EPCOR WATER SERVICES

PBR READER'S GUIDE

2025-27 WASTEWATER COLLECTION & TREATMENT

June 2024

Published: June 24, 2024

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Parkallen Dry Pond

A four-panel art piece depicting the symbiotic relationship between the magpie and the buffalo and the deep roots these creatures have with Edmonton's river valley adorns the air quality monitoring station near the Gold Bar Wastewater Treatment Plant. The installation was created by local artist Matthew James Weigel in September 2022.

LAND ACKNOWLEDGEMENT

As a company that operates across Turtle Island, also known as North America, EPCOR recognizes that its work takes place on the traditional territories of Indigenous Peoples. We respectfully acknowledge the significance of the lands and waters our utilities are situated on and by, including the diverse histories, languages, and cultures of the many First Nations, Métis, and Inuit Peoples, whose presence reaches back to time immemorial.

Several of our Canadian operations reside on territory that is covered under Treaties, which were entered into by First Nations peoples and the Crown. In particular, our headquarters in Edmonton, and both of the city's water treatment plants, are located on the banks of the North Saskatchewan River, found in the heart of Treaty 6 territory – the traditional lands of the Blackfoot, the Cree, the Dene, the Nakota Sioux, the Saulteaux, and later the Métis.

2025-27 WASTEWATER SERVICES PBR READER'S GUIDE

EPCOR Water Services (EPCOR) has submitted an application to establish Wastewater Treatment and Collection rates for the next three years to the City of Edmonton (EPCOR's regulator) on May 31, 2024. If approved, the new rates would go into effect starting on April 1, 2025.

EPCOR has produced this reader's guide to support Councillors and customers in understanding the application, including the review process and the input received through public engagement, which helped guide its development.

EPCOR Water Services (EPCOR) is composed of three utility functions: Water (which produces and distributes drinking water), Wastewater Collection (which collects and moves both sanitary and stormwater flows), and Wastewater Treatment (which operates a facility to treat wastewater flows). Currently, the rates for these utilities are regulated through three different Performance Based Regulation (PBR) approvals, which cover different time periods.
Edmonton's current Water rates were established in 2022, and expire March 31, 2027. The existing Wastewater collection and treatment rates are set to expire in March 2025, along with Bylaw #19627.

The 2025-2027 Wastewater Collection and Treatment PBR Application covers two of the three utility functions: Wastewater Collection and Treatment. The new utility rates for these services will run from April 1, 2025 through to December 31, 2027. The end goal is to eventually align all three Water and Wastewater utilities into a single PBR in 2028, with future rate changes taking effect on January 1st of each year, rather than April 1st.

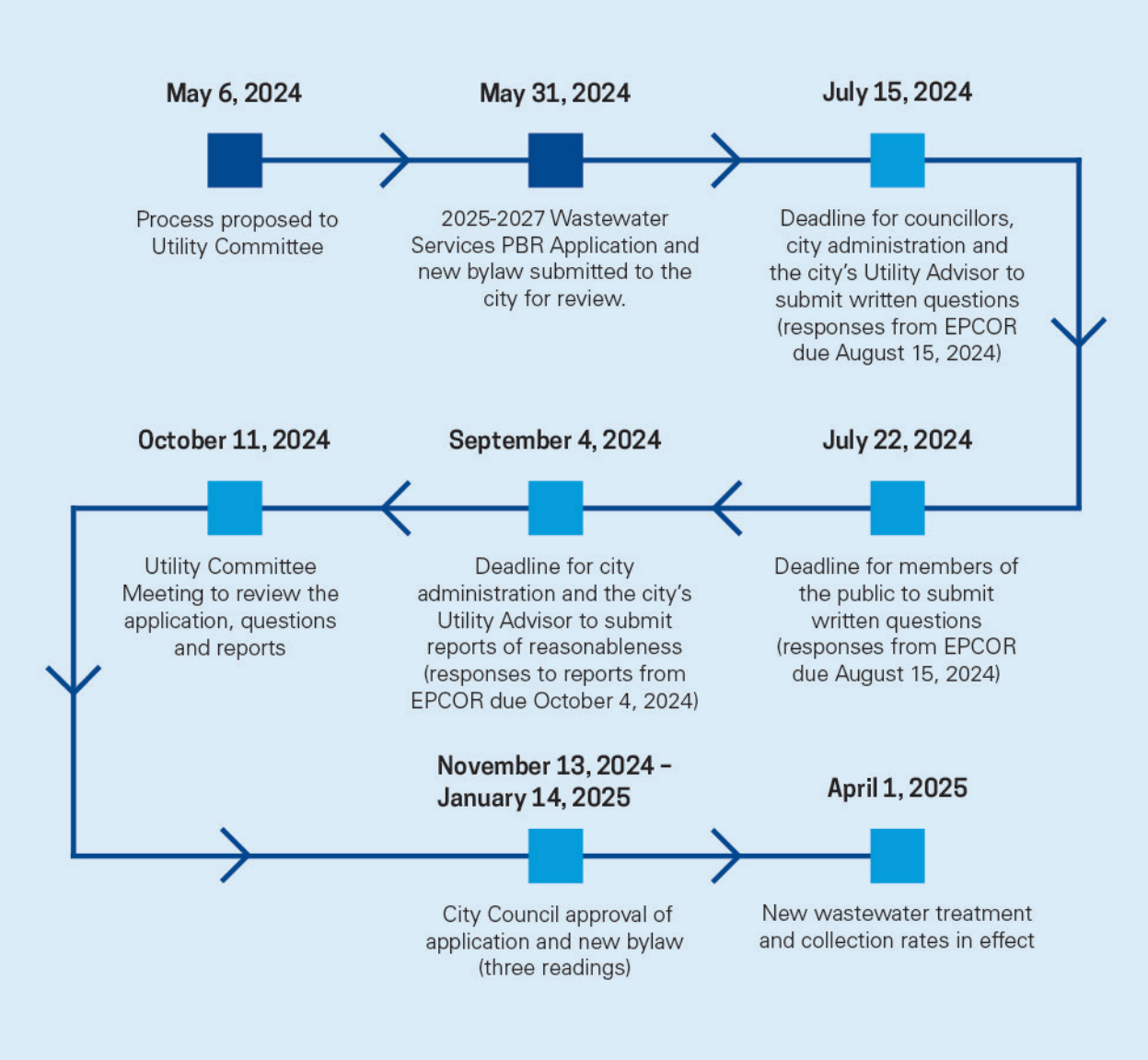
The PBR application includes:

- Proposed changes to the Wastewater Services bylaw
- Proposed changes to utility rates and performance measures
- Proposed capital plans and programs; and
- Appendices containing reports and other documents that inform or add more detail on various aspects of the application, including business cases for major investments and evidence supporting the proposed return on equity.

