



**Report to City Administration
September 4, 2020**

EPCOR WATER SERVICES INC.

90-Day Utility Payment Deferral Program

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1.0 INTRODUCTION

1. Effective March 18, 2020, EPCOR introduced a 90-day Utility Payment Deferral Program for all of its regulated electricity, competitive electricity and gas, water, wastewater treatment and drainage customers and for the City of Edmonton (“City”) solid waste customers. For electricity and gas customers, EPCOR was required to align its 90-day Utility Payment Deferral Program with the Alberta Government’s (Alberta) utility payment deferral program¹ which was set out in provincial regulations. Alberta’s program is administered by the Alberta Utilities Commission (“AUC” or “Commission”).
2. EPCOR has aligned its 90-day Utility Payment Deferral Program for its water, wastewater treatment, and drainage customers with the Alberta electricity and gas program. EPCOR Energy Alberta GP Inc. (“EEA”), as EPCOR’s retail service provider, provides the billing and customer care functions for all of EPCOR’s utility services. As such, EPCOR’s utility payment deferral program was delivered and managed as a consistent and coordinated program across all of the EPCOR utilities and on behalf of the City for its waste management utility.
3. This report provides background on Alberta’s utility payment deferral program based on the Utility Payment Deferral Program Act² and sets out the program EPCOR offered for its water, wastewater treatment and drainage customers. This report is being provided to Utility Committee for information and feedback.
4. The Government of Alberta did not renew the 90-day program, so it has now effectively ended as of June 19, 2020.

2.0 BACKGROUND

5. On March 18, 2020, Alberta announced “*Albertans who are experiencing financial hardship directly related to the COVID-19 pandemic can work with their utility company to defer electricity and natural gas bills until June 19, 2020 without any late fees or added interest payments.*” The option to defer payment applies to residential, farm and small commercial electricity consumers with sites that consume less than 250,000-kilowatt hours of electricity per year and to residential, farm and small commercial natural gas consumers with sites that consume less than 2,500 gigajoules per year. This program for electricity and gas customers is known as the “Utility Payment Deferral Program”.

¹ <https://www.alberta.ca/utility-payment-deferral.aspx>

² https://docs.assembly.ab.ca/LADDAR_files/docs/bills/bill/legislature_30/session_2/20200225_bill-014.pdf

6. The Government of Alberta requested that Alberta municipalities develop similar utility payment deferral programs for municipal utility bills. On March 20, 2020, Edmonton City Council approved a 90-day deferral program for deferral of waste utility bills for customers in need. On March 24, 2020, Mayor Don Iveson, in accordance with a City Council Motion³, sent a letter to EPCOR requesting that EPCOR implement a program to allow customers to defer water, wastewater treatment and drainage utility bill payments, without interest or penalty, for a 90-day period from March 18, 2020 to June 18, 2020.

7. EEA provides customer billing and customer cares services for EPCOR's electricity, water, wastewater treatment, drainage and the City of Edmonton's waste customers. In coordination with Alberta's Utility Payment Deferral Program for electricity and natural gas customers, EEA initiated a 90-day utility payment deferral program for all of its customers including regulated electricity customers, competitive electricity and gas customers (ENCOR customers), water, wastewater and drainage customers and the City's waste customers.⁴

8. As indicated on EPCOR's website⁵, customers of EPCOR were provided with the following supports implemented as of March 18, 2020⁶:

- Residential, small commercial and farm customers in Edmonton who experience difficulties paying their water bills may defer paying them for up to 90 days from March 18, 2020 to June 18, 2020.
- No late fees will be applied during this 90-day deferral period.
- EPCOR will not disconnect utility services for residential, small commercial or farm customers who are in arrears during the deferral period.

9. All customers who called EPCOR to request to be on the program were enrolled. Customers who did not pay their bills during this timeframe were also automatically enrolled in the program, as directed by the AUC. As the 90-day period has ended, EPCOR is now making arrangements with its customers who have not yet entered into a repayment plan to begin paying back deferred charges over the period June 19, 2020-June 18, 2021.

³ <http://sirepub.edmonton.ca/sirepub/mtgviewer.aspx?meetid=2703&doctype=MINUTES>

⁴ Because EEA's billing system was unable to defer charges to electricity only, charges for all utility services (electricity, water, wastewater, drainage and waste) were deferred.

⁵ <https://www.epcor.com/covid-19-canada/alberta-customers/Pages/customer-service-and-billing.aspx>

⁶ These terms of the EPCOR program are in alignment with the approach that will be applied under the Government of Alberta's Electricity Payment Deferral Program.

