

JUNE 2024

# BLATCHFORD RENEWABLE ENERGY

2024 - 2027 Business Plan  
Attachment 1 - IIS 01945

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# Blatchford

The City of Edmonton is leading the development of a new, centrally located community with a bold and exciting vision set by City Council in 2010:

*Blatchford will be home to up to 30,000 Edmontonians living, working and learning in a sustainable community that uses 100% renewable energy, is carbon neutral, significantly reduces its ecological footprint, and empowers residents to pursue a range of sustainable lifestyle choices.*

Blatchford is optimizing how we live, work and play. This is being achieved by providing an abundance of park spaces, natural habitats, walkways and bikeways for use in all seasons. Transit will be readily accessible. Work, education and amenities will be close and convenient. Public spaces are bringing people together and creating a strong sense of community.

Environmental sustainability is being achieved by minimizing heat, power and water consumption. Buildings in Blatchford are built with high energy-efficiency standards and connect to an innovative District Energy Sharing System (DESS) that uses geoexchange, sewer heat exchange and solar as renewable energy sources. Water conservation in the community is managed through low impact development features like bioswales, bioretention areas, tree cells, cisterns, rain gardens and wetlands.

Blatchford is a landmark development for Edmonton and for Canada. As the world grows and changes, so will Blatchford. It will continue to incorporate the best ideas of the day and will be a progressive development that serves as an inspiration to other communities.

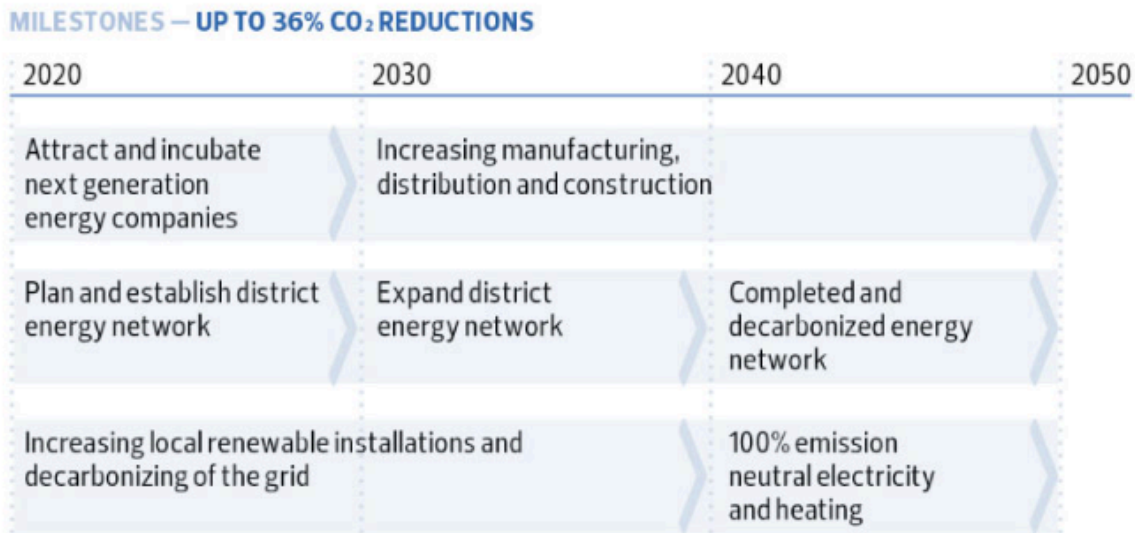
## Blatchford Renewable Energy

A new public, city-owned utility was established in 2016 to help achieve the City's long term goal of 100 per cent renewable energy and carbon neutrality for Blatchford. Blatchford Renewable Energy owns and operates the neighbourhood's District Energy Sharing System, including future mechanical equipment within certain customer buildings. All buildings in Blatchford, with the exception of net-zero carbon buildings, must be connected to the District Energy Sharing System for all heating, cooling and domestic hot water services.

To be exempted from connecting to the District Energy Sharing System, a building must be designed, built and certified to a net-zero carbon standard, or better. There is currently one homebuilder in Blatchford that is building homes in adherence with the exemption

requirements. The builder is in the process of building 8 townhouse units. With the introduction of the first exempted buildings, the Utility has updated the energy and financial model to be able to run sensitivity scenarios on the financial health of Blatchford with the addition of net-zero homes and will continue to monitor the long term impact on energy capacity and financial health for the community. The Utility will continue to assess the direct impact of installing utility infrastructure, such as piping and connection, to lots which are then not connecting to it and subsequently not generating revenue for the Utility.

Blatchford Renewable Energy’s goals align with City Council’s strategic goals with a special focus on climate resilience. Its operation supports the City Plan and the Community Energy Transition Strategy by significantly reducing greenhouse gas emissions and increasing energy resilience in the heart of Edmonton. District energy, in particular, represents a key strategy of Edmonton’s Community Energy Transition Strategy. As outlined in the strategy, 36 per cent of greenhouse gas emission reductions are to come from energy system transformation. This includes both an emissions neutral electricity grid and a “City-wide decarbonized district energy network by 2050”.



**Figure 1:** Actions for Energy System Transformation in the Energy Transition Strategy

Edmonton’s first District Energy Strategy, which supports the City Plan and the Community Energy Transition Strategy, was published in 2022. The strategy outlines the City’s role in facilitating more systems implementation to decarbonize Edmonton’s heating and cooling energy systems from buildings and businesses. The strategy also lays out a full vision of a growing network of District Energy nodes, which over time have the potential to grow to a more denser and efficient District Energy network, focusing on improving energy resilience and reducing greenhouse gas emissions. The further development and ongoing operation of the

District Energy Sharing System managed by Blatchford Renewable Energy is a cornerstone of District Energy development in Edmonton and fully supports the District Energy Strategy now and in the future.

Blatchford's District Energy Sharing System has been operational for over five years, so the Utility's focus is on day-to-day operations as well as maintaining and connecting new customers. Recently the Utility completed the extension of the first Energy Centre to its full capacity to ensure it will be able to meet the growing community's energy demands. The Utility is currently reviewing an updated Master Plan for Blatchford, which provides a financial and energy model for the Utility in relation to the community's overall growth. Being aligned with the growth of the community and ongoing builder activities is critical for the Utility to determine when and where to optimize capital investments in Energy Centres and the Distribution System Network expansion.

## **Coordination with Land Development**

The development and operation of the Utility is closely connected to the Blatchford Redevelopment Office's land development work. As the land developer, the Blatchford Redevelopment Office is responsible for land use planning, engineering design, construction of public infrastructure and selling fully serviced parcels of land to builders.

Close collaboration between the Blatchford Redevelopment Office and Blatchford Renewable Energy ensures planning and construction are aligned and expedites monitoring and updating the financial performance of both entities. As with any large land development project, Blatchford uses a staging plan. However, the sequence and timing of the stages are subject to change depending on the market conditions and construction progress. The current operational, energy and financial model for the Utility is based on the most recent development scenario for Blatchford and will be adjusted as necessary and in alignment with the land development plans.



*A home in the community serviced by Blatchford Renewable Energy.*



*The community's first geexchange field is located underneath the stormwater pond in the community.*



*Blatchford takes shape as home building continues to expand development.*

# Strategic Plan

Blatchford Renewable Energy's strategic objectives focus on the growth of the District Energy Sharing System and the integration of emerging technologies into the Utility's operation. The overall goal is to reach steady, reliable operation and financial sustainability while achieving Council's vision for a carbon neutral community powered entirely by renewable energy.

