

BLATCHFORD RENEWABLE ENERGY UTILITY 2026 RATE FILING AND FALL 2025 SUPPLEMENTAL BUDGET ADJUSTMENT

Recommendation

1. That the Blatchford Renewable Energy Utility 2026 Rate filing, as outlined in Attachment 1 of the December 1, 2025 Financial and Corporate Services report FCS03164, be approved.
2. That the 2023-2026 Blatchford Renewable Energy Utility Operating Budget be adjusted as follows:
 - a. 2026 expenditure budget be decreased by \$144,000 and 2026 revenue budget be increased by \$189,000.

Requested Action	Council decision required
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals
CONNECTED This unifies our work to achieve our strategic goals.	Climate Resilience
City Plan Values	LIVE. PRESERVE.
Corporate Business Plan	Managing the Corporation
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> ● C597B - Blatchford District Energy Utility Fiscal Policy ● Blatchford Vision ● Energy Transition Strategy ● District Energy Strategy
Related Council Discussions	<ul style="list-style-type: none"> ● June 24, 2024, Financial and Corporate Services report FCS01999, Blatchford Renewable Energy Utility Fiscal Policy ● September 2, 2025, Integrated Infrastructure Services report IISO2764, Blatchford Renewable Energy Annual Business Plan ● September 2, 2025, Integrated Infrastructure Services report IISO2550, Blatchford Renewable Energy Utility Analysis of Development Options

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Executive Summary

- This report presents the 2026 Rate Filing for Blatchford Renewable Energy (BRE) and recommends the proposed utility rates for 2026 for City Council's approval.
- Due to recent policy changes implemented by the Government of Canada, the federal consumer-facing carbon price was removed, effective April 1, 2025. The removal of the carbon tax restricts the utility rates BRE is authorized to charge based on the business-as-usual (BAU) process, as defined in Council Policy C597B - Blatchford District Energy Utility Fiscal Policy.
- As a result of the removal of the federal carbon tax, the monthly and variable 2026 rates for townhouses and multi-units will be frozen at the 2025 rates.
- Freezing these rates for 2026, coupled with potential subsequent rate reductions in future years beyond 2026 to comply with BAU, is expected to negatively impact BRE's financial forecast and necessitate an increase in the non-refundable cash infusion (previously estimated at \$69 million) required to maintain BRE's financial sustainability.
- Administration will analyze the effects of federal legislation and external factors on BRE's proposed rates and will update Council on the impacts to financial sustainability and the non-refundable cash infusion in the 2027 Rate Filing.
- Maintaining financial sustainability per the current project plan may require alternative funding strategies, such as higher-than-BAU utility rates and/or tax levy support.
- The December 1, 2025, Financial and Corporate Services report FCS03165, Bylaw 21367 - To Amend Bylaw 17943 Blatchford Renewable energy Utility, Amendment No. 7, presents the proposed fees and charges to be effective January 1, 2026.
- The report also includes adjustments to the previously approved 2026 Blatchford Renewable Energy Operating Budget.

REPORT

The Blatchford development aims to be one of North America's largest sustainable communities, that will be home to 30,000 people living, working and learning in the neighbourhood. Blatchford will be comprised of two primarily residential spaces on the east and west side of the site, along with a town centre, a large central park and a civic plaza.

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. Buildings in the Blatchford development must connect to the DESS for heating, cooling and domestic hot water services.

Background

BRE is governed by City Policy C597B - Blatchford District Energy Utility Fiscal Policy. The purpose of this policy is to:

- Ensure the Blatchford District Energy Utility is operated in a manner that reflects City Council's

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overall vision and philosophical objectives for the Utility.

- Ensure there is a consistent approach year over year for the financial planning, budgeting and rate setting for the City managed utility.
- Ensure the Utility is financially sustainable over the long term.

The policy mandates business-as-usual rates for Blatchford Renewable Energy, requiring that customers pay utility fees no greater than those paid by comparable customers elsewhere in the City of Edmonton through their utility bills and maintenance costs. A foundational principle established by Utility Committee during BRE's inception was the necessity for it to operate self-sustainably, without reliance on the general tax levy.

Under standard utility regulatory models, a utility would establish rates to ensure the full recovery of service costs from its customers. However, the substantial initial capital investment required for BRE, combined with the mandate for BAU rates as the rate-setting principle, prevents the achievement of full cost recovery from customers. Consequently, at BRE's commencement in 2019, a non-refundable cash infusion (i.e., external funding) was deemed necessary to offset these initial capital expenditures. Without this non-refundable cash infusion, BRE's long-term financial viability is compromised, which would contravene the fiscal policy.

As part of the 2023-2026 Budget deliberations, Council approved the 2023-2026 Operating and Capital Budgets for BRE. The projected rate increases for 2026 were proposed as follows:

- a 10.0 per cent increase for townhouse lots (applicable to both daily fixed and variable rates);
- rate increases of 2.7 per cent for the monthly fixed rate and 10.0 per cent for the variable rate for multi-unit lots; and
- a 2.7 per cent rate increase for infrastructure fees, also applicable to the monthly fixed and variable rates.

