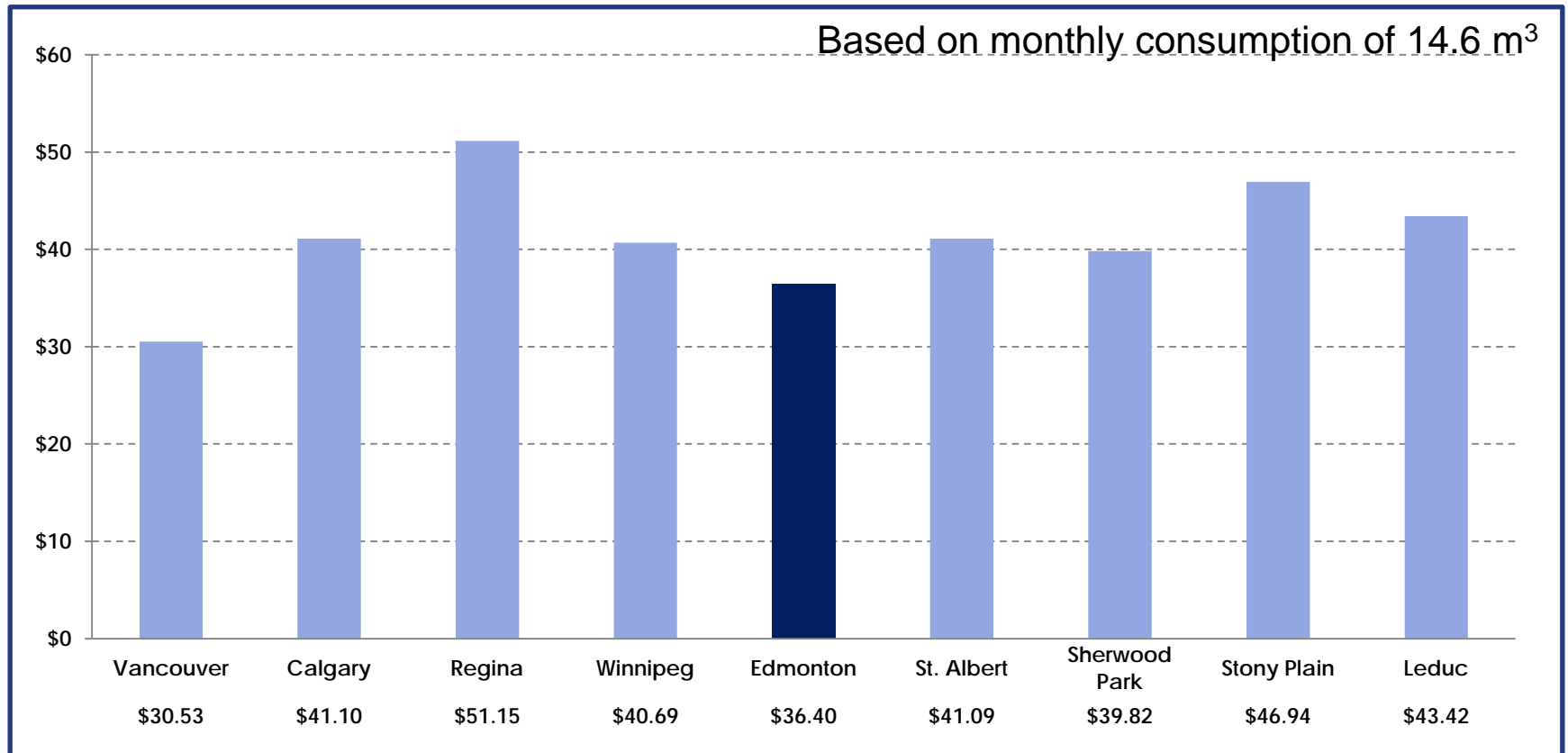


# Operational Performance – 2017

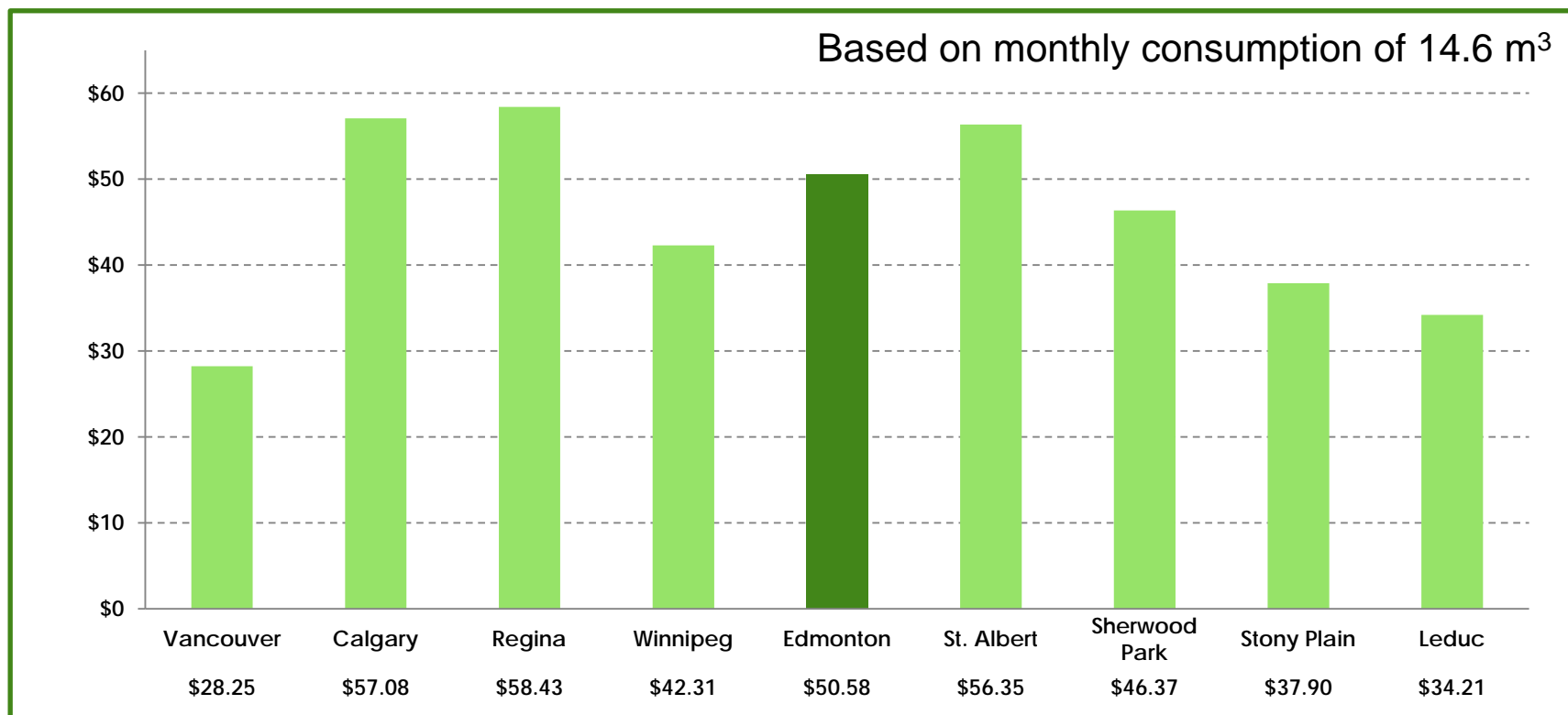
Performance Measure Index	Index Target	Points Earned
<b>In-City Water</b>		
Water Quality Index	25.0	25.0
Customer Service Index	20.0	21.1
System Reliability and Optimization Index	25.0	28.5
Environmental Index	15.0	16.5
Safety Index	15.0	16.5
<b>Total</b>	<b>100.0</b>	<b>107.6</b>
<b>Wastewater</b>		
Water Quality and Environmental Index	55.0	60.5
Customer Service Index	15.0	16.5
System Reliability and Optimization Index	15.0	16.5
Safety Index	15.0	16.5
<b>Total</b>	<b>100.0</b>	<b>110.0</b>



# Residential Water Bill - 2017



# Residential Wastewater Bill - 2016



Note that Edmonton's \$50.58 average monthly bill consists of Wastewater charges of \$16.54 and Drainage Services charges of \$34.03.



# Non-Routine Adjustment – Drainage Savings

- On April 1, 2018, a non-routine adjustment (NRA) to fixed monthly service charges for water and wastewater treatment came into effect.
- The NRA flows the benefits of reductions in corporate shared service cost allocations resulting from the transfer of Drainage Services assets to EPCOR to In-City Water and Wastewater customers.
  - The savings to In-City Water customers amount to \$0.71 per 15mm (5/8”) equivalent meter per month, providing total savings of \$35.28 over the 2017-2021 PBR term.
  - Savings to Wastewater customers amount to \$0.31 per customer connection per month, providing total savings of \$15.34 over the 2017-2021 PBR term.





# Questions?



**EPCOR**