



# **EPCOR WATER SERVICE INC. APPROVED PBR AND OPERATIONAL PLAN OVERVIEW**

**March 25, 2022**

# PBR Overview

**EWSI's obligation is to provide safe, clean drinking water and reliable drainage and wastewater treatment services, while ensuring that rates are fair and affordable for Edmontonians**

- The approval of the PBR bylaws (Sept. 21) included a detailed review of:
  - Individual applications for Water, Wastewater Treatment and Drainage Services
  - Appendices including business cases for major investments and supporting evidence
  - Governing bylaw for all three utilities
- The PBR terms were set to establish a staggered schedule for future 5-year renewals:
  - 2022 – 2026 for Water (5<sup>th</sup> PBR term)
  - 2022 – 2024 for Wastewater (3<sup>rd</sup> PBR term)
  - 2022 – 2024 for Drainage (1<sup>st</sup> PBR term)

# Guiding objectives of PBR regulation

**Safe and reliable utility service**

**Customer charges based on cost of service**

**Opportunity to earn a reasonable profit**

**Environmental objectives aligned to City goals**

**Service levels set based on benchmarks and past performance**

**Rate approval timing matches financial needs**

## Operating Plan

# Focused on efficiency and operational excellence

**Operating costs for the water-cycle utilities are expected to average \$290 million a year in 2022-24, vs. \$287 million in 2021**

- EPCOR bears the risk that operating costs will increase more than inflation
- Provides incentive to achieve savings that benefit customers
- EPCOR at risk during the PBR term if costs increase greater than projected

**Operating costs are forecast to increase at less than 1% per year over the next three years**

## Capital Plan

# Maintaining reliability and investing in resilience

### The capital plans will invest \$1.35 billion in Edmonton's water-cycle utilities

- System reliability
  - Replacing assets at end of life
  - Reducing risk of asset failures
- Implement flood mitigation (SIRP) and corrosion/odour reduction strategy (CORe)
- Serve growing customer base and physical footprint
- Improving performance and achieving efficiencies
- Environmental initiatives

**50% of investment is to maintain reliable service**

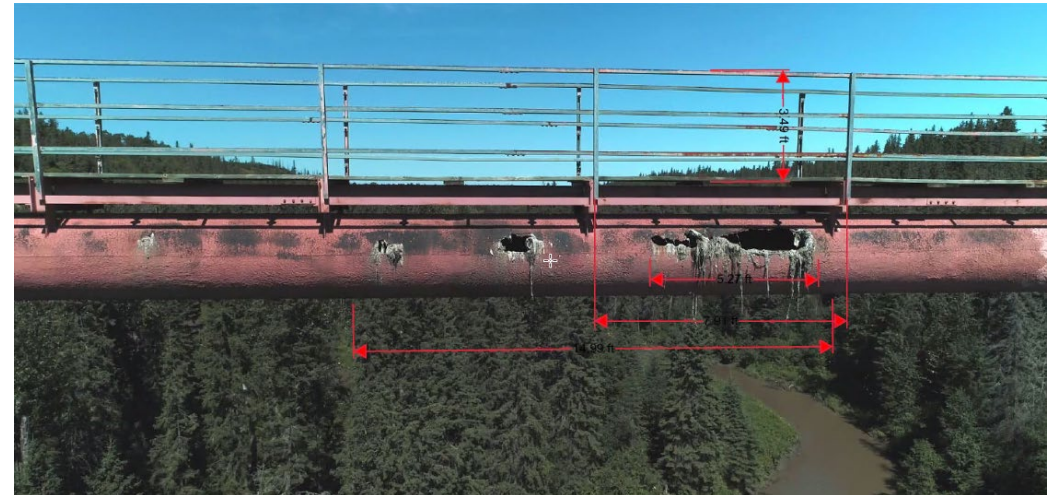
**35% is to implement flood mitigation, corrosion and odour reduction, and support for growth**

# Capital and Operating Plan Themes

## Risk-based capital allocation

### Investing based on risk and asset life will reduce infrastructure failures, contribute to reliable service, and lower costs

- Capital plan addresses historic under-investment in drainage infrastructure
- Risk-based approach dramatically reduces the cost of implementing flood prevention (SIRP) and corrosion and odour
- Protecting water treatment plants from extreme river flooding is investment in climate resilience



*Preventing asset failures through risk-based investment strategies will reduce long term capital requirements, and better protect service reliability and environmental outcomes*

## Supporting customers

# Edmonton Economic Recovery Rebate

**EPCOR will discount customer bills by \$66 million in order to support economic and social recovery**

Reduces the Drainage return on equity from 2022-24

The voluntary discount:

- ✓ Helps keep customer bills stable during a sensitive period
- ✓ Comes entirely from a voluntary reduction in utility profitability – with no impact to investment or service levels
- ✓ Is targeted and temporary, to protect utility credit ratings

Staging the \$66 million discount:

