

APPENDIX A
COMPTROLLER DIRECTIONS

1.0 COMPTROLLER DIRECTIONS

1. The Comptroller of Water Rights (the “Comptroller”) issued a number of Directions to EPCOR Water (West) Inc. (“EWW”) in Order No. 2310, in respect of EWW’s 2012-2014 Revenue Requirements Application. The Directions which apply to this Application and the manner in which EWW has responded to these Directions is provided below.

1.1 Wells and other Facility Capital Costs (reference 4.1)

1. In Order No. 2310, EWW was directed as follows:

“The Deputy Comptroller recognizes that EWW has done a good job of improving water quality and Utility operations under the ownership of EPCOR. However, the significant increases in rate base are a concern and EWW is directed to provide a review of actions it has taken to limit future capital expenditures when it files its next revenue requirements application for 2015.”

2. EWSI, EWW’s parent company, has established a Project Management Office (PMO) that applies a standard project management methodology to all major projects undertaken by the company. This methodology ensures a consistent and proven approach to all aspects of project management, including maintaining cost and schedule control as well as the identification and mitigation of risk. The PMO is engaged in the early stages of a project through the EWSI capital steering committee and continues to provide high-level oversight of the project throughout its lifespan. The oversight includes budgetary reviews, identification of areas that appear inconsistent with project objectives and require further attention, and general guidance to the project management team. Further, projects valued at over one million dollars require the review and approval of EPCOR’s Financial Review Committee as an additional level of governance.

3. EWW also recognizes that it faced many limitations in terms of forecast costs due in part to its inexperience with drilling wells. To that end, EWW engaged the engineering firm Kerr Wood Leidal (“KWL”) to complete its 2014 Master Plan. The Master Plan has identified that the

current source of supply is sufficient to meet EWW's water demand for the next test period, and therefore, no new wells are in EWW's capital plan for the 2015-2017 test period.

4. In the last test period, a number of capital projects were deferred to the next test period due to the cost increases in the wells programs. In consultation with EWW, KWL has refined the scope and cost estimates of these projects, which has resulted in significant reductions:

- Drew Road Water Pump House Upgrades. This project was originally forecast for \$499 thousand in 2014, but was deferred until 2016. As a result of careful project planning, the updated cost estimate from EWW is \$215 thousand.
- Church Road Upgrades. This project was originally forecast for \$239 thousand for 2014, but was deferred until 2016 and 2017. As a result of project refinements, identified by both KWL and EWW, the updated cost estimate is \$177 thousand.
- Dalmatian Drive Upgrades. This project was originally forecast for \$217 thousand in 2013, but was deferred until 2016. As a result of spanning the project over multiple test periods, the updated project cost is \$48 thousand for the upcoming test period.