

DEC 2025

BLATCHFORD RENEWABLE ENERGY

2026 Rate Filing

Attachment 1 - FCS03164

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Executive Summary

Blatchford Renewable Energy (BRE) is a public, City-owned utility established to operate a District Energy Sharing System (DESS) plus certain mechanical equipment within the customer buildings.

One of the critical elements in ensuring the long-term financial sustainability of BRE is the requirement of a non-refundable cash infusion (i.e. grant funding). Previously, in the 2025 Utility Rate Filing, the required non-refundable cash infusion was approximately \$69 million. This includes the \$24 million in grant funding secured through the National Resource Canada - Smart Renewables and Electrification Pathways program.

A key policy principle identified in City Policy C597B - Blatchford District Energy Utility Fiscal Policy is a concept known as Business-As-Usual (BAU). According to BAU, the City strives for Blatchford utility customers to have utility costs comparable to ratepayers outside of Blatchford. This has resulted in traditional utility cost of service not being followed as BRE is not currently charging utility rates high enough to collect sufficient revenue to cover the required operational and capital costs to provide utility services.

Recent changes implemented by the Government of Canada, effective April 1, 2025, removed the requirement to have a federal consumer-facing carbon price. The previous federal consumer carbon tax, originally implemented in 2019, had a significant effect on Blatchford utility rates since BAU rates were calculated inclusive of the tax. Removal of the carbon tax limits the utility rates BRE is able to charge under given the policy constraints and the current BAU process. Previously forecasted utility rate increases for 2026 and beyond are no longer possible due to the BAU restrictions. This has a negative impact on the financial outlook for the utility and is expected to increase the amount of the non-refundable cash infusion required to ensure BRE is financially sustainable (previously estimated at \$69 million).

As part of Federal Budget 2025, on November 4, 2025, the Government of Canada, also clarified that strengthened industrial carbon pricing will be one of the key principles in their Climate Competitiveness Strategy – with a key action being the engagement of “provincial and territorial governments in setting a multi-decade industrial carbon price trajectory that targets net-zero by 2050”.

While the timing and impact of this engagement on industrial carbon pricing are unknown, an increase to industrial carbon pricing could potentially increase BAU utility costs. Based on current processes, this would allow BRE to increase Blatchford utility rates.

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These recent federal changes have had a major effect on the calculation of BAU utility rates and the amount of potential revenue BRE is able to collect from utility ratepayers. BRE has been using a 50-year financial model to assess long-term financial sustainability, and so the reduction in potential revenue over the life of the model is also anticipated to significantly increase the required non-refundable cash infusion.

In order to align with City Policy C597B and adhere to the BAU principle the following rate adjustments would be needed for 2026:

1. **Townhouse lots** - zero per cent rate increase for both the daily fixed and variable rates from 2025. (previously forecasted to be a 10 per cent increase)
2. **Multi-Unit lots** - zero per cent rate increase for both the daily fixed and variable rates from 2025. (previously forecasted to be a 10 per cent increase)
3. **Infrastructure Fees** - 2.7 per cent rate increase for both townhouse and multi-unit lots.

In 2026, Administration intends to procure external expertise to conduct a review of the current BAU methodology. This review is essential to ensure the BAU comparator is appropriate, specifically by comparing Blatchford customer utility bills against the estimated costs for a similar residence located elsewhere within the City of Edmonton. Concurrently, Administration intends to engage a consultant to support the further assessment of changing market conditions, the impact to BRE's financial modeling and long-term financial sustainability, and an update of the financial model. These initiatives represent significant undertakings that will enhance the City's understanding of BRE's financial position and outlook.

Upon completion of this work, Administration will be better positioned to determine and provide the revised, non-refundable cash infusion required to ensure BRE's long-term financial sustainability. As a direct consequence of the removal of the federal consumer carbon tax and the subsequent reduction in utility rates, the required non-refundable cash infusion is anticipated to increase substantially from the previously reported amount of \$69 million. The precise magnitude of this impact remains undetermined at this time.

Findings from this analysis will inform the development of the 2027 Utility Rate Filing. Administration will provide a financial update and further information in fall 2026.

Administration has, to date, been unsuccessful in securing sufficient external grants to satisfy the total required non-refundable cash infusion. Given the anticipated increase in the required non-refundable cash infusion, alternative financial options will likely be necessary to ensure BRE's long-term financial sustainability. These

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options may include higher utility rates compared to the BAU scenario, and/or reliance on tax levy support. A foundational principle during BRE's establishment was that it should be self-sustaining and independent of general tax levy support. This matter warrants reconsideration given BRE's current financial constraints.

The rate increase for infrastructure fees is based on discussions leading to the approval of the 2023-2026 operating and capital budgets for the Blatchford Renewable Energy Utility. The proposed rate increase is still considered appropriate as this rate is not directly impacted by the BAU process.

1.0 Introduction

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 own and operate a District Energy Sharing System plus certain mechanical equipment within the customer buildings themselves. The strategic objectives of BRE remain:

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

BRE forecasts 173 connections by the end of 2025, based on the builders' most recent updates of construction activities. The number of connections is anticipated to increase to 282, 392 and 490 in 2026 to 2028 respectively. By 2028, Blatchford Renewable Energy expects to provide thermal energy services to a connected floor space area of approximately 29.8 ha. The forecasts include significant recent connections to the Blatchford Renewable Energy Utility, such as the newly constructed Fire Station #8 and upcoming multi-unit buildings in the community.

Attachment 2, Minimum Filing Requirements, includes a set of schedules which detail the costs of service, the resulting revenue requirement, and revenue. These schedules are similar to the format used in the electric and gas utility industry in Alberta.

The 2026 Utility Rate Filing has been prepared based on rate setting principles outlined in Policy C597B. Rate increases were determined based on the costs of providing utility services and ensuring customers pay at most a comparable fee to what they would elsewhere in the City of Edmonton (BAU). More information on how the 2026 forecasted fees and charges were developed is included in Sections 3.0 Methodology & Key Assumptions and 4.0 Proposed Utility Rates.

2.0 Current Situation

City Council approved the 2025 BRE operating and capital budget amendments, and 2025 utility rates in the fall of 2024. The 2025 Utility Rate Filing reflected a rate increase of 10 per cent per year for townhouses and multi-unit (variable and fixed) and a 2.7 per cent rate increase per year for infrastructure fees. The determination of these rate increases was predicated on ensuring the continuity of BAU, maintaining the financial sustainability of BRE (contingent upon the fulfillment of the non-refundable cash infusion), and incorporating inflationary impacts for the approved budget period.

In September 2025, Administration presented two BRE reports to Utility Committee:

- IIS02550 Blatchford Renewable Energy Utility Analysis of Development Options analyzed the potential of integrating a shared-utility approach to accelerate the development of the Blatchford community. The report concluded that integrating a “shared utility” approach would not accelerate development in the community, as the expansion of the district energy utility is not a factor in the pace of development. Development timelines are instead dependent on traditional factors related to land development activity. Blatchford’s development is best supported under the current approach of naturally extending the existing District Energy Sharing infrastructure to new phases as the development progresses.
- IIS02764 Blatchford Renewable Energy Annual Business Plan outlined how BRE has progressed, including reaching its sixth year of successful operation, connecting more floor space in 2024 than anticipated, and the preparation of new, larger connections, including the Blatchford Fire Station #8 and upcoming multi-unit buildings. The plan also noted the negative financial impacts to BRE that result from offering builders an exemption from connecting to the DESS if they can prove to be net zero. To minimize any future financial impacts, Administration committed to bring forward the necessary changes to limit any future DESS exemptions. The plan outlined BRE’s focus areas for the next four-year business plan, including continuing operational reliability and planning, constructing growth in parallel with the Blatchford Redevelopment Office and builder activity on-site.

