

## ADMINISTRATION REVIEW OF EPCOR WATER SERVICES 2025-2027 COMPLIANCE FILING

### Recommendation

That the December 13, 2024, Financial and Corporate Services report FCS02787, be received for information.

<b>Requested Action</b>	Information only		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	N/A		
<b>City Plan Values</b>	THRIVE.		
<b>City Plan Big City Move(s)</b>	N/A	<b>Relationship to Council's Strategic Priorities</b>	N/A
<b>Corporate Business Plan</b>	Managing the corporation		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>• Bylaw 19627 - EPCOR Drainage Services and Wastewater Treatment</li> <li>• EXT02465 - EPCOR Water Services - PBR Timeline and Guiding Principles</li> <li>• June 24, 2024, External report EXT02522, EPCOR Water Services - 2025-2027 Performance Based Regulation Application - Return on Equity</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>• December 13, 2024, EPCOR Water Services report EXT02788, EPCOR Water Services 2025-2027 Wastewater Services Performance Based Regulation Compliance Filing</li> <li>• October 11, 2024, Financial and Corporate Service report FCS02677, Administration Review of EPCOR Water Services 2025-2027 Performance Based Regulation Application for EPCOR Wastewater Treatment and Wastewater Collection</li> <li>• October 11, 2024, Utility Advisor report EXT02684, Utility Advisor Review of EPCOR Water Services 2025-2027 Performance Based Regulation application for EPCOR Wastewater Treatment and Wastewater Collection</li> <li>• October 11, 2024, EPCOR Water Services report EXT02702, EPCOR Water Services 2025-2027 for EPCOR Wastewater Treatment and Wastewater Collection Performance Based Regulation Applications - Response to Reasonableness Review</li> </ul>		

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- October 11, 2024, Financial and Corporate Services report FCS02534, Bylaw 20865 - EPCOR Water Services Bylaw - A Bylaw to Replace Bylaw 19627 - EPCOR Drainage Services and Wastewater Treatment Bylaw

### Executive Summary

- This report provides Administration's reasonableness review of EPCOR Water Services Inc.'s (EWSI) 2025-2027 Performance Based Regulation (PBR) Compliance filing for Wastewater Services (Treatment and Collection)
- On October 11, 2024, EPCOR's PBR application was presented to Utility Committee, along with Administration's reasonableness review of the application through Financial and Corporate Service report FCS02677, Administration Review of EPCOR Water Services 2025-2027 Performance Based Regulation Application for EPCOR Wastewater Treatment and Wastewater Collection.
- Based on Administration's reasonableness review and related recommendations, Utility Committee directed EPCOR to return with a compliance filing to reflect changes to certain items in the PBR application. This compliance filing is in response to Utility Committee's direction from the October 11, 2024, Utility Committee meeting.
- The PBR application, combined with the compliance filing, will set the wastewater utility rates for customers within the City of Edmonton for April 1, 2025 to December 31, 2027.
- Administration has reviewed the compliance filing and considers EWSI's updates to the PBR application as reflected in the compliance filing to be reasonable.

### REPORT

At the October 11, 2024, Utility Committee meeting, EPCOR Water Services Inc. (EWSI) 2025-2027 Performance Based Regulation Rate (PBR) application for Wastewater Services Treatment and Collection was discussed. Utility Committee reviewed this information in their role as the regulator for EWSI in adherence with the regulatory process set to ensure utility rates are cost of service based, reasonable and fair while promoting efficiency.

This discussion included the following reports:

- Financial and Corporate Services report FCS02677 Administration Review of EPCOR Water Services 2025-2027 Performance Based Regulation Application for EPCOR Wastewater Treatment and Wastewater Collection
- Utility Advisor report EXT02584 Utility Advisor Review of EPCOR Water Services 2025-2027 Performance Based Regulation application for EPCOR Wastewater Treatment and Wastewater Collection
- EPCOR Water Services report EXT02702 EPCOR Water Services 2025-2027 for EPCOR Treatment and Wastewater Collection Performance Based Regulation Applications Response to Reasonableness Review
- Financial and Corporate Services report FCS02534 Bylaw 20865 EPCOR Water Services Bylaw - A Bylaw to Replace Bylaw 19627 - EPCOR Drainage Services and Wastewater Treatment Bylaw

## **ADMINISTRATION REVIEW OF EPCOR WATER SERVICES 2025-2027 COMPLIANCE FILING**

The recommendations from the discussion of FCS02677 were documented in two separate attachments:

- Recommendations for the proposed 2025-2027 PBR application (Attachment 9 of report FCS02677) were adjustments to the PBR application recommended for the proposed term from 2025-2027.
- Recommendations for the next PBR process (Attachment 10 of report FCS02677) were considerations for the next consolidated PBR application in 2028.

Utility Committee amended Attachment 9 of report FCS02677 requiring EPCOR to update the PBR application for certain items, and approved Attachment 10 of report FCS02677 in its entirety as recommended by Administration.

EWSI reassessed their 2025-2027 PBR application in response to the recommendations in amended Attachment 9 of report FCS02677. The results of EWSI's analysis and revisions to the 2025-2027 PBR Application are in the December 13, 2024, EPCOR Water Services report EXT02788, EPCOR Water Services 2025-2027 Wastewater Services Performance Based Regulation Compliance Filing. Administration has reviewed the Compliance Filing and considers EWSI's responses in the filing to be reasonable. This review is summarized in Attachment 1 of this report.

### **Next Steps**

The workplan associated with the motion to address the items identified for future PBR applications (Attachment 10 of report FCS02677) will return to Utility Committee in the second quarter of 2025.