This guide does not list every detail, but rather, it provides an overview of the application, including proposed changes and key items of interest. The full application can be found at epcor.com/pbr.

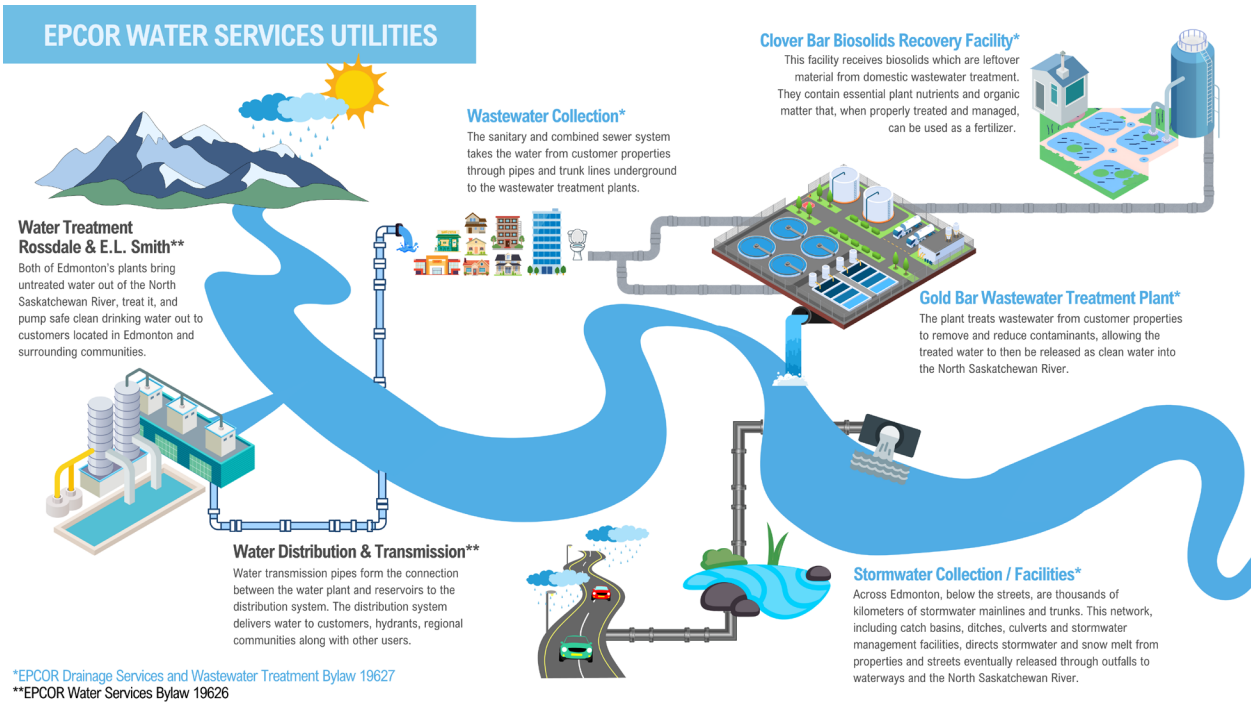
The application review process includes several opportunities for Councillors, City Administration and Edmontonians to provide input and ask questions.

PBR TIMELINE



EDMONTON'S WASTEWATER SYSTEM

EPCOR owns and operates the city's Wastewater system. The sanitary and combined sewer (sanitary + stormwater in one pipe) infrastructure safely collects and conveys wastewater for treatment at the Gold Bar Wastewater Treatment Plant (Gold Bar) and Clover Bar Biosolids Recovery Facility (Clover Bar). The stormwater infrastructure captures and moves runoff from rainwater and snow melt before returning it to the North Saskatchewan River.



Stormwater Management Facilities (including wet and dry ponds) filter out contaminants and debris from run-off (i.e. lawn fertilizer and roadway ice melt) before returning it to local waterways. They also slow and reduce the amount of runoff entering the system, helping to prevent the underground pipes from becoming overwhelmed, and protecting our city from flooding.

The Gold Bar Wastewater Treatment Plant treats about 100,000 megalitres of wastewater each year, most of which is returned to the North Saskatchewan River and some provided to industry (reducing their reliance on water drawn from the river). A significant portion of the biogas generated from the treatment process helps support operations, as well as heat the plant. The solids that are removed are sent to the Clover Bar Biosolids Recovery Facility where they are transformed into fertilizer, which is used to support agricultural operations and land reclamation work.

Quick Facts:

- 8,000 kilometres of sewer pipes
- 300,000 service connections
- 64,000 catch basins
- 45,000 manholes
- 330 stormwater management facilities
- 276 outfalls
- 88 pump stations
- 1 wastewater treatment plant
- 1 biosolids recovery facility

CAPITAL PLAN OVERVIEW

Large investments are required to build and maintain the wastewater infrastructure that serve the City of Edmonton. Over the PBR period 2025-2027, EPCOR proposes to invest almost $890 million in capital for the wastewater infrastructure in Edmonton. A significant portion of these investments will improve system reliability to reduce risk, ensure compliance with regulatory requirements and accommodate increasing system demands due to population growth. These investments were determined and prioritized based on detailed assessments of scopes, costs, and risks and reflect many months' worth of planning and forecasting.