Capital expenditures to date have been financed through self-supporting tax guaranteed debt. Ultimately, BRE will require grant funding, external funding or some other non-refundable cash infusion to be financially sustainable. Without the non-refundable cash infusion, the cost of BRE’s services would become uncompetitive, placing a higher burden on Blatchford ratepayers compared to ratepayers living elsewhere in Edmonton (which is counter to the BAU guidance).

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As a result of the Government of Canada's policy changes regarding the consumer carbon tax, Administration intends to analyze the long-term implications of this policy change on BRE's financial model. Based on current preliminary analysis, the required non-refundable cash infusion will likely increase significantly given the BAU policy will limit utility rate increases.

BRE has used the City's working capital to cover annual operating shortfalls and debt servicing costs on \$27.5 million debt borrowing as of December 31, 2024. The amount of working capital funding used by BRE at the end of 2024 is \$14.7 million. The continued use of debt and City's working capital will result in additional interest costs in the future, which could further deteriorate the financial sustainability of BRE.

One of the critical elements in ensuring long-term financial sustainability is the requirement of a non-refundable cash infusion (i.e. grant funding). Blatchford Renewable Energy Utility's financial forecasting is based on the assumption that the majority of the remaining required cash infusion will be secured before the construction of the next major capital expansion of the next energy centre, currently forecasted to be operational in 2029.

If the non-refundable cash infusion is not secured in time, other financial alternatives may be required such as higher utility rates compared to BAU and/or tax levy support to ensure BRE remains financially sustainable while maintaining the current project plan. One of the original principles discussed when BRE was established was the need for it to be self-sustaining with no support from the general tax-levy.

BRE will however, 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.

3.0 Methodology & Key Assumptions

BLATCHFORD DISTRICT ENERGY UTILITY FISCAL POLICY (C597B)

City Policy C597B was approved on July 3, 2024. The purpose of this policy is to:

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

LAND DEVELOPMENT

The 2026 Utility Rate Filing is based on the updated 2025 Masterplan. The update included land development type and timing as well as forecast land sales provided by the Blatchford Redevelopment Office. The land development schedule is a critical component of the BRE forecasts, as it is used in determining the energy load requirements BRE will be expected to deliver, timing of customer growth and timing for capital expenditures.

The current forecast customer connections predict a cumulative total of 173 connections by the end of the year 2025. In 2025, the first commercial building, City of Edmonton Fire Station #8, was constructed and connected to BRE. Construction of a new multi-unit building is forecast to be completed and connected to BRE in 2026. Table 1 provides the actual and forecasted customer connections and energy consumption from 2020-2026:

Table 1: 2020-2026 BRE Customer Connections and Energy Consumption

Description	2020	2021	2022	2023	2024	2025	2025	2026
	Actual	Actual	Actual	Actual	Actual	Approved Budget	Forecast	Budget
New Customer Connections								
Townhouses	8	17	20	30	40	76	57	93
Multi-Unit Buildings						4	1	3
Total DESS Connections	8	17	20	30	40	80	58	96
Total DESS Connections Accumulated	8	25	45	75	115	186	173	282
Energy Consumption (MWh)								
Townhouses	14	213	464	723	1,398	1,394	2,021	2,345
Multi-Unit Building	0	0	0	0	0	123	2	868
Total Energy Consumption	14	213	464	723	1,398	1,517	2,023	3,213

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BRE regularly updates the connection forecast, which is dependent on various internal and external factors including development approvals, sales market, housing market conditions and site and home builder construction timelines.

Two important adjustments to customer forecasting methodology were made in the 2025 rate filing and continue to be used in this rate filing. First, in prior years, analysis for annual customer count was based on the assumption that all customers connected to the system on January 1 of the year. As Administration has gained more experience in operating BRE, data confirms customers start throughout the year with the largest number connecting to the system in the last quarter. Second, earlier forecasts assumed all buildings were complete within one year from sale of the land. Administration's data shows that construction completion is closer to two years from sale of the land, so forecast customer counts and forecast energy demands were adjusted for the delay in completion. Forecast customer counts and energy demand continue to be refined based on historical information and will continue to be monitored for any effects on the base assumptions.

COST OF SERVICE

In a traditional utility environment, utility customer rates are designed to fully recover the forecasted revenue requirement or full cost of actual services. BRE does not currently follow this methodology due to the consideration of BAU utility rates. This concept is further discussed later in the rate filing.

When BRE first started, there was an insufficient customer base to fairly allocate the total revenue requirement to the early customer base when calculating proposed utility rates and fees. The initial number of customer connections could not fairly be expected to cover all of the forecast costs for start-up utility services, when a large proportion of the costs were for longer-term utility infrastructure capital requirements. The start-up capital included the geo-exchange field, Energy Centre One and the distribution piping for the initial customers. This resulted in the need for the required non-refundable cash infusion to support the initial utility capital investment for the overall planned community and ensure BRE's long-term financial sustainability.

The traditional utility regulatory approach in setting customer rates typically involves the preparation of a cost of service study (COSS), which groups utility customers into unique customer classes. The COSS distributes the total forecast revenue requirement for the utility across each customer class based on established cost functional, classification and allocation methodologies.

In 2023, a preliminary COSS was completed but has not been fully utilized in the design of proposed utility rates, with only one customer class currently active at

Blatchford. As additional customers connect to the district energy system more consumption and cost data is becoming available for future COSS analysis.

As multi-unit customers are anticipated to increase significantly in the near future, Administration will continue to monitor customer activity and bring forward an updated COSS in the future when appropriate.

BUSINESS AS USUAL

BAU, as outlined in City Policy C597B, is a key principle used in the preparation of the 2026 BRE Rate Filing in determining utility customer rates. The guiding principle and key objectives are:

Customer rates based on the forecast cost of providing service will be assessed annually to ensure they remain competitive with other longer-term heating and cooling options.

- 1. The Utility will strive for customers to pay at most a comparable fee to what they would elsewhere in the City of Edmonton through their energy utility bills and maintenance costs.*
- 2. The assessment will take into account the longer-term nature of utility infrastructure being used to provide services to customers, and market fluctuations that may occur annually in the commodity price of gas and electricity relative to the stable cost of providing thermal energy from the Blatchford District Energy Sharing System.*

The assessment considers the forecast average cost of utilities for a comparable customer in Edmonton (BAU home) based on forecast heating and cooling requirements (including the consumption of electricity, natural gas and equipment maintenance). Energy and maintenance costs for the BAU assessment are estimated as BRE does not have visibility on Blatchford customers' actual costs.

Comparing Blatchford utility rates to BAU is a unique process as heating and cooling is provided by BRE, while electricity and maintenance costs are provided by external providers. Heating and cooling is provided in Blatchford through the use of efficiently operated heat pumps powered by electricity. In a traditional home, heating is generally provided through furnaces utilizing natural gas, while electricity is only used for air conditioning systems. As electricity has historically been generally more expensive compared to natural gas, this can have a major impact on the comparison to BAU. Higher electricity prices will, in general, result in Blatchford utility rates to be higher compared to BAU as Blatchford utility customers use proportionally more electricity compared to BAU due to the use of heat pumps.