Growth of the utility infrastructure is closely aligned with the pace of the land development, builder construction timelines and market uptake. Blatchford Renewable Energy will follow the Blatchford land development schedule and will be adjusted accordingly as housing market considerations change. Overall, a staged approach for the land development and utility is planned in Blatchford, which will include periodic updates to the utility's energy and financial models. Land development needs to be flexible to adjust to market demands and conditions. Any changes to the land development scenario would likely have an impact on Blatchford Renewable Energy's staging and infrastructure needs.

The Master Plan includes modeling and forecast tools to help Blatchford Renewable Energy plan for the infrastructure needed to support additional district energy services in the development. It provides a roadmap for the development of district energy infrastructure alongside the land development for Blatchford. The modeling tool allows district energy planners to understand and respond to changes in land planning and development staging.

Given the most recent development and forecasted construction timelines a strategic review and update to the Master Plan was conducted. The goals of this review was to optimize capital and operating costs for the growth of the Utility, while maintaining and providing the same level of thermal energy service that will achieve the sustainability and financial goals for the community and the utility. Table 1 provides an overview of the most recent energy forecasts and connected floor space compared to last projections done in 2021. The forecasted information is for the entire community at expected full build out.

**Table 1:** Development Floor Area and Utility Load Changes

Parameter	November 2021	May 2024	Difference
Customer Floor Area [m <sup>2</sup> ]	1,535,853	1,371,764	-164,089
Peak Heating [kW]	34,088	30,562	-3,526
Annual Heating [MWh]	46,811	48,469	1,658
Peak Cooling [kW]	46,355	39,272	-7,083
Annual Cooling [MWh]	44,125	34,562	-9,563
GHG Savings in 2050 [tCO <sub>2</sub> e/ year]	11,042	9,702	-1,340
Renewable Energy in 2050 [%]	98	92	-6

Total customer floor area has reduced due to slight changes in the development forecast. Peak heating and cooling loads have dropped in part due to reduced overall floor area and also due to changes in the proportions of different building archetypes. The drop in renewable energy production from 98 to 92 per cent is due to a reduction in sewer heat recovery capacity. Lower sewer heat recovery capacity was identified during the design development of the Sewer Heat Recovery Energy Center and is due to EPCOR's planned diversions of sewage away from the combined sewer main. The lost sewer heat recovery capacity has been partially offset by an increase in geexchange borehole capacity proposed under the second stormwater pond in the community. Utility leadership is continuously working on further implementing alternative low or net zero fuels into the energy mix.

The Utility also looked at the opportunity to reduce the total number of Energy Centres from six to four and to optimize their location around the community. This should have the following potential benefits:

1. Reduces encumbrance on Blatchford land sale parcels: The Utility investigated opportunities to co-locate energy centre equipment within customer buildings. It has proven more challenging than anticipated to proceed with co-locating energy centres (timing issues, access requirements, etc). Removing energy centres from customer parcels avoids challenges with coordinating space and design requirements with builders.
2. Increases land available for sale: Potentially removing energy centre locations from developable land in the community would create more parcels for sale for the Land Development and lead to potential higher sale revenues than originally anticipated.



3. Simplifies project delivery: Fewer energy centres require less project delivery overhead and administration including procurement, budget requests and design.

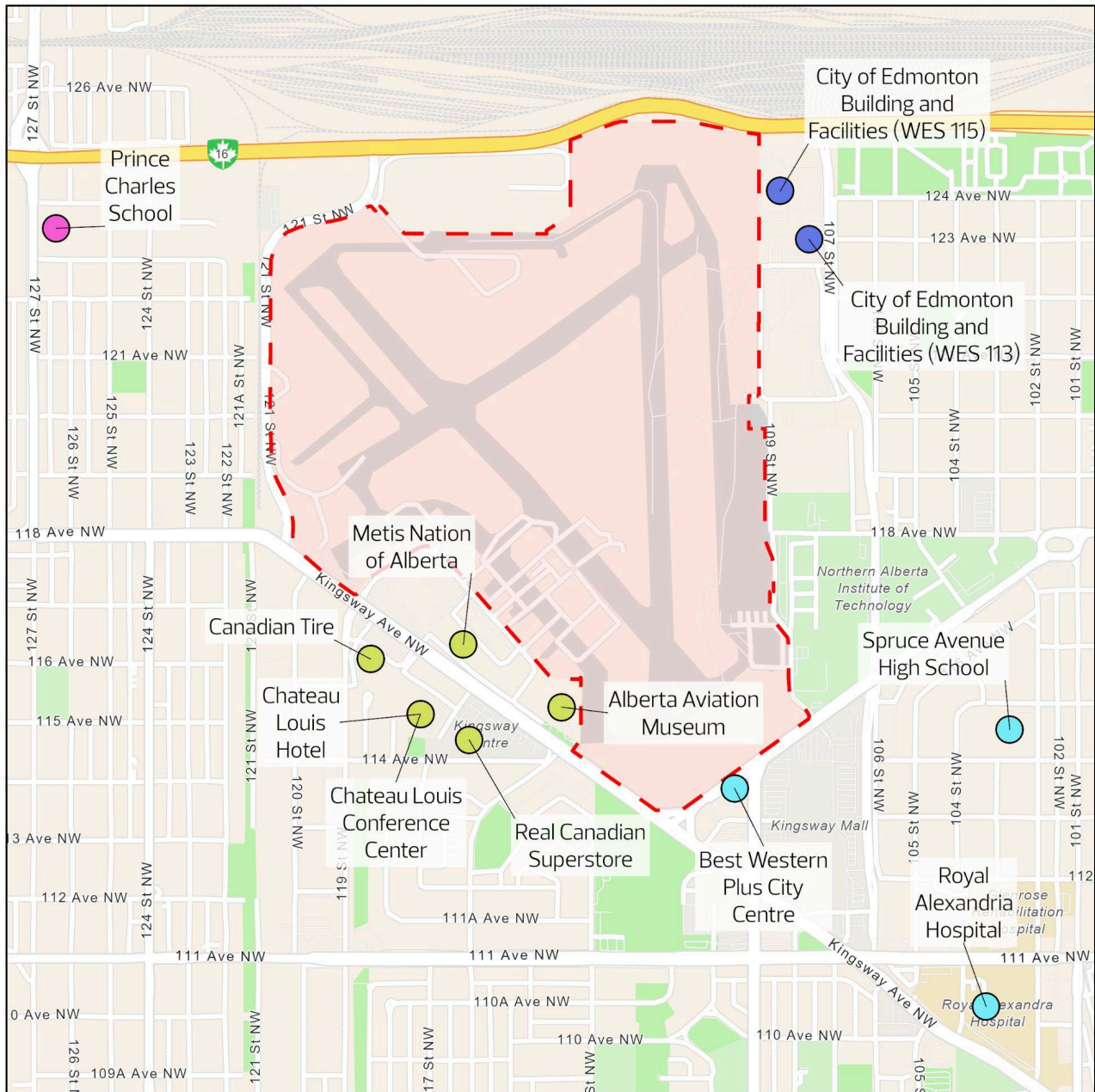
4. Reduces maintenance: Fewer energy centres means lower operating and maintenance expenses as maintenance staff would be responsible for fewer—albeit larger—energy centres.

5. Reduces neighbourhood noise impacts: Energy centres 2 and 3 were originally proposed to be located next to, or within, residential parcels in West Blatchford. The potential relocation of energy centres outside of the previously identified parcels minimizes potential impacts on the community from cooling tower noise, plumes from peaking boilers and maintenance activities.

