

Administration Responses to Information Requests from the Utility Advisor

IR-UA-1	
Topic	Potential for Rate Shock
Reference	Application Page 3
Request	An accepted regulatory principle is the need to avoid excessive rate increases to utility rates. There is no readily available definition of “excessive rate increases”. In the view of management, are 10 percent rate increases for fixed daily townhouse rates and variable rates, as well as 10 percent rate increase for multi-unit lots variable rates “excessive”, given current trends in BAU costs?

IR-UA-1 Administration Response:

In the view of Administration, the 10 per cent rate increases are not “excessive” given current trends in BAU costs.

Since the Blatchford Fiscal Policy was first approved on April 10, 2018, the rate setting process has been defined by the business as usual (BAU) methodology where the requirement is to ensure “the customer will pay, at most, a comparable fee to what they would elsewhere in the City of Edmonton through their energy utility bills and maintenance costs”. BAU is based on an estimate of market rates for natural gas, electricity, and maintenance costs for an average customer living outside of Blatchford. Electricity costs are based on the approved Regulated Rate Option (RRO) rates (i.e. variable rates a customer would pay if they are not on a fixed price contract with an electricity retailer).

The main reasons Blatchford Renewable Energy (BRE) customers are not subject to excessive rates with the proposed 10 per cent rate increase includes:

1. Business As Usual (BAU) vs. Traditional Cost of Service Utility Rates
Typically utility rate setting methodology incorporates cost of service, where all allowable utility costs are identified and this is used to establish the revenue requirement which is allocated across all utility customers. BAU methodology does not consider the cost of services in the traditional sense. As such, BRE rates have been historically set lower compared to rates based on a traditional cost of service methodology as BAU does not

allow for full recovery of all costs associated with the full service delivery and build-out of the Utility. As a result, the BREU has incurred annual shortfalls since inception which are forecast to continue until 2026 even with annual 10% rate increases being implemented. These shortfalls will need to be recovered in future years through utility rates.

2. Five Year Rolling Average (Attachment 1 in the 2024 rate file includes "Table 3: Townhouse – BAU Variance BREU vs. BAU Utility Bills")
This table demonstrates that when comparing average BREU to BAU utility bills, the annual differences, as represented by the 5 year rolling average (red line), has historically shown BREU rates to be lower than BAU and will continue through 2026. The differences range from -10.1 per cent below BAU in 2022 to -5.7 per cent below BAU in 2026. The differences shown in the graph also incorporate the proposed 10 per cent rate increase for each year starting in 2023. This is consistent with rate setting discussions in the Fall of 2022 that resulted in the approval of the BREU 2023-2026 Budget.

While 10 per cent rate increases, in isolation, are "traditionally" higher than normal, BREU is unique in that rates were not established originally to fully recover all costs of service but rather follow the BAU methodology which has resulted in lower rates in comparison since the Utility's inception. Furthermore, the 10 per cent rate increases annually from 2023-2026 were highlighted as proposed rate increases in the BREU 2023-2026 Budget, as required increases to ensure the financial sustainability of the Utility. Administration will continue to assess the Utility's financial situation and is set to bring forward by the end of Q2 2024 an updated Utility Fiscal Policy and Business Plan to evaluate the long-term financial sustainability of the BREU.

IR-UA-2	
Topic	Exemption for Net-zero Carbon Standard
Reference	Application Page 4
Request	<p>Blatchford has received its first exemption request for a net-zero carbon standard.</p> <ul style="list-style-type: none"> i. Please identify the steps taken by the developer to meet the net-zero carbon standard. ii. Please describe the steps taken to verify that the proposed development will be designed, built, and certified to net-zero carbon standards. iii. Please describe the process that will occur if the completed development does not meet the net-zero standards.

IR-UA-2 Administration Response:

i. + ii: The Blatchford Renewable Energy Utility has developed the “District Energy Sharing System (DESS) Exemption Guide” to provide guidelines for determining whether a building or group of buildings will be built to at least a net-zero carbon standard.

The District Energy Sharing System (DESS) Exemption Guide includes technical specifications, energy modeling requirements and submission requirements for these buildings. The guide also establishes a framework for the Blatchford Renewable Energy (BRE) office to assess whether the buildings meet the criteria. To confirm compliance with the DESS exemption, BRE will undertake reviews of the energy analysis and building design and construction at select stages during planning, design and construction.

iii: If the BRE determines that a building or group of buildings is not meeting the net-zero carbon standard requirements outlined in the “District Energy Sharing System (DESS) Exemption Guide”, the BRE will take necessary steps to ensure that the building or group of buildings implement service connections to the DESS as required by Section 6 - Mandatory Use of DESS of the Blatchford Renewable Energy Utility Bylaw.

ATTACHMENT 3

IR-UA-3	
Topic	Revenue Shortfall
Reference	Application Page 23 Table 13
Request	Revenue shortfall for 2024 is forecast to be \$1,324,700, and for 2025 is forecast to be \$863,600. Please provide the comparable 2024 and 2025 revenue shortfall forecasts from the Blatchford 2023 utility rate filing. Please explain any significant variances in the forecasts.

IR-UA-3 Administration Response:

The table below details the variances between the approved 2023 BREU rate filing and the proposed 2024 BREU rate filing for total system revenue requirement, revenue on proposed rates, infrastructure fee revenue, revenue surplus (shortfall) and customer counts for 2024 and 2025.

As demonstrated by the table, the variance in the revenue shortfall is as a result of reduced customer connections and variation of resulting energy load requirements for 2024 and 2025 than originally forecasted. Forecasted rate revenue has been reduced to align with a reduction of 36 customers in 2024 with townhouse customers decreasing by 26 and multi-unit customers decreasing by 10. The reduction in new customers connecting to the system has also resulted in lower infrastructure fee revenues, with lower multi-unit customers connecting to the system being the main impact. These reductions in revenue have resulted in revenue shortfalls in 2024 (\$1,324,700) and 2025 (\$863,600).

ATTACHMENT 3

Approved 2023 BRE Rate Filing and Proposed 2024 BRE Rate Filing

	2024 Budget	2025 Budget
2023 BRE Rate File (\$000's)		
Total System Revenue Requirement	1,612.7	1,648.6
Rate Revenue	694.3	1,224.8
Infrastructure Fee	755.1	1,590.0
Total Revenue	1,449.4	2,814.8
Revenue Surplus (Shortfall)	(163.3)	1,166.2
2023 BRE Rate File Customers		
Townhouses	207	275
Multi-Unit	10	16
Total Customers	217	291
2024 BRE Rate File (\$000's)		
Total System Revenue Requirement	1,612.7	1,648.6
Rate Revenue	109.0	228.0
Infrastructure Fee	179.0	557.0
Total Revenue	288.0	785.0
Revenue Surplus (Shortfall)	(1,324.7)	(863.6)
2024 BRE Rate File Customers		
Townhouses	181	290
Multi-Unit	-	2
Total Customers	181	292
Difference 2023 to 2024 BRE Rate File		
System Revenue Requirement	-	-
Revenue (\$000)	(1,161.4)	(2,029.8)
Revenue Surplus (Shortfall) (\$000)	(1,161.4)	(2,029.8)
Total Customers	(36)	1
Townhouses	(26)	15
Multi-Unit	(10)	(14)