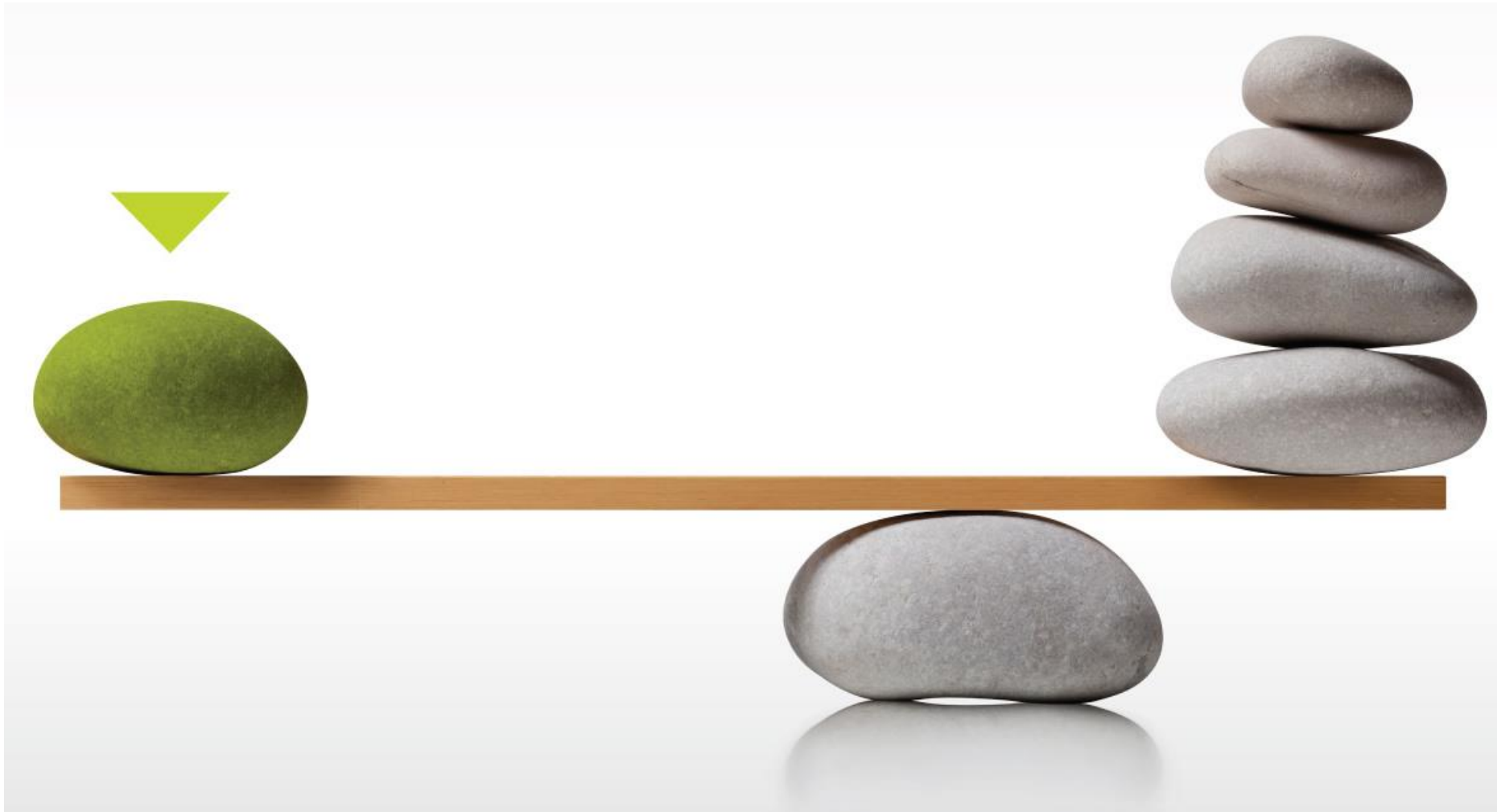


CAPITAL REGION NORTHEAST WATER SERVICES COMMISSION

Utility Rate Review & Update 2020 - 2026

September 21, 2020

Maintaining a Balance



Principles and Policies Applied:

