

WASTEWATER SERVICES PBR UPDATE



**Report to Utility Committee
June 24, 2024**

**EPCOR WATER SERVICES
2025-2027 PBR Application**

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1.0 Wastewater Services PBR Application – Regulatory Process

1. On May 31, 2024, EPCOR Water Services (EWS) filed its 2025 – 2027 Wastewater Services Performance Based Regulation (PBR) Application with the City of Edmonton. The Application provides the information required for City Council to review and approve the rates and associated terms and conditions for the EPCOR Wastewater Services Bylaw No. 20865 for EWS’ regulated Wastewater Collection (WWC) and Wastewater Treatment (WWT) operations.
2. The process includes the review by Utility Committee of the PBR Application and submissions from Administration, the Utility Advisor, and the public at the October 11, 2024, Utility Committee meeting.
3. A comprehensive regulatory process is followed by City Council in the review and approval of utility customer rates for EWS, and is similar in many respects to the process used by other regulatory bodies, including the Alberta Utilities Commission.
4. The timelines, reflected in the table below, as well as the guiding principles for reviewing the application were approved by City Council on May 14, 2024.

EPCOR Wastewater Services PBR Application - Key Dates and Milestones:

May 31, 2024	PBR Application submitted to the City Manager
July 15, 2024	Deadline for Councillors, Utility Advisor and Administration to file written questions to EWS
July 22, 2024	Deadline for the Public to file written questions to EWS
August 5, 2024	Deadline for EWS to file written responses to questions from Councillors, Utility Advisor, Administration and the Public
September 4, 2024	Reports filed by Administration and the Utility Advisor
October 11, 2024	Utility Committee public hearing to review PBR application and submissions from EWS, Administration, Utility Advisor, and the Public. Utility Committee recommendation to City Council approving the PBR rates application and applicable bylaws, either as filed or with amendments.
November 2024 – January 2025	City Council approval of PBR Application and three readings of applicable bylaws
April 2025	Beginning of the new three-year PBR term for Wastewater Services

2.0 PBR Public Engagement Process and Public Opportunities for Feedback

5. Consistent with the City of Edmonton’s public engagement policy, stakeholder engagement for the 2025-2027 Wastewater Services PBR application was conducted at the

Advise level on the public participation spectrum and included a combination of online surveys and in-depth interviews with residential and commercial customers.

6. EWS engaged the services of an independent, third-party research firm to gather feedback from 1,260 Edmonton residents and commercial wastewater customers on their concerns, values and priorities related to wastewater services. An online survey was also made available on epcor.com for any member of the public to complete.

7. The audiences targeted during engagement included:

- Residential and multi-residential customers
- Commercial customers, with emphasis on:
 - Large stormwater/wastewater customers
 - Wastewater overstrength commercial customers
- Customers with sizable stormwater utility charges
- Developers and property managers

8. The Gold Bar community and communities surrounding the Gold Bar Wastewater Treatment Plant.

9. The full details of the engagement survey results can be found in Appendix H of the PBR Application. EWS's engagement activities will continue with opportunities for public feedback on our website at About Water, Wastewater & Drainage Rates, Edmonton | EPCOR, during additional community meetings and individual consultations along with written submissions through the PBR process.

10. In addition to this engagement completed specifically for the Wastewater Services PBR, the PBR Application reflects public input into various capital projects and operating programs, including public and Indigenous engagement in the design and execution of EWS's flood protection projects, which includes components delivered by the Wastewater Collections operations, as well as upgrades at the Gold Bar Wastewater Treatment Plant.

11. The full presentation of engagement results, and their treatment in the application, will be presented to Utility Committee in October 2024. Highlights of the findings, and how they have been reflected in the application, include:

Public and Customer Perspective	Reflection in the PBR Application
<p>Balancing Affordability and Reliability</p> <p>Across customer categories (residential, multi-residential, commercial), costs for utility services have elevated in priority. While cost is now the highest ranked concern, most residential customers supported slightly higher investment in the utility to deliver long-term efficiencies, reduced flood risk and reliability (62%) vs. status quo levels of investment (30%) or reducing investment (8%). Commercial customers had similar preferences.</p>	<p>Being mindful of costs for customers, the PBR Application delivers an average annual rate change of 2.9%, for an average residential customer, over the next three year PBR period, well below recent inflation levels, while delivering ongoing infrastructure investments targeted to maintain reliable service and fund capacity growth to serve growing populations.</p> <p>EWS is also voluntarily reducing its applied-for return on equity from the fair return of 10.8% to 9.0% in 2025 and 9.8% in 2026, which reduces costs to ratepayers by \$25.6 million over the 2025-2027 PBR term.</p>
<p>Aligning Performance Focus to Customer Priorities</p> <p>When asked about utility performance most important to them (for the wastewater collection and treatment utilities), residential customers identified reducing contamination in treated water going back into the river and quick response times for blocked sewers or emergencies as their top tier priorities. A diverse range of factors were identified as second, third and fourth-tier priorities, including safety, odour reduction, reducing flood risk, and reducing environmental footprint.</p>	<p>Allocation of funding to the various capital and operating programs in the PBR Application reflects customer priorities. Updated PBR Performance Measures are included to reflect customer service impacts. If EWS fails to deliver on key performance standards, penalties could be imposed.</p>

Public and Customer Perspective	Reflection in the PBR Application
<p>Role of Deferral Accounts in Utility Rates</p> <p>Overwhelmingly, residential and commercial customers indicated that they preferred the utility to bear the risk of revenue surpluses and deficits related to consumption variability to keep bills stable and predictable over time (rather than having large true-ups that create bills increases or credits).</p>	<p>Deferral accounts were introduced for the first time in the 2022-2024/2026 PBR Applications as a way of managing the uncertainty in water consumption forecasts during the pandemic recovery period. Deferral accounts can result in true-ups that make bills more volatile (due to catch-up bills or credits being applied). The current PBR Application recommends eliminating deferral accounts for the coming PBR period, to align with the customer preference for more stable and predictable billing.</p>
<p>Flood Protection Program Design</p> <p>There were high levels of support (82%) for investments in flood prevention being targeted to higher-risk areas of the city. There was majority support (62%) for utilities providing financial support to individual homeowners to help them make changes to their properties that reduce flood risk on their property and in the community.</p>	<p>The PBR Application reflects ongoing and increased resourcing for customer-directed programs that help homeowners reduce their flood risk. For community-directed flood mitigation, the PBR Application continues the approach that was developed in the Stormwater Integrated Resource Plan (SIRP), which targets investment based on a risk ranking of drainage sub-basins that includes health and safety, social, financial and environmental impacts from flooding.</p>

12. In addition to the above noted dates and milestones, EWS wishes to advise the Utility Committee of how EWS will continue to inform and engage the public with respect to the PBR Application:

- A public notice informing citizens that the application was filed.
- A copy of the PBR Application will be available on EPCOR’s website on June 12, 2024. Included on the website will be a form for the public to provide feedback to EPCOR.
- A “readers guide” of the PBR application will be made available on the website by June 24, 2024. As the PBR Application is large and complex, EPCOR is publishing a

reader's guide to support Councillors and the public in understanding the application, including where to find information; and the process for reviews and public involvement. The guide also highlights key changes to plans, programs, rates, performance measures, and terms and conditions of service.

- EPCOR representatives will continue to meet with concerned stakeholders throughout the process. For example, on June 10, 2024 a virtual meeting is being held with the Gold Bar Community Liaison Group to discuss the PBR application.