

EPCOR WATER SERVICES INC. - 2025-2029 DRAINAGE AND WASTEWATER TREATMENT PERFORMANCE BASED RATES RENEWAL - PROCESS AND TIMELINE REPORT

RECOMMENDATION

That the January 30, 2023, Financial and Corporate Services report FCS01620, be received for information.

Requested Council Action	Information only		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	n/a		
City Plan Values	LIVE		
City Plan Big City Move(s)	n/a	Relationship to Council's Strategic Priorities	Conditions for service success
Corporate Business Plan	Managing the corporation		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> Bylaw 19626 - EPCOR Water Services Bylaw Bylaw 19627 - EPCOR Drainage Services and Wastewater Treatment Bylaw 		
Related Council Discussions	<ul style="list-style-type: none"> FCS00624, EPCOR PBR Applications - Reasonableness Review by Administration, Utility Committee, June 25, 2021 FCS01533, EPCOR Water Services Inc. Proposed Improvements To Financial and Regulatory Reporting, Utility Committee, November 4, 2022 		

Executive Summary

- This report provides the process and timeline, as proposed by EPCOR Water Services Inc., in respect of the upcoming 2025-2029 Performance Based Rates Applications for the Drainage Services and Wastewater Treatment utilities.

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- With the current effective wastewater treatment and drainage services rates expiring on March 31, 2025, EPCOR Water Services Inc. will submit rate applications in 2024 seeking City Council approval of new wastewater treatment and drainage services rates commencing April 1, 2025.
- EPCOR Water Services Inc.'s report, included in Attachment 1, provides details of the proposed regulatory structure, review timeline and format/content for the upcoming rate applications and seeks Utility Committee feedback and early direction for any issues or concerns to inform the development of the applications.
- EPCOR Water Services Inc. also provides details of a number of separate reports that it plans on submitting for Utility Committee review and discussion prior to the formal submission of the wastewater treatment and drainage services rate applications.

REPORT

EPCOR Drainage Services and Wastewater Treatment Bylaw (Bylaw 19627) expires on March 31, 2025. EPCOR Water Services Inc. (EWSI) intends to file Performance Based Rates (PBR) applications by June 2024 to seek City Council approval to set new rates and terms and conditions of service commencing April 1, 2025. In Attachment 1, EWSI provides an overview of its proposed approach to develop the applications, the planned content and supplemental reports and the general timing of the various steps in the approval process. EWSI's intent is to ensure alignment with Utility Committee requirements and expectations, and to receive the Committee's direction regarding any issues or concerns.

This report includes information with respect to the following items: (1) the PBR regulatory structure; (2) the approach to be taken in the 2025-2029 PBR applications; (3) the timing of the application review by Utility Committee, and (4) the application format.

Performance Based Rates Regulatory Structure

EWSI proposes that the upcoming 2025-2029 Drainage and Wastewater applications continue under a PBR structure and retain the same general terms and conditions as are currently in place, including:

- the general risk/return framework,
- annual rate increases at inflation less an efficiency factor,
- utilization of special rate adjustments for costs increases above inflation,
- the inclusion of non-routine adjustments for changes beyond EWSI's control and
- annual performance metrics.

The current PBR term for Wastewater and Drainage is three years (April 1, 2022 to March 31, 2025) while the term for Water is five years (April 1, 2022 to March 31, 2027). The difference in term length is as a result of a Utility Committee direction to stagger the terms to lessen the workload for all parties and allow for a more comprehensive review of the applications. EWSI proposes to return to a five-year term (April 1, 2025 to March 31, 2029) for the next drainage services and wastewater treatment PBR plan. EWSI provides an in-depth discussion of the structure and various components of the current PBR plan in Appendix A of Attachment 1.

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Approach for 2025-2029 Performance Based Rates Applications

EWSI proposes to continue the approach established in the 2022-2025/27 PBR proceedings, of bringing forward discussion papers on particular topics to Utility Committee prior to the submission of the next drainage services and wastewater treatment PBR applications. EWSI states that this approach allows for a more focused and fulsome review of the particular topics within a confined context. EWSI proposes to bring forward the following discussion papers prior to the submission of the next drainage services and wastewater treatment PBR applications. Each of these items is detailed starting on page 4 of Attachment 1:

1. Stakeholder Engagement Strategy
2. Rate Structure and Design Review
3. Deferral Account Analysis
4. Developer Funding Review
5. Cost of Capital (Return on Equity) Review
6. Equity Review
7. Metrics Review
8. Sanitary and Wastewater Integrated Resource Plans

Timing of Application Review

EWSI proposes to submit both the Drainage and Wastewater 2025-2029 PBR applications by June 2024 with new drainage and wastewater rates in effect on April 1, 2025. EWSI provides a proposed schedule and timeline of the review process, based on a June 2024 application submission date, within a table on page 13 of Attachment 1. EWSI also provides an “advanced” schedule and timeline in that table based on a March 2024 application submission date. The March 2024 application submission date (and resulting advanced schedule) would allow for more time to review the applications, though EWSI will not be able to include verified 2023 full year actual data in the applications.

Administration considers the proposed submission date of June 2024 to be preferable as it allows for an appropriate amount of time to review the applications; approximately 260 days from application submission date to the anticipated third reading by City Council as compared to approximately 190 days from the February 22, 2021 application submission date to City Council's third reading date of August 20, 2021 for EWSI's 2022-2025/27 PBR applications. A June 2024 application date will also allow EWSI to include both 2022 and 2023 full year actual data in the applications.

Application Format

Unless otherwise advised by Utility Committee, EWSI intends to provide a similar structure and format in the 2025-2029 PBR applications as has been provided previously. EWSI provides details of the content and structure currently expected to be included in the applications on pages 13/14 and Appendix B of Attachment 1.

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Administration considers that EWSI's proposed application structure and content is satisfactory, subject to any changes or additions required as a result of the discussions stemming from EWSI's forthcoming reports to Utility Committee, as discussed above.

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.

In terms of future community insight efforts, EWSI provides details of their Stakeholder Engagement Plan, to be undertaken prior to submitting the PBR applications, in various sections of Attachment 1.

GBA+

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

ATTACHMENT

1. EPCOR Water Services Inc. - 2025-2029 Drainage and Wastewater Treatment Performance Base Regulation Renewal Process and Timeline Report