- ▶ Apply the Utility or Rate Base Method in determining the Commission's annual Revenue Requirements (to conform with AUC practices, per s.602.14 of MGA)
- ▶ Observe all Board approved policies and practices
 - ▶ Maintain a 60:40 debt-to-equity ratio by funding 40% of future capital projects from the Commission's resources (reserves), and securing debenture funding for the remaining 60% of future capital developments
 - ▶ Amortize capital assets in accordance with expected useful service lives for the respective classes of tangible capital assets
- ▶ Review and update capital plans for 5-year and 20-year terms on a regular basis
- ▶ Maintain a utility rate model to identify "allowed revenue requirements" and review and update the model as necessary to forecast the Commission's growth and performance
- ▶ Apply "rate-smoothing" on an ongoing basis to allow rates to trend towards future rates necessary to fully recover revenue requirements (avoid creating rate shock)

CRNWSC 5-Year Capital Plan:

2020:	1. Assessment of System Wide Cathodic Protection	\$ 215,000
	2. HMI Upgrades	84,500
	3. Gibbons VFD Replacement	45,000
	4. Install 2 new CAV with chambers	50,000
2021	1. Smart Ball Inspection/Electromagnetic Scan - Northside	750,000
2022	1. Smart Ball Inspection - Southside Waterline	250,000
2023	1. Smart Ball Inspection - Gibbons Waterline	250,000
2024	1. Design & Construction of 400 mm West Watermain	8,690,000
Total Capital Expenditure		<hr/> \$10,335,000

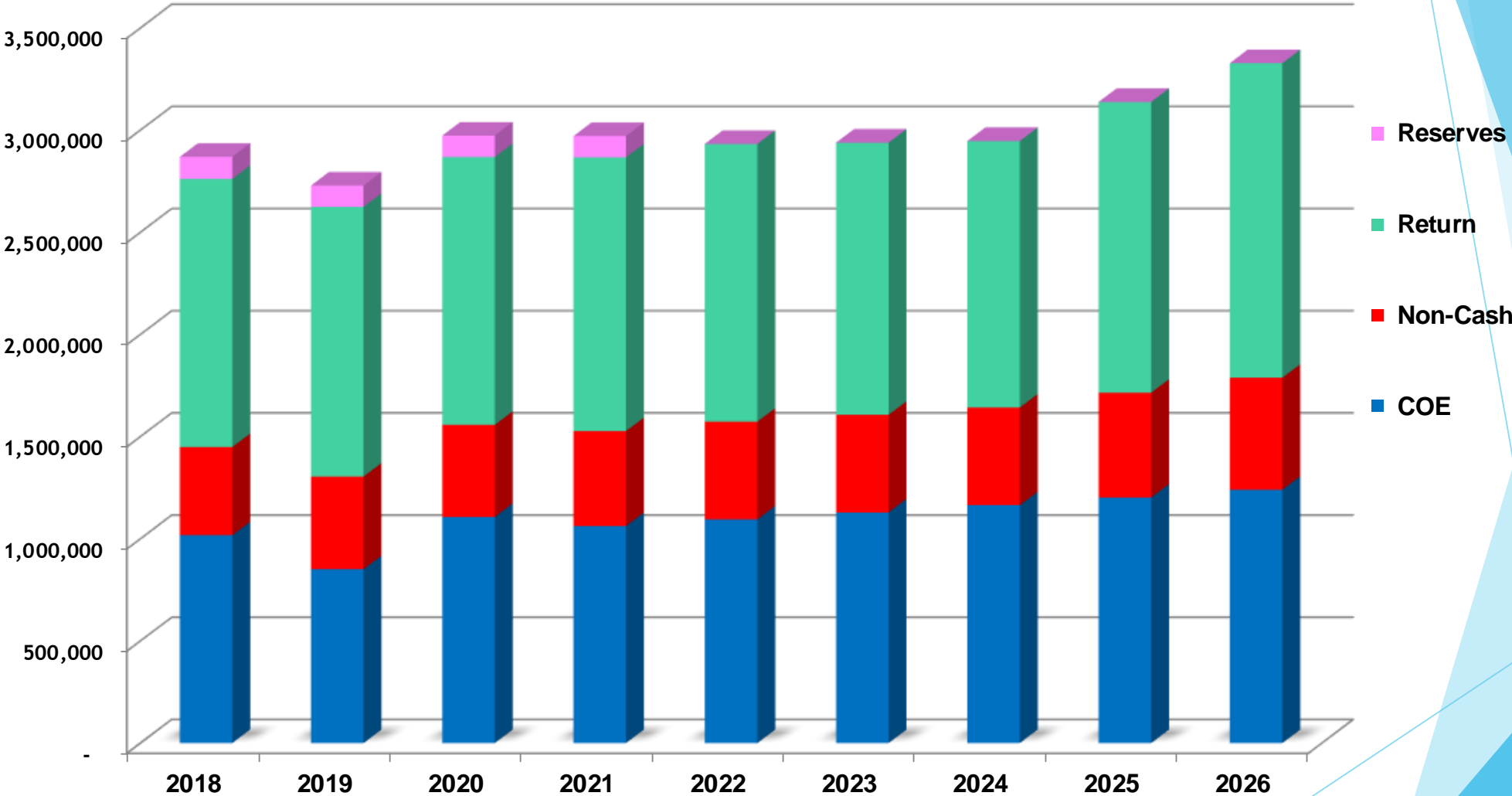
CRNWSC 5-Year Capital Plan (Revised):

