

## BLATCHFORD RENEWABLE ENERGY UTILITY 2025 RATE FILING AND FALL 2024 SUPPLEMENTAL BUDGET ADJUSTMENT

### Recommendation

The Utility Committee recommend to City Council - Budget:

1. That the Blatchford Renewable Energy Utility 2025 Rate Filing, as outlined in Attachment 1 of the November 8, 2024, Financial and Corporate Services report FCS02679, be approved.
2. That the 2025-2026 Blatchford Renewable Energy Utility Operating Budget, as originally approved in the November 25, 2022, Financial and Corporate Services report FCS01479, be adjusted as follows:
  - a. 2025 expenditure budget be decreased by \$243,100, and 2025 revenue budget be decreased by \$318,200.
  - b. 2026 expenditure budget be decreased by \$325,900, and 2026 revenue budget be decreased by \$1,215,700.

<b>Requested Action</b>		Council decision required	
<b>ConnectEdmonton's Guiding Principle</b>		<b>ConnectEdmonton Strategic Goals</b>	
<b>CONNECTED</b>		<b>Climate Resilience</b>	
<b>City Plan Values</b>	LIVE. PRESERVE.		
<b>City Plan Big City Move(s)</b>	Greener as we grow	<b>Relationship to Council's Strategic Priorities</b>	Climate adaptation and energy transition
<b>Corporate Business Plan</b>	Transforming for the future		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>● C597B - Blatchford District Energy Fiscal Policy</li> <li>● Blatchford Vision</li> <li>● Energy Transition Strategy</li> <li>● District Energy Strategy</li> </ul>		

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## Related Council Discussions

- June 24, 2024, Integrated Infrastructure Services report IIS02945, Blatchford Renewable Energy 2024 - 2027 Business Plan
- June 24, 2024, Financial and Corporate Services report FCS01999, Blatchford Renewable Energy Utility Fiscal Policy

## Executive Summary

- This report recommends supplemental budget adjustments to the 2025-2026 Operating budgets for Blatchford Renewable Energy Utility as outlined in the 2025 Rate Filing, which will establish customer rates and fees for 2025.
- The 2025 Rate Filing builds upon the principles and framework established in previous Rate Filings and recommends rate increases as outlined in this report.
- Utility rates are prescribed under Bylaw 17943 - Blatchford Renewable Energy Utility Bylaw.
- The November 8, 2024, Financial and Corporate Services report FCS02682 (Bylaw 20962 - To Amend Bylaw 17943 Blatchford Renewable energy Utility, Amendment No 6) reflects the proposed new fees and charges to be effective January 1, 2025.

## REPORT

Blatchford Renewable Energy is a public, City-owned utility established to operate a District Energy Sharing System (DESS) plus certain mechanical equipment within the customer buildings themselves. All buildings in the Blatchford development, with the exception of net-zero carbon buildings, must be connected to the DESS for all heating, cooling and domestic hot water services.

### 2025 Rate Filing

During Fall 2022 budget deliberations, City Council approved the 2023-2026 operating and capital budgets for the Blatchford Renewable Energy utility. The 2025 Utility Rate Filing (Attachment 1) is consistent with discussions during the 2023-2026 approved budget process and rate increases included in the 2023 and 2024 Rate Filings. The rate increases are summarized below by customer class:

1. **Townhouse lots** - 10.0 per cent rate increase for both the daily fixed and variable rates.
2. **Multi-Unit lots** - 2.7 per cent and 10.0 per cent rate increase for the monthly fixed and variable rates, respectively.
3. **Infrastructure Fees** - 2.7 per cent rate increase for both townhouse and multi-unit buildings.

The 2025 Rate Filing includes a set of schedules, Minimum Filing Requirements, which detail the costs of service, the resulting revenue requirement and revenue (Attachment 2). These schedules are similar to the Minimum Filing Requirements format utilized in the electric and gas utility industry in Alberta. The Rate Filing reflects the information to support the proposed 2025 fees and charges effective January 1, 2025.

The 2025 Rate Filing has been prepared based on rate setting principles outlined in approved Utility Fiscal Policy C597B (Attachment 3). Rate increases were determined based on the costs of providing utility services and ensuring customers pay a comparable fee to what they would elsewhere in the City of Edmonton. This “comparable fee” is referred to as business as usual (BAU).

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Attachment 4 includes the Utility Advisor response to the 2025 Blatchford Renewable Energy Utility Rate Filing and Administration's responses to information requests from the Utility Advisor.