The projects and programs included in this application fall into four categories:

- Regulatory and Health, Safety & Environment
- Growth and Customer Requirements
- Reliability and Life Cycle Replacement
- Efficiency and Performance Improvement

The 2025-2027 Wastewater Services PBR Application provides summaries and business plans for every capital project with a value greater than $5 million (see Appendix F & G).

WASTEWATER COLLECTION

The planned capital investments in Wastewater Collection amount to $688 million. Business cases for projects and programs in these categories can be found in Appendix G of the PBR Application. Some key specific projects are highlighted below:

Regulatory and Health, Safety & Environment

Access Maintenance Hole Program ($21.7M)- As part of the Corrosion and Odour Reduction Strategy (CORe) this program facilitates the construction of access points in the wastewater collection system. This allows for the safe accessibility of the collection network to inspect and clean, which assists in identifying deficiencies and reducing odours.

Growth and Customer Requirements

Dry Ponds Program ($115.4M) – This program is a part of the continuing investment to mitigate flood risk in the community. As part of the Stormwater Integrated Resource Program (SIRP), dry ponds fall into the “Slow” theme, which targets high-risk communities by slowing the entry of stormwater into the wastewater collection system and alleviating pressure on the collection system, which can otherwise result in localized flooding.

Low Impact Development ($51.3M) - This program, also under the “Slow” theme, invests in green infrastructure, which involves incorporating vegetation, engineered soils and natural processes into developed areas to capture, absorb and filter stormwater before it enters the collection system. This program is aligned with the City’s *Building Great Neighbourhoods* program.

Reliability and Life Cycle Replacement

High Priority Renewal Program ($72.2M) - This is a continuation of an existing program, revised to increase funding with forecast costs based on historic levels of asset replacements.

Local Sewer Rehabilitation ($60.1M) - The program enables the rehabilitation or replacement of local pipes that are assessed to be in poor or very poor condition or must be relocated due to other utility work.

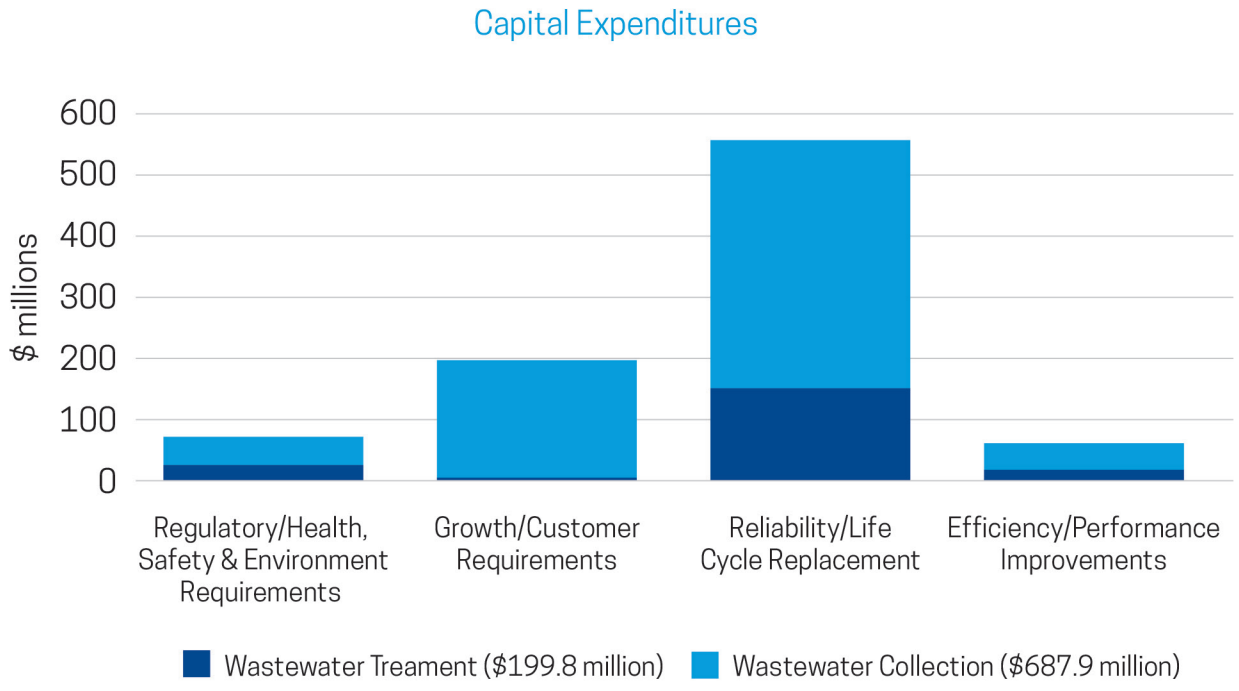
Efficiency and Performance Improvement

Smart Ponds Program ($12.2M) - As part of the SIRP strategy, under the “Predict” theme, this investment will advance the monitoring and control of stormwater facilities to optimize storage and reduce flooding events.

WASTEWATER TREATMENT

The capital investments in Wastewater Treatment at the Gold Bar plant during the PBR term are planned to be almost $200 million. Business cases for projects and programs can be found in Appendix F of the PBR Application.

One focus area includes the continuation of the Gold Bar Odour Control Improvements Program to address the main sources of odour emissions from the plant. Improvement programs, which prioritize the reliability of critical assets at Gold Bar, include a comprehensive rehabilitation and upgrade of Digester 6 and/or cleaning and rehabilitation of Digesters 7 and 8. Also included are electrical system projects and upgrades to the UV Disinfection System and Primary Effluent Channel.



$887.7 Million in Proposed Capital Expenditures

OPERATING COST OVERVIEW

Operating costs for Wastewater Collection and Wastewater Treatment are expected to average $106.3 million per year and $79.6 million per year respectively in 2025-2027.

Staff costs are the largest operating expense in both Wastewater Collection (25%) and Treatment (15%). About two thirds of the staff are unionized, with wages subject to collective bargaining. The year-over-year changes in Wastewater Collection and Treatment costs represent cost increases for chemicals, electricity and other inputs into the treatment process, as well as the contracted disposal of biosolids.

