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January 21, 2021

Mr. Chris McMillan
Secretary to the Comptroller of Water Rights
Utility Regulation Section
Water Management Branch
Ministry of Forests, Lands, Natural Resource Operations and Rural Development
PO Box 9340 Stn Provincial Government
Victoria, BC V8W 9M1

Dear Mr. McMillan:

Re: **EPCOR Water (West) Inc.**
2021-2023 Revenue Requirements and Rates Application
Final Submission

In accordance with the schedule established in Order 2572, EPCOR Water (West) Inc. ("EWW") hereby files its Final Submission to the 2021-2023 Revenue Requirements and Rates Application.

Please contact me at (780) 919-4424 if you have any questions.

Sincerely,

Camille Jasper-Fabiyi
Senior Manager, Regulatory
EPCOR Water Services Inc.

Attachment

cc: Ms. Elena Oliphant
Chief Financial Advisor, Utility Regulation Section
Water Management Branch
Ministry of Forests, Lands, Natural Resource Operations and Rural Development



EPCOR Water (West) Inc.

**2021-2023 Revenue Requirement and Rates
Application
Final Comments**

January 21, 2021

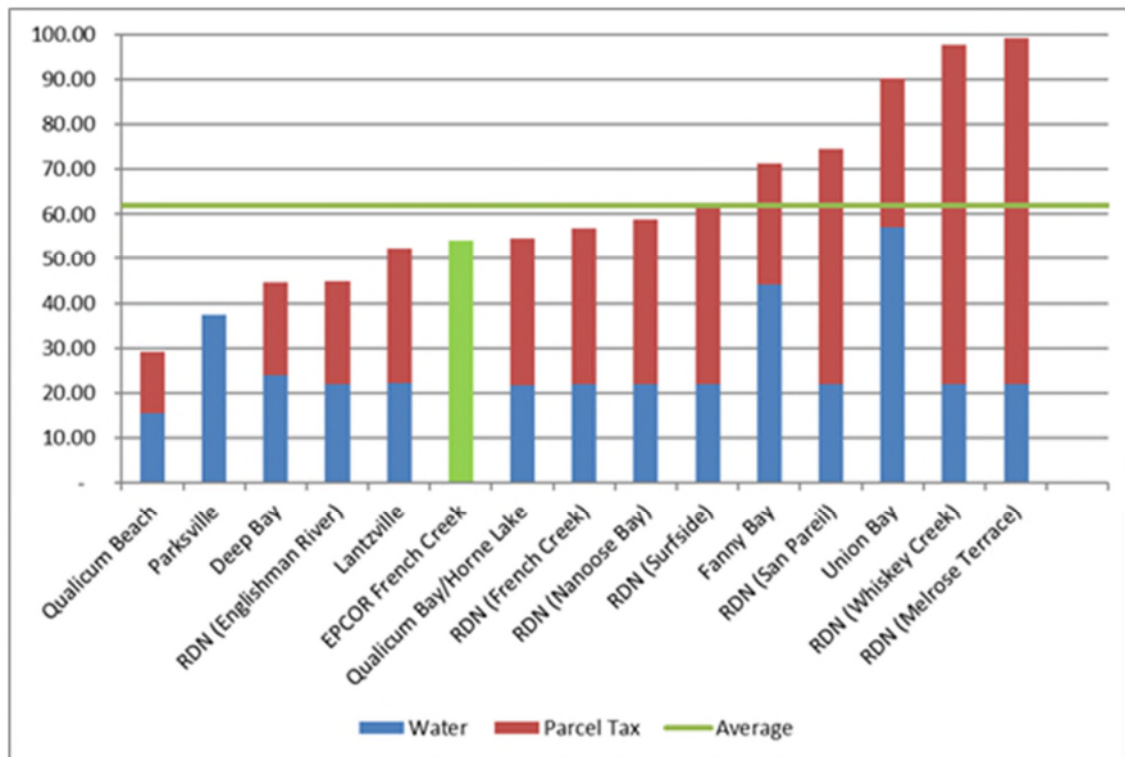
FINAL COMMENTS

1. On September 9, 2020 EPCOR Water (West) Inc. (“EWW”) filed its 2021-2023 Revenue Requirements and Rates Application (“Application”).
2. On January 14, 2021 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 no rate increases over the RRA period, with rates remaining flat for 2021, 2022 and 2023;
 - ii. Approval for an adjustment to the lowest rate from 15 m³ – 75 m³ to 12 m³ – 75 m³;
 - iii. Approval for revisions to the Water Tariff;
 - iv. Approval for its proposed rate rider to refund deferral account balances;
 - v. Continuation of certain deferral accounts; and
 - vi. Approval of its proposed capital structure and rate of return on equity based on the BC benchmark utility return on equity.
5. EWW submits that each of the approvals sought is reasonable and is in the public interest. Moreover, to the extent that there were concerns 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. Because of the proposed refund of deferral account balances, the monthly bill for the average residential customer will decrease by approximately 3.1% in 2021, then increase by 2.8% and 2.9% in 2022 and 2023 respectively. EWW has demonstrated that its forecast

residential monthly bill¹ compares favorably with monthly bills of other water service suppliers in surrounding areas.