In 2025, a number of external factors outside BRE's control impacted how BAU is assessed. These external factors include:

1. Rate of Last Resort
2. Federal Consumer Carbon Tax
3. Federal Industrial Carbon Pricing

Rate Of Last Resort

On June 20, 2024, the *Utilities Affordability Statutes Amendment Act, 2024, SA 2024, c 8* was proclaimed by the Government of Alberta. This act established the Rate of Last Resort (ROLR) for electricity customers replacing the Regulated Rate Option (RRO). ROLR is a regulated fixed rate, while the RRO was a regulated variable rate based on market conditions that could change on a monthly basis. The change to ROLR is intended to provide more stable and predictable electricity prices for utility customers who have not signed a contract with a competitive energy retailer.

The ROLR came into effect on January 1, 2025 and was set at approximately \$0.12 per kWh, effective for a two-year period ending December 31, 2026. At the end of the two-year period, the rate can at most be increased by 10 per cent for a following two-year period and each subsequent two-year period.

The current BAU process uses regulated energy rates as a baseline, since BRE does not know the electricity rates that are paid by utility ratepayers (i.e. whether they are paying regulated rates or on a contract with an energy retailer). As current short-term contract prices being offered by energy retailers are lower than regulated rates, the shift from the previous RRO to the implementation of the ROLR, has resulted in the need to reassess how electricity rates are forecast in relation to retailer contract pricing through the BAU process. Lower contract pricing would result in lower BAU variances for Blatchford ratepayers and potentially allow BRE to charge higher rates. Using regulated rates is a more conservative approach and provides a "worst-case" result for comparing Blatchford utility rates to BAU.

Federal Consumer Carbon Tax

Effective April 1, 2025, the Government of Canada removed the requirement of a federal consumer-facing carbon price.

The 2025 BRE utility rates, and prior annual utility rates since BRE's inception, factored in the consumer carbon tax. The removal of the consumer carbon tax will reduce comparable BAU utility costs, which will lower the utility rates that BRE is able to charge Blatchford utility customers.

While there is no longer a consumer carbon tax, federal and provincial industrial carbon pricing requirements continue to be in effect.

Federal Industrial Carbon Pricing

On November 4, 2025, the Government of Canada as part of Federal Budget 2025, clarified that strengthened industrial carbon pricing will be one of the key principles in their Climate Competitiveness Strategy. While the impact and timing of implementation are unknown, a key action will be the engagement of “provincial and territorial governments in setting a multi-decade industrial carbon price trajectory that targets net-zero by 2050”.

If industrial carbon pricing were to increase, this could potentially increase costs for producers which would likely flow down to energy retailers. This would potentially result in higher BAU utility costs and, based on current processes, allow BRE to increase Blatchford utility rates.

Overall Impact of Business as Usual Requirement

As one of BRE’s current key principles is to strive for Blatchford utility customers to have utility costs comparable to BAU, traditional utility cost of service is not currently being implemented. This results in BRE not being able to collect sufficient revenue to cover the required operational and capital costs to provide utility services.

The cumulative impact of the external factors highlighted above (ROLR, removal of federal consumer carbon tax, federal industrial carbon pricing) are forecast to further reduce BAU utility costs and, based on City Policy C597B,, further reduce BRE’s ability to charge utility rates that would generate sufficient revenue to cover required operational and capital costs.

The 2025 BRE Utility Rate Filing indicated a potential future necessity to review the BAU process. Similar to the practice of preparing cost of service studies when deemed necessary, a review of the BAU process should also be undertaken as necessary. A review of the current BAU process would offer greater clarity on the most appropriate calculation of BAU, especially considering the ramifications of federal and provincial legislative changes.

Administration anticipates the need to secure the services of external subject matter experts to support the BAU analysis. This review is essential to validate the appropriateness of the BAU comparator, specifically by comparing Blatchford customer utility bills against the estimated costs for a comparable residence situated elsewhere within the City of Edmonton.

4.0 Proposed Utility Rates

The proposed customer rates, effective January 1, 2026, were developed for two rate classes. These classes are distinguished by the building types currently proposed for Blatchford: townhouse lots and multi-unit lots. The multi-unit lot class includes mixed residential, commercial and institutional buildings.

Since first starting to provide utility services, BRE has only serviced one active customer class composed of two types of townhouse lots. In the fall of 2025 a multi-unit commercial lot customer connected to BRE, Fire Station #8. A multi-unit residential lot project is currently under construction and expected to connect in 2026. The rates for these customer classes were defined and approved in prior rate filings through Bylaw 17943 - Blatchford Renewable Energy Utility.

There are two types of fees and charges for Blatchford’s customers: infrastructure fees and energy delivery fees. A one-time infrastructure fee is assessed to all builders connecting to the energy system. Energy delivery fees include a fixed charge and a variable fee. The fixed fee is a rate per day for townhouse lots and a rate per peak kilowatt capacity per month for multi-unit lots. The variable rate is based on kilowatt hours of energy consumed by the customer. Fees are approved by City Council annually through the rate filing process. Table 2 compares the approved fees and charges (rates) for 2025 and 2026.

Table 2: 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

The proposed 2026 rates include an increase on the infrastructure fee, consistent with the 2024 and 2025 approved rates. This aligns with discussions held during 2023-2026 Budget deliberations and the approval of City Policy C597B.

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Due to the removal of the consumer carbon tax in Federal Budget 2025, and the City Policy C597B requirement for BAU rates, the monthly and variable rates for 2026 will need to be maintained at the 2025 rates (i.e. no rate increase). Of note, this is contrary to Administration's projection during the 2023-2026 Budget deliberations, that 10 per cent increases would be needed for multiple years to move closer to BAU and to ensure long-term financial stability.

For now, freezing utility rates is only proposed for 2026. Further analysis will be required by Administration to determine the longer-term impact on BRE's financial sustainability as a result of the removal of the consumer carbon tax. Based on this analysis, Administration will be able to provide further information on long-term utility rate plans through the 2027 Utility Rate Filing, as well as strategies for discussion to ensure long-term financial sustainability. These options may necessitate higher utility rates compared to BAU, and/or reliance on municipal tax levy support. A foundational principle during BRE's establishment was its intended status as a self-sustaining entity, independent of general tax levy funding.

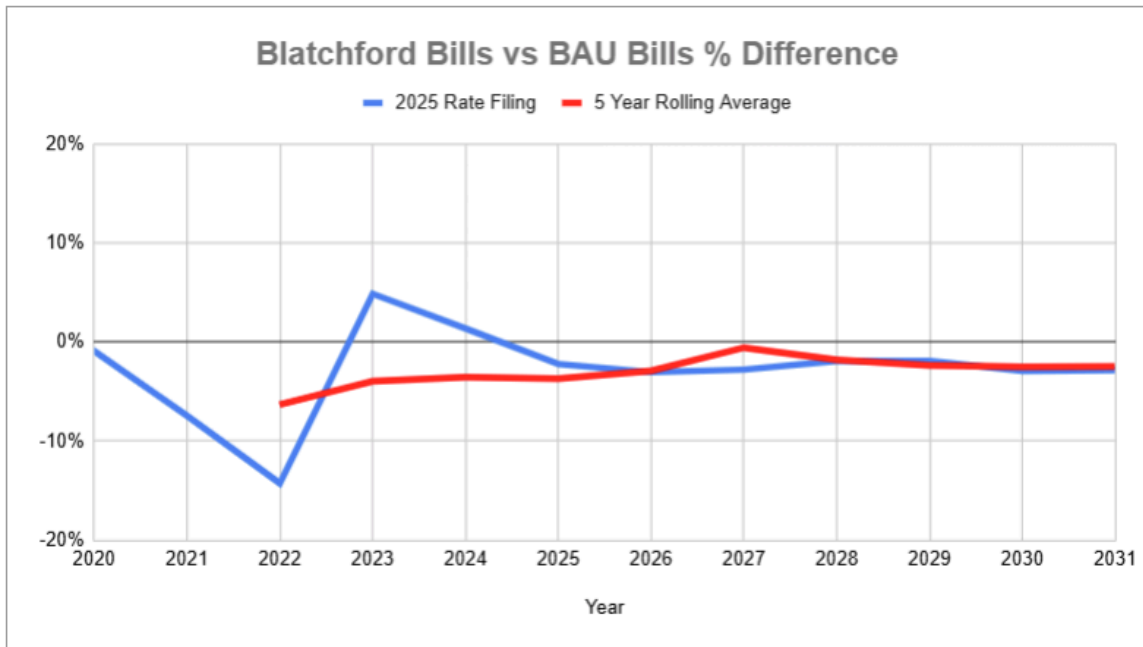
TOWNHOUSE LOT UTILITY RATES

Townhouse lots are designated by the City of Edmonton to include one townhouse unit, and may include a garage suite and a basement suite. For 2026 townhouse lot utility rates, Administration is proposing a zero per cent rate change for both the monthly charge and variable heating and cooling.

