



Integrated Infrastructure Services
Blatchford Redevelopment Office

Blatchford Renewable Energy Funding Opportunity

Utility Committee / City Council
May 9, 2023

IIS01821

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
	<i>Debt</i>	<i>Grant</i>		<i>Debt</i>	<i>Grant</i>		<i>Retained Earnings</i>	<i>Grant</i>		
Geo-Exchange Field/EC1	2.3	0.9	3.2							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
	Total Debt/Retained Earnings (Matching Contribution - 70% of Project Costs)									55.5
	Total NRCan Grant (30% of Project Costs)									23.7

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) <i>Required for SREPs grant matching purposes</i>	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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