

# DEFERRAL ACCOUNT

## **EPCOR Water Services Report**

Response to July 9, 2021 Motions

May 6, 2024

# Utility Committee Motion: July 9, 2021

That Administration work with EPCOR to bring forward reports prior to the next Performance Based Rates term for Drainage Services and Wastewater Treatment effective April 1, 2025, providing further background and the appropriate regulatory treatment for the following items:

1. Improved disclosure of changes in accounting and capitalization policies and treatment;
2. Reporting the size of the workforce including actual and forecast full-time equivalents;
3. A review of how long-term debt interest rates are set for EPCOR Water Services Inc.;
4. A review of the performance measures to ensure they are increasingly stringent and challenging over time; and
5. **A review of the deferral account and other adjustment mechanisms to deal with variations in usage.**

# Deferral Accounts

**Financial Mechanisms:** To defer recognition of certain costs/revenues until a future period.

- Eventually impacts the utility's earnings
- Volatile Rates for Customers

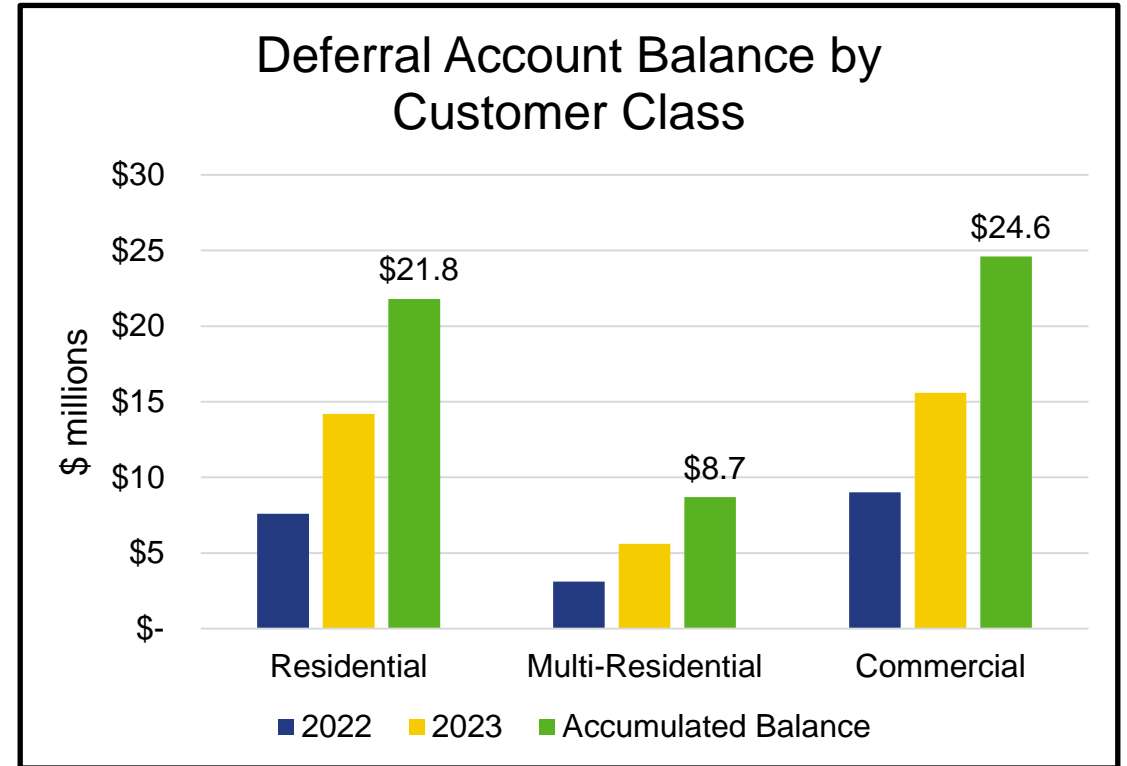
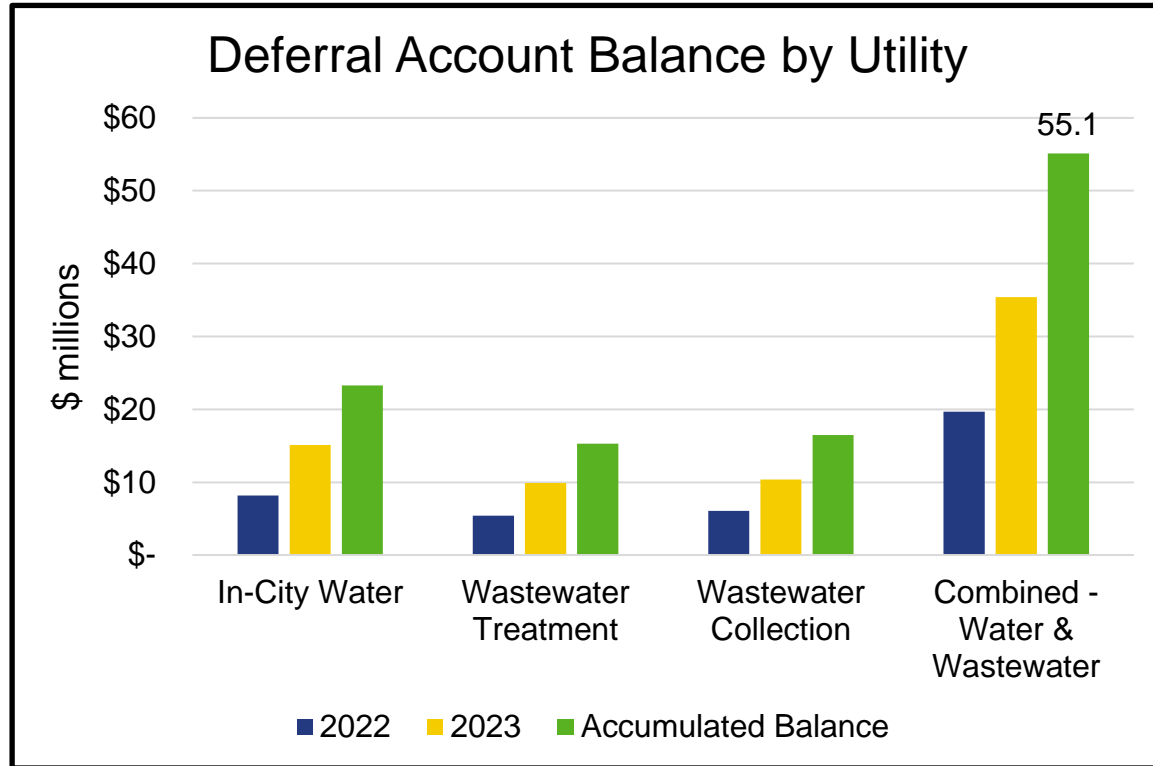
**Application:** Typically reserved for situations where costs or revenues are subject to a high level of uncertainty and outside the utility's direct control.