Table 3 highlights the BAU variance of average annual Blatchford utility billings (blue line) and the BAU variance of the five-year rolling average (red line) for an average BRE townhouse homeowner as previously presented in the 2025 Utility Rate Filing.

As per City Policy C597B, the 5 year rolling average is used for BAU comparisons to take into account the longer term nature of utility infrastructure. This approach also incorporates the inherent market fluctuations in energy prices for electricity and natural gas, relative to the more stable cost of providing thermal energy through BRE.

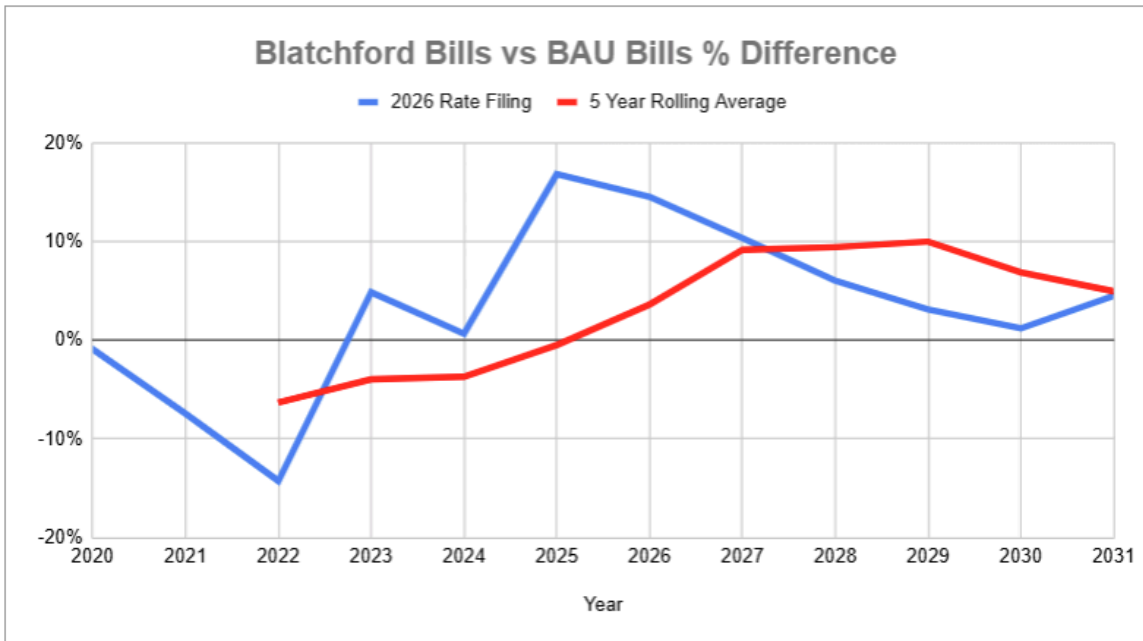
Table 3: Townhouse - BAU Variance by Year (BRE vs. BAU) - 2025 Utility Rate Filing



The five-year rolling average (red line) shows that historically, Blatchford townhouse homeowners had been paying, on average, utility rates well below BAU. The red line is consistently below zero per cent leading up to 2023 and at that time, was forecasted to continue to be below BAU out to 2031.

Table 4 incorporates current information for the 2026 Utility Rate Filing.

Table 4: Townhouse - BAU Variance by Year (BRE vs. BAU) - 2026 Utility Rate Filing



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Based on current financial information, the five-year rolling average (red line) shows a major shift in the forecast of future BAU variances compared to the 2025 Utility Rate Filing. The five-year rolling average now shows that while the forecasted 2025 variance is still slightly below BAU (-0.48 per cent), forecasted BAU variances beginning in 2026 show an upward trend before declining and approaching BAU in 2031. The projected 2026 BAU variance is 3.63%, calculated based on the five-year rolling average, assuming rate freezes for 2026. This variance indicates that, on average, a utility payer in Blatchford would incur a utility bill 3.63% higher than a utility customer outside of Blatchford in 2026. While this exceeds the strict BAU threshold, it is still considered sufficiently close to remain consistent with the BAU principle.

This is primarily due to the financial impact of the Government of Canada's removal of the requirement for a consumer carbon tax and the Government of Alberta's implementation of the ROLR. These changes have a major impact on the calculation of BAU Utility Costs and the resulting restrictions to set appropriate Blatchford Utility Rates while adhering to the current BAU process. The forecasted BAU variances incorporate the proposed freeze of utility rates in 2026 and potential rate adjustments in future years to gradually return utility rates to be closer to BAU in 2031.

Table 5 highlights the approved utility rates in 2025 with appropriate potential forecasted utility rates in future years to maintain BAU for both the 2025 and 2026 Utility Rate Filings. These rate adjustments were also used for financial modeling to assess the long-term financial sustainability of BRE.

Table 5: Comparison of BAU Variances (2025 Rate Filing vs. 2026 Rate Filing)

Year	2025 Rate Filing		2026 Rate Filing	
	Rate Change	BAU Variance	Rate Change	BAU Variance
2025	10.00%	-3.70%	10.00%	-0.48%
2026	10.00%	-2.90%	0.00%	3.63%
2027	10.00%	-0.57%	-5.25%	9.16%
2028	7.50%	-2.05%	-5.25%	9.44%
2029	7.50%	-2.84%	-5.25%	10.00%
2030	3.50%	-3.37%	0.00%	6.89%
2031	3.50%	-3.66%	10.00%	4.97%
Cumulative Impact	65%		3%	

The financial impacts to the BAU variance can be seen when comparing results from the 2025 Utility Rate Filing and the 2026 Utility Rate Filing. The 2025 Rate Filing, from 2025 to 2031, forecasted a cumulative rate impact of 65 per cent and remained below BAU for the entire period.

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In contrast, over this same period in the 2026 Utility Rate Filing, a forecasted cumulative rate impact of three per cent has the BAU variance reach 4.97 per cent over BAU in 2031. As shown, the proposed freezing of utility rates in 2026 will still result in a reasonable BAU variance of 3.63 per cent and allow Administration time to further analyze the long-term impacts of the implemented government policy changes and the current BAU process before making a long-term financial decision.

The potential future rate adjustments were determined based on the desire to balance the needs of the ratepayer, adhere to the current BAU process over the long-term, to minimize and evenly spread out the rate decreases as much as possible. Although the rate decreases still result in BAU variances of nine to ten per cent from 2027 to 2029, they return to a five year rolling average BAU variances of just under five per cent, which is reasonable.

