



EPCOR Water Services - Review of Performance Measures

RECOMMENDATION

That the May 6, 2024, EPCOR Water Services Incorporated report EXT02462, be received for information.

Report Purpose

Information only

Previous Council/Committee Action

At the June 25, 2021, Utility Committee meeting, the following motion was passed:

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.

Executive Summary

The EPCOR Water Services Inc. (EWS) report, included in Attachment 1, addresses item 4 from the June 25, 2021 Utility Committee motion. In this report, EWS provides a review of the approach for setting operational performance standards under the Performance Based Regulation (PBR)

7.2

ROUTING – Utility Committee | DELEGATION – S. Chaudhary, F. Mannarino, S. Ancel

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framework. This report also demonstrates that the principles adopted for EWS' performance frameworks are consistent with the PBR frameworks established by other regulators to ensure that service quality is maintained.

REPORT

The PBR framework encourages utilities to find opportunities to improve efficiency and reduce costs while meeting set performance standards. This promotes more efficient practices that benefit all stakeholders. However, careful attention is necessary while designing a PBR framework to ensure that the utility's performance standards align with the goal of preserving public interest while avoiding unintended consequences such as cutting costs at the expense of service quality or introducing unnecessarily stringent standards that lead to unnecessary costs. Performance standards and penalties are crucial to prevent a decline in service quality due to the presence of cost-saving incentives within the PBR framework.

EWS recommends continuing with the existing framework that has been established for PBR performance measures. The existing framework ensures that appropriate incentives and mechanisms are in place to ensure EWS continues to provide safe, reliable utility services in a cost effective manner. The current performance measure framework and approach were established to maintain a "standard" level of performance that reasonably reflects the expectations of customers and the regulator. The existing framework also provides sufficient flexibility to adjust the performance measures and/or standards at the beginning of each PBR term and an appropriate level of transparency on how EWS is performing relative to the approved standards. For the 2025-2027 Wastewater Treatment and Collection PBR, EWS will be proposing to replace some performance measures with new measures and will also propose updates to the standards for regulatory review and approval by City Council.

ATTACHMENT

1. EWS Review of PBR Performance Measures