A list of options for consolidated energy centres locations was prepared by an external consultant and reviewed with Blatchford Renewable Energy. A screening analysis was completed which considered three factors for each site: community impact, land procurement and constructability and distribution piping routing impacts. Three preferred locations have been identified for future energy centres and have been included in the latest Master Plan update. The location of the Sewer Heat Recovery Energy Centre in the Blatchford Market area would not change. Previous Energy Centres 2 and 3 would be combined at a new location north of the second Storm Water Management Field, while previous Energy Centres 4 and 5 would be combined in a new location in a future business industrial parcel at the northeast corner of the site.

Due to the combination of energy centers there will likely be capital cost and renewal savings over the longer term. Based on early design work the cost of the Sewer Heat Recovery Energy Center costs are anticipated to be greater than anticipated. Administration is still assessing these cost impacts and financial impacts will be brought forward through future business cases, rate filings and budgets.

The Utility also conducted a feasibility study on the potential to extend service connections outside of the current identified service area. The study identified 12 key opportunity buildings, which could potentially be integrated into the Utility over time. One of the identified buildings is Hangar 14, the Aviation Museum. The study included field visits and initial high level cost estimates. Figure 2 shows a map with the identified buildings and locations. Being located outside of the service area of the Utility, any potential connection would have to be subject to both parties agreeing on technical and cost arrangements, in accordance with section 7 of Bylaw 17943, the Blatchford Renewable Energy Utility.



**Figure 2:** Feasibility Study Blatchford Renewable Energy Expansion

Given the integration of NAIT's Campus Development Plan, they will become a significant customer to the District Energy Sharing System and the utility over the next decades. Current estimates anticipate that the total thermal energy requirement for the NAIT development will be up to 22 per cent of the total District Energy Sharing System capacity. After the development of

specific District Energy Sharing System connection and exemption design guides for NAIT, their current focus is on the development of their first two buildings, a Student Residence and the new Advanced Skill Centre. The timing of the construction of the buildings on this land is determined by NAIT. Their schedule for both projects has been delayed from previous forecasts. At the earliest, and if located in the Blatchford Utility Service Area, a connection to the DESS in 2027 may be possible. The Skills Centre development has been moved outside of the Blatchford Utility Service Area, however NAIT recently announced the start of the planning and design stages for the facility.

Achieving financial sustainability for the Utility depends on a number of factors including, but not limited to, required non-refundable cash infusions, stable utility rate structure and other sufficient related utility rates and fees. From an operational perspective, the strategic vision includes an agreement with an external utility service provider to operate and maintain the utility infrastructure while keeping the utility as a municipally owned entity. While still in its infancy, Blatchford Renewable Energy continues to evaluate the timing and opportunities related to engaging an external service provider with plans to further investigate this opportunity.

Early 2023, Blatchford Renewable Energy was approved for grant funding of \$23.7 million. The grant includes the following components of the Utility:

- Energy Centre 1 Expansion;
- Growth of the distribution piping network, including energy meters; and
- Planning, design, and construction of the Sewer Heat Exchange Energy Centre.

While this was the first successful grant, the utility, with Council's support, will continue to advocate for grant opportunities on the provincial and federal level.

## **The Next Four Years (2024-2027)**

The focus for Blatchford Renewable Energy over the next four years will be on the continuation of the Utility's operational performance, the extension of the distribution piping network and the growth of the existing and new energy centres.

The first Blatchford residents have been connected for almost five years and the District Energy Sharing System has worked without any interruptions or concerns. The variability and flexibility of the utility has provided comfortable heat and cooling energy throughout the initial years of operation.

While the operations and engineering teams are monitoring the performance of the first energy centre, Blatchford Renewable Energy has started the process of planning the anticipated growth in the community. The next four years include a series of operational activities which are described in more detail below:

### **1. Energy Centre One Expansion**

The expansion of Energy Centre One has been completed and is operating at its full capacity of 4.25 MW of heating and 4 MW of cooling energy. The expansion was needed to provide energy demand for buildings in land development stages in Blatchford west and east, which are anticipated to come online between 2023 and 2026. During that time frame, the full community's base and peaking loads will be serviced by this Energy Centre One. The expansion was completed on schedule and under the expected project budget by \$0.9 million with a total capital cost of \$2.2 million.

### **2. Design and Construction of the next Energy Centre**

During the 2023 to 2026 budget deliberations, Council approved the design and construction of the first peaking Energy Centre in the community, by subsequently delaying the detailed design and construction of the initially planned Sewer Heat Exchange Energy Centre. The Utility is currently reviewing this order of Energy Centre construction given the impact of the above mentioned reduction of total Energy Centres and their location in the community. The key variable to be monitored is the increase in land sales and construction activities. It will be important for the Utility to carefully grow and, given the early years of the development, reduce its impact on capital expenditures, while growing its customer base. Utility leadership is currently evaluating the next development stages, while maintaining its operational, financial and sustainability targets. Ongoing updates on progress will be provided to Council through the annual business plan, budget, and rate filing process.

### 3. Extension of Distribution Piping Network

The distribution piping network distributes the energy from the energy centres to the buildings and utility customers. As the development grows, so will the piping network. In order to facilitate the anticipated Blatchford development scenario, additional distribution piping is expected to be needed over the next four years in Blatchford west, east and the market area.

#### Operational Plan

The Utility's focus is on the provision of reliable services for customers in the growing Blatchford community.

The Utility is projected to be connected to 114 accounts by the end of 2024 based on the homebuilder's anticipated construction activities. The number of expected accounts is anticipated to increase to 256, 347 and 413 in the years 2025 to 2027 respectively. By 2027, Blatchford Renewable Energy expects to provide thermal energy services to a connected floor space area of approximately 240,000 m<sup>2</sup>, with all of this energy coming from the first energy centre.



*Energy Centre One harnesses earth's geothermal renewable energy for use in the community's District Energy Sharing System.*



*Solar panels installed on the Energy Centre's roof – along with a high-performance building envelope to reduce energy loss to the outdoors, ultra-high performance windows and LED lighting – reflect the sustainability ideals of the community.*



*A second heat pump installed in late 2023 increases the District Energy Sharing System's existing capacity so it can continue meeting Blatchford's heating and cooling needs as the community expands.*

Operation of the District Energy Sharing System will continue to be managed internally by the utility in partnership with other City of Edmonton departments and EPCOR. A summary of individual operating units within the utility is presented below:



**Maintenance, Operation and Engineering:**

Operation and maintenance is provided by the City’s Facilities Maintenance Services (FMS) section within the City Operations department. The utility has been working hand-in-hand with FMS to develop operating protocols and maintenance procedures. Engineering and operational support will primarily be provided internally with some support from external technical consultants and contractors. For the future Sewer Heat Exchange Energy Centre, the Utility is anticipated to partner with EPCOR in the operation and maintenance of the lift station component of the project.

**Billing and Customer Service:**

The Utility has entered into a service level agreement with EPCOR for billing and customer service support for Blatchford Renewable Energy’s customers. EPCOR, along with the City’s 311 services, is involved in customer service functions as it relates to billing, technical and emergency communication, and planning. Blatchford Renewable Energy is now fully integrated into EPCOR’s automated billing systems upgrade, which will improve the overall process as new customers come online.

**Finance, Legal and Regulatory:**

Financial, regulatory, human resources and legal support for the utility is provided by the Financial and Corporate Services department and the City’s Legal Services Branch, which has significant expertise in utility management. Both areas have significant involvement in the development of the utility bylaw, fiscal policy, annual rate filing, operating budget, capital budget and support operational requirements for the utility.

**Marketing and Communications:**

The Blatchford Marketing, Communications and Sales team continues to focus on strategic work supporting land sales, sharing the story of the Blatchford land development and utility, and providing customer support to our residents and builders.