### Blatchford Renewable Energy Utility Bylaw

The immediate next steps will be the presentation of the November 8, 2024, Financial and Corporate Services report FCS02682, Bylaw 20962 To Amend Bylaw 17943 Blatchford Renewable Energy Utility Amendment No. 6. This bylaw report identifies the proposed new fees and charges effective January 1, 2025 as well as some minor updates to the bylaw as discussed in FCS02682.

### Non-Refundable Cash Infusion

During the initial budget process for 2023-2026, a business case was developed for the Blatchford Renewable Energy (BRE) utility to justify the need for a \$93 million non-refundable cash investment. This infusion was intended to offset the capital costs of establishing BRE and facilitate its growth toward financial sustainability.

In 2023, the City successfully secured a \$23 million grant from National Resource Canada (NRCan) through the Smart Renewables and Electrification Pathways (SREP) program. As a result, the required non-refundable funding decreased to approximately \$70 million. Capital expenditures to date have been primarily funded through self-supporting tax-guaranteed debt.

The financial forecasting for the BRE Utility assumes that the majority of the remaining cash infusion will be secured before the construction of the next major capital expansion of the next energy center, currently projected for 2028.

If the non-refundable cash infusion is not secured before 2028, alternative financial options may be necessary to ensure the long-term financial sustainability of the utility. These options could include higher utility rates compared to the business-as-usual scenario and/or tax levy support. One of the original principles when establishing the utility was that it should be self-sustaining without relying on general tax levy support.

### Operating Budget Adjustment

In the 2025 Rate Filing, budgeted revenue has been reduced due to the update in methodology for forecasting customer counts and energy load requirements, to be more aligned to actual development and construction timelines and energy provisions on the ground. Details of the updated methodology is also discussed in Blatchford Renewable Energy 2025 Rate Filing section 8.0 Revenue Requirement (Attachment 1).

The 2025 Rate Filing includes details on updates to the operating expenditure budget as well, which are discussed in detail in the Blatchford Renewable Energy 2025 Rate Filing section 6.0 Operating Budget & Forecast (Attachment 1). The main cause of the cost increases are minor changes for inflation and increased utility costs.

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There is also a request of \$200,000 one-time funding in 2025 for consulting and professional services required to complete work to address a motion passed at the June 24, 2024, Utility Committee, with the response report planned for Q2 2025. This report will explore options, while maintaining Council's current net zero emission goals, to potentially integrate a change of operating philosophy from a supply only to a shared utility approach.

In both 2025 and 2026, the overall interest on debt costs have also decreased due to a combination of delay in capital until the assets are required and lower costs than forecast to upgrade Energy Centre 1.

Land development forecasts represent a point in time estimation and the District Energy Sharing System is a modular and flexible system that is being constructed in stages to match the pace of development in the neighbourhood. As more information becomes available, revenue and expenditure budgets will continue to be regularly adjusted to align with current economic conditions and forecast development activity.

### **Community Insight**

Since the Blatchford redevelopment started in 2008, Administration has engaged in extensive discussions, public consultations and expert analysis to inform the development of the community, including the concept of Blatchford Renewable Energy. Regular updates are provided to the City Council's Energy Transition Climate Resilience Committee. Blatchford Renewable Energy customers will be notified of the proposed rate changes through the community's resident newsletter.

### **GBA+**

Blatchford Renewable Energy customer utility rates are guided by the policy statements and applicable industry best practice and utility rate design principles in Blatchford District Energy Utility Fiscal Policy C597B. Utility rates and fees are based on a cost of service methodology whereby rates are designed to fairly apportion the cost of providing utility service to individual customer classes. Information about customers' gender identity or other GBA+ factors is not collected.

### **Environment and Climate Review**

The District Energy Sharing System operated by Blatchford Renewable Energy supports City Council's 10-year Climate Resilience objectives and The City Plan and was identified as a "big win" in Edmonton's Community Energy Transition Strategy. Council's vision for Blatchford is a carbon-neutral community powered entirely by renewable energy. The Blatchford Renewable Energy Utility reduces greenhouse gas emissions and improves Edmonton's energy resilience.

### **Attachments**

1. Blatchford Renewable Energy Utility 2025 Rate Filing
2. Blatchford Renewable Energy 2025 Rate Filing Index of MFR Schedules
3. Council Policy C597B - Blachford District Energy Utility Fiscal Policy

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4. Utility Advisor Review - Blatchford Renewable Energy - 2025 Rate Filing