



Appendix C

EPCOR WATER SERVICES

Credit Rating Report

May 31, 2024

APPENDIX C

Credit Rating Report

1. EWS reflects new debt issuances from its parent company, EUI, through deemed inter-company loans. Like other regulated utilities of EUI, EWS calculates the cost of new long-term debt based on the stand-alone principle. This means that the cost of new debt for regulatory purposes reflects the credit rating of EWS' regulated Edmonton operations (which includes Water, Wastewater Treatment, and Wastewater Collection) rather than the credit rating of the legal entity EWS, which covers both regulated and non-regulated operations. The stand-alone principle ensures that ratepayers are responsible for costs that are proportional to the utility's risks.

2. In the past, EWS has relied on Dominion Bond Rating Service (DBRS) to obtain a one-time private stand-alone credit rating to calculate its forecast cost of new long-term debt. However, starting in 2022, DBRS and other rating agencies have declined to provide such ratings to regulated utilities, including AUC regulated utilities, if their ratings and reports are publicly disclosed in regulatory proceedings. As a result, EWS has used its historical credit rating of A (low), previously issued by DBRS and relied upon by EWS' Regulator until 2021, as a proxy to calculate the forecast cost of new long-term debt. Notably, there have been no material changes in EWS' operational, regulatory, or financial environment since the previous rating issued by DBRS. In addition, EUI has historically applied a 0% risk premium for EWS over EUI's cost of debt. Currently, EUI has an A (low) rating from DBRS and an A- rating from S&P.