



WASTEWATER COLLECTION AND TREATMENT

Performance Based Regulation Renewal

Timeline & Guiding Objectives

May 6, 2024

EPCOR

Background & Purpose

Bylaw Expiry: EPCOR Drainage Services and Wastewater Treatment Bylaw 19627 expires March 31, 2025

PBR Application: To be filed May 31, 2024 for City Council approval of new rates and terms and conditions of service for Wastewater Collection (“Drainage”) & Wastewater Treatment commencing April 1, 2025

Propose: City Council Approve the Timeline and Guiding Objectives for the forthcoming PBR Application

- Intent is to provide certainty on the schedule and process to review and approve EWS' application

Regulatory Structure

PBR Structure: 2nd Wastewater Collection and 4th Wastewater PBR applications. Retains 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 EWS' control
- Annual performance metrics with penalties to ensure defined standards of performance

Application Term: 3-year term for both Wastewater Collection and Wastewater Treatment (2025-2027).

- 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

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

Capital Expenditure Justifications

- Formal business cases for projects exceeding threshold of:
 - \$ 5 million for Wastewater Treatment
 - \$ 10 million for Wastewater Collection
- Business cases identify alternatives and criteria against which alternatives are evaluated

Application Timeline

2025-2027 Wastewater Collection and Treatment PBR Application

Activity	Proposed Timing		Notes
	Start	Finish	
EWS Submits PBR Application	-	31-May-24	Submitted to City Manager
Councillor Information Requests (IR)	7-Jun-24	15-Jul-24	38 days for Information Requests
Administration, Utility Advisor - Information Requests	7-Jun-24	15-Jul-24	38 days for Information Requests
Public Submissions - Information Requests	7-Jun-24	22-Jul-24	Open for 45 days
EWS' Response to Information Requests	22-Jul-24	5-Aug-24	14 days
Reports of Reasonableness by Administration and Utility Advisor	6-Jul-24	4-Sep-24	60 days to complete
EWS' Response to Reports of Reasonableness	4-Sep-24	4-Oct-24	30 days to complete
PBR Public Hearing (Non Regular Committee Meeting)	-	11-Oct-24	Within these dates
PBR Compliance Filing	12-Oct-24	12-Nov-24	Within these dates
Contingency	12-Nov-24	12-Dec-24	
First, Second and Third Readings - Bylaw Approval	13-Nov-24	17-Jan-25	65 days for schedule
Rates Implemented	1-Apr-25	1-Apr-25	

Timing aligns with prior, non-election year timing

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>”
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>”
Cost of Capital (Return on Equity) Review	<ul style="list-style-type: none">• Discuss EWS proposed approach to determining return on equity• Discuss the ways that EWS assumes greater operational and financial risk than utilities regulated by the Alberta Utilities Commission
Stormwater Billing	<ul style="list-style-type: none">• Present a summary of impacts to EWS Stormwater Billing rates related to implementation of new zoning bylaw and design standards• Discuss proposed approach to stormwater billing

Guiding Objectives

Assessment of EWS' proposed rates shall reflect the following objectives:

- i. EWS is entitled to a reasonable margin of profit from operations in relation to the provision of utility services within the boundaries of the city of Edmonton;
- ii. The citizens of the city of Edmonton must be provided with safe and reliable utility services;
- iii. All customer charges will be based upon cost of service;

Guiding Objectives, cont.

- iv. Utility services are to be provided in a manner that reflects reasonable environmental management and aligns with City objectives;
- iv. Service levels and EWS performance will be assessed with reference to industry benchmarks and/or EWS' historical performance;
- iv. PBR hearing process will provide EWS with an opportunity to present its final argument and/or summarize its position before a decision on rates is rendered; and,
- iv. The timing of a decision and the effective date for approved rates must reflect the financial needs of EWS.

Questions / Discussion