

Blatchford District Energy Utility Fiscal Policy C597 Amendment

Recommendation

That Utility Committee recommend to the December 9/11, 2020, City Council meeting:

That revised Blatchford District Energy Utility Fiscal Policy C597A, as set out in Attachment 1 of the December 4, 2020, Financial and Corporate Services report FCS00138, be approved.

Previous Council/Committee Action

At the October 17, 2020, City Council meeting, the following motion was passed:

That the Blatchford District Energy Utility Fiscal Policy C597 be amended by adding the rate setting principles outlined in Attachment 1 of the October 2, 2020, Financial and Corporate Services report CR_7760, as the new Schedule A to Policy C597.

Executive Summary

This report provides the updated Blatchford District Energy Utility Fiscal Policy C597A. It has been amended and reformatted to incorporate specific rate setting principles that were approved by City Council on October 17, 2020.

Report

On November 1, 2019, the Utility Committee reviewed the Blatchford Renewable Energy 2020 Annual Rate Filing to establish customer rates for 2020. As part of its review, the Utility Committee requested that Administration evaluate the Blatchford District Energy Utility Fiscal Policy C597 and return with recommendations to provide more flexibility in the policy to set future rates.

In the October 2, 2020 Financial and Corporate Services report, CR_7760 Blatchford District Energy Utility Fiscal Policy C597 Review, Administration recommended that specific rate setting principles be incorporated into the policy to further clarify the long term approach to establish and assess customer rates for Blatchford Renewable Energy. The rate setting principles also include applicable, industry best practice, utility rate design principles. The rate setting principles contained in CR_7760 were subsequently approved by City Council on October 17, 2020.

Attachment 1 of this report provides the updated Blatchford District Energy Utility Fiscal Policy C597A for approval by City Council that has been amended and reformatted to incorporate the rate setting principles into the Fiscal Policy. Attachment 2 outlines the changes to the policy.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Edmonton is an environmentally sustainable and resilient city			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Edmonton is an environmentally sustainable and resilient city	Community greenhouse gas emissions (million tonnes of carbon dioxide equivalents)	18.73 (2018)	11.0 by 2035 (35 percent below 2005 levels by 2035)
Corporate Outcome(s): The City of Edmonton has a resilient financial position			
Outcome(s)	Measure(s)	Result(s)	Target(s)
The City of Edmonton has a resilient financial position	Customer rates generate sufficient revenue to recover the annual cost (revenue requirement) to operate the Utility and begin to recover the under-recovery of costs under the levelized approach in the early years.	Operating loss: 2019 actual = \$(0.8) million 2020 forecast = \$(1.0) million	Operating profit projected to begin in 2025

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations

Financial	Blatchford Utility is financially not sustainable. Substantial external investment is needed.	3 - Possibly	3 - Major	9 - Medium	Communicate and lobby government for external funding, update financial model forecast frequently and engage with Council for any changes.	Adjustment of capital and operating costs based on adjusted development scenario.
Legal/ Regulatory	Blatchford Utility is not properly set up	1 - Rare	1 - Minor	1 - Low	Proper legal and financial review and planning.	
Project Management	Operation of the Utility is impacted	2 - Unlikely	1 - Minor	2 - Low	Ensure rigorous and planning steps are followed in developing the Utility and prepare for Operation.	

Attachments

1. Blatchford District Energy Utility Fiscal Policy C597A
2. Blatchford District Energy Utility Fiscal Policy - Summary of Changes

Others Reviewing this Report

- J. Meliefste, Acting Deputy City Manager, Integrated Infrastructure Services
- S. McCabe, Deputy City Manager, Urban Form and Corporate Strategic Development
- B. Andriachuk, City Solicitor