These rates represented a part of a series of sequential, incremental rate adjustments designed to eventually align BRE rates with those of utility customers outside of the BRE service area. The 2026 forecasted rate increases were affirmed as appropriate and necessary through the 2025 Rate Filing in fall 2024. The 2025 Rate Filing also estimated a required non-refundable cash infusion of \$69 million. Administration advised Utility Committee that if these funds are not secured prior to the planned large capital expansion in Blatchford in 2028/2029, alternative financial measures would be necessitated, such as utility rates exceeding the BAU threshold and/or support from the tax levy, to maintain BRE's financial sustainability while adhering to the current project plan.

2026 Rate Filing

Due to recent policy changes implemented by the Government of Canada, the federal consumer-facing carbon price was removed, effective April 1, 2025. The removal of the carbon tax restricts the utility rates BRE is authorized to charge based on the current BAU process, as defined in Council Policy C597B. The BAU methodology is a foundational principle for determining BRE rates. The overarching objective is to ensure that BRE utility customers incur costs that are,

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at most, comparable to the combined energy utility bills and maintenance costs they would face elsewhere in the City of Edmonton.

The federal consumer carbon tax, initially implemented in 2019, significantly influenced the determination of Blatchford utility rates. Previously, BAU rates were calculated inclusive of this tax; customers outside the BRE utility were subject to the carbon tax on their utility bills, which permitted a commensurate increase in utility rates for BRE utility customers.

Consequently, previously forecasted BRE utility rate increases for 2026 and subsequent years are no longer feasible due to the limitations imposed by the BAU restrictions. The 2026 Utility Rate Filing (Attachment 1) proposes the following rates, summarized by customer class:

1. **Townhouse lots (Rate Freeze)** - A zero per cent rate increase is proposed for both the daily fixed and variable rates (previously projected as a 10 per cent rate increase).
2. **Multi-Unit lots (Rate Freeze)** - A zero per cent rate increase is proposed for the monthly fixed and variable rates (previously projected as a 2.7 per cent and 10.0 per cent rate increase for the monthly fixed and variable rates, respectively).
3. **Infrastructure Fees** - A 2.7 per cent rate increase is proposed for both townhouse and multi-unit buildings (consistent with the rate increase proposed in previous budgets).

In adherence to the BAU principle outlined in Council Policy C597B, and due to the impact of the removal of the federal carbon tax, the monthly and variable rates for townhouses and multi-units will be frozen at the 2025 rates. This adjustment deviates from the forecasted rate increases in previous budgets, which anticipated 10 per cent annual increases over multiple years. The original increases were deemed necessary to align rates with the average long-term BAU rates while ensuring BRE's long-term financial sustainability. The proposed rate increase for infrastructure fees remains appropriate, as this rate is not directly affected by the BAU process.

Freezing these rates for 2026, coupled with potential subsequent rate reductions in future years beyond 2026 to comply with BAU, is expected to negatively impact BRE's financial forecast and necessitate an increase in the non-refundable cash infusion (previously estimated at \$69 million) required to maintain financial sustainability. The rate freeze is proposed only for 2026 to mitigate the long-term financial repercussions and to afford Administration the required time to thoroughly analyze the effects of these factors.

In 2026, Administration will retain external expertise and consultants to execute two critical initiatives intended to augment the understanding of BRE's financial position and outlook:

- BAU methodology review - This initiative is essential to validate the accuracy of the BAU comparator, specifically by contrasting Blatchford customer utility costs with the estimated costs for a comparable residential property elsewhere in Edmonton.
- Financial model update and sustainability assessment - This analysis will examine the influence of evolving market conditions on BRE's financial modeling and long-term viability to ensure the financial model is updated accordingly.

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The outcomes of this analysis will assist Administration in determining the revised, non-refundable cash infusion required to secure BRE's long-term financial sustainability. It is anticipated that the necessary infusion will substantially exceed the previously reported \$69 million. This increase is a direct consequence of the removal of the federal consumer carbon tax and the resultant reduction in utility rates, although the precise magnitude remains to be determined.

If the majority of the non-refundable cash infusion is not secured before construction of the next energy centre (estimated to begin operation in 2029), alternative financial measures would need to be considered to maintain financial stability. This could include higher-than-BAU rates and/or support from the tax levy, which would require revisiting the founding principles of BRE.

Findings from the analysis will inform the development of the 2027 Rate Filing. Administration will aim to provide financial updates throughout 2026, as appropriate, and further detailed information through the 2027 Rate Filing in fall 2026.

Proposed 2026 Utility Rates

The 2026 Rate Filing proposes customer rates, effective January 1, 2026, for two rate classes, distinguished by building type. The rate classes are townhouse lots and multi-unit lots which includes mixed residential, commercial and institutional buildings. The only active customer class has been townhouse lots until the fall of 2025 when the first multi-unit commercial lot customer connected, Fire Station #8. Other multi-unit projects are under construction and expected to be connected in 2026.

BRE has two types of fees and charges for Blatchford's customers: infrastructure fees and energy delivery fees. The infrastructure fee is a one-time fee assessed to all builders connecting to the energy system. Energy delivery fees include a fixed charge and a variable fee. These are both discussed in greater detail in Attachment 1.