The bylaw report FCS02534 Bylaw 20865 - EPCOR Wastewater Services Bylaw will be updated by EWSI and Administration based on the Compliance Filing. As per the motion passed at the October 11, 2024, Utility Committee meeting, an updated draft of Bylaw 20865 will proceed to Council prior to April 1, 2025.

### **Budget/Financial Implications**

The table below presents the forecasted average monthly bills by customer class, and is based on information provided by EPCOR in Attachment 1 (Section 4.0) of their report (EXT02788 EPCOR Water Services 2025-2027 Wastewater Services Performance Based Regulation Compliance Filing). Administration has also included a net change row to highlight the impact of changes implemented in the Compliance Filing compared to the original PBR Application.

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Table 4.0-1  
Financial Schedule 22-5  
Average Month Bills By Customer Class  
2025-2027  
(\$ per month)

	A	B	C	D
	2025	2026	2027	Total (\$) / Average (%)
<b>Average Monthly Residential Bill</b>				
<b>Compliance Filing</b>				
Combined Bill (\$)	74.37	76.17	78.09	
Change in Bill (\$)	0.97	1.80	1.92	4.70
Change in Bill (%)	1.3%	2.4%	2.4%	2.0%
<b>PBR Application</b>				
Combined Bill (\$)	74.55	76.91	79.44	
Change in Bill (\$)	1.70	2.36	2.53	6.59
Change in Bill (%)	2.3%	3.1%	3.2%	2.9%
<b>NET CHANGE - RESIDENTIAL BILL (\$/%)</b>	<b>\$(0.18)</b>	<b>\$(0.74)</b>	<b>\$(1.35)</b>	<b>(0.9%)</b>
<b>Average Monthly Multi-Residential Bill</b>				
<b>Compliance Filing</b>				
Combined Bill (\$)	1,286.51	1,319.91	1,350.26	
Change in Bill (\$)	(75.94)	33.40	30.35	(12.19)
Change in Bill (%)	(5.6%)	2.4%	2.2%	(0.3%)
<b>PBR Application</b>				
Combined Bill (\$)	1,298.59	1,342.02	1,383.12	
Change in Bill (\$)	(63.86)	43.43	41.10	20.67
Change in Bill (%)	(4.7%)	3.2%	2.9%	0.5%
<b>NET CHANGE - MULTI-RESIDENTIAL BILL (\$/%)</b>	<b>\$(12.08)</b>	<b>\$(22.11)</b>	<b>\$(32.86)</b>	<b>(0.8%)</b>
<b>Average Monthly Commercial Bill</b>				
<b>Compliance Filing</b>				
Combined Bill (\$)	541.06	560.40	579.16	
Change in Bill (\$)	(34.20)	19.34	18.76	3.90
Change in Bill (%)	(5.9%)	3.3%	3.1%	0.2%
<b>PBR Application</b>				
Combined Bill (\$)	546.19	570.14	593.91	
Change in Bill (\$)	(29.07)	23.95	23.77	18.65
Change in Bill (%)	(5.1%)	4.0%	3.8%	0.9%
<b>NET CHANGE - COMMERCIAL BILL (\$/%)</b>	<b>\$(5.13)</b>	<b>\$(9.74)</b>	<b>\$(14.75)</b>	<b>(0.7%)</b>

## Legal Implications

Public utilities owned or operated by municipalities providing service within that municipality are generally regulated by their municipal councils, as they are exempt from Alberta Utilities Commission regulation pursuant to section 78(2) of the *Public Utilities Act*, RSA 2000, H-16.

Public utilities that are owned or operated by a municipally controlled corporation and provide a utility service within the boundaries of the municipality are exempt from regulation by the Alberta Utilities Commission pursuant to section 75.4 of the *Municipal Government Act*.

Bylaw 19627 - EPCOR Drainage Services and Wastewater Treatment Bylaw sets out a mechanism for setting and adjusting fees, rates and charges for wastewater treatment and drainage services for a period that expires March 31, 2025. Bylaw 20865 - EPCOR Wastewater Services Bylaw, as

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discussed at the October 11, 2024 Utility Committee meeting, is required to set fees, rates and charges to be effective April 1, 2025. Per Utility Committee direction, Bylaw 20865 will be presented to Council in the first quarter of 2025 prior to April 1, 2025.

### **Community Insight**

The public had an opportunity to register to speak at the Utility Committee meeting held on October 11, 2024 regarding the EWSI performance based rates applications, including submissions from Administration and the public. The process for the review and approval of the EWSI rates applications was advertised in the Edmonton Journal and the Edmonton Sun on June 12, 2024 and June 28, 2024. EWSI also completed a stakeholder engagement process as part of the PBR application development to ensure that programs and initiatives aligned with stakeholder expectations. Further details on EWSI's stakeholder engagement process are included in Attachment 1 of FCS02677, 2025-2027 Wastewater Performance Based Regulation Application, section 1.9.

### **GBA+**

GBA+ considerations for EWSI's PBR applications are outlined in the October 11, 2024 EPCOR Water Services report EXT02702, EPCOR Water Services Response to Review of 2025-2027 Performance Based Regulation Application for EPCOR Wastewater Treatment and Wastewater Collection.

### **Environment and Climate Review**

This report was reviewed for environment and climate risks. Based on the review completed no significant interactions with the City's environmental and climate goals were identified within the scope of this report.

### **Attachment**

1. Administration Review of EPCOR Wastewater Services 2025-2027 Compliance Filing Response to October 11, 2024 Recommendations