- The Application presented a comparison of its proposed rates with neighboring communities in Figure 1.4.1-1. The Figure contained an error whereby the RDN French Creek bill amount was overstated. The corrected Figure 1.4.1-1 is shown below.

Updated Figure 1.4.1-1



- The reduction in rates is due to a reduction in Inter-Corporate Service Charges, lower than expected power and chemical costs for new wells, and EWW’s ability to deliver the capital work approved in its 2018-2020 test period at a lower cost than anticipated.
- There have been no changes to the methodology for allocating Inter-corporate Service Charges between the approved 2018-2020 rates application and the proposed 2021-2023 rates application. The level of costs of EUI Corporate Services and EWSI shared services

¹ EWSI notes that in its original filing, it presented a comparison of its proposed rates with neighboring communities in Figure 1.4.1-1. The Figure contained an error whereby the RDN French Creek bill amount was overstated. This Final Submission includes an updated version of Figure 1.4.1-1.

- are reviewed and approved by the Alberta Utilities Commission and the City of Edmonton as regulator.
10. In its 2018-2020 rates filing, EWW responded to upward pressure on rates by identifying opportunities for operating efficiencies, including minimizing the chemical requirements where possible. In this rates application, EWW proposes to continue to pass on the benefits of those efficiencies to customers, while focusing on developing a long term strategy to manage rate increases while supporting customer growth and continued capital investment to maintain the system and ensure reliability for existing customers.
 11. There is currently sufficient capacity to meet maximum daily demands. Based on current well capacity and forecast customer growth, EWW does not project that a new source of supply will be required until 2025. This provides an opportunity for EWW to shift its focus to negotiation and the completion of the following three studies which will build the foundation of EWW's long term strategy in French Creek:
 - i. **Ground Water / System Capacity Study:** EWW proposed to complete a Ground Water/System Capacity Study in this Application. Since submitting the Application, a new opportunity has arisen for EWW to work with its partners in the region to participate in a more comprehensive collaborative study. EWW is not proposing an increase to its applied-for rates over the 2021-2023 test period to accommodate this increased scope of work.
 - ii. **Study of second water main under the Island Highway:** EWW is proposing to conduct a study of the options and costs to install a second water main under the Island Highway along Church Road to increase reliability and enable future growth.
 - iii. **Drew Road Reservoirs:** EWW is proposing to conduct a full seismic inspection of the Drew Road Reservoirs.
 12. EWW has also proposed a placeholder amount of \$349,000 to provide the flexibility to either (a) take advantage of a cost effective supply agreement with a third party, if such an agreement can be reached, and/or (b) accommodate higher-than-expected development if required. Because this amount is 100% attributed to developers, it has no

impact on rates and will only be withdrawn from the Deferred Capacity Trust Fund (DCTF) in the event that the funds are required for one of the two reasons listed above.

13. As discussed in the response to EWW-WURS-01-20.1, EWSI will provide an increased level of senior management support to ensure the utility is carefully positioned to accommodate future growth at a reasonable cost to customers. This will involve a comprehensive strategy that considers the results of the aforementioned studies and opportunities for collaboration with regional partners.
14. EWW is proposing a change in rate structure to incent conservation. Water conservation not only has environmental benefits, but also reduces the level of future investment required to accommodate growth in the customer base, thus helping to manage rate increases to customers. EWW has proposed 12 m³ for base consumption in order to provide an appropriate balance between incenting water conservation while minimizing bill increases. EWW will consider in its next rate application whether additional measures are required to further incent conservation.
15. Finally, EWW was unable to provide a complete response to one information request because the information required to properly respond (EWW's year-end regulated financial statements) will not be available until late March 2021. EWW will provide a response to EWW-WURS-01-31.2 once these regulated financial statements are completed.
16. These final comments, in conjunction with EWW's Application and responses to information requests, demonstrate that EWW's Application is just, reasonable, and in the public interest and as such should be approved by the Comptroller.