3.0 GOVERNMENT OF ALBERTA UTILITY PAYMENT DEFERRAL PROGRAM ACT

10. On May 12, 2020, Alberta's Utility Payment Deferral Program Act (the "Act"), received royal assent in the Legislative Assembly of Alberta. The Act sets out the Electricity Utility Payment Deferral Program (Part 1); the Gas Utility Payment Deferral Program (Part 2) and the powers granted to the AUC to implement these programs (Part 3).

11. The purpose of the Electric Utility Payment Deferral Program (and similarly the Gas Utility Payment Deferral Program) is to permit enrolled electricity customers to defer payment of electricity bills during the period March 18, 2020 to June 18, 2020 and to repay the deferred amounts (excluding interest) over the repayment period June 19, 2020 to June 18, 2021. During the deferral period, an electricity service provider may not charge enrolled customers late payment fees or penalties and may not limit the electricity provided or disconnect these customers for non-payment of an electricity bill.

12. The Program provides short-term backstop financing through the Balancing Pool⁷ to enable electricity service providers to accommodate these deferred bill payments. The AUC will establish an application process for regulated/competitive retailers to obtain funding with 3 phases of funding.

13. In accordance with the AUC Administration of the program, regulated rate service providers (such as EEA) can opt out of the backstop financing arrangements described above if they have access to their own financing to cover reduced cash flows during the 90-day period. If regulated rate service providers choose to self-finance the deferred utility payments, they will incur incremental costs to administer the Program. These incremental costs include interest expenses. Retailers that access backstop financing as well as those that choose to self-finance will also incur incremental bad debt expenses.

14. Regulated rate service providers, with the approval of the Commission, may establish a deferral account to track and recover the costs for administering the deferral of customer payments, interest expenses and any incremental bad debts costs. The Act allows carrying charges to be applied to the deferral account balances to be calculated at the regulated rate service provider's weighted average cost of capital. After June 18, 2021, the regulated rate service providers are to apply to the

⁷ The Balancing Pool was created by the Government of Alberta to manage certain assets, liabilities, revenues and expenses arising from the transition to competition in Alberta's electric industry. The Balancing Pool's mandate can be briefly described as follows: i) managing the financial accounts arising from the transition to a competitive generation market on behalf of electricity consumers; and (ii) meeting obligations and responsibilities relating to Power Purchase Arrangements (PPAs) as defined in Section 1(1)(nn) of the **Electric Utilities Act**

Commission for approval of a rate rider to recover the prudently incurred costs accrued to the deferral account during the period June 19, 2021 to June 18, 2022.

4.0 EPCORS UTILITY PAYMENT DEFERRAL PROGRAM FOR WATER, WASTEWATER TREATMENT, DRAINAGE AND CITY WASTE CUSTOMERS

15. EPCOR's utility payment deferral program was structured to be in compliance with the Utility Payment Deferral Program Act for its electricity and gas customers. EEA, as EPCOR's retail service provider, delivered and managed a consistent and coordinated program across all of the EPCOR utilities. As such, the utility payment deferral programs for EPCOR's water, wastewater treatment, drainage and City waste customers was aligned, to the extent possible, with Alberta's requirements for electricity and gas programs described above.

16. Effective March 18, 2020, EEA began enrolling customer into its utility payment program and ceased that enrollment at the completion of the 90 days. Approximately 12% of customers enrolled by the end of the 90 period on June 18, 2020. The 12% of customers enrolled in the program represents approximately \$40.690 million in total deferred payments in total across all of EPCOR's utilities. Table 4.0-1 below provides this estimate broken down by utility. As with the electricity and gas programs, EPCOR's water, wastewater treatment and drainage customers will be required to repay deferred payments during the period June 19, 2020 to June 18, 2021.

Table 4.0-1
Cash Deferrals Under AUC Criteria¹ to June 18, 2020 by Utility
(\$millions)

Segment	\$ Millions	No. Accounts
Water	\$ 4.06	43,966
Wastewater	\$ 1.95	43,335
Drainage	\$ 4.03	43,336
Waste	\$ 3.24	41,801
Other Services	\$ 27.41	102,619
Total	\$ 40.69	113,975²

¹ – Current charges due for payment between March 18 – June 18, 2020. Does not include arrangements made for balances due before that period

² – Total refers to number of unique accounts owing any combination of services above

17. EUI has opted to self-finance the deferred payments for all of its regulated utilities and, as such, has established deferral accounts to track the deferred payments and other costs associated with the program including interest based on the regulated utility's weighted average cost of capital

and incremental bad debt. The deferral accounts will be tracked separately for each utility. The City is self-financing the City's Waste customers.

18. EWSI will propose a methodology for recovery of the prudently incurred costs accrued to execute the utility payment deferral program for the water, wastewater treatment and drainage customers. This methodology will be set out in its upcoming rate applications for water, wastewater and drainage utilities. EEA will propose a methodology to recover prudently incurred costs for executing the program for the City's waste customers.