Operating Costs

	2025	2026	2027
Wastewater Treatment	$79.1M	$79.7M	$81.1M
Wastewater Collection	$104.1M	$106.4M	$108.4M

Expected Operating Costs: $557.8 Million

Low Impact Development (LID) feature in Rideau Park

Stormwater Management Rebate Program

An expansion of the rebate program to incentivize stormwater management practices on private properties will be implemented. The current rebate program ($800 for the installation of a backwater valve) will continue to be offered alongside the free home flood inspection program available to all customers in Edmonton.

The expanded program will encourage the installation of Low Impact Development (LID) features that help reduce the volume and flow of stormwater into the collection system. LID features include rain barrels, bioretention basins, rain gardens, soil cells, and soak-away pits.

Eligible customers would be able to apply for rebates on all types of properties up to:

- $2,000 per property for single-family residential homes
- $5,000 per property for multi-family residential homes
- $10,000 per property for industrial, commercial and institutional properties.

Properties may also qualify for rebates to disconnect downspouts that are directly connected to a property's sanitary or stormwater service. This rebate program will be location specific.

If approved, the program would be available to customers starting in early spring 2025. The full program outline can be found in Appendix P of the PBR Application.

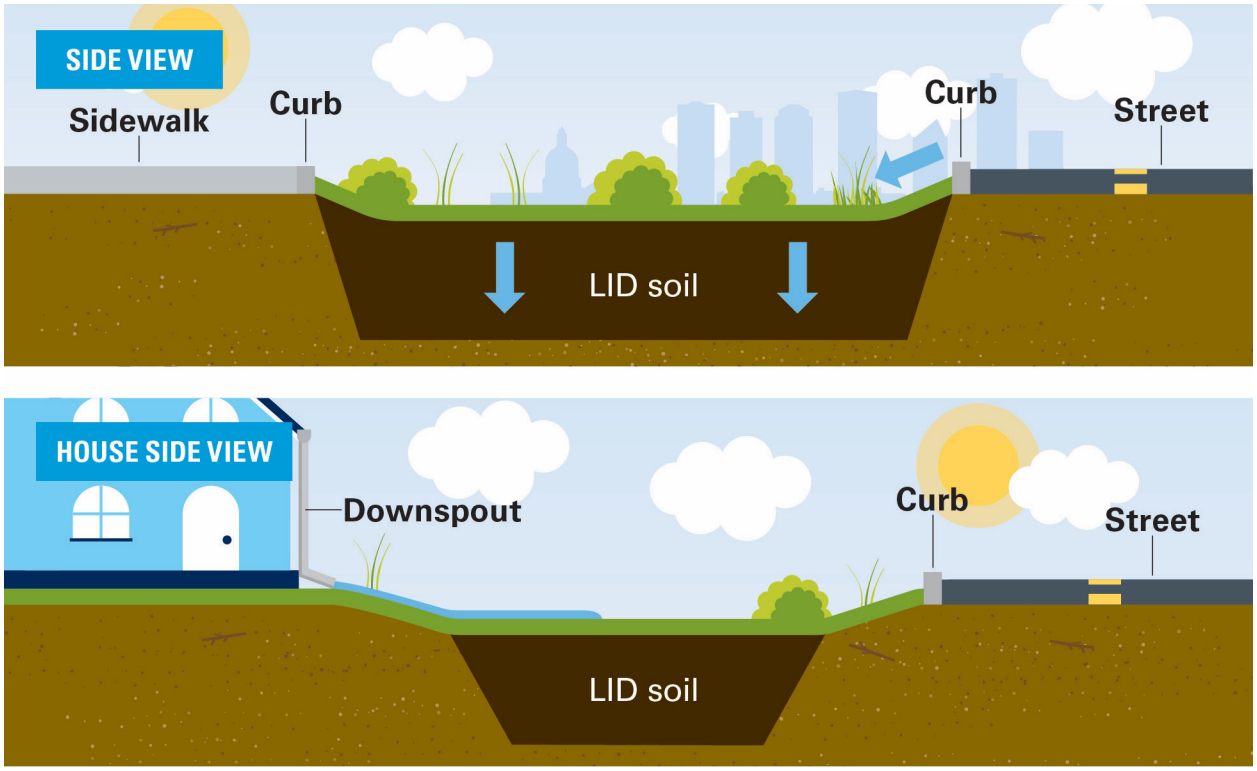


Illustration of a Low Impact Development (LID) feature.

2025-2027 BILL IMPACTS

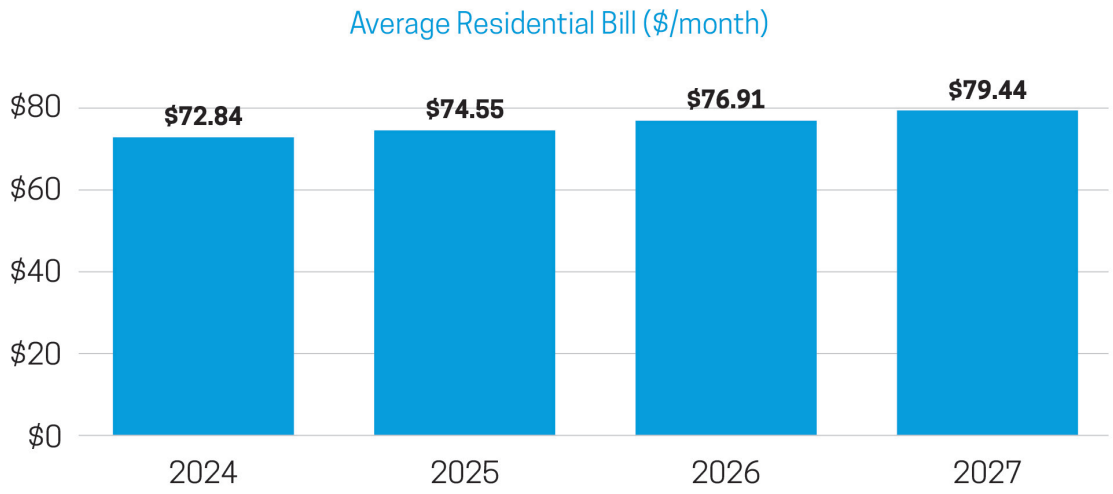
For the upcoming PBR, EPCOR is proposing an average annual bill increase for residential customers of 2.9% and for commercial customers, an average annual increase of 1.1%. EPCOR has made significant efforts to continue to manage costs for Wastewater Services in Edmonton keeping rate increases reasonable compared to other communities. Overall increases in this PBR remain well below the current consumer inflation rate.

