



EPCOR Water (West) Inc.

**2018-2020 Revenue Requirement and Rates
Application
Final Comments**

March 9, 2018

FINAL COMMENTS

1. On November 17, 2018 EPCOR Water (West) Inc. (“EWW”) filed its 2018-2020 Revenue Requirements and Rates Application (“Application”).
2. On March 2, 2018 EWW filed its responses to information requests from the Office of the Deputy Comptroller of Water Rights (the “Comptroller”) and from interveners.
3. In accordance with the Comptroller’s Regulatory Timetable, EWW submits these final comments.
4. In the Application, EWW sought the following approvals:
 - i. approval for annual rate adjustments to recover its forecast revenue requirements for the 2018-2020 test period;
 - ii. approval for revisions to the Water Tariff;
 - iii. approval for its proposed rate rider to refund deferral account balances;
 - iv. continuation of certain deferral accounts;
 - v. approval of its proposed capital structure and rate of return on equity subject to annual adjustment based on the BC benchmark utility return on equity; and
 - vi. approvals related to depreciation expense.
5. EWW submits that each of the approvals sought is reasonable and in the public interest. Moreover, to the extent that any concerns were raised in the information requests filed in this proceeding, they have all been addressed. As a result, this Application warrants the Comptroller’s approval.
6. EWW’s proposed water rates will result in a nominal increase of only 0.56%. Additionally, because of the proposed refund of deferral account balances, the monthly bill for a residential customer will actually decrease in 2018 by approximately 7% and then increase in 2019 and 2020 by approximately 1.3% and 0.6% respectively. EWW has demonstrated that even with the proposed rate adjustments, its forecast residential monthly bill compares favourably with monthly bills of other water service providers in surrounding areas.¹

¹ Figure 1.4.1-1, Application, page 10

7. The modest increase in rates is due, in part, to the decrease in inter-corporate service charges resulting from the City of Edmonton's transfer of its drainage utility to EUI. EWW's operations will benefit from these shared services: as noted in CAP-EWW-8.0 these services have included business computer and billing software system safety and security; purchasing and contract management; health, safety and environment oversight; and emergency response planning. Further, EWW notes that the level of costs of EUI Corporate Services and EWSI shared services are reviewed and approved by the Alberta Utilities Commission and the City of Edmonton as regulator.
8. EWW notes that it has responded to upward pressure on rates by identifying opportunities for efficiencies. As identified in CWR-EWW-5.0, EWW minimized its chemical requirements by using more water from the South wells rather than from the North Region which requires additional chemicals at the water treatment plant due to water chemistry.
9. EWW has also demonstrated that its proposed capital plan is reasonable in light of the completion² of the comprehensive 2015-2017 capital plan. For the 2018-2020 test period, EWW's focus is on important but less capital intensive upgrades which include: (i) replacement of aging infrastructure; (ii) upgrades required to meet regulatory requirements and (iii) reliability improvements. EWW submits that the proposed capital plan includes prudent upgrades that will ensure continued safe and reliable water service.
10. Of concern to all EPCOR customers is sufficiency of water supply. EWW's 2015-2017 capital plan included a wells project that was designed to ensure a reliable source of supply and to meet expected customer growth. EWW states that its wells program, developed during the last test period, is fully responsive to the capacity concern raised in CAP-EWW-1.3. There is sufficient capacity to meet maximum daily demands with additional capacity to supply new customers.
11. EWW has anticipated that, in light of the new *Water Sustainability Act*³, there may be implications for its current approved withdrawal rates. Although EWW expects that it will be required to provide additional information to support its current and recommended withdrawal rates, it remains confident that it has sufficient data to support the withdrawal rates for both its existing wells and new wells.

² As noted in CWR-EWW-3.1, EWW expects completion of the well tie-ins, and thus its 2015-2017 capital plan by June of 2018.

³ SBC 2014, c 15

12. EWW acknowledges that certain future projects identified in its 2014 Master Plan are not contemplated within this test period. EWW maintains that none of these projects were prioritized in the Master Plan and as such remain important but not critical for completion during the 2018-2020 test period. EWW will, however, review them in the next application.
13. Finally, EWW was unable to provide a complete response to certain information requests because the information required to properly respond (EWW's year-end regulated financial statements) will not be available until later in March. For the following information requests, EWW will provide a response during the week of March 26-30, 2018: CWR-EWW 4.2, CWR-EWW-18.1, CWR-EWW-20.1, CWR-EWW-21.1, CWR-EWW-27.2, and CWR-EWW-31.2.
14. These final comments, in conjunction with EWW's Application and responses to information requests, demonstrate that EWW's Application is just, reasonable, prudent and in the public interest and as such should be approved by the Comptroller.