

EPCOR PBR Applications - Review by the Utility Advisor

2022-2026 Water Services Application, 2022-2024 Wastewater Treatment and Drainage Services Applications

Recommendation

That Utility Committee recommend to the August 16, 2021, City Council meeting:

That the June 25, 2021, Financial and Corporate Services report FCS00625, be received for information.

Executive Summary

This report provides the review completed by the Utility Advisor to Utility Committee and City Council of the performance based rates applications submitted by EPCOR Water Service Inc. to establish new customer rates and terms and conditions of service for Water Services for the five year period April 1, 2022 to March 31, 2027, and for each of Wastewater Treatment and Drainage Services for the three year period April 1, 2022 to March 31, 2025.

Report

In February 2021, EPCOR Water Services Inc. (EWSI) submitted performance based rates (PBR) applications and proposed bylaws for approval by City Council to establish customer rates for Water Services for the five year period April 1, 2022 to March 31, 2027 (proposed EPCOR Water Services Bylaw 19626), and for each of Wastewater Treatment and Drainage Services for the three year period April 1, 2022 to March 31, 2025 (proposed EPCOR Drainage Services and Wastewater Treatment Bylaw 19627). The regulatory process and guiding objectives for Utility Committee and City Council to assess the EWSI performance based rates applications were approved by Council on February 22, 2021 (Financial and Corporate Services report FCS00306).

The regulatory process includes a review by the Utility Advisor of the rates applications, which has been included in Attachment 1 of this report. The Utility Advisor has noted that while the rates applications are generally of high quality, and EWSI has been forthcoming in responding to information requests, there are a few items of concern. These items include the rate of return on equity, the level of information and financial analysis provided in business cases, the role of Utility Management versus the role of the Regulator, and the process of re-basing rates at

the start of PBR periods. Details on these concerns are included in the Advisor’s attached report.

Corporate Outcomes and Performance Management

Corporate Outcome(s): The City of Edmonton has sustainable and accessible infrastructure.			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Oversight and transparency of EPCOR water, wastewater and drainage services.	Annual and periodic reporting to Utility Committee of financial performance, operating and capital programs, and service quality levels.	Annual Progress Report - Water, Wastewater, Drainage (Fall 2020) Annual Operational Plan (Feb 2021) Performance Based Rates Applications (Feb 2021)	Annual Progress Report - Water, Wastewater, Drainage (June) Annual Operational Plan (Q1)

Attachments

1. EPCOR 2022 PBR Applications Review by the Utilities Advisor

Others Reviewing this Report

- C. Owen, Deputy City Manager, Communications and Engagement
- K. Fallis-Howell, Acting City Solicitor