Comparing costs between communities can be difficult. Appendix O of the application provides a comparison of wastewater bills in Edmonton to other Western Canadian communities.

Average Bill Changes: Residential Customers

In 2024, the average bill for Wastewater Collection and Treatment for a residential customer is $72.84 per month. To support the required utility investment proposed in this PBR, an average residential customer will see an increase of $6.60 to $79.44 per month by 2027, or an average of 2.9% annually over the PBR term.

The change in the bill includes the application of the positive deferral account balance, the anticipated reduction in water consumption (which Wastewater billing is calculated on) and the forecasted operating and capital costs over the PBR term included in this application.

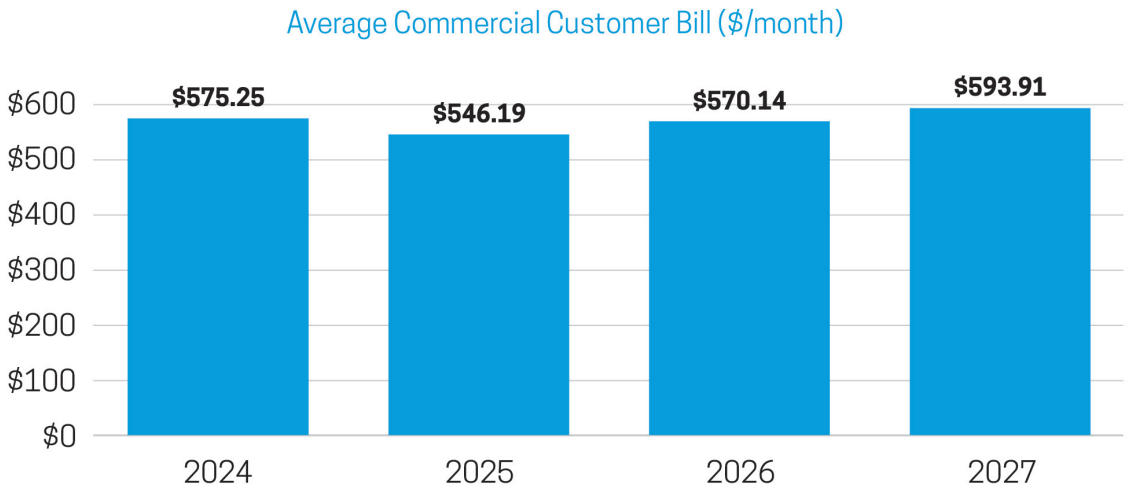


See table 1.8-1 of the application for additional details.

Average Bill Changes: Commercial Customers

For commercial customers, water consumption is closely linked to economic activity. A strong, growing business is likely to use more water, and have higher utility costs. The average commercial customer in Edmonton uses about seven times the consumption of an average residential customer. In 2024, the average Commercial bill for Wastewater Collection and Treatment is $575.25 per month.

By 2027, the average commercial customer bill for wastewater collection and treatment will be $593.91 per month — an average annual increase of 1.1%, which factors in the impact of the deferral account adjustment.



See Table 1.8-13 of the application for additional details.

The Griesbach Stormwater Management Facility

Deferral Account

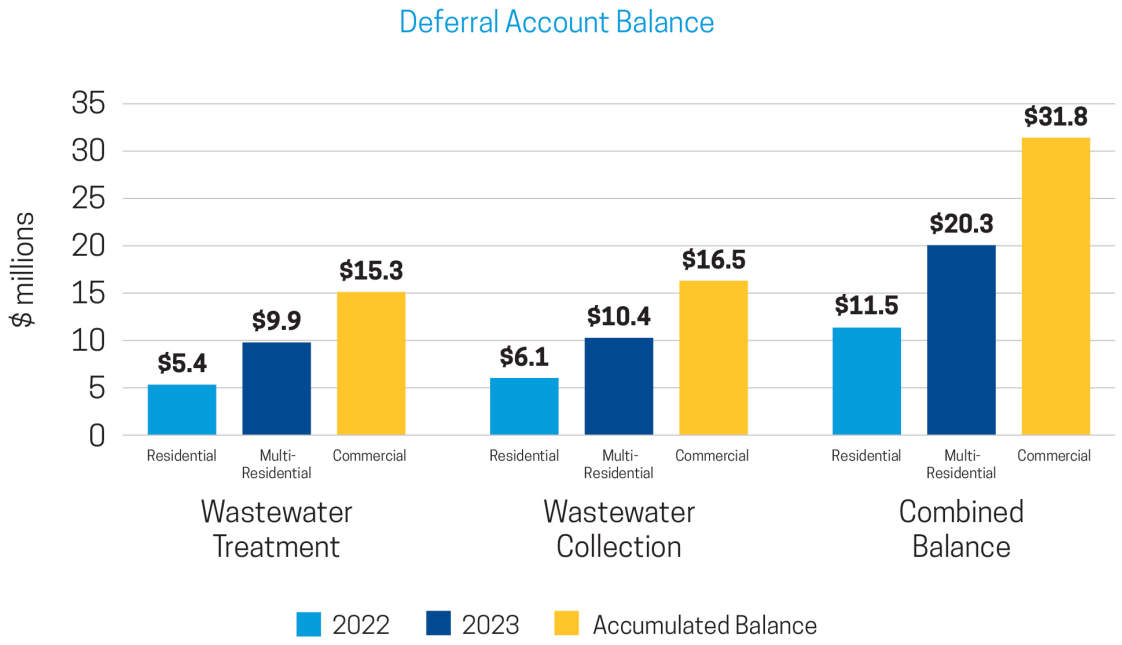
There are many different factors when determining utility revenue requirements for the PBR application, one of which is customer consumption of water, which impacts both the Water and Wastewater bills. The COVID-19 pandemic, 2020 to 2022, posed a significant challenge to accurately forecast water consumption, as work from home measures and the loss of commercial activity skewed the data used for prediction. For the 2022-2024/2026 Wastewater and Water PBR applications, prepared in 2021, City Council directed EPCOR to establish a water consumption deferral account so that customers bore the risk of uncertainty in the consumption forecast, rather than the utility bearing that risk.