Fees are approved annually by Council through the rate filing process. Table 1 compares the 2025 approved fees and charges with the 2026 proposed fees and charges (rates).

Table 1: 2026 Proposed BRE Customer Rates

Description	2026 Rate Increase	2026	2025 Rate Increase	2025
Infrastructure Fee				
Townhouse Lot Residential (per unit)	2.7%	\$2,053.59	2.7%	\$1,999.60
Multi-Unit Lot Residential (per unit)	2.7%	\$2,053.59	2.7%	\$1,999.60
Multi-Unit Lot Commercial (per square meter)	2.7%	\$23.46	2.7%	\$22.85
Townhouse Lot				
Monthly Charge (unit per day)	0.0%	\$2.07	10.0%	\$2.07
Variable Heating and Cooling (per kWh)	0.0%	\$0.0358	10.0%	\$0.0358
Multi-Unit Lot				
Monthly Charge (per kW peak capacity per month)	0.0%	\$13.18	2.7%	\$13.18
Variable Heating and Cooling (per kWh)	0.0%	\$0.0358	10.0%	\$0.0358

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Non-refundable Cash Infusion

Administration has communicated the requirement for a non-refundable cash infusion to Utility Committee. The non-refundable infusion is key to:

1. Ensure BRE becomes financially sustainable in the long run without any ongoing subsidy,
2. Ensure customers pay a comparable fee to what they would elsewhere in Edmonton through their energy utility bills and annual maintenance costs (BAU).

In the 2025 Utility Rate Filing, the non-refundable cash infusion was approximately \$69 million which includes the secured National Resource Canada - Smart Renewables and Electrification Pathways grant of \$23 million. BRE will need to prepare further analysis of the impact of freezing rates in 2026 as a result of the removal of the federal carbon tax, the BAU process and other external factors to fully understand the immediate and long-term financial and operational impacts to the non-refundable cash infusion. This includes timing of the next energy centre, land development plan, builder pace and market conditions.

Based on preliminary analysis, the required non-refundable cash infusion will need to materially increase due to BRE needing to charge lower utility rates to adhere to the BAU process. Administration will provide an updated value as part of the 2027 Rate Filing.

The majority of the non-refundable cash infusion needs to be secured prior to construction of the next energy centre, currently forecast to be operational in 2029. Should the non-refundable cash infusion not be secured in time, alternative financial measures will be necessary to ensure BRE's financial sustainability while maintaining the current project plan. These alternatives could include higher utility rates than the BAU scenario and/or support from the tax levy. It is important to recall that a founding principle of BRE was its self-sufficiency, meaning no reliance on the general tax-levy, however this may need to be revisited.

BRE will only pursue further capital expansion as required by land development and construction activities. As energy load requirements are heavily influenced by the land development plan, builder pace and market conditions, any resulting material changes will affect utility infrastructure planning.

BRE continues to apply for grant opportunities and explore options for external funding to address the funding gap. For the initial capital infrastructure expenditures, BRE is using self-supporting tax guaranteed debt financing.

Proposed 2026 Operating and Capital Budgets

2026 BRE Operating Budget Adjustments

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The 2026 Operating Budget, and details of recommended adjustments by revenue and expense category are explained in Attachment 3. The revenue budget for 2026 is being recommended to increase by \$189,000, and the expenditure budget is being recommended to decrease by \$144,000.

2026 BRE Capital Budget and Forecast

The approved BRE Capital Budget plans incorporate anticipated growth in the community. There are no adjustments required to the 2026 Capital Budget at this time. Attachment 1 contains more detail on the forecasted capital additions, construction work in progress by asset group and detailed descriptions.

Next Steps

Following the approval of the 2026 BRE Utility Rate Filing, Administration will engage external expertise in 2026 for two critical initiatives: a BAU Methodology Review and a Financial Model Update and Sustainability Assessment. This work will result in an updated financial model, providing the necessary information for the 2027 Utility Rate Filing, which will include an updated non-refundable cash infusion, expected to exceed \$69 million. Administration will provide financial updates throughout 2026 as appropriate. Other financial alternatives, such as higher utility rates compared to BAU, and/or tax levy support, will likely need consideration.

The 2026–2029 BRE Business Plan, incorporating the 2025 Annual Financial Statements and identifying updates to financial performance, will be prepared by Q2 2026. This plan will be presented along with any required capital plan updates after evaluating the sequencing and timing of future energy centers.

Community Insight

Since the Blatchford redevelopment was first discussed in 2008, Administration has consistently engaged public consultants and expert analysis to inform the development of the community. This includes review of the initial BRE concept incorporating adjustments to meet customer needs. Regular updates are provided to the Energy Transition Climate Resilience Committee. BRE customers are notified of the 2026 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 City 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"

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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 2026 Rate Filing
2. Blatchford Renewable Energy 2026 Rate Filing Minimum Filing Requirements Schedule Index
3. Blatchford Renewable Energy Utility 2026 Operating Budget
4. Utility Advisor Review - Blatchford Renewable Energy 2026 Rate Filing