



EPCOR Water Services - 2025-2027 Performance Based Regulation Application - Return on Equity

RECOMMENDATION

That the June 24, 2024, EPCOR Water Services Incorporated report EXT02522, be received for information.

Report Purpose

Information only

Executive Summary

This report by EPCOR Water Services (EWS) provides Utility Committee with additional background on why return on equity and the associated capital structure is a component of utility rates and also provide Utility Committee with insight on how a fair ROE is determined by regulators.

The report is intended to supplement the materials filed in EWS' 2025-2027 Wastewater Services Performance Based Regulation Application which was filed with the City of Edmonton on May 31, 2024.

The report recommends that Utility Committee rely on industry standard methods to determine EWS' fair return and that EWS maintain its capital structure as currently approved and reflect determinations of EWS' business risk in the approved ROE.

EPCOR Water Services - 2025-2027 Performance Based Regulation Application - Return on Equity

REPORT

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.

The Application includes EWS' applied for return on equity (ROE) and associated capital structure. The report provides a summary of the concept of a fair return from a regulatory perspective, the methodologies and considerations to determine a fair return, as well as a summary of the approach undertaken by EWS for its application.

ATTACHMENT

1. 2025-2027 Performance Based Regulation Application - Return on Equity