Historically, EPCOR's Water and Wastewater PBRs have not included deferral accounts for revenue or water consumption forecasts. Instead, EPCOR bore the risk that revenues and costs would differ from forecasted amounts during the PBR period. Because EPCOR took on this risk, customers received stable and predictable rates throughout the term of each PBR. The addition of a deferral account was a one-time response to the circumstances of the pandemic, which made it difficult to produce an accurate water consumption forecast.

Over the past three years, residential and commercial water consumption in Edmonton has returned to greater predictability as water consumption recovered to pre-pandemic trends – and utility revenues were therefore higher than forecast. As a result, the consumption deferral account in place for the 2022-2024 Wastewater PBR has accumulated a significant positive balance. Several factors contributed to variations in total water consumption, including higher customer growth relative to forecast, changes in weather patterns and a return to more typical consumption patterns post-pandemic.

Now that consumption rates have returned to pre-pandemic levels, EPCOR is proposing to discontinue the water consumption deferral account at the end of each current PBR, starting with the Wastewater PBR in 2025.

While it is positive news for customers in this PBR cycle to receive a credit for the deferral account, deferral accounts can also produce the opposite effect. In circumstances such as low water consumption due to weather, the deferral account could have a negative balance, and



require the utility to collect from customers at the end of the PBR period. In other words, even though customers did not consume the amount of water originally forecast, they would be obligated to pay for the originally forecast amount. Over the longer term, repeated use of consumption deferral accounts will undermine the incentive for customers to conserve water.

As required, EPCOR is planning to return the accumulated balance of the Wastewater component of the deferral account to customers via a reduction in the rate increases for the next PBR period. The rate adjustments will correspond to the balances accumulated for each customer class to prevent cross-subsidization. The deferral account credit will be directly factored into future rates, rather than being presented as a credit line on the bill.

Stormwater Billing Changes

Stormwater charges cover the cost of providing Stormwater services across the City and the charges for each individual property are calculated based on the following formula:

Monthly Stormwater Charge = Area X Runoff Coefficient X Development Intensity X Stormwater Rate

- Area - the size of each individual property in square metres.
- Runoff Coefficient – is a measure of how fast water runs off a property. It is assessed for each zone based on an engineering review of the runoff for a typical customer within that zone. The zone for each property is determined and assigned by the City.
- Development Intensity (I factor) – is an adjustment of the runoff coefficient based on specific property characteristics. The I factor is 1.0 for all customers, unless a customer qualifies for an adjustment through the “Intensity Adjustment Program”. This program is available to commercial and multi-residential properties.
- Stormwater Rate - is the monthly stormwater charge per square meter, which is determined by EPCOR for each PBR term and approved by City Council through the PBR proceeding.

In addition to the general rate increases proposed for the 2025-2027 PBR term, there are three other factors that will result in Stormwater bill impacts to customers starting in 2025:

- Impact to Stormwater rates from the Cost of Service Study completed in advance of this PBR filing — separation of costs between the Wastewater Collection utilities, the sanitary and the stormwater systems
- Updates to runoff coefficients to align with City of Edmonton zoning changes in 2024

While not all customers will be significantly impacted by these changes, there are a small number who see significant increases. EPCOR will engage with these customers to inform them of the changes and support them in efforts to implement options on how to mitigate these increases through the Stormwater Management Rebate Program and Intensity Adjustment Program, if eligible.

Residential new service connection under construction

HOW EDMONTON'S WASTEWATER UTILITIES ARE REGULATED

THE PBR PROCESS

EPCOR's rates reflect the cost to provide wastewater services to Edmontonians.

EPCOR's goal with the renewal of the Wastewater Collection and Treatment PBR is to ensure that the proposed new bill increases are fair and affordable while continuing to operate the Wastewater utilities reliably and effectively through effective investment. As the PBR plans are developed, EPCOR also engages Edmontonians to understand their priorities for utility performance, their views on balancing system performance and rates, and their perspective on specific proposals in the PBR application (for example, the use of deferral accounts).

Rates are determined by calculating the costs to deliver utility services and then distributed across all residential, commercial and industrial customers based on the cost to provide service to these customers, as determined by the Cost of Service Study. The rates charged to customers cover operating costs (on which there is no margin), the cost of debt, and a fair return on the equity portion of the total capital investment in the utilities. EPCOR's earnings are then used to fund future investments in utility infrastructure to support community growth and operational resiliency, as well as the return to the Shareholder through the annual dividend.

Rates are set for each year of the PBR, enacted through City bylaws. EPCOR bears the risk for any cost increases over the PBR period. This means EPCOR only charges the rates as defined and approved in the PBR formula over the PBR period. If operating costs increase beyond the approved formula, EPCOR will absorb these costs. This helps to ensure stable and predictable rates for customers and provides EPCOR with an incentive to seek efficiency and cost savings.

Benefits of Performance Based Regulation Rates

PBR provides incentives for utilities to find efficiency and reduce costs while maintaining established performance levels. This model is also applied to gas and electric utilities regulated by the Alberta Utilities Commission, which regulates electric and gas distribution utilities under a PBR model.

A summary of the PBR regulatory model benefits include:

- Customers receive stable and predictable rates.
- EPCOR — not its customers — bears the risk for potential cost increases.
- EPCOR has an incentive to continuously seek efficiencies and cost savings, which are then passed on to customers in the next PBR period.
- EPCOR is required to meet high-performance standards in customer service, system reliability, water quality, environment and safety set by the regulator, and at risk of financial penalties if they are not met.

The process to develop the PBR applications provides an opportunity to engage Edmontonians to determine what they value most out of their utilities and adjust plans to align with their priorities.

