#### Integrated Infrastructure Services Blatchford Redevelopment Office

Edmonton

## Blatchford Renewable Energy Funding Opportunity

Utility Committee / City Council May 9, 2023

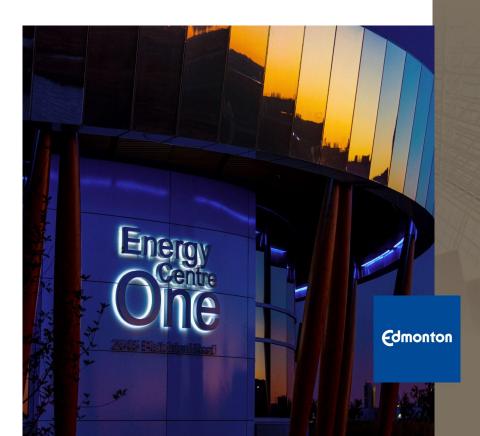
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# Blatchford has an ambitious and exciting vision to be a 100% renewable, carbon-neutral community.



## **Blatchford Renewable Energy**

- Blatchford Renewable Energy (BRE) is a city-owned utility that provides sustainable utility services to the Blatchford community.
- BRE's work is in alignment with ConnectEdmonton's strategic goal of Climate Resilience, The City Plan and the Community Energy Transition Strategy.
- One of our top priorities is to attract grant funding for capital investment in the utility.



# **Grant Funding Opportunity**

- National Resources Canada's (NRCan) Smart Renewables and Electrification Pathways Program (SREPs) \$23.7M
- Capital projects funded through grant:
  - Energy Centre One expansion 2023/24
  - Growth of the distribution piping network, including energy meters - 2023 to 2029
  - Planning, design, and construction of the Sewer Heat Exchange Energy Centre - 2027 to 2029
- Matching funding required to leverage grant
  - 30% federal grant \$23.7M
  - 70% matching municipal contribution \$55.3M

## **Financial Background**

- Utility requires \$93.3 M non-refundable cash infusion for initial capital infrastructure costs
  - Required to be sustainable without tax-levy subsidization and business as usual rates
  - External grant funding identified as the ideal funding source

- Capital expenditures as of December 31, 2022
  - Capital expenditures of \$23.0 million financed through debt
  - Cumulative operating shortfall of \$7.7 M (includes debt servicing) financed by City of Edmonton working capital

# **Matching Municipal Contribution**

Project Costs (Submission) (\$ millions)	Capital Expenditures (Approved 2023-2026)			Capital Expenditures (Proposed 2026-2029)			Operating Expenditures (Approved 2023-2026)			Total
	Debt	Grant	15	Debt	Grant		Retained Earnings	Grant		101.07
Geo-Exchange Field/EC1	2.3	0.9	3.2				2			3.2
Distribution Piping System/Energy Meters	8.3	3.6	11.9	1.4	0.5	1.9				13.8
Sewer Heat Exchange (SHX)	1.0	0.4	1.4	41.9	18.0	59.9				61.3
Salaries & Benefits (Operating Costs)							0.6	0.3	0.9	0.9
Total	11.6	4.9	16.5	43.3	18.5	61.8	0.6	0.3	0.9	79.2
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# **Interest Related to Debt Financing**

Debt Servicing Costs (25 Year Debt) (\$millions)	Principal	Forecasted Interest Expense	Total Estimated Debt Servicing	
Debt as of December 31, 2022 (Borrowed to Date)	23.0	10.9	33.9	
Approved in 2023-2026 Budget (Forecasted)	28.0	25.6	53.6	
Proposed 2023-2029 (Forecasted) Required for SREPs grant matching purposes	43.3	39.6	82.9	
Total	\$94.3	\$76.1	\$170.4	

- \$93 million non-refundable cash infusion to pay for the initial stages of the infrastructure investment facilitates the long term financial sustainability and business as usual rates
- Financial sustainability targets and business as usual rates may be impacted through more than anticipated use of debt

## **Other Considerations**

- Majority of expenditures are forecasted for 2028 and 2029 Sewer Heat Exchange
  - Capital projects will be constructed based on progress of Blatchford Community Development
- Continued scan of grant opportunities to limit use of debt
- Utility Fiscal Policy update scheduled for Fall 2023
  - Potential to revisit key policy objectives
  - Financial sustainability targets
  - Business as usual rates
- Risks of not proceeding with the grant

### **Recommendation & Next Steps**

- **May 9** Utility Committee recommend to Council to approve new capital expenditures from 2023-2029 funded through the federal grant and self-supported tax guaranteed debt
  - New capital expenditures: \$61.8M
  - New funding sources: Debt \$43.3M; Grant \$18.5M
  - Previous approved capital/operating expenditures: \$17.4M
  - Previously approved funding sources: Debt \$11.6M; Grant \$5.2M; Retained Earnings - \$0.6M
- June 13 Council approval (same time as the Spring Supplemental Capital Budget Adjustment discussion)
- June 2023 Administration will begin work with federal government to finalize grant funding agreement once municipal contribution approved by Council

# Thank you. Questions?

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