The potential reductions in future years to return BRE utility rates to be closer to BAU are only being used for long-term financial modeling in the 2026 Utility Rate Filing and represents a conservative estimate. These utility rate decreases are not being suggested for future years as further analysis around the long-term impacts of government policy changes and the current BAU process is required to determine if they will be necessary in the future.

Impact of BAU Variance

The financial impact of a five per cent BAU variance, based on forecasted monthly billings, is approximately \$5 per month on an average bill. This is based on an average forecasted monthly Blatchford billing for thermal energy of approximately \$100.

Part of the complexity in determining utility rates based on the current BAU process is that BRE does not know what residents pay for electricity. In the current process, regulated electricity rates are used (i.e. ROLR) as a conservative baseline. This is a fixed rate of approximately \$0.12/kWh for a two-year period effective from January 1, 2025 to December 31, 2026. Once this two-year term has ended, the rate can at most be increased by ten per cent for the following two-year period. Prior to 2025, it was a floating regulated market rate.

Currently, contract rates from energy retailers are available for under \$0.09/kWh for one and two year terms. Given short term contracts are currently available from energy retailers for \$0.03/kWh less than the ROLR, it is possible that the BAU variance the Blatchford ratepayers are actually incurring is less than calculated.

The potential financial impact of that difference is approximately a greater than a one to three per cent annual reduction in reported BAU variances depending on the year (i.e. greater than one per cent in 2026 to greater than three per cent by 2031).

MULTI-UNIT LOT UTILITY RATE

Multi-unit lots are designated by the City of Edmonton and may consist of any combination of residential, commercial and institutional developments.

The Multi-unit rates in 2026 are also proposed to have a zero per cent change from the approved 2025 rates for both monthly fixed and variable rates.

The Multi-unit customer class has both a variable rate based on consumption of thermal energy and a monthly fixed rate. The monthly fixed rate was first introduced in 2023, through collaboration on a rate setting study with KPMG. To maintain consistency with rate setting study and direction received during the 2023 - 2026 budget deliberations, the proposed escalation of 2.7 per cent has been consistently implemented. This rate was equivalent to average forecasted inflationary increases over the 2023-2026 budget period. For 2026 rates, the same variable rate (\$ per kWh) is used for both Townhouses lot and Multi-unit lot customers.

Historically, there have been no Multi-unit residential buildings at Blatchford. In the fall of 2025 the first multi-unit commercial connected (Fire Station #8). BRE is anticipating the first Multi-unit residential building to be connected in 2026. Once these two buildings are connected, data for the multi-units' requirements will be monitored and incorporated into future rate setting exercises.

INFRASTRUCTURE FEE

Infrastructure fees are a one-time fee to builders for connection of Townhouse lot customers and Multi-unit lot customers to the BRE utility.

In the 2026 BRE Rate Filing a proposed rate increase for infrastructure fees is 2.7 per cent included. This increase is proposed to maintain consistency with initial directions received during the 2023-2026 budget presentations.

BRE continues to review the current Infrastructure Fee structure to determine if there is a need to bring forward changes through future utility rate filings.

5.0 Long-Term Financial Sustainability

FINANCIAL INDICATORS

City Policy C597B established financial indicators which provide financial information to assess BRE's long-term financial sustainability. The targets set out in this policy are:

1. Net Income

Where the net income and rate of return are sufficient to cover current year expenses, working capital requirements and facilitate funding for capital infrastructure, rehabilitation and replacement of capital assets.

2. Cash Position

Target cash position is equal to Pay-As-You-Go funding for forecast capital expenditures in the Capital Plan plus an allowance for operating risk.

3. Debt Service Coverage Ratio

The minimum baseline target is recommended to be 1.5 to ensure earnings cover annual debt servicing costs.

4. Debt to Net Assets Ratio

The Utility will aim to maintain between 50 per cent and 70 per cent by balancing long-term financial sustainability with intergenerational equity.

The preparation of rate filings and evaluation of future utility business decisions will take the achievement of the financial indicators into consideration. As BRE is still being established, the achievement of these financial indicators are expected to be over an extended period. Further analysis will be required by Administration to determine the longer-term impact on BRE's financial sustainability, as a result of the removal of the consumer carbon tax, including a more detailed update of BRE's financial indicators.

NON-REFUNDABLE CASH INFUSION

Administration has communicated the requirement for non-refundable cash infusion to Utility Committee. The non-refundable cash infusion is a key element to enable BRE 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).

Capital expenditures forecast to be funded by the non-refundable cash infusion will result in these assets being classified as contributed assets for rate setting purposes and will not impact Blatchford customers.

In the 2025 Utility Rate Filing, the required non-refundable cash infusion was approximately \$69 million. This includes the \$24 million in grant funding secured through the successful application to the National Resource Canada - Smart Renewables and Electrification Pathways program.

Based on initial review of the Government of Canada and Government of Alberta policy changes, this will lead to an increase to the required non-refundable cash infusion. The potential increase is primarily due to the removal of the requirement of a federal carbon price by the Government of Canada in 2025. The removal of the applicable consumer carbon tax impacts the calculation of BAU utility costs (i.e. cost of energy), the utility rates that can be charged based on the current BAU process and the subsequent revenues that can be collected.

More work is needed for BRE to perform a deeper analysis of the impact of these recent changes. Administration has plans and resources to analyze the overall financial and operational impacts, and provide mitigation steps if needed to address changing policies for BRE.

This analysis will also consider the potential long term impacts of any future carbon tax instruments or any similar future climate policy changes as referenced in the Government of Canada's Climate Competitiveness Strategy, and assess how strengthened industrial carbon pricing will affect future carbon taxes, which in turn could potentially reverse this initial negative impact.

BRE continues to apply for grant opportunities and explore options for external funding to address this funding gap. Currently, BRE has been using self-supporting tax guaranteed debt financing for capital expenditures for the initial stages of infrastructure investment.

BRE operations are dependent on significant capital as the customer base grows and guaranteed cash infusions in advance of the customer growth or next energy centre construction will be critical to minimize debt financing costs. Major capital expenditures, such as energy centres and distribution piping system expansion, are directly tied to the forecast land development cycle and required energy load demands. It is important for future cash infusions to be in alignment with capital funding requirements.

Timing for the next energy centre is being scheduled to align with the development master plan. BRE is cognizant of installing energy supply capacity hand in hand with increasing energy demand. This includes careful consideration of providing base and peak load requirements. More detailed work is underway to review the best

Attachment 1

order of energy centre development connected to land development and builder construction activities for the best possible project outcomes. 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.

The 2026 BRE Rate Filing is modeled using the latest development, builder and infrastructure forecasts. Current design activities are focused on confirming these assumptions or to determine if it makes sense to deviate from these assumptions to provide better triple bottom line benefits. BRE will ultimately require grant funding or an external non-refundable cash infusion to be financially sustainable. Without the non-refundable cash infusion, the cost of BRE's services will become uncompetitive, placing a higher burden on Blatchford customer base compared to ratepayers living elsewhere in Edmonton.

To ensure long-term financial sustainability, the majority of the non-refundable cash infusion will need to be secured before the construction of the next major capital expansion of the next energy centre, currently forecasted to be operational in 2029. If not secured in time, other financial alternatives will likely be required such as potentially increasing infrastructure connection fees, higher utility rates compared to BAU and/or tax levy support.

Administration will continue to analyze the impact of updated future land development, updated economic assumptions and future capital and land development planning to update the required non-refundable cash infusion as needed to ensure the long-term financial sustainability of BRE.