*Homes in the community are receiving renewable heating, cooling and hot water services from Blatchford Renewable Energy.*



# Key Measures

Table 2 below provides an updated summary of Blatchford Renewable Energy's key performance measures, provides last year's actuals versus projected and provides variance explanations if projections were not achieved. Table 3 provides the same set of parameters and provides the annual projection and forecasts for the years 2024 to 2027. It should be noted that the information provided is intended for the preparation of the upcoming utility rate filing submission later in the fourth quarter of 2024.

**Table 2:** Key Performance Measures of Blatchford Renewable Energy - 2023 Projected versus Actuals

Utility Strategic Direction	Performance Measure	2023		Variance	Variance Explanation
		Projected	Actual		
Goal: A Healthy Community Well Served					
Blatchford Renewable Energy strives to provide a high level of customer satisfaction by delivering timely and uninterrupted thermal energy.	Thermal Energy Provided by DESS (Cumulative MWh)	2,007	1,789	-11%	Less energy demand as a result of lower than expected construction and connection activities
	DESS Operational Uptime (%)	100%	100%	0%	
Goal: Environmental Stewardship					
Blatchford Renewable Energy is committed to staying true to the project vision by complying to the environmental regulations and goals in order to protect the environment and biodiversity.	Environmental Compliance (%)	100%	100%	0%	
	Renewable Energy - Utility (%)	100%	100%	0%	
	Renewable Energy - Community (%)	58.3%	57.7%	-1%	Slightly lower renewable electricity production in the community
	GHG reduction - Utility ( tCO2e)	209	186	-11%	Less GHG reduced as a result of lower than expected construction and connection activities
	Carbon Neutrality - Utility (%)	100%	100%	0%	
	Carbon Neutrality - Community (%)	82%	81%	-1%	Slightly lower renewable electricity production in the community
Goal: Operational Effectiveness					
Blatchford Renewable Energy is committed to providing a culture of innovation and a strong sense of purpose through a commitment to people, and optimizing systems and resources.	Total floor area connected to the DESS (Cumulative m <sup>2</sup> )	18,245	16,260	-11%	Less floor space connected as a result of lower than expected construction and construction activities

**Table 3:** Projected and Forecasted Performance Measures of Blatchford Renewable Energy 2024 to 2027

Utility Strategic Direction	Performance Measure	2024	2025	2026	2027
		Projected	Forecast	Forecast	Forecast
Goal: A Healthy Community Well Served					
Blatchford Renewable Energy strives to provide a high level of customer satisfaction by delivering timely and uninterrupted thermal energy.	Thermal Energy Provided by DESS (MWh, Cumulative)	2,397	6,131	9,088	20,839
	DESS Operational Uptime (%)	100%	100%	100%	100%
Goal: Environmental Stewardship					
Blatchford Renewable Energy is committed to staying true to the project vision by complying to the environmental regulations and goals in order to protect the environment and biodiversity.	Environmental Compliance (%)	100%	100%	100%	100%
	Renewable Energy - Utility (%)	100%	100%	100%	100%
	Renewable Energy - Community (%)	59%	58%	59%	58%
	GHG reduction - Utility ( tCO2e)	270	688	1,023	2,235
	Carbon Neutrality - Utility (%)	100%	100%	100%	100%
	Carbon Neutrality - Community (%)	91%	94%	95%	87%
Goal: Operational Effectiveness					
Blatchford Renewable Energy is committed to providing a culture of innovation and a strong sense of purpose through a commitment to people, and optimizing systems and resources.	Total floor area connected to the DESS (Cumulative m <sup>2</sup> )	21,790	60,827	92,231	240,265

# Risk Identification

Table 4 below identifies the operational risks associated with the design and construction of the District Energy Sharing System and the development of Blatchford Renewable Energy. The Likelihood score is from 1-Rare to 5-Almost Certain. The Impact score is from 1-Minor to 5-Worst Case.

**Table 4:** Risk Matrix for Blatchford Renewable Energy

Risk Factor	Risk Description	Likelihood (1 to 5)	Impact (1 to 5)	Risk Score	Mitigation Strategy	Risk Owner
Economic	Evolving market conditions, compounded by the competition in the private market, impact the ability to adjust strategies to sell parcels of land for development within the planned time and cost.	3 Possibly	3 Major	9 Medium	<p>Proper market sounding while revising delivery practices to ensure market adaptability.</p> <p>Structuring contracts with standing agreements to reduce risks related to changing market conditions.</p> <p>The project team will pursue options to modify procurement processes to be competitive and agile in the market.</p>	Branch Leadership
Financial	<p>Funding requirements for Blatchford District Energy Sharing System poses a risk to achieving Council's vision.</p> <p>Funding requirements are heavily influenced by the pace of land development/market conditions, energy load requirements, and the required capital investment.</p> <p>Long-term financial sustainability is heavily dependent on a required \$93 million external cash infusion to support the initial investment in</p>	3 Possibly	3 Major	9 Medium	<p>Preparation of potential opportunities for funding and fallback options while holding ongoing discussions with Council.</p> <p>A \$24 million grant has already been secured leaving a \$69 million gap. The Utility will continue to explore further funding opportunities to bridge the funding gap.</p> <p>The Utility will also only proceed with capital expansion as operationally and financially prudent.</p>	Utility Leadership

	<p>capital infrastructure.</p> <p>If external funding is not received before the construction of initial capital, tax levy subsidization and/or higher rate increases may be required.</p>					
The Public Sphere	Blatchford Vision does not align with citizen/customer expectations, impacting the City's reputation.	2 Unlikely	2 Moderate	4 Low	Updated Marketing and Communications strategies.	Branch Leadership
Political, Regulatory	Political discussions have impact on certain regulatory and financial impacts (e.g. carbon levy)	3 Possibly	2 Moderate	6 Low	Political awareness and anticipation, impact on Utility energy and financial model will be communicated to Council.	Branch/ Utility Leadership

# Financial and Regulatory Performance

## Introduction

As the Blatchford Renewable Energy Utility continues to develop, grow and move towards longer term financial sustainability. Administration has:

1. Established a utility fiscal policy, regulatory framework, and customer rate structure
2. Continued to explore external funding opportunities for a non-refundable cash infusion for infrastructure development
3. Utilized short-term bridge financing from the City of Edmonton for operational working capital, until the Utility achieves sustainability and a positive cash position.

The utility continues to work towards long term financial goals as set by the fiscal policy, while minimizing rate increases and ensuring customers' utility bills adhere to the Business As Usual (BAU) criteria. FCS01999 Blatchford Renewable Energy Utility Fiscal Policy is also being presented to Utility Committee on June 24, 2024.

A summary of the financial indicators, as well as the projected timelines and key milestones to achieve long term financial sustainability are provided in Tables 8 and 9. Appendix 1 includes a copy of the Blatchford Renewable Energy Utility 2023 Financial Statements.

## Business As Usual (BAU) Utility Rates

The utility rate setting methodology has evolved as the community continues to grow and Administration gains operational experience with the Blatchford Renewable Energy Utility. In 2018, the Blatchford District Energy Utility Fiscal Policy C597 established a framework for how the Utility sets proposed rates, finances capital and manages cash position.

This policy established rate setting guidelines to ensure the average Blatchford utility customer pays, at most, a comparable rate to the total energy costs for heating and cooling energy by an average resident outside of the Blatchford community. This concept is also referred to as Business As Usual or BAU.

In 2023, per Table 5 below, Blatchford residents' utility rates were approximately 6.6 per cent below BAU (based on the historical five-year average). As a result, rate increases were approved based on the 2024 Rate Filing to better harmonize Blatchford utility rates compared to BAU.