- E.g., Premature asset failure, natural disaster related repairs, property taxes, etc.

**Past:** Never included in previous EWS PBRs for setting rates.

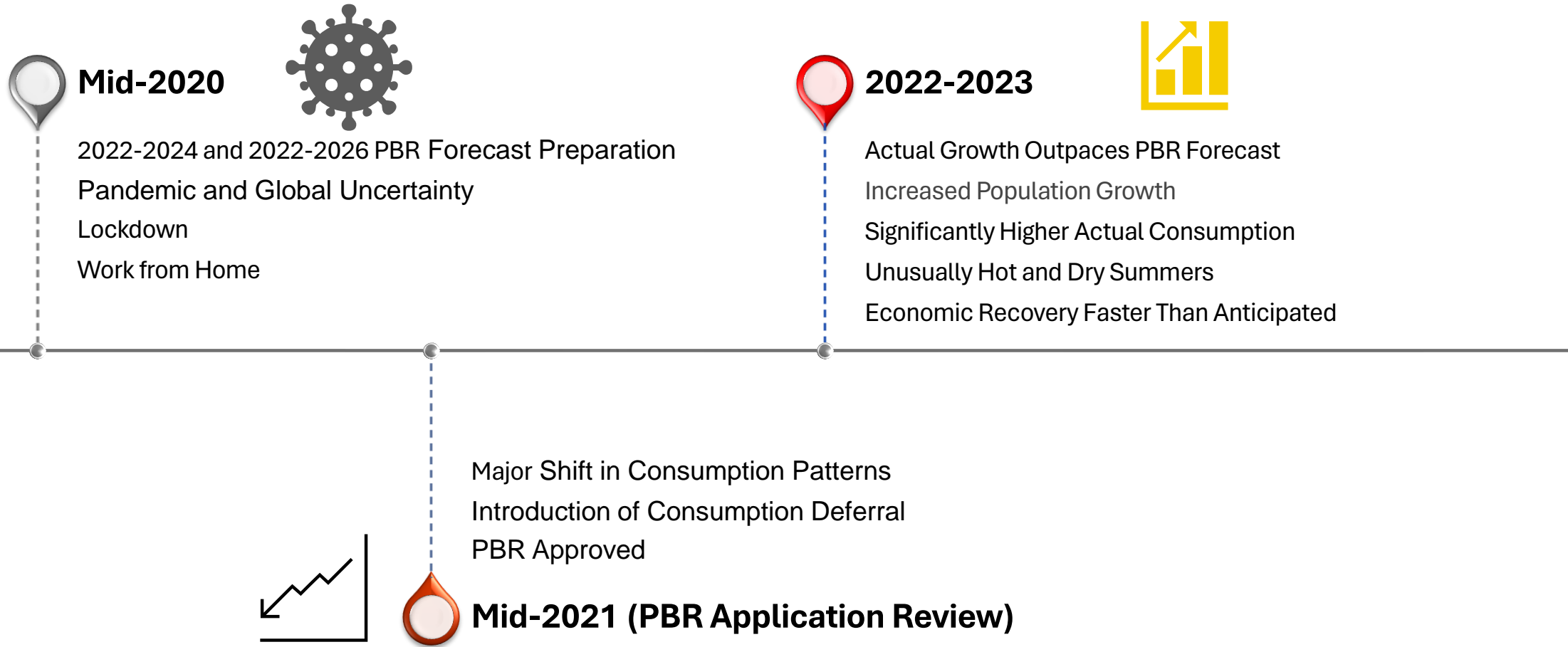
- Water consumption related revenue risk borne by EWS – Benefited ratepayers