6.0 Operating Budget & Forecast

Operation of the District Energy Sharing System at Blatchford is managed internally by BRE in partnership with other City departments, external contractors and technical experts. Engineering and operational support is provided by BRE with some support from external technical consultants and contractors. Qualified service providers have been engaged for all aspects of utility operation. Given City Council's direction, BRE will continue to investigate the opportunity to engage an external partner in its operations.

Operating costs, based on current information, are presented in Table 5 and individual tables summarizing forecast operating costs by major expense category with a detailed discussion of each cost category to follow.

Table 6: Operating Costs by Major Expense Category (\$000s)

Description	2022 Actual	2023 Actual	2024 Actual	2025 Approved Budget	2025 Forecast	2026 Budget
Operating Costs						
Utilities	\$ 53.8	\$ 58.4	\$ 95.3	\$ 95.9	\$ 105.2	\$ 105.4
Operations and Maintenance	\$ 498.3	\$ 562.6	\$ 669.5	\$ 633.4	\$ 798.6	\$ 1,123.2
Administration	\$ 395.9	\$ 320.8	\$ 429.0	\$ 778.4	\$ 866.3	\$ 676.2
Customer Billing Services	\$ 6.0	\$ 34.2	\$ 20.7	\$ 64.1	\$ 58.1	\$ 27.8
Corporate Administration	\$ 75.8	\$ 132.3	\$ 178.2	\$ 302.8	\$ 428.4	\$ 458.3
Total Operating Costs	\$ 1,029.9	\$ 1,108.2	\$ 1,392.7	\$ 1,874.7	\$ 2,256.6	\$ 2,390.9

The following sections provide details for each major operating cost category in Table 6. As BRE continues to monitor operating costs, the budget is updated to reflect actual costs.

6.1 UTILITIES

BRE requires electricity, natural gas, telephone services, water services, wastewater collection and wastewater treatment services to operate the on-site Energy Centres. Table 7 summarizes the actual and forecast cost of utilities from 2022-2026.

Table 7: Utility Costs (\$000s)

Description	2022 Actual	2023 Actual	2024 Actual	2025 Approved Budget	2025 Forecast	2026 Budget
Utilities Costs						
Electricity	\$ 47.3	\$ 51.6	\$ 86.2	\$ 85.0	\$ 94.1	\$ 94.1
Natural Gas	\$ 0.5	\$ 0.7	\$ 0.6	\$ 1.0	\$ 1.0	\$ 1.0
Telephones	\$ -	\$ 0.0	\$ 0.3	\$ 2.4	\$ 2.4	\$ 2.5
Water Drainage & Sewer	\$ 6.0	\$ 6.0	\$ 8.2	\$ 7.5	\$ 7.7	\$ 7.8
Total Utilities & Other Costs	\$ 53.8	\$ 58.4	\$ 95.3	\$ 95.9	\$ 105.2	\$ 105.4

Electricity costs increased in 2024 and 2025 due to the expansion of Energy Centre One associated with construction, testing and ongoing operation. These increases

Attachment 1

will continue into the future as operational load continues to grow. A reconciliation of 2024 and 2025 actual costs identified additional non-BRE accounts had been charged to BRE and with this correction a zero per cent increase was incorporated into 2026 using the corrected 2025 forecast as the basis.

6.2 OPERATIONS & MAINTENANCE

The forecast operations and maintenance costs are comprised of the major cost categories found in Table 8.

Table 8: Operations & Maintenance by Major Expense Category (\$000s)

Description	2022 Actual	2023 Actual	2024 Actual	2025 Approved Budget	2025 Forecast	2026 Budget
Operations & Maintenance Costs						
Personnel	\$ 439.2	\$ 515.3	\$ 652.9	\$ 614.4	\$ 779.6	\$ 903.9
Training & Development	\$ 4.6	\$ 1.0	\$ 0.4	\$ 7.5	\$ 7.5	\$ 7.6
Equipment Rental	\$ 0.6	\$ 13.0	\$ 8.1	\$ 11.5	\$ 11.5	\$ 11.7
Technical consultants	\$ 51.9	\$ 33.3	\$ 1.4	\$ -	\$ -	\$ 200.0
General Services	\$ 2.1	\$ -	\$ 6.8	\$ -	\$ -	\$ -
Total Operations & Maintenance Costs	\$ 498.3	\$ 562.6	\$ 669.5	\$ 633.4	\$ 798.6	\$ 1,123.2

Personnel

Table 9 provides details of the current direct charge employees, including position title and the portion of each employee's time allocated to BRE.

Table 9: BRE Personnel

Description	2022 Actual	2023 Actual	2024 Actual	2025 Approved Budget	2025 Forecast	2026 Budget
Approved Full Time Equivalents						
Director - Renewable Energy Systems	0.4	0.4	0.4	0.4	0.4	0.4
Program Manager - Renewable Energy Systems	1.4	1.4	1.4	1.4	1.4	1.4
Project Manager - Blatchford Renewable Energy Operations	-	-	-	-	-	1.0
Co-op Engineering Student	1.0	1.0	1.0	1.0	1.0	1.0
Administrative Assistant	0.3	0.3	0.3	0.3	0.3	0.3
Project Coordinator	-	1.0	1.0	1.0	1.0	1.0
Methods Analyst	-	1.0	1.0	1.0	1.0	1.0
Total Approved Full Time Equivalents	3.1	5.1	5.1	5.1	5.1	6.1

BRE historically had 5.1 FTEs responsible for the managing of day-to-day operations and capital projects. For 2026, one new FTE is requested for an additional Engineering Project Manager - Operations. This position is fully utility funded. A percentage of some employees' time is allocated to other Renewable Energy Systems (RES) projects being undertaken by the City of Edmonton and so those employees' time is allocated to the other RES projects and the full personnel cost is not in BRE operating costs.

Training and Development

Training costs are adjusted for inflation and are variable dependent on staff professional development requirements.

Equipment Rental

Leasing and rental costs for equipment are mainly associated with computer hardware and software. The 2026 proposed forecast was adjusted for inflation.

Technical Consultants

These costs include a one time request of \$200,000 in funding for enhanced financial analysis to build the required forecasting models to address the growing complexity of forecasting the BRE operating and capital costs and rates, as well as external expertise required to review the BAU methodology.

ADMINISTRATION

Forecast Administration costs include:

1. Marketing, education and communication
2. External professional services costs

A summary of Administration Costs is found in Table 10.

Table 10: Administration (\$000s)

Description	2022 Actual	2023 Actual	2024 Actual	2025 Approved Budget	2025 Forecast	2026 Budget
Administration Costs						
Marketing, Education & Communication	\$ 134.1	\$ 115.9	\$ 115.9	\$ 115.9	\$ 115.9	\$ 115.9
Consulting & Professional Services	\$ 261.8	\$ 204.8	\$ 313.1	\$ 662.5	\$ 750.4	\$ 560.3
Total Administration Costs	\$ 395.9	\$ 320.8	\$ 429.0	\$ 778.4	\$ 866.3	\$ 676.2

Marketing, Education and Communications

Marketing, education and communication costs include an estimate for time and materials required to address the costs of the City's Blatchford Communications team working with the BRE community. This category also includes the 2023-2026 Shared Service and Interdepartmental Budget, costs as approved in the 2023-2026 Budget deliberations. There is no anticipated change from 2025.

Consulting and Professional Services

Consulting and professional services are used to assist with operational and capital project work for BRE. A one-time budget of \$100,000 was approved in the 2025 rate filing to address a Council motion requesting information on BRE Analysis of Development Options. The response was presented in the September 2025, Integrated Infrastructure Services report, IIS02550 Blatchford Renewable Energy Utility Analysis of Development Options and related funding is not being carried forward for the 2026 budget. The budget was adjusted for inflation as well.