2020	Deferred to 2021	
2021:	1. Assessment of System Wide Cathodic Protection	\$ 215,000
	2. HMI Upgrades	84,500
	3. Gibbons VFD Replacement	45,000
	4. Install 2 new CAV with chambers	50,000
	5. Smart Ball Inspection/Electromagnetic Scan - Northside	750,000
	6. Smart Ball Inspection - Southside Waterline	250,000
	7. Smart Ball Inspection - Gibbons Waterline	250,000
2022	Advanced to 2021	
2023	Advanced to 2021	
2024	1. Design & Construction of 400 mm West Watermain	8,690,000
		<hr/>
	Total Capital Expenditure	\$10,335,000

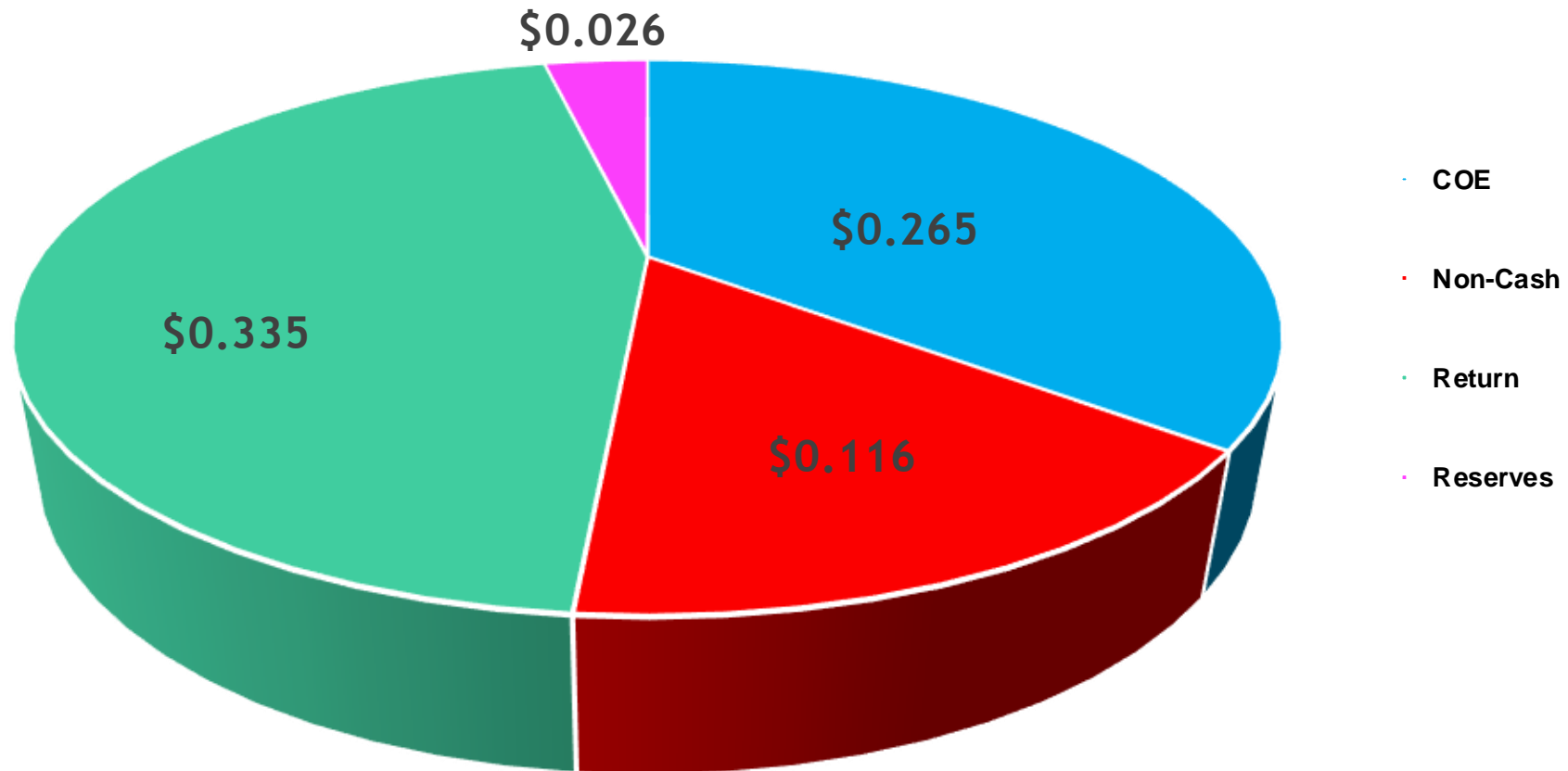
Annual Utility Revenue Requirements:

	2018	2019	2020	2021	2022	2023	2024	2025	2026
COE	1,017,349	851,257	1,106,616	1,062,324	1,094,912	1,128,958	1,164,529	1,201,698	1,240,542
Non-Cash	431,637	453,120	451,337	464,694	478,050	478,050	478,050	512,810	547,570
Return	1,312,076	1,319,885	1,310,926	1,340,031	1,359,388	1,331,893	1,304,380	1,423,162	1,539,960
Reserves	108,006	104,346	104,039	104,038	-	-	-	-	-
Total	2,869,069	2,728,609	2,972,918	2,971,086	2,932,351	2,938,901	2,946,959	3,137,670	3,328,073