**Table 5:** Per Cent Difference Between Annual Average BAU Utility Bill and Blatchford Utility Bill

Description (Figure 3)	2023	2024	2025	2026	2027
	Approved	Projected	Forecast	Forecast	Forecast
Forecast BAU Historical 5-Year Average % Difference	-6.6%	-6.1%	-6.7%	-5.7%	-2.3%

Based on the approved rate increases in 2024, the Utility is forecasting utility rates to continue to be 6.1 per cent below BAU. The Utility is also forecasting utility rates to continue to be below BAU over the 2024-27 Business Plan period. The BAU variances are based on the forecasted price of energy (based on industry forecasts) and placeholder rate increases to continue to gradually reduce the variance compared to BAU. These rate increases are highlighted below in Table 7.

**Blatchford Utility Rates**

On an annual basis, fees are approved by the City Council as part of the annual rate filing process. Table 6 below provides the approved 2023 and 2024 rates and forecasted rates to 2027 for the Business Plan timeline. Proposed rates incorporate inflationary impacts and are set in accordance with the fiscal policy.

**Table 6:** Blatchford Renewable Energy Fees and Charges

Fees	Units	2023	2024	2025	2026	2027
		Approved	Approved	Forecast	Forecast	Forecast
<b>Infrastructure Fee</b> (Townhouse lot Residential)	per unit	<b>\$1,895.84</b>	<b>\$1,947.03</b>	<b>\$1,999.60</b>	<b>\$2,053.59</b>	<b>\$2,109.03</b>
Change from Prior Year		2.7%	2.7%	2.7%	2.7%	2.7%
<b>Infrastructure Fee</b> (Multi-unit lot Residential)	per unit	<b>\$1,895.84</b>	<b>\$1,947.03</b>	<b>\$1,999.60</b>	<b>\$2,053.59</b>	<b>\$2,109.03</b>
Change from Prior Year		2.7%	2.7%	2.7%	2.7%	2.7%
<b>Infrastructure Fee</b> (Multi-unit lot Commercial)	per m <sup>2</sup>	<b>\$21.66</b>	<b>\$22.24</b>	<b>\$22.85</b>	<b>\$23.44</b>	<b>\$24.10</b>
Change from Prior Year		2.7%	2.7%	2.7%	2.7%	2.7%
<b>Monthly charge</b> (Townhouse lot)	per unit per day	<b>\$1.71</b>	<b>\$1.88</b>	<b>\$2.07</b>	<b>\$2.28</b>	<b>\$2.50</b>
Change from Prior Year		10.0%	10.0%	10.0%	10.0%	10.0%
<b>Monthly Charge</b> (Multi-unit lot)	per kW peak capacity per month	<b>\$12.50</b>	<b>\$12.84</b>	<b>\$13.18</b>	<b>\$13.54</b>	<b>\$13.91</b>
Change from Prior Year		2.7%	2.7%	2.7%	2.7%	2.7%
<b>Variable Rate</b> (Heating and Cooling)	per kWh	<b>\$0.0296</b>	<b>\$0.0325</b>	<b>\$0.0358</b>	<b>\$0.0394</b>	<b>\$0.0433</b>
Change from Prior Year		10.0%	10.0%	10.0%	10.0%	10.0%

As highlighted above, future rate increases in the range of 10 percent and 2.7 percent per year are forecasted as placeholders in support of gradually reducing utility rate variances compared to BAU and the achievement of the Fiscal Policy financial indicators. These will be further reviewed as part of the 2025 rate filing to be presented in Fall 2024.



## Financial Indicators

Financial indicators are tracked through utility financial modeling over a 50-year life cycle. The 50-year life cycle includes the required utility capital investment to support the forecasted completion of Blatchford Land Development by 2040 as well as the cost of renewal of the initial capital investment. The Utility Fiscal Policy has established the following financial indicators for the Utility to support the assessment of long-term financial sustainability:

1. Net Income
2. Cash Position
3. Debt to Net Assets Ratio

Net Income highlights the Utility's ability to earn sufficient annual revenue through utility rates and infrastructure fees to cover annual expenses. As such, any external operating grant revenue will be ignored to ensure the financial indicator is reflective of regular utility operations.

Cash Position highlights whether the Utility has enough self-generated cash available to support ongoing utility operations and required PAYG financing for capital expenditures. As such, short-term bridge financing from the City of Edmonton will not be included in this amount in order to ensure the financial indicator is reflective of cash earned through regular utility operations.

The Debt to Net Assets Ratio tracks how much the Utility's non-contributed capital assets are leveraged by long-term debt. The Utility is expected to achieve a healthy ratio in the long-term by achieving the target of between 50% to 70%.

Financial indicators are presented in the following two tables. Table 7 below provides the financial indicator performance comparing 2023 forecasted results to the 2023 actual results. Table 8 below provides financial indicators for 2023 and forecasts from 2024 to 2027.

**Table 7:** Financial Indicator Performance for 2023

Financial Indicator	2023			Variance Explanation
	Forecast	Actual	Variance	
Net Income	(\$3.9M)	(\$1.9M)	\$2.0M	Primarily due to lower O&M and depreciation costs than originally forecasted.
Cash Position	(\$10.7)	(\$16.4M)	(\$5.7M)	Primarily due to lower long-term debt issued than originally forecasted offset by higher net income than planned.
Debt to Net Asset Ratio	99%	82%	17%	Primarily due to lower long-term debt issued than originally forecasted.

**Table 8:** Forecast Financial Indicators for 2023 to 2027

Financial Indicator	2023	2024	2025	2026	2027	Forecast Year to Achieve Target
	Actual	Forecast	Forecast	Forecast	Forecast	
Net Income	(\$1.9M)	(\$3.8M)	(\$3.7M)	(\$4.1M)	(\$3.2M)	2029 (Target - Positive self generated net income)
Cash Position	(\$16.4M)	(\$14.4M)	(\$18.3M)	(\$22.4M)	(\$26.1M)	2052 (Target - Positive self generated cash balance)
Debt to Net Asset Ratio	82%	105%	107%	114%	120%	2066 (Target - 50% to 70%)

Based on current financial modeling, the net income financial indicator will be achieved by 2029 when regular utility operations will break even and the utility will generate positive net income. This is primarily due to increasing customer counts on forecasted land development. Due to the Utility earning positive net income starting in 2029, payback of the short-term bridge financing will begin shortly after in 2031.

As of 2023, the Utility has accessed \$16.4 million of short-term bridge financing. The Utility will continue to access short-term bridge financing as needed and is currently expected to reach a maximum balance of \$32.5 million by 2035.

The cash position financial indicator will be achieved in 2052 when short-term bridge financing is expected to be fully paid back to the City and the utility will have a positive self generated cash balance

The debt to net assets ratio financial indicator will be achieved in 2066, by meeting the 50% to 70% target, as the Utility will be able to finance more capital expenditures through PAYG financing due to higher annual net income and cash flow.

The Utility is forecasted to be financially sustainable in the long-term as the financial indicators will be achieved within the 50-year life cycle of the financial model. This will be further analyzed as part of the review of the updated Blatchford Master Plan and will be refined as part of the 2025 Rate Filing to be presented in Fall 2024.

### **Non-Refundable Cash Infusion**

The original business case for Blatchford identified the need for a \$93 million non-refundable cash infusion to offset initial capital investment required to establish the utility infrastructure. Based on current financial modeling, this infusion amount is still required as it is essential to ensure the following two key principles will be achieved:

- Long-term financial sustainability
- Utility Rates comparable to BAU

As discussed above in the Strategic Plan section, Administration confirmed the non-refundable \$93 million infusion through IIS01821 Blatchford Renewable Energy Funding Opportunity, and also highlighted an opportunity to address part of this need through a I grant program with maximum funding of \$23.7 million. This grant program incorporated a shared funding model requiring the City to fund 70 per cent of eligible expenditures with the grant funding the remaining 30 per cent. Factoring in the full receipt of the \$23.7 million would leave a remaining required balance of approximately \$69.3 million. Administration continues to seek other funding opportunities to address the remaining need for infusion dollars.