HOW RATES ARE DETERMINED

Rates are based on determining how much revenue will be needed to pay for the cost of building, maintaining, operating, and financing the utility system over the PBR term.

The utility must make prudent decisions in the public interest, and the rate regulator (Edmonton City Council) reviews these plans and approves the utility's rates, fees and charges.

Principles used to allocate costs and set rates

There are five principles that determine the rates for each group of customers:

- **Based on the cost of service.** The rates are designed to recover the annual operating and capital costs for the utilities, including a fair rate of return on the investment in utility assets.
- **No cross-subsidization between customer types.** Customers are grouped into classes based on common service needs (e.g. residential, multi-family, small commercial, large commercial). Each group pays only for its fair share of the costs to provide services to their group.
- **Equal rates within a customer class.** Every customer within a group pays the same rates, based on the total cost to provide service to their customer class.
- **Intergenerational equity.** Customers pay for the cost of utility services they receive, and do not pass on costs to future generations.
- **Rate stability and predictability.** Unexpected rate increases are minimized by using a formula, and EPCOR bears the risk of annual variances in the cost of service

Fixed and Variable Costs

Utility bills include two types of charges: a fixed charge for each customer connection, and a variable charge that changes based on how much water customers consume. For Wastewater Collection, 67% of costs are fixed and for Wastewater Treatment, 27% of costs are fixed.

Operating Costs

Operating costs are prepared using a bottom-up approach based on the expected level of work activity, staffing, inputs and the corresponding costs. These forecasts are prepared in 2024 dollars and are then escalated for subsequent years using the PBR forecasted inflation rate less an efficiency factor.

The PBR inflation rate is calculated as the weighted average of two Statistics Canada inflation measures, specifically, Alberta Average hourly earnings (AHE) and Consumer Price Index (CPI).

Return on Equity

It takes large investments to build and maintain the pipes, pumps and plants that serve the community. From 2025-2027, EPCOR will invest almost $890 million in capital into Edmonton's wastewater system, with additional assets contributed by developers and others as they build infrastructure in new neighbourhoods.

About 60% of the money to fund EPCOR's investments comes from borrowing. EPCOR issues debt and pays interest on that debt. Over a long period of time, customers pay off the principal and interest on these loans. In this Wastewater PBR application, EPCOR has estimated that debt issued over the next three years will have an average interest rate of 4.65%. This forecast is based on EPCOR's investment-grade credit rating.

In order to determine the proper return on the 40% of the investment that will be funded by EPCOR's earnings, a consulting firm, ScottMadden, specializing in utility cost of capital, developed a recommendation for a fair return on equity. The methodology applied by the consult, including the key assumptions made, are reflected in the consultant's report included as Appendix D of the PBR Application.

The return on equity is calculated as the return that investors require to make an equity investment in the utility and relies on the "fair

return standard". The cost of capital expert assessed the return on equity by applying three commonly used methodologies: the capital asset pricing model, the risk premium model and the discounted cash flow model. As part of their work, the expert also reviewed the returns on equity for publicly traded water-sector utilities operating in North America.

As noted above, to ensure customers receive stable and predictable rates, EPCOR bears the risks of costs such as costs of chemicals, power costs and other inputs being higher or lower than forecast. EPCOR also bears the risk of revenues being higher or lower than forecast based on short-term variations in consumption due to weather and other factors. EPCOR is compensated for bearing for these risks under the PBR structure through the return on equity.

The Wastewater application discusses the major factors that make EPCOR's water cycle utilities riskier to operate than electricity or gas distribution utilities in Alberta, which include:

- Public health risk - water is a consumable product, wastewater is a sanitation risk, and both require treatment in order to protect public health.
- Treatment risk – water and wastewater utilities operate facilities (plants) to treat water so it can be consumed and wastewater so that it can be released back to the environment whereas electricity and gas distribution utilities only bear the risks of distributing the energy they convey
- Environmental regulations risk – wastewater is treated and released to the river (river stewardship).
- Revenue risk – consumption of water and wastewater treatment volumes are subject to forecast variation over the term of the PBR.
- Capital recovery risk – water and wastewater infrastructure assets are generally longer lived assets than electrical or gas infrastructure, which increases risk through a longer collection period associated with these assets and exposes EPCOR to greater operational risk.
- Level of contributed assets risk – water and wastewater infrastructure investments in Edmonton are supported by higher levels of contributions from customers and government grants for which the utility does not earn a return; however, the utility is obligated to needs to maintain and operate these contributed assets.
- Interest rate risk - interest rates are fixed for the duration of the PBR term and not adjusted with interest rate fluctuations.

As a result of the analysis performed by ScottMadden, the PBR application reflects a return on equity of 10.8%, with a capital structure comprised of 60% debt and 40% equity. The capital structure is reflective of EPCOR's actual and currently approved capital structure. The full return on equity will not be in effect until the last year of the PBR, with Wastewater Collection's return on equity stepping up from 9.00% in 2025, 9.90% in 2026 and 10.8% in 2027. By gradually increasing the return on equity, EPCOR has reduced costs to ratepayers by $25.6 million over the 2025-2027 PBR term.

Televising equipment for inspecting wastewater pipes

PLANNING AND ENGAGEMENT

In developing an overall plan for the PBR, EPCOR's work is informed by longer-term integrated resource plans (IRPs) that focus on the interconnections of the water cycle, as well as incorporate community and stakeholder input. This helps EPCOR identify emerging threats and trends, as well as ensure alignment with the growth and development of the city.

Once IRPs are in place, capital and operational plans are developed and implemented by more than 1,300 employees working across the water cycle.

The Wastewater IRP was presented to the city's Utility Committee in January 2024. The plan outlines various initiatives for enhancing Edmonton's wastewater system including integrated solutions that can be scaled up with time according to growth patterns, climate change and economic projections.

EPCOR's engagement activities allow the Company to maintain positive and productive relationships with key audiences and community members. Planning and engagement processes ensure community members have opportunities to provide meaningful input into projects and operations that affect them. The resulting decisions and actions are guided by an understanding of their interests, priorities and values.