6.3 CUSTOMER BILLING SERVICES

BRE has a service level agreement with EPCOR for billing and customer service to support BRE customers, which include monthly billing costs, billing automation costs, and one-time set up costs as detailed below in Table 11.

Table 11: Customer Billing Service Costs (\$000s)

Description	2022 Actual	2023 Actual	2024 Actual	2025 Approved Budget	2025 Forecast	2026 Budget
Customer Billing Costs						
Monthly Billing Costs	\$ 6.0	\$ 4.3	\$ 14.4	\$ 18.1	\$ 12.1	\$ 22.0
Billing Automation Costs	\$ -	\$ 6.5	\$ 6.3	\$ 6.0	\$ 6.0	\$ 5.8
One-time Set up Costs	\$ -	\$ 23.4	\$ -	\$ 40.0	\$ 40.0	\$ -
Total Customer Billing Costs	\$ 6.0	\$ 34.2	\$ 20.7	\$ 64.1	\$ 58.1	\$ 27.8

Monthly Billing Costs

The service level agreement with EPCOR includes a Monthly Base Services Fee of \$6.36 per customer account and customer service support for 2026. The forecast 2025 monthly billing costs are lower than the 2025 budget as the weighted average cost of capital EPCOR used to forecast their costs and establish their 2025 billing rate, was higher than the actual interest rate. As a result, the rate difference will be adjusted down before the end of 2025 and will be credited back to BRE. In 2026 the same lower rate is continuing, although an increase to the number of billings (more forecasted BRE customers) will cause the forecasted monthly billing costs in 2026 to increase.

Billing Automation Costs

These costs are related to an asset usage fee for use of EPCOR’s billing system of \$6,000 in 2026.

One-time Set up Costs

The set-up costs were spread over a few years and are costs associated with EPCOR’s original set up of BRE-specific billing requirements into their billing system. This includes the set up of new customer classes. The final annual cost was in 2025.

6.4 CORPORATE ADMINISTRATION

The forecast corporate administration costs include:

1. Shared services
2. Transportation and insurance costs

Table 12 summarizes the corporate administration costs over the forecast period.

Table 12: Corporate Administration Costs (\$000s)

Description	2022	2023	2024	2025	2025	2026
	Actual	Actual	Actual	Approved Budget	Forecast	Budget
Corporate Administration Costs						
Corporate Shared Services Costs	\$ 75.4	\$ 132.3	\$ 177.9	\$ 300.7	\$ 426.3	\$ 456.3
Other (Transportation & Insurance) Costs	\$ 0.4	\$ -	\$ 0.2	\$ 2.0	\$ 2.0	\$ 2.0
Total Corporate Administration Costs	\$ 75.8	\$ 132.3	\$ 178.2	\$ 302.8	\$ 428.4	\$ 458.3

The City of Edmonton employs a shared service model where support services for the operations of all City businesses are provided through centralized areas of expertise. This approach takes advantage of efficiencies gained through economies of scale and opportunities to provide more robust systems and services.

The largest portion of shared service is for facility maintenance. The infrastructure built and installed to serve customers at Blatchford requires ongoing maintenance. The maintenance costs for 2025-2026 are based on a capital maintenance factor (i.e., a percentage of capital) for each class of assets (e.g., ground heat exchange equipment, energy centre equipment, distribution piping system, etc.) applied to the total capital in service each year for each class of assets and real time experience based on initial years of operation. The capital maintenance factors were based on industry standards for similar types of equipment. This also includes initial warranty work for new equipment and maintenance of the BRE capital.

Financial, regulatory services for BRE include the management of BRE’s bylaw, BRE fiscal policy, annual rate filings, operating budget and capital budget development for BRE.

7.0 Capital Budget & Forecast

The approved Blatchford Renewable Energy capital budget plans incorporate anticipated growth in the community. There are no new capital or business cases requiring budget approval at this time. Table 13 provides a summary of the forecasted capital additions and construction work in progress by asset group during the forecast period with more detailed descriptions to follow.

Table 13: Capital Additions and Construction Work In Progress (\$'000s)

Description	2022	2023	2024	2025	2025	2026
	Actual	Actual	Actual	Approved Budget	Forecast	Budget
Contributed Previous Year Balance	\$ 818.8	\$ 1,698.9	\$ 1,780.0	\$ 1,834.1	\$ 1,834.1	\$ 1,874.2
Contributed Capital Expenditures						
Energy Centre One	\$ 170.9	\$ 1,727.4	\$ 648.1	\$ 921.2	\$ 3.6	\$ 917.5
Energy Centre Two	\$ -	\$ -	\$ -	\$ -	\$ 20.1	\$ 4,644.3
Energy Centre Five	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Heat Exchange	\$ 776.1	\$ 37.0	\$ 45.5	\$ -	\$ 20.1	\$ 756.1
Distribution Piping System	\$ 1,645.8	\$ 6,242.2	\$ 2,960.4	\$ 1,462.3	\$ 3,373.6	\$ 1,245.3
Energy Transfer Stations	\$ 43.8	\$ 70.4	\$ 100.3	\$ 4,785.5	\$ 100.0	\$ 150.0
Total Contributed Capital Expenditures	\$ 2,636.6	\$ 8,077.1	\$ 3,754.3	\$ 7,169.0	\$ 3,517.3	\$ 7,713.2
Less: Capital Additions:						
Energy Centre One	\$ (66.9)	\$ (1,683.4)	\$ (639.4)	\$ (921.2)	\$ (3.6)	\$ (917.5)
Energy Centre Two	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Energy Centre Five	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Heat Exchange	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Distribution Piping System	\$ (1,645.8)	\$ (6,242.2)	\$ (2,960.4)	\$ (1,462.3)	\$ (3,373.6)	\$ (1,245.3)
Energy Transfer Stations	\$ (43.8)	\$ (70.4)	\$ (100.3)	\$ (4,785.5)	\$ (100.0)	\$ (150.0)
Total Capital Additions	\$ (1,756.5)	\$ (7,996.0)	\$ (3,700.1)	\$ (7,169.0)	\$ (3,477.2)	\$ (2,312.8)
Contributed Current Year Balance	\$ 1,698.9	\$ 1,780.0	\$ 1,834.1	\$ 1,834.1	\$ 1,874.2	\$ 7,274.6
Non-Contributed Previous Year Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Contributed Capital Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Non-Contributed Capital Additions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Contributed Current Year Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ENERGY CENTRE ONE

The expansion of Energy Centre One (EC1) is complete. As a result, EC1 can provide the required energy for land development stages in Blatchford west and east, which started development in 2023. As of 2024, Energy Centre One is able to generate 4.25 MW of heating and 4 MW of cooling energy. Design for the expansion was completed in 2022, with construction completed and the full expansion of Energy Centre One operational in 2024.

SEWER HEAT EXCHANGE

The Sewer Heat Exchange System (SHX) will provide heat recovered from wastewater diverted from sewers that are screened and sent through a heat exchanger to provide energy to BRE. This project was scheduled for completion in 2030. Administration has been successful in finalizing an agreement for grant funding with the federal government (NRCan) for this project, although this funding is contingent upon the City meeting specific milestones. The design for SHX was advanced to determine final costs and schedule. BRE will come forward as the

project design advances. Currently, the forecast operational date is being reviewed to ensure the 2030 date will meet customer demand and take full advantage of the federal grant funding opportunity.

DISTRIBUTION PIPING SYSTEM

The distribution piping network delivers energy from the Energy Centres to the buildings and utility customers. As the development grows, so will the piping network. 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 market area.