Originally, it was assumed that the Utility would receive the entire cash infusion ahead of the start of Blatchford construction. Since this did not occur, the initial capital investment has mainly been funded through self supporting tax guaranteed debt. This along with forecasted

operating shortfalls, has resulted in the need for short term bridging financing from the City of Edmonton.

If other funding is not secured, Blatchford has limited internal funding options beyond utility rate revenue increases which are currently set to be comparable to BAU. One of the key principles of the utility is that it must be self-sustaining with no tax-levy support. Therefore at this time tax-levy subsidization is not an option.

## 2023 Financial Statements

The Blatchford Renewable Energy Utility financial statements are provided in Appendix 1 for information, accountability and transparency in demonstrating the Utility's financial position as of December 31, 2023.

The financial statements have been prepared in accordance with Public Sector Accounting Standards. They have not been independently audited and are specifically prepared for information for Utility Committee. Highlights include:

### Statement of Financial Position

1. **Long-term debt** - Long-term debt at the end of 2023 is \$20.6 million. Long-term debt is issued, in conjunction with PAYG financing (or cash), to finance capital investments in utility system infrastructure.
2. **Due to the City of Edmonton** - Short-term bridge financing from the City of Edmonton at the end of 2023 is \$16.4 million. This is an increase of \$9.8 million from 2022. Short-term bridge financing is utilized by the Utility to offset operating and cash position shortfalls as the Utility is progressing to financial sustainability. The Utility will strive to pay back the City, with interest, as soon as financially able.
3. **Tangible Capital Assets** - The Utility's net book value of tangible capital assets at the end of 2023 are \$29.2 million. This increase of \$7.8 million, compared to 2022, was related to:
  - Final stage of expansion for Energy Centre One (EC1) which now allows for operation at full capacity for both heating and cooling services
  - Expansion of the distribution piping network (DPS)

To date, the Utility has invested \$30.1 million in the construction of utility system infrastructure in support of continuing land development in Blatchford.

## Statement of Operations

1. **Shortfall of Revenues Over Expenses before Other** - The Utility's net loss (excluding government transfers - capital) for 2023 was \$1.9 million. This is similar to 2022 results and the approved operating budget. As identified in Table 8 above, net losses are being forecasted until 2029 as the Utility is progressing towards financial sustainability. This is primarily due to the Utility being in the early stages of implementation and the need to balance required utility rates and BAU with existing customer counts and the initial investment in capital utility infrastructure. The Utility's net income will continue to improve as more customers connect to the District Energy system in the future.
2. **Program revenue** - Revenue from customer utility rates and infrastructure fees have increased to \$0.2 million in 2023. As highlighted in the Utility's 2024 Rate Filing, customer counts in Blatchford have not increased as quickly as originally anticipated. Per IIS01544 Blatchford Business Case Goals, a third party appraiser found that the pace of land development was slower but reasonable. As such it is expected that program revenue will continue to grow in future years and support the Utility in achieving financial sustainability. Future operating budgets will be adjusted to reflect this.
3. **Government transfers - capital** - An agreement was completed for one-time grant funding of \$23.7 million over the next several years. The Utility has been approved and will be receiving payment of \$1.7 million for funding related to eligible 2023 capital and operating costs.

# Conclusion

This business plan for Blatchford Renewable Energy provides an updated overview of the strategic and operational activities for the utility. Several key milestones have been achieved or are planned to occur. The Utility has successfully provided thermal energy services for over five years. A growing community will see additional connections and utility customers and the expansion of the first and the design of the next Energy Centres coupled with extending the Distribution Piping System will become critical focus areas over the next four years. The Utility has also advanced several key financial and regulatory initiatives which will help accompany its sustainable financial expectations.

The Utility's strategic objectives remain the same: growing the District Energy Sharing System and integrating emerging technologies into the Utility's operation to reach steady reliable operation, financial sustainability, and to achieve Council's vision for a carbon neutral community powered entirely by renewable energy.

Following this business plan update, the utility will prepare the annual rate filing and budget submissions for Council's consideration during the fourth quarter of 2024.

# **Appendix 1: Blatchford Renewable Energy Utility 2023 Financial Statements (Unaudited)**

Financial Statements of

## **BLATCHFORD RENEWABLE ENERGY UTILITY OF THE CITY OF EDMONTON**

December 31, 2023

(Unaudited)

These special purpose financial statements have been prepared by management to comply with the financial information requirements of the City of Edmonton's Blatchford District Energy Utility Fiscal Policy C597A and include a statement of financial position, statement of operations and accumulated deficit, statement of changes in net debt, statement of cash flows, notes and schedules as determined by management in order to meet this purpose. As such, these special purpose financial statements may not be suitable for another purpose.

### *Notice of No Auditor Review of Financial Statements*

The accompanying unaudited financial statements of "Blatchford Renewable Energy Utility" have been prepared by and are the responsibility of management. "Blatchford Renewable Energy Utility" independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of financial statements by an entity's auditor.



**THE CITY OF EDMONTON**  
**BLATCHFORD RENEWABLE ENERGY UTILITY**  
**STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

As at December 31, 2023 (in thousands of dollars)

	2023	2022
<b>Financial Assets</b>		
Cash	\$ -	\$ -
Receivables (Note 3)	1,723	56
	<b>1,723</b>	<b>56</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 4)	413	198
Long-term debt (Note 5)	20,592	20,916
Due to the City of Edmonton	16,405	6,630
	<b>37,410</b>	<b>27,744</b>
<b>Net Debt</b>	<b>(35,687)</b>	<b>(27,688)</b>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 6 and Schedule 1)	29,178	21,420
	<b>29,178</b>	<b>21,420</b>
<b>Accumulated Deficit (Note 8)</b>	<b>\$ (6,509)</b>	<b>\$ (6,268)</b>

See accompanying notes to unaudited financial statements.

**THE CITY OF EDMONTON**  
**BLATCHFORD RENEWABLE ENERGY UTILITY**  
**STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT (UNAUDITED)**

For the year ended December 31, 2023 (in thousands of dollars)

	Budget	2023	2022
<b>Revenues</b>			
Program revenue	\$ 1,141	\$ 203	\$ 120
Government transfers - operating (Note 9)	-	(56)	-
	1,141	147	120
<b>Expenses</b>			
Debenture interest and bank charges	1,183	687	579
Intra-municipal services	944	762	646
Contracted, general and other services	676	273	327
Amortization of tangible capital assets	177	316	278
Materials, goods, supplies and utilities	71	71	55
Salaries, wages and employee benefits	-	2	2
	3,051	2,111	1,887
<b>Shortfall of Revenues over Expenses before Other</b>	(1,910)	(1,964)	(1,767)
<b>Other</b>			
Government transfers - capital (Note 9)	-	1,723	-
<b>Shortfall of Revenues over Expenses</b>	(1,910)	(241)	(1,767)
Accumulated Deficit, beginning of year	(7,275)	(6,268)	(4,501)
<b>Accumulated Deficit, end of year</b>	\$ (9,185)	\$ (6,509)	\$ (6,268)

See accompanying notes to unaudited financial statements.