2024 PBR Engagement Results

For the 2024 application, a broad variety of stakeholders were provided the opportunity to inform policy choices, priority-setting for operations and capital programs, share their views on balancing system performance and rate-design, as well as specific proposals in the application (i.e. the approach to deferral accounts).

Consistent with the City of Edmonton's public engagement policy, stakeholder engagement for the 2025-2027 Wastewater 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.

EPCOR engaged the services of an independent, third-party research firm to gather feedback from 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.

The audiences targeted during engagement were:

- Residential and multi-residential customers
- Developers and property managers
- The Gold Bar community and communities surrounding the Gold Bar Wastewater Treatment Plant

EPCOR's engagement activities will continue with opportunities for public feedback on our website www.epcor.com/PBR, during additional community meetings and individual consultations, along with written submissions through the PBR process.

What Was Learned

Overall customer priorities have remained consistent and satisfaction with EPCOR has remained high. While cost was identified as the most significant priority, customers told EPCOR their other top priorities are environmental stewardship (reducing contaminants going to the river), public and employee safety, reduction of odour, and responsible investment supporting infrastructure and maintenance. Customers also strongly indicated that keeping bills constant from month to month is a priority. While commercial and industrial customers were consistent with residential customer concerns related to costs, one of their top concerns was related to flood risk and sewer backups. They also echoed the desire to see an increase in investment to promote long-term efficiencies and system performance.

Balancing Affordability and Reliability

Across customer categories (residential, multi-residential, commercial), the cost of utility services has 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. 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.

Aligning Performance Focus to Customer Priorities

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. The funding allocated to the capital and operating programs in the PBR Application reflects these customer priorities. Updated PBR Performance Measures are included to reflect customer service impacts. If EPCOR fails to deliver on key performance standards, penalties could be imposed.

Role of Deferral Accounts in Utility Rates

Overwhelmingly, residential and commercial customers indicated that they preferred the utility to bear the risk of revenue surpluses to deficits related to consumption variability to keep bills stable and predictable over time (rather than having large true-ups that create bill increases or credits). 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.

Flood Protection Program Design

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. 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 incudes health and safety, social, financial and environmental impacts from flooding. The Gold Bar community consultation indicated that protecting the Gold Bar Wastewater Treatment Plant from flood risk should be a priority, and initial planning for that is underway and reflected in the PBR application.

The full details of the engagement survey results can be found in the PBR Application Appendix H.

Gold Bar Community Event

PERFORMANCE MEASURES

A key way that EPCOR demonstrates accountability to customers and the regulator is through a set of performance measures approved by the regulator that are weighted to reflect their relative importance.

There are four categories that are used to measure overall performance:

- Customer service
- System reliability and optimization
- Wastewater quality and environment; and
- Safety

Performance measures are based on industry benchmarks, historic trending, stakeholder feedback and targeted future performance goals. Performance is reported and externally verified. The weightings and financial penalties differ between Wastewater Treatment and Wastewater Collections, to reflect the different nature of the operations and stakeholder expectations. The full list of measures and definitions can be found in Section 22.0 of the PBR Application.

WASTEWATER COLLECTION MEASURES

For the 2025-2027 Wastewater PBR term, EPCOR is proposing to replace some of the historical wastewater collection measures with new measures that provide an increased focus on customer service. These areas were identified as important to our customers through our PBR engagement.

New Measures

- ***Stormwater Rebate Projects:*** to further encourage on-site stormwater management on all property types, a general stormwater rebate program is proposed for 2025-2027. This measure will track the participation of customers in the rebate program. A qualifying project will be either an LID installation or a Downspout Disconnect. The program is outlined in Appendix P of the PBR Application.
- ***Stormwater Facility Response Time:*** tracks the time taken by a crew to attend a Stormwater Management Facility once a concern has been reported to EWS. This measure is a percentage of concerns investigated within 4 business days. Exceptions include where accountability for the issue is with a City department, other Utilities, or third parties such as homeowner associations. An additional exception is during a major storm event, as concerns related to public safety will take precedence.
- ***Deficient Appurtenance Response Time:*** tracks the time for a crew to respond to a concern with an appurtenance such as a catch basin grate or manhole. Improvements in response time improve customer service and public safety by accelerating the mitigation solution.
- ***Sewer Odour Response Time:*** tracks the time for a crew to respond to a third-party odour report in the wastewater or stormwater collection system. The measure represents calls investigated within 8 hours.

Removed Measures

- ***Green Hectares:*** this measure was introduced to build momentum to install LID features by EWS, the City and the private sector. Due to the complexity of reporting and calculating the value of an LID installation, this measure has been removed and replaced by the Stormwater Rebate Projects measure.
- ***Sewer Renewal:*** this measure assessed the relining and renewal programs linked to the City of Edmonton neighbourhood renewal program. While EWS has continued to invest in sewer relining and renewal, we have moved to risk-based approaches to capital investment. As the overall system risk has changed due to historical investment, this measure is no longer aligned.
- ***Infrastructure Condition Rating:*** due to the size of the collection network and the current

rate of new asset growth, the system does not change appreciably over time. Given the limited benefit of calculating this measure annually, it has been removed.

- ***Blocked Sewers:*** operational experience indicates that locations of blockages are difficult to predict and are caused by factors out of our control. High-risk and high-repeat areas are addressed through maintenance and flushing, along with customer education. Given that reductions to sewer blockages from utility activities show results years in the future, generally outside of a PBR timeframe, this measure has been removed.

WASTEWATER TREATMENT MEASURES

After reviewing the existing measures, EPCOR is recommending that the Biosolids Inventory Reduction measure should be replaced with Biosolids Management Measure. All other measures related to Wastewater Treatment remain the same.

Biosolids Inventory Reduction measures the reduction of the biosolids inventory at the Clover Bar facility. As there is variability year-over-year in the amount of biosolids deposited within the facility, a year-over-year reduction does not necessarily translate to optimal management. The Biosolids Management measure is calculated based on the total dry tonnes of biosolids removed, which measures the effective use of biosolids for agricultural and land reclamation purposes.

Kennedale Outfall