ENERGY TRANSFER STATIONS

Energy Transfer Stations connect the main BRE DESS infrastructure within the homes and buildings in Blatchford. These are builder-funded costs and the Energy Transfer Stations infrastructure are classified as contributed assets, which BRE owns, operates and maintains.

ENERGY CENTRES

As presented in the June 24, 2024, Integrated Infrastructure Services report IIS01945 Blatchford Renewable Energy 2024-2027 Business Plan, BRE is cognizant of installing energy supply capacity hand in hand with the increasing energy demand. This will include careful consideration of providing base and peak load requirements. More detailed work is underway advancing the design of the SHX and Energy Centre Two to review the optimal order of energy centre development connected to land development and builder construction activities for best possible project outcomes. Once this work is finalized, any proposed updates to the capital plan will be brought forward.

AMORTIZATION & DEBT INTEREST EXPENSES

All required capital during the forecast period are projected to be contributed assets, and therefore will have no impact on the revenue requirement for amortization or interest on debt. The capital is considered to be contributed as it is not intended to be funded through the utility rates, and is forecast to be funded through grants, external contributions or builder contributions.

8.0 Revenue Requirement

The 2026 forecast revenue requirement is \$2.39 million with expected revenues of \$0.81 million. This results in a revenue shortfall of \$1.58 million for the year.

Revenue shortfalls are also anticipated to continue for the foreseeable future. Table 14 provides a summary of the revenue surplus/(shortfall).

Table 14: Total Revenue Requirement (\$000s)

Description	2022 Actual	2023 Actual	2024 Actual	2025 Approved Budget	2025 Forecast	2026 Budget
Revenue Requirement						
Operations & Maintenance	\$ 1,029.9	\$ 1,108.2	\$ 1,392.7	\$ 1,874.7	\$ 2,256.6	\$ 2,390.9
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Return on Rate Base	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total System Revenue Requirement	\$ 1,029.9	\$ 1,108.2	\$ 1,392.7	\$ 1,874.7	\$ 2,256.6	\$ 2,390.9
Revenue						
Revenue on Proposed Rates	\$ 9.7	\$ 56.5	\$ 137.1	\$ 154.6	\$ 215.4	\$ 301.3
Infrastructure Fees	\$ 110.1	\$ 144.1	\$ 165.5	\$ 311.9	\$ 69.8	\$ 511.2
Other Revenue Grants	\$ -	\$ (56.0)	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 119.8	\$ 144.6	\$ 302.6	\$ 466.5	\$ 285.2	\$ 812.5
Revenue Surplus (Shortfall)	\$ (910.1)	\$ (963.6)	\$ (1,090.1)	\$ (1,408.2)	\$ (1,971.4)	\$ (1,578.4)

Forecast rate revenue is calculated considering updated customer counts and energy load requirements as presented in Table 1. The 2026 forecast revenue will not be sufficient to fully recover BRE 2026 revenue requirement. As with previous rate filings, BRE will continue to use a deferral account to accumulate these shortfall amounts until utility revenues exceed the revenue requirement.

Prior to the 2024 BRE Rate Filing, forecast revenue was based on the assumption that all new customers connect to the DESS on January 1, and buildings were completed within a year of the original land sale. As BRE gains more operational experience, data shows that customers connect throughout the year, peaking in the last quarter. The data also indicates the time from sale to connection is closer to two years. Similar to the 2024 BRE Rate filing, the forecasts in this rate filing incorporate both of these changes.

DEFERRAL ACCOUNT

As BRE is anticipating revenue shortfalls in the forecast period, BRE will utilize bridge financing through the City of Edmonton's working capital. Per City Policy C597B :

"Where the Utility's cash position is insufficient to meet cash flow requirements, the Utility will utilize bridge financing through the City of Edmonton's working capital, with the interest being paid by the Utility at an interest rate that compensates the City of Edmonton reflecting the Fund Balance where the cash was drawn."

Table 15 provides a summary of the forecast deferral account balances during the forecast period.

Table 15: Deferral Account Balance (\$000)

Description	2022 Actual	2023 Actual	2024 Actual	2025 Approved Budget	2025 Forecast	2026 Budget
Deferral Account Opening Balance	\$ (2,471.3)	\$ (3,509.8)	\$ (4,668.9)	\$ (6,029.3)	\$ (7,818.2)	\$ (10,093.1)
Annual Revenue Surplus / (Shortfall)	\$ (910.1)	\$ (963.6)	\$ (1,090.1)	\$ (1,408.2)	\$ (1,971.4)	\$ (1,578.4)
Deferral Account Closing Balance	\$ (3,381.3)	\$ (4,473.4)	\$ (5,759.0)	\$ (7,437.5)	\$ (9,789.6)	\$ (11,671.5)
Annual Interest costs	\$ (128.5)	\$ (195.5)	\$ (270.3)	\$ (380.7)	\$ (303.5)	\$ (303.5)
Deferral Account Balance Plus Interest	\$ (3,509.8)	\$ (4,668.9)	\$ (6,029.3)	\$ (7,818.2)	\$ (10,093.1)	\$ (11,974.9)

RATE BASE

As noted previously, all required capital for the BRE system during the forecast period is projected to be financed by a combination of the non-refundable cash infusion and builder contributions resulting in no rate base on BRE’s balance sheet. Table 16 provides a summary of the mid-year net property, contributions and rate base.

Table 16: Mid-Year Net Property, Contributions and Rate Base (\$000s)

Description	2022 Actual	2023 Actual	2024 Actual	2025 Approved Budget	2025 Forecast	2026 Budget
Rate Base						
Mid-Year Net Property	\$ 21,379.8	\$ 26,578.5	\$ 32,181.5	\$ 37,308.4	\$ 35,475.7	\$ 40,718.0
Mid-Year Net Contributions	\$ (21,379.8)	\$ (26,578.5)	\$ (32,181.5)	\$ (37,308.4)	\$ (35,475.7)	\$ (40,718.0)
Net Mid-Year Rate Base	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

RETURN ON RATE BASE

In this rate filing, the BRE continues to set utility rates according to the BAU methodology outlined in City Policy C597B. As customer utility rates do not currently meet the revenue requirement, no return on rate base has been implemented in the rate model. This will be reevaluated when appropriate.

9.0 Next Steps

Pending approval of the proposed 2026 Blatchford Renewable Energy Utility Rate Filing, Administration will engage consultants in 2026 to review and potentially update the current BAU process methodology, further analyze the impacts of the Government of Canada and Government of Alberta policy changes, and assess changing market conditions and the impact to BRE's financial model.

This will provide updated financial modeling information when preparing the 2027 Utility Rate Filing including a revised non-refundable cash infusion. Administration will strive to provide an update in 2026 as this work advances; however, specific engagement touch points with Utility Committee are still to be determined.

Utility Committee will be required to re-evaluate the funding alternatives, specifically considering the principles of BAU and the imperative to avoid reliance on tax-levy support, to address the non-refundable cash infusion essential for BRE's long-term financial sustainability. The City will continue to seek funding for the required non-refundable cash infusion and will provide updates to Utility Committee as appropriate.

Administration will prepare the 2026-2029 BRE Business Plan by Q2 2026 including BRE 2025 Annual Financial Statements and identify any significant updates to BRE's current financial performance. Once the evaluation of future energy centres' best order and timing is complete, this will also be presented along with any required capital plan updates.

Administration will continue to analyze the impact of future land development, economic assumptions, future capital and land development planning to update the required non-refundable cash infusion to ensure the long-term financial sustainability of BRE.