**THE CITY OF EDMONTON**  
**BLATCHFORD RENEWABLE ENERGY UTILITY**  
**STATEMENT OF CHANGES IN NET DEBT (UNAUDITED)**

For the year ended December 31, 2023 (in thousands of dollars)

	Budget	2023	2022
<b>Shortfall of Revenues over Expenses</b>	\$ (1,911)	\$ (241)	\$ (1,767)
Acquisition of tangible capital assets		(8,074)	(10,524)
Amortization of tangible capital assets	177	316	278
	177	(7,758)	(10,246)
<b>Increase in net debt</b>	(1,734)	(7,999)	(12,013)
<b>Net Debt, beginning of year</b>	(28,632)	(27,688)	(15,675)
<b>Net Debt, end of year</b>	\$ (30,366)	\$ (35,687)	\$ (27,688)

See accompanying notes to unaudited financial statements.

**THE CITY OF EDMONTON**  
**BLATCHFORD RENEWABLE ENERGY UTILITY**  
**STATEMENT OF CASH FLOWS (UNAUDITED)**

For the year ended December 31, 2023 (in thousands of dollars)

	2023	2022
Net inflow (outflow) of cash and cash equivalents:		
<b>Operating Activities</b>		
Shortfall of revenues over expenses	\$ (241)	\$ (1,767)
Add (deduct) items not affecting cash and cash equivalents:		
Amortization of tangible capital assets	316	278
Changes in non-cash items:		
Receivables	(1,667)	-
Accounts payable and accrued liabilities	215	20
	<b>(1,377)</b>	<b>(1,469)</b>
<b>Capital Activities</b>		
Acquisition of tangible capital assets	(8,074)	(10,524)
	<b>(8,074)</b>	<b>(10,524)</b>
<b>Financing Activities</b>		
Debenture borrowings	346	3,070
Repayment of long-term debt	(670)	(596)
	<b>(324)</b>	<b>2,474</b>
<b>Decrease in cash and cash equivalents</b>	<b>(9,775)</b>	<b>(9,519)</b>
Cash and cash equivalents, beginning of year	(6,630)	2,889
<b>Cash and cash equivalents, end of year</b>	<b>\$ (16,405)</b>	<b>\$ (6,630)</b>
<b>Cash and cash equivalents is comprised of:</b>		
Cash	\$ -	\$ -
Due to the City of Edmonton	(16,405)	(6,630)
	<b>\$ (16,405)</b>	<b>\$ (6,630)</b>

Operating activities for 2023 include \$687 (2022 - \$579) of interest paid.

**THE CITY OF EDMONTON**  
**BLATCHFORD RENEWABLE ENERGY UTILITY**  
**SCHEDULE 1 - SCHEDULE OF TANGIBLE CAPITAL ASSETS (UNAUDITED)**

For the year ended December 31, 2023 (in thousands of dollars)

	Opening Balance	Additions and Transfers	Disposals, Impairments and Transfers	Closing Balance
<b>Cost</b>				
Processing facilities and equipment	\$ 12,367	\$ 1,129	\$ -	\$ 13,496
Buildings	8,788	1	-	8,789
	21,155	1,130	-	22,285
Assets under construction	1,766	6,944	-	8,710
	22,921	8,074	-	30,995
<b>Accumulated Amortization</b>				
Processing facilities and equipment	607	57	-	664
Buildings	894	259	-	1,153
	1,501	316	-	1,817
<b>Net Book Value</b>	<b>\$ 21,420</b>	<b>\$ 7,758</b>	<b>\$ -</b>	<b>\$ 29,178</b>

**THE CITY OF EDMONTON**  
**BLATCHFORD RENEWABLE ENERGY UTILITY**  
**SCHEDULE 1 - SCHEDULE OF TANGIBLE CAPITAL ASSETS (UNAUDITED)**

For the year ended December 31, 2022 (in thousands of dollars)

	Opening Balance	Additions and Transfers	Disposals, Impairments and Transfers	Closing Balance
<b>Cost</b>				
Processing facilities and equipment	\$ 10,706	\$ 1,661	\$ -	\$ 12,367
Buildings	-	8,788	-	8,788
	10,706	10,449	-	21,155
Assets under construction	819	947	-	1,766
	11,525	11,396	-	22,921
<b>Accumulated Amortization</b>				
Processing facilities and equipment	351	256	-	607
Buildings	-	894	-	894
	351	1,150	-	1,501
<b>Net Book Value</b>	\$ 11,174	\$ 10,246	\$ -	\$ 21,420

**THE CITY OF EDMONTON**  
**BLATCHFORD RENEWABLE ENERGY UTILITY**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)**

For the year ended December 31, 2023 (in thousands of dollars)

**01 GENERAL**

Blatchford Renewable Energy Utility ("the Utility"), owned and operated by the City of Edmonton (the City), provides the Blatchford community heating, cooling and domestic hot water services.

The strategic objectives of the Utility are:

- a) The growth of the Utility and the integration of emerging technologies into the Utility's operation to reach steady state reliable operation and long-term financial sustainability.
- b) To achieve Council's vision for a carbon neutral community powered entirely by renewable energy.

The current policy C597A, approved on December 9, 2020, identifies that:

"The Utility Committee shall recommend annually to City Council the customer rates for the upcoming year, based on review of an annual rate filing prepared by the Utility."

The Utility Fiscal Policy has also been established to:

- 1) Ensure that the Utility is operated in a manner that reflects City Council's overall vision and philosophical objectives for the Utility.
- 2) Ensure that there is a consistent approach year over year for the financial planning, budgeting and rate setting for the City managed utility.
- 3) Ensure that the Utility is financially sustainable over the long term.

**02 SIGNIFICANT ACCOUNTING POLICIES**

The special purpose financial statements of the Utility are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS). Significant aspects of the accounting policies adopted by the City are as follows:

**A. BASIS OF ACCOUNTING**

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

**THE CITY OF EDMONTON**  
**BLATCHFORD RENEWABLE ENERGY UTILITY**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)**

For the year ended December 31, 2023 (in thousands of dollars)

**B. USE OF ESTIMATES**

The preparation of financial statements requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Administration has used estimates to determine accrued liabilities, useful lives of tangible capital assets, as well as provisions made for allowances for amounts receivable or any provision for impairment of tangible capital assets.

**C. DUE FROM THE CITY OF EDMONTON**

Amounts due to the City of Edmonton represent an obligation to pay the City of Edmonton.

**D. GOVERNMENT TRANSFERS**

Government transfers are the transfer of monetary assets or tangible capital assets from other orders of government that are not the result of an exchange transaction and for which there is no expectation of repayment or direct financial return to the transferor in the future. The Utility receives government transfers from the Federal and Provincial governments to fund operating and capital expenditures. These transfers to the Utility are recognized as revenues when the transfers are authorized and all the eligibility criteria, if any, have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient. Prior to that time, any amounts received, along with restricted interest thereon are recorded as deferred revenue.

**E. FINANCIAL INSTRUMENTS**

The Utility's financial assets and liabilities are categorized as follows:

- Cash and cash equivalents - cost and amortized cost
- Receivables - lower of cost and net recoverable value
- Accounts payable and accrued liabilities - cost
- Long-term debt - amortized cost

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Consolidated Statement of Operations and Accumulated Surplus (Deficit).

For financial assets and liabilities measured using amortized cost, the effective interest method is used to determine interest revenue or expense.

The Utility does not enter into any derivatives or embedded derivatives.



**THE CITY OF EDMONTON**  
**BLATCHFORD RENEWABLE ENERGY UTILITY**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)**

For the year ended December 31, 2023 (in thousands of dollars)

**F. NON-FINANCIAL ASSETS**

Non-financial assets are not available to discharge liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. Non-financial assets are comprised of tangible capital assets.

i) **Tangible capital assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest charges during construction are not capitalized. The cost, less residual value of the tangible capital assets, is amortized on a straight-line basis over the following estimated useful lives of the assets.