CRNWSC UTILITY REVENUE REQUIREMENTS BY YEAR



CRNWSC 2021 Unit Rates (\$/m³) by Source



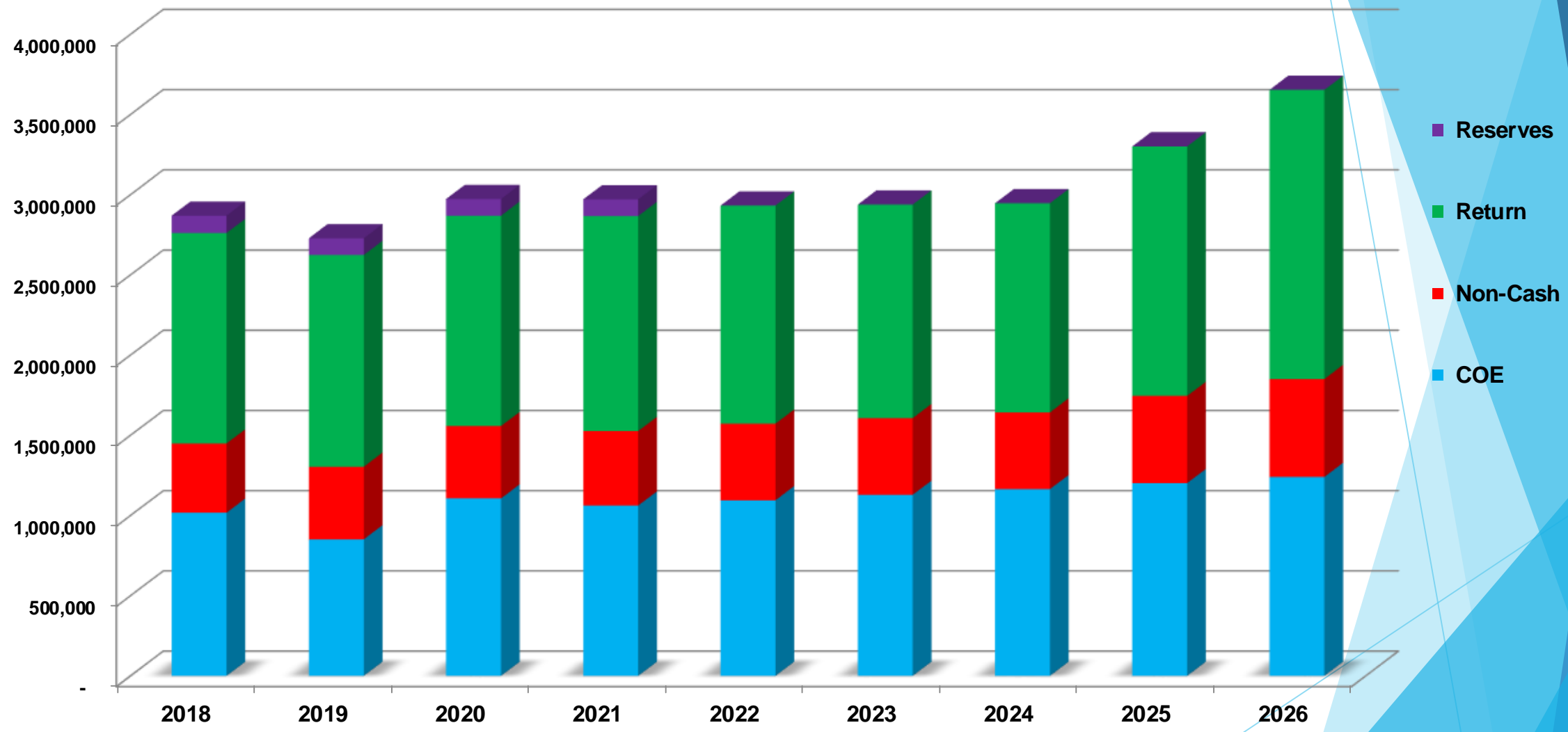
CRNWSC 5-Year Capital Plan with Bremner (Revised):

2020	Deferred to 2021	0
2021:	1. Assessment of System Wide Cathodic Protection	\$ 215,000
	2. HMI Upgrades	84,500
	3. Gibbons VFD Replacement	45,000
	4. Install 2 new CAV with chambers	50,000
	5. Smart Ball Inspection/Electromagnetic Scan - Northside	750,000
	6. Smart Ball Inspection - Southside Waterline	250,000
	7. Smart Ball Inspection - Gibbons Waterline	250,000
2022	Advanced to 2021	0
2023	Advanced to 2021	0
2024	1. Design & Construction of 750 mm West Watermain with Bremner	13,402,000
Total Capital Expenditures		\$15,047,000

Annual Utility Revenue Requirements - with Bremner:

