



# **PBR PERFORMANCE MEASURES**

## **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.

# EPCOR Report

**The approach and principles for setting operational performance standards in the PBR are appropriate and consistent with other regulators.**

# Performance Measures: PBR Framework

Comprehensive framework introduced in 2002 with five areas to assess performance:

- 1. Water Quality**
- 2. Customer Service**
- 3. System Reliability and Optimization**
- 4. Environment**
- 5. Health and Safety**

- Multiple measures/category
- Results assessed annually
- If standards not achieved, financial penalties applied and returned to ratepayers (max. \$2.4M / year)

# Review & Approval Process

- Performance results **audited** and **reported** annually:
  - **Annual Rate Adjustment Filing** - audited results to City Administration
  - **Annual PBR Performance Report** - detailed explanation of results to Utility Committee
- Utility Committee / Council opportunity to **review** and **approve** performance measures during each PBR renewal

# Review & Approval Process cont.

- EWS may propose changes to better meet expectations of customers and regulator:
  - updated standards
  - new measures
  - updated weightings
- Reflective of stakeholder / customer values and priorities
- New measures and updated standards will be proposed in the 2025-2027 Wastewater Treatment & Collection PBR

# Balanced Approach

- ✓ Performance measures ensure a “standard” level of performance is maintained
  - ✗ Standards are not aspirational targets
- ✓ Utilities must improve efficiency and reduce costs to earn higher returns
  - ✓ Performance standards and penalties **prevent declines** in service quality from cost cutting
- ✗ No financial reward for exceeding standards – no unnecessary spending



**Balance of  
Service Quality  
&  
Reasonable Rates**

# Improvement Over Time

- Most standards based on historical data
- Performance has generally improved over time
- Therefore, standards become more difficult to achieve

Example Measures	2002-2006	2007-2011	2012-2016	2017-2021	2022-2024/26
Water Post Service Audit Factor	71.6	72.6	74.0	74.0	75.0
Water Main Breaks	640	630	574	419	365
Water Loss Factor	4.9	4.9	3.0	2.0	1.2
WWT Environmental Incidents			8	10	5
WWT All Injury Frequency			2.4	1.5	1.0

- Sometimes appropriate to set standards to maintain current service levels



# Cost vs. Benefit

## Example #1: Water Quality Index

- EWS' potable water quality far exceeds all public health guidelines and EWS' more stringent internal guidelines
- Current standard is 99.7% of all water quality tests do not yield suspect results
- Increasing performance levels beyond the current standard would be extremely costly and provide no material benefits to customers.

# Cost vs. Benefit

## Example #2: Customer Response Times

- Increased growth of the City and traffic congestion make customer response time standards increasingly challenging
- If standards were changed to require progressively faster response times, EWS would have to increase number of crews and equipment to achieve improvement
- The added costs would be reflected in higher customer rates yet this may not align with customer priorities

# Questions / Discussion