Facilities & Equipment	25 to 75 years
Buildings	20 to 60 years

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that a tangible capital asset no longer contributes to the Utility's ability to provide goods and services, or that the value of the future economic benefits associated with the tangible capital asset is less than its net book value.

**G. RECENTLY ADOPTED ACCOUNTING STANDARDS**

- i) Effective January 1, 2023, the Utility adopted the new requirements in PS1201, *Financial Statement Presentation*, PS3450, *Financial Instruments*, PS2601, *Foreign Currency Translation* and PS3041, *Portfolio Investments*. These requirements were adopted on a prospective basis and statement of prior periods, including comparative information, have not been restated.

**Financial Statement Presentation**

PS1201 requires a new Consolidated Statement of Remeasurement of Gains and Losses separate from the Consolidated Statement of Operations. Included in this new statement are the unrealized gains and losses arising from the remeasurement of financial instruments and items denominated in foreign currencies. These changes did not have an impact on these financial statements.

**Financial Instruments**

PS3450 establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of an entity. These changes did not have a material impact on these financial statements.

**THE CITY OF EDMONTON**  
**BLATCHFORD RENEWABLE ENERGY UTILITY**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)**

For the year ended December 31, 2023 (in thousands of dollars)

**Foreign Currency Translation**

PS2601 requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be recognized in the new Consolidated Statement of Remeasurement Gains and Losses. In the period of settlement, foreign exchange gains and losses are to be reclassified to the Statement of Operations and the cumulative remeasurement gains and losses are reversed in the Consolidated Statement of Remeasurement of Gains and Losses. These changes did not have a material impact on these financial statements.

**Portfolio Investments**

PS3041 removed the distinction between temporary and portfolio investments. This section was amended to conform to PS3450 and now includes pooled investments in its scope. Upon the adoption of PS3450 and PS3041, PS3030, *Temporary Investments* will no longer apply. These changes did not have a material impact on these financial statements.

ii) **Asset Retirement Obligations**

PS3280, *Asset Retirement Obligations*, establishes guidance on the accounting and reporting of legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard did not have an impact on these financial statements.

**H. FUTURE ACCOUNTING STANDARD PRONOUNCEMENTS**

i) **Standards effective for the fiscal year ending December 31, 2024**

**Revenue**

PS3400, *Revenue*, provides a framework for recognizing, measuring and reporting revenue by differentiating between revenue that arises from transactions that include performance obligations and transactions that do not have performance obligations.

**Purchased Intangibles**

PSG-8, *Purchased Intangibles*, allows for purchased intangible assets to be recognized as assets in a public sector entity's financial statements.

**Public Private Partnerships**

PS3160, *Public Private Partnerships*, establishes standards on accounting for partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

**THE CITY OF EDMONTON**  
**BLATCHFORD RENEWABLE ENERGY UTILITY**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)**

For the year ended December 31, 2023 (in thousands of dollars)

ii) **Standards effective for the Utility's fiscal year ending December 31, 2027**

**The Conceptual Frameworks for Financial Reporting**

The conceptual framework is the foundation for principles-based standards. It is a coherent set of interrelated objectives and fundamentals leading to consistent standards or application of consistent concepts in the absence of specific standards.

**Financial Statement Presentation**

PS1202, *Financial Statement Presentation*, will replace PS1201 and sets out the general and specific requirements of the presentation of financial information and is based on the concepts in the conceptual framework.

**03 RECEIVABLES**

	2023	2022
Trade	\$ -	\$ 56
Government Transfers:		
Federal	1,723	-
	<b>\$ 1,723</b>	<b>\$ 56</b>

**04 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2023	2022
Trade	\$ 335	\$ 123
Accrued interest	78	75
	<b>\$ 413</b>	<b>\$ 198</b>

**THE CITY OF EDMONTON**  
**BLATCHFORD RENEWABLE ENERGY UTILITY**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)**

For the year ended December 31, 2023 (in thousands of dollars)

**05 LONG-TERM DEBT**

The Utility utilizes debt to finance capital expenditures under principles and limits established within the Blatchford District Energy Utility Fiscal Policy C597A. The policy is intended to support the Utility's long-term capital plans and strategies while maintaining long-term financial affordability, flexibility and sustainability. Borrowing is in the form of amortizing debentures administered through the Government of Alberta. Interest rates are established at the time of borrowing and remain constant throughout the term of the debenture, thus eliminating the risk associated with fluctuating interest rates.

Existing long-term debt matures in 2048. Debenture interest is payable at rates ranging from 2.07 per cent to 5.43 per cent. The average rate is 3.28 per cent for 2023 (2022 - 2.81 per cent) with terms of 25 years and semi-annual payments. Interest paid on long-term debt in 2023 was \$687 (2022 - \$579).

The current portion of long-term debt amounts to \$699 (2022 - \$670).

Principal and interest repayments on existing debt are as follows:

	Principal	Interest	Total
2024	\$ 699	\$ 680	\$ 1,379
2025	721	658	1,379
2026	745	634	1,379
2027	769	610	1,379
2028	794	585	1,379
Thereafter	16,864	5,213	22,077
<b>Total</b>	<b>\$ 20,592</b>	<b>\$ 8,380</b>	<b>\$ 28,972</b>

**06 TANGIBLE CAPITAL ASSETS**

	Net Book Value	
	2023	2022
Buildings	\$ 7,636	\$ 7,894
Facilities & equipment	12,832	11,760
	<b>20,468</b>	19,654
Assets Under Construction	8,710	1,766
	<b>\$ 29,178</b>	\$ 21,420

For additional information, see the Schedule of Tangible Capital Assets (Schedule 1).

**THE CITY OF EDMONTON**  
**BLATCHFORD RENEWABLE ENERGY UTILITY**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)**

For the year ended December 31, 2023 (in thousands of dollars)

**07 EQUITY IN TANGIBLE CAPITAL ASSETS**

Equity in tangible capital assets is included within accumulated surplus. It represents the investment in tangible capital assets, after deducting the portion financed by Long-term debt.

	2023	2022
Tangible capital assets (Schedule 1)	\$ 30,995	\$ 22,921
Accumulated amortization (Schedule 1)	(1,817)	(1,501)
Long-term debt (Note 5)	(20,592)	(20,916)
	<b>\$ 8,586</b>	<b>\$ 504</b>

**08 ACCUMULATED DEFICIT**

Accumulated deficit consists of restricted and unrestricted amounts and equity in tangible capital assets.

	2023	2022
Accumulated operating deficit	\$ (11,250)	\$ (7,358)
Equity in tangible capital assets (Note 7)	8,586	504
Advances for construction	(3,845)	586
	<b>\$ (6,509)</b>	<b>\$ (6,268)</b>

**09 GOVERNMENT TRANSFERS**

	Budget	2023	2022
Operating transfers:			
Federal	\$ -	\$ (56)	\$ -
Capital transfers:			
Federal	-	1,723	-
	<b>\$ -</b>	<b>\$ 1,667</b>	<b>\$ -</b>

In 2023, the Utility secured a one-time grant from the Government of Canada. This grant aims to significantly reduce greenhouse gas emissions by encouraging the replacement of fossil fuel-generated electricity with renewables that can provide essential grid services, while supporting Canada's transition to an electrified economy. The \$23.7 million grant supports match funding for 30 per cent of eligible capital and some operating expenditures over the 2023-2029 time period.

**10 COMPARATIVE INFORMATION**

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.