# Current State



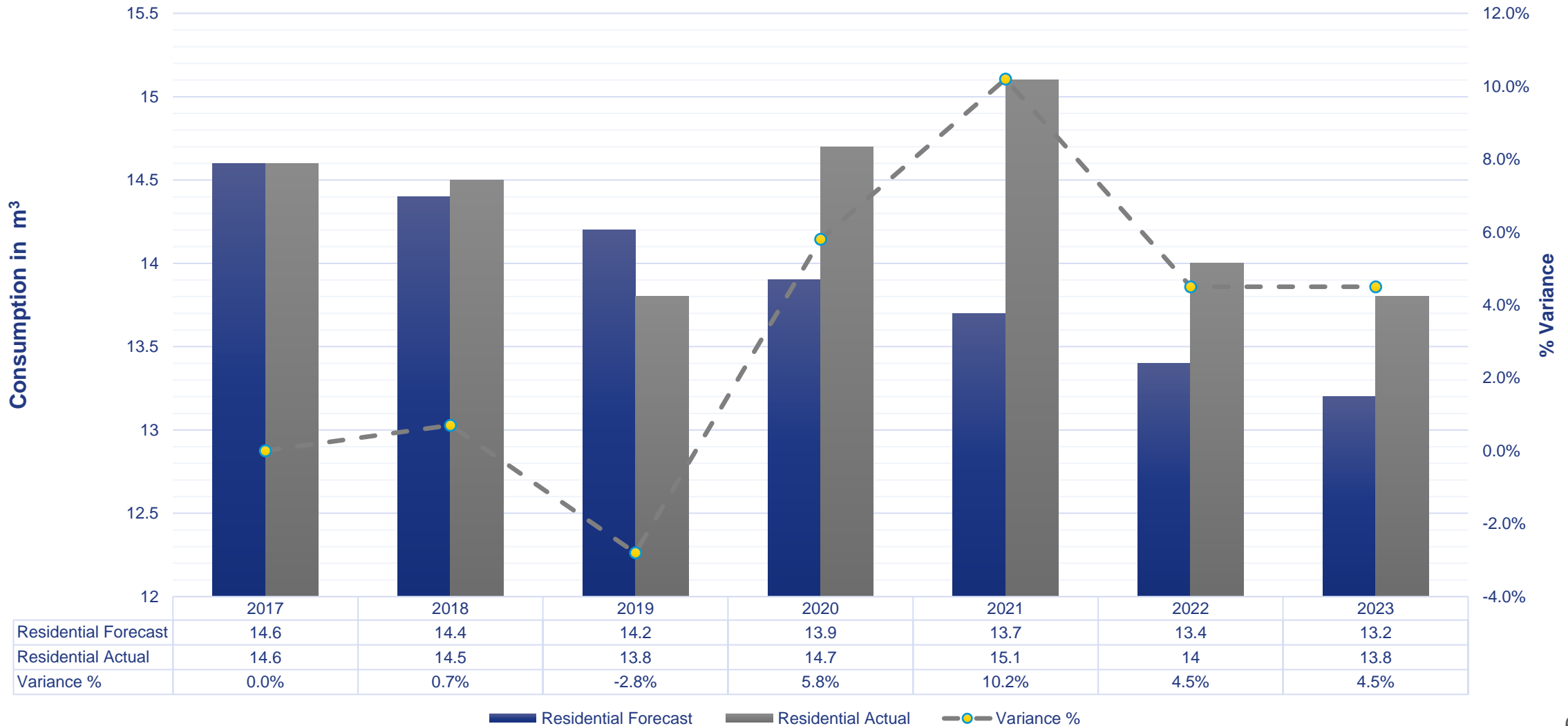
Consumption Variance in ML		
Customer Class	2022	2023
Residential	1,945	2,934
Multi-Residential	903	1,311
Commercial	2,279	4,526
<b>Total</b>	<b>5,127</b>	<b>8,771</b>

# Key Impacting Drivers



# Historical Review

## 2017 – 2023 Average Consumption per Customer in m<sup>3</sup>



# Potential Scenarios

## Potential Scenario with Consumption Deferral Accounts Residential Water Customers



# Recommendations

Discontinue Consumption Deferral Accounts at the end of each PBR Term and reflect accumulated balances in customer rates.

- Wastewater PBR term: 2022-2024
- Water PBR term: 2022-2026

- Aligns with Customer Feedback on Rate Volatility
- Rate Adjustments to correspond with balances for each customer class



# Questions / Discussion