



**DRAINAGE AND WASTEWATER TREATMENT
PERFORMANCE BASED REGULATION RENEWAL
PROCESS AND TIMELINE REPORT
MAY 9, 2023**

Background and Purpose

Bylaw Expiry

- EPCOR Drainage Services and Wastewater Treatment Bylaw (Bylaw 19627) expires March 31, 2025
- EWSI to file Rates Notices and Rates Reports (the rate applications) to seek City Council approval on new rates and terms and conditions of service for Drainage & Wastewater commencing April 1, 2025
- EPCOR Water Services Bylaw (Bylaw 19626) - expires March 31, 2027

Propose:

- The Process and Timeline Report details:
 - EWSI's proposed approach to the applications
 - Planned content and format as well as supplemental reports
 - Timeline
- Intended to ensure alignment with Utility Committee expectations and to receive early direction for any issues or concerns to inform the application's development

Performance Based Regulatory Structure

Regulatory Construct

- Performance Based Regulation (PBR) structure (2nd Drainage and 4th Wastewater PBR applications)
- Retain the same financial terms and approaches as the current applications (2022-2024)
 - General risk/return framework
 - Rate increases at inflation less an efficiency factor (i-x) plus any applicable special rate adjustments
 - Non-routine adjustments for changes beyond EWSI's control
 - Annual performance metrics with penalties to ensure defined standards of performance

Application Term

- Propose 3-year term (2025-2027) for both Drainage and Wastewater Treatment
- Allows for consolidation with Water PBR in 2028 with a one year extension for Water PBR for 2027
- Timing of consolidated PBR Application would consider City's budget and election cycles to minimize regulatory burden on City Council and Administration

Application Format

Application Structure and Financial Schedules

- Separate applications for Drainage and Wastewater Treatment
- Common over-arching sections and appendices
- Format and content very similar to the 2022-2024 PBR Applications
- Separate financial schedules for Drainage and Wastewater Treatment
- Based on agreed to filing requirements

Capital Expenditure Justifications

- Formal business cases for all projects exceeding the threshold of:
 - \$ 5 million in Wastewater Treatment
 - \$10 million in Drainage
- Business cases to identify alternatives and criteria against which alternatives are evaluated
- SIRP (flooding) / CORE (odour) - overarching strategy documents to link business cases

Considerations and Approach for Applications

Over-arching Considerations

- Affordability
- Alignment with City goals (i.e. in-fill/densification, development, climate change)
- Equity
- Applications reflect an optimization of the combined water cycle (combined Water and Drainage BUs)

Utility Committee Considerations

- Prior EWSI applications followed a typical process where discussions with the regulator prior to submission were generally limited
- Resulted in number of pertinent topics received limited discussion during the hearing process given the number and complexity of topics under consideration
- EWSI proposes to provide Utility Committee with single issue discussion papers and presentations prior to application submission to allow for more in-depth review of the topics
- Formal approval will not be sought for these discussion topics as approval remains with City Council

PBR Development – Utility Committee Discussion Topics

Topic	Description
Stakeholder Engagement Strategy	<ul style="list-style-type: none">• Defines the scope and approach to the Public Awareness and Engagement research that will be conducted during the application’s development• Stakeholder engagement provides an opportunity to consider and incorporate rate-payer and stakeholder expectations into the application
Rate Structure and Design Review	<ul style="list-style-type: none">• Review of the current rate design to ensure it continues to be cost-based, meet utility and customer requirements, achieve policy goals, including<ul style="list-style-type: none">• Determination of any cross–subsidization across customer classes• Review of current rate designs against both contemporary approaches used by other utilities and broader policy objectives (i.e. conservation)• Known administrative challenges, including unverified agreements exempting some customers from paying, inconsistencies in charges across customer classes, City of Edmonton stormwater billing

PBR Development – Utility Committee Discussion Topics

Topic	Description
Deferral Account Analysis	<ul style="list-style-type: none">• Assess the implications of deferral accounts used in response to pandemic uncertainty• Respond to Council motion for the use of “<i>deferral accounts and other adjustments mechanisms to deal with variations in usage</i>”
Developer Funding Review	<ul style="list-style-type: none">• Review levels of developer funding to determine sustainability and equity across both the utilities and within development types (infill vs greenfield)
Cost of Capital (Return on Equity) Review	<ul style="list-style-type: none">• Review approaches to determining return on equity to ensure regulator alignment with application proposal• Discuss the ways that EWSI assumes greater operational and financial risk than utilities regulated by the Alberta Utilities Commission
Equity	<ul style="list-style-type: none">• Review the current operational programs/services and capital programs from an equity perspective• Intended to ensure alignment with City goals and objectives for sustainability, social responsibility and affordability

PBR Development – Utility Committee Discussion Topics

Topic	Description
Metrics Review	<ul style="list-style-type: none">• Determine approaches to establishing a performance measures program that achieves the appropriate outcomes in a performance based regulation context• Respond to the Council motion: <i>“A review of the performance measures to ensure they are increasingly stringent and challenging over time.”</i>
Sanitary IRP and Wastewater Treatment IRP	<ul style="list-style-type: none">• Provide the integrated resource plans for the sanitary and wastewater treatment utilities• Define the infrastructure needs over a long-term time frame (20-40 years) as well as the underlying drivers of those requirements (population growth, consumption trends, policy choices for managing growth, technological advancements, etc.)

PBR Application Timeline

2025-2027 Drainage and Wastewater Treatment PBR - Application Timeline

Activity	Proposed Timing		Notes
	Start	Finish	
Rates Report - (Application Submission)	-	31-May-24	
Councillor Information Requests (IR)	07-Jun-24	15-Jul-24	38 days for Information Requests
Administration, Utility Advisor - Information Requests	07-Jun-24	15-Jul-24	38 days for Information Requests
Public Submissions - Information Requests	07-Jun-24	22-Jul-24	Open for 45 days
EWSI's Response to Information Requests	22-Jul-24	05-Aug-24	14 days
Reports of Reasonableness by Administration and Utility Advisor	06-Jul-24	04-Sep-24	96 days to complete
EWSI's Response to Reports of Reasonableness	04-Sep-24	04-Oct-24	30 days to complete
PBR Public Hearing (Non Regular Committee Meeting)	07-Oct-24	31-Oct-24	Within these dates
PBR Compliance Filing	01-Nov-24	01-Dec-24	30 days to complete
Contingency	01-Dec-24	31-Dec-24	
First, Second and Third Readings - Bylaw Approval	01-Jan-25	15-Feb-25	45 days for schedule
Rates Implemented	01-Apr-25	01-Apr-25	

Timing aligns with prior, non-election year timing

Questions/Discussion