		2018	2019	2020	2021	2022	2023	2024	2025	2026
References:		<u>ACTUAL</u>	<u>ACTUAL</u>	<u>Budget</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>
Cash Operating Expenses	Schedule 3	1,017,349	851,257	1,106,616	1,062,324	1,094,912	1,128,958	1,164,529	1,201,698	1,240,542
Non-Cash Expenses										
a) Depreciation	Schedule 1	706,481	785,457	841,166	854,523	867,880	867,880	867,880	957,226	1,046,573
b) Amortization of NCC	Schedule 2	<u>(274,844)</u>	<u>(332,337)</u>	<u>(389,830)</u>	<u>(389,830)</u>	<u>(389,830)</u>	<u>(389,830)</u>	<u>(389,830)</u>	<u>(413,003)</u>	<u>(436,176)</u>
c) Total Non-Cash Exp.	= 2.a) + 2.b)	431,637	453,120	451,337	464,694	478,050	478,050	478,050	544,224	610,397
Return	Schedule 6	<u>1,312,076</u>	<u>1,319,885</u>	<u>1,310,926</u>	<u>1,340,031</u>	<u>1,359,388</u>	<u>1,331,893</u>	<u>1,304,380</u>	<u>1,555,388</u>	<u>1,802,639</u>
Contributions to Reserves	Members Only	108,006	104,346	104,039	104,038	-	-	-	-	-
Contributions to Reserves	Hwy 28/63	-	-	-	-	-	-	-	-	-
		108,006	104,346	104,039	104,038	-	-	-	-	-
Revenue Requirement	= 1.+2.+3.+4.	<u>2,869,069</u>	<u>2,728,609</u>	<u>2,972,918</u>	<u>2,971,086</u>	<u>2,932,351</u>	<u>2,938,901</u>	<u>2,946,959</u>	<u>3,301,310</u>	<u>3,653,578</u>

CRNWSC REVENUE REQUIREMENTS BY YEAR, with BREMNER



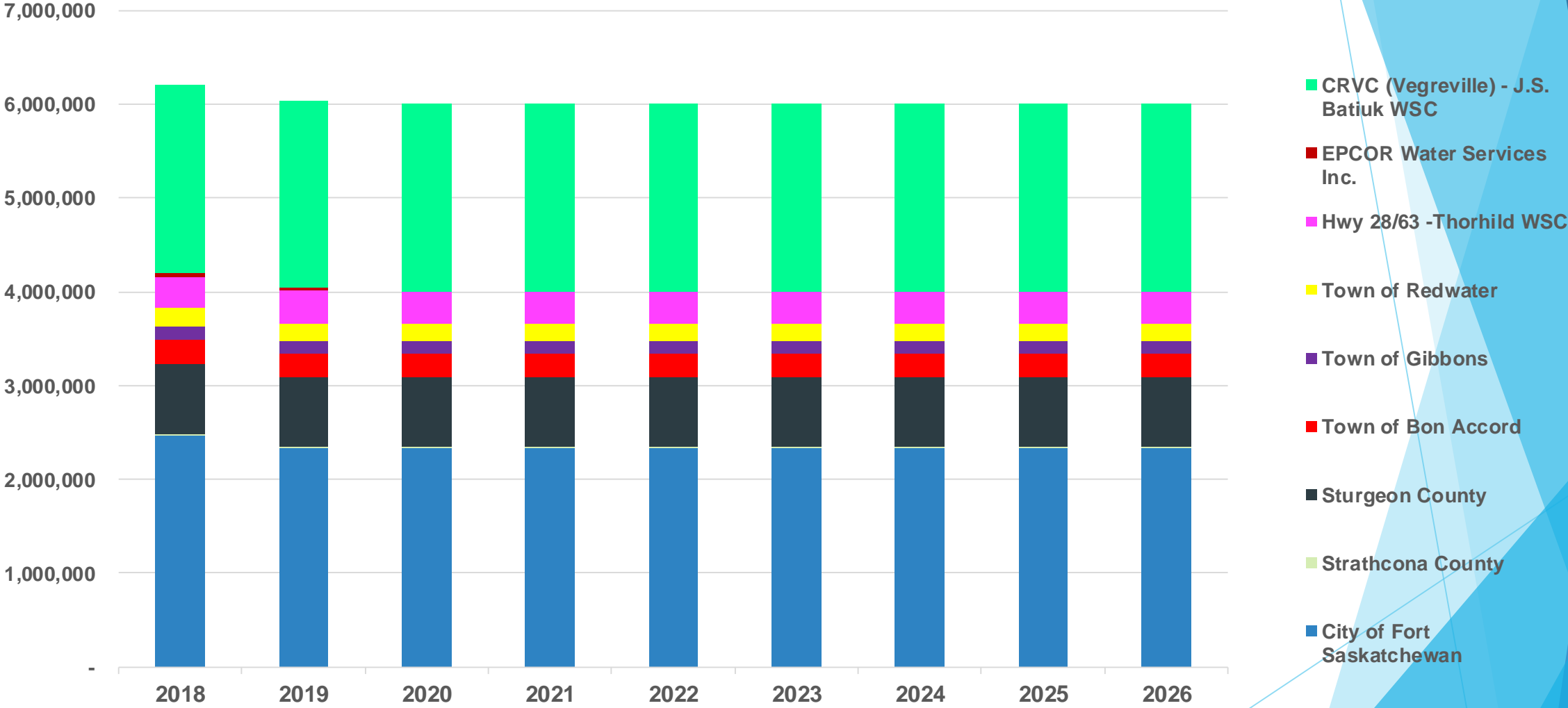
Unit Rates by Source (\$/m³), with Bremner