**\$28.0 million discount in 2022**

**\$22.1 million discount in 2023**

**\$15.5 million discount in 2024**



# Average Residential Bill

|                                   | 2021   | 2022        | 2023        | 2024        | Average     |
|-----------------------------------|--------|-------------|-------------|-------------|-------------|
| Base Bill (\$)                    | 100.17 | 100.57      | 102.24      | 104.73      |             |
| <b>Bill Change</b>                |        | <b>0.4%</b> | <b>1.7%</b> | <b>2.4%</b> | <b>1.5%</b> |
| Bill including SIRP and CORe (\$) | 101.86 | 105.67      | 107.94      | 112.50      |             |
| <b>Bill Change</b>                |        | <b>3.7%</b> | <b>2.1%</b> | <b>4.2%</b> | <b>3.4%</b> |

- ✓ Residential bills will be stable for continuing utility service, and show modest increases to fund investments in flood prevention, and corrosion and odour reduction
- ✓ Utility bills will also reflect Council's decision to transfer billing for fire protection service (\$2.59/month on average) from property tax assessments to utility customers. This change should be net neutral for owner-occupied properties



# **Water, Wastewater and Drainage 2022 Operational Plans review**

# Key Themes

- **Customer Service** – we aim to serve customers better over time
- **Public Health and the Environment** – we aim to ensure all public health and environmental standards are met or exceeded
- **Employee and Public Safety** – we make safety a priority in all things we do
- **Employee Development** – we aim to develop a knowledgeable, capable and engaged team
- **Operational Performance** – we strive for excellence in the delivery of our services to ensure value for the customer
- **Growth and Financial Performance** – we aim to ensure the company maintains its level of profitability, and seizes business opportunities to grow

# Common Initiatives

## **PUBLIC HEALTH & ENVIRONMENT**

- **Climate Change/River Flooding Resiliency Plan**
  - Will protect the water treatment plants & the Gold Bar Wastewater Treatment Plant from a major flood
- **GHG Reduction Plan**
  - Targets: net GHG reductions of 50% in 2025, 85% in 2035 and 100% (net-zero) by 2050
  - Since expanded from Edmonton to company-wide, including U.S.A
  - Aligned with the City's climate change goals
  - Opportunity to demonstrate Edmonton's climate leadership at the international level
- **Integrated Watershed Management Strategy**
  - Water quality and source water protection
  - Managing loadings back into the river

# Water Services Initiatives

## **PUBLIC HEALTH AND ENVIRONMENT**

- **Lead Mitigation Strategy**
  - Reduce the amount of lead in the drinking water to conform to new Health Canada guidelines
- **E.L. Smith Solar Farm and Battery Energy Storage System**
  - Will provide half of the Water Treatment Plant electricity needs
  - Improves resilience of Edmonton's water supply
  - Offsets investments in redundancy to ensure water supply reliability
  - Smart Grid System with battery energy storage
  - Natural Resources Canada grant funding and research

## **OPERATIONAL PERFORMANCE**

- **Advanced Metering Infrastructure**
  - Optimized meter reading

# Drainage Services Initiatives

## CUSTOMER SERVICE

- **Corrosion and Odor Mitigation Strategy**
  - Reduce the number of odor issues and complaints
  - Lengthen life of sewer assets
- **Stormwater Integrated Resource Plan**
  - Mitigate flood risk in Edmonton
  - \$1.6 billion system-wide integrated approach
  - Implemented of the next 20-30 years

# Questions

# Appendix

## Supplemental Information



# The Operational Plan through a GBA+ lens

- **Diversity, Equity and Inclusion (DEI)**
  - 2022 focus: identify and address areas where systemic bias has created barriers to inclusion and equal opportunity
  - Utilizes GBA+ tools
- **Indigenous Partnerships**
  - 2022 focus: Foster partnerships with Indigenous neighbors, including Enoch Cree Nation and the Metis Nation of Alberta (MNA)
  - Advance the principles and joint initiatives stated in the MOU signed with Enoch Cree Nation in 2020
  - EPCOR seeking to formalize relationship agreement with MNA in 2022

# Commercial Bill (flat consumption)

|                                   | 2021   | 2022        | 2023        | 2024        | Average     |
|-----------------------------------|--------|-------------|-------------|-------------|-------------|
| Base Bill (\$)                    | 544.12 | 557.27      | 574.12      | 594.36      |             |
| <b>Bill Change</b>                |        | <b>2.4%</b> | <b>3.0%</b> | <b>3.5%</b> | <b>3.0%</b> |
| Bill including SIRP and CORe (\$) | 558.86 | 602.99      | 630.26      | 669.45      |             |
| <b>Bill Change</b>                |        | <b>7.9%</b> | <b>4.5%</b> | <b>6.2%</b> | <b>6.2%</b> |

- ✓ For commercial customers, forecast bills are linked to their economic activity and consumption levels
- ✓ Utility bills will reflect Council's decision to transfer billing for fire protection service onto utility bills