Sales Volumes (m³): Actual & Forecast

	2018 Actual	2019 Actual	2020 Budget	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
City of Fort Saskatchewan	2,464,188	2,330,787	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000
Strathcona County	17,367	16,590	16,500	16,500	16,500	16,500	16,500	16,500	16,500
Sturgeon County	747,243	746,181	745,000	745,000	745,000	745,000	745,000	745,000	745,000
Town of Bon Accord	260,032	251,167	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Town of Gibbons	144,895	129,847	130,000	130,000	130,000	130,000	130,000	130,000	130,000
Town of Redwater	198,308	190,021	190,000	189,981	189,981	189,981	189,981	189,981	189,981
Hwy 28/63 -Thorhild WSC	322,058	348,732	340,000	339,966	339,966	339,966	339,966	339,966	339,966
<i>EPCOR Water Services Inc.</i>	44,090	33,853	-	-	-	-	-	-	-
<i>CRVC (Vegreville) – J.S. Batiuk WSC</i>	2,001,683	1,980,863	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total Sales	6,199,863	6,028,040	6,001,500	6,001,447	6,001,447	6,001,447	6,001,447	6,001,447	6,001,447

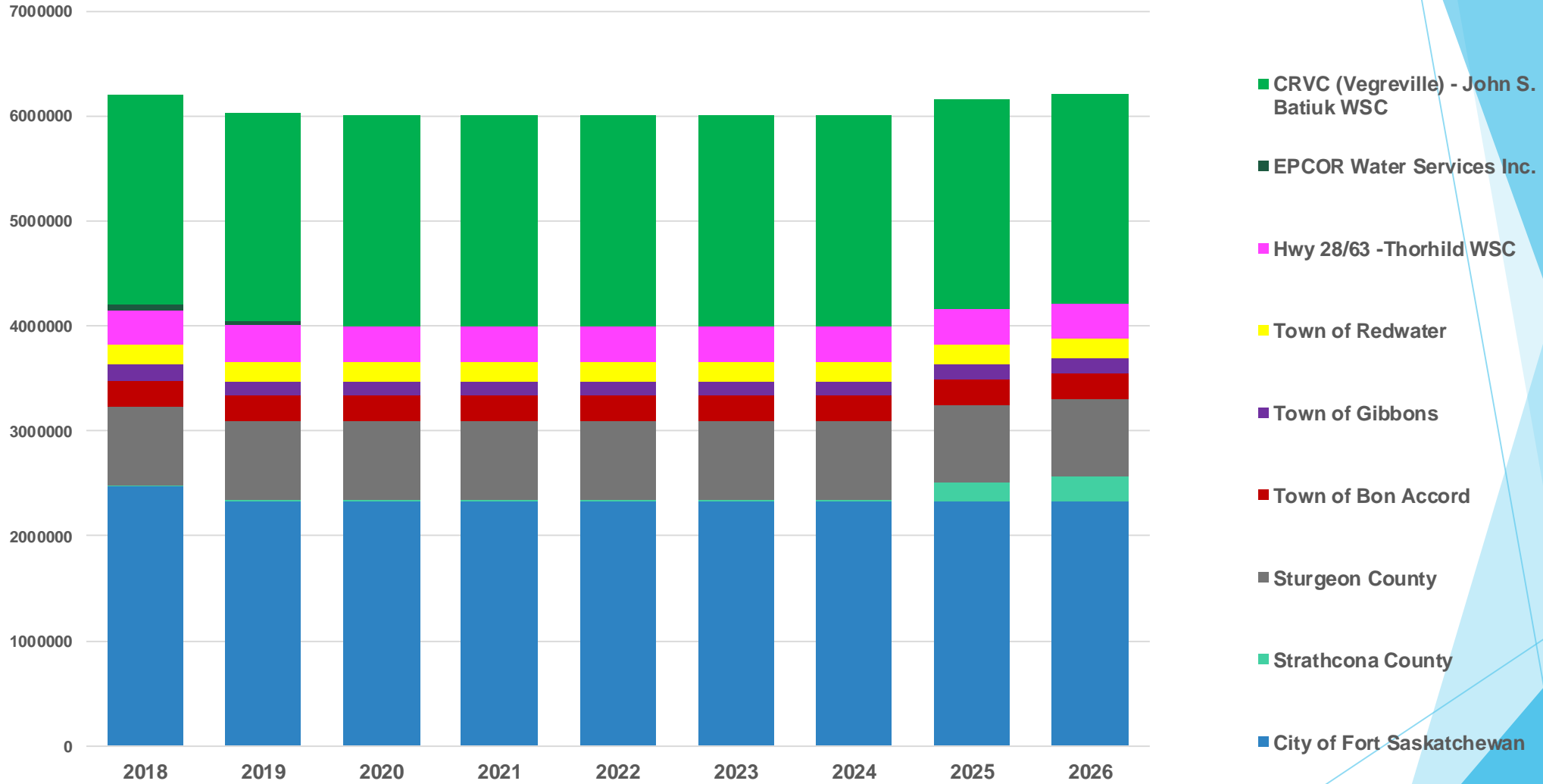
CRNWSC SALES (m³): Actual and Forecast by Year



Sales Volumes (m³): Actual & Forecast with Bremner

	2018	2019	2020	2021	2022	2023	2024	2025	2026
in m ³ (cubic meters)	Actual	Actual	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
City of Fort Saskatchewan	2,464,188	2,330,787	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000
Strathcona County	17,367	16,590	16,500	16,500	16,500	16,500	16,500	177,301	232,991
Sturgeon County	747,243	746,181	745,000	745,000	745,000	745,000	745,000	745,000	745,000
Town of Bon Accord	260,032	251,167	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Town of Gibbons	144,895	129,847	130,000	130,000	130,000	130,000	130,000	130,000	130,000
Town of Redwater	198,308	190,021	190,000	189,981	189,981	189,981	189,981	189,981	189,981
Hwy 28/63 -Thorhild WSC	322,058	348,732	340,000	339,966	339,966	339,966	339,966	339,966	339,966
<i>EPCOR Water Services Inc.</i>	44,090	33,853	-	-	-	-	-	-	-
<i>CRVC (Vegreville) – J. S. Batiuk WSC</i>	2,001,683	1,980,863	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total Sales	6,199,863	6,028,040	6,001,500	6,001,447	6,001,447	6,001,447	6,001,447	6,162,248	6,217,938

CRNWSC SALES (m3): Actual and Forecast by Year, with Bremner



**The problem is not the problem,
the problem is your attitude
about the problem.**

- Captain Jack Sparrow

DISCUSSION & QUESTIONS