

Blatchford Renewable Energy Utility 2019-2022 Operating Budget

Edmonton

Introduction

The Blatchford development is aimed to be one of the world's largest sustainable communities and home to 30,000 residents; all living sustainably on 536 acres of land, minutes away from downtown, existing infrastructure, schools, retails and services. Blatchford will be comprised of two primarily residential spaces on the east and west side of the site, along with a town centre, an 80-acre central park with plenty of green space throughout the community, as well as a civic plaza that will function as a large gathering space for the community.

To help achieve the City's long term goal of 100% renewable energy and carbon neutrality for Blatchford, a new public, city owned utility has been established. The Blatchford Renewable Energy Utility will own and operate the District Energy Sharing System and certain mechanical equipment within the customer buildings themselves. All buildings in Blatchford, with the exception of net-zero carbon buildings, must be connected to the District Energy Sharing Systems for all heating, cooling and domestic hot water services.

VISION

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



Branch - Blatchford Renewable Energy Utility

Programs & Services:

During the first four years of existence, the focus of activities of the Blatchford Renewable Energy Utility is on the construction and operation of the first stages of the District Energy Sharing System and further development and establishment of the governance and financial structure of the Utility.

Stage 1 construction of the District Energy Sharing System started in April 2018 and the current schedule foresees construction completion with commissioning by the third quarter of 2019. With further development into the Town Centre or further west into Blatchford, additional Energy Centre stages are planned in conjunction with the land development progress. The first stage of the District Energy Sharing System can supply energy for additional stages of residential and commercial development in Blatchford. Special attention will be given to the planning and development of the Sewer Heat Recovery Energy Centre in the Town Centre. Construction start of the Sewer Heat Recovery Energy Centre is currently expected in 2022 with commissioning anticipated in 2023. The next Energy Centre #2, based on geoexchange technology, will be dependent on the current overall development scenario for Blatchford, and will be expected to be commissioned in 2024. In parallel, the operation of the District Energy Sharing System, starting with Stage 1, will grow with the future stages coming online.

Starting in 2018, financial and operational governance activities of the Blatchford Renewable Energy Utility are geared towards full Utility structure development. In April of 2018, City Council approved the Fiscal Policy of the Blatchford Renewable Energy Utility. The Fiscal Policy is the prerequisite required to support the first four year Utility Business Plan and Bylaw including rates. These documents provide the financial background required for the Utility, and establish the key parameters for long term financial sustainability. Following the approval of the Business Plan, work on the initial rates will be integrated in the Utility Bylaw, which will be presented to Council in October of 2018. The Bylaw will establish the District Energy Sharing System, its operation, define the ownership and conditions, identify connecting requirements and specifications, fees, rates, and fines. The Business Plan and Bylaw will be developed and updated, if needed, on an annual basis.

Initial operation of the first stage of the District Energy Sharing System, with a relatively small number of connections and accounts, will be managed internally by the Utility in partnership with other City Departments, external contractors and technical experts. Overall focus will be on appropriate oversight of the design and initial Utility operation. Through the design and construction of the first stage of the District Energy Sharing System, operational and maintenance protocols will be developed and implemented into the full operation. Qualified service providers will be evaluated and engaged for all aspects of utility operation. The growth of the Utility will depend on the timing of the engagement of an qualified external operator of the District Energy Sharing System. The Utility is evaluating an opportune time to engage an external partner, which will likely occur when the initial stage of operations have matured. To promote the Blatchford Community, the Blatchford Land Development program is growing its marketing and communication efforts in cooperation with the Blatchford Renewable Energy Utility.

Branch - Blatchford Renewable Energy Utility

2019-2022 Budget - Branch Summary by Category

(\$000)	2017 Actual	2018 Adjusted Budget	2019 Budget	2020 Budget	2021 Budget	2022 Budget
Revenue & Transfers						
Rate Revenue	-	-	77	161	206	325
Infrastructure Fees	-	-	459	-	239	422
Grant Revenue	-	-	-	-	-	-
Total Revenue & Transfers	-	-	\$536	\$161	\$445	\$747
Net Expenditure & Transfers						
Personnel	-	-	276	281	287	293
Materials, Goods, and Supplies	-	-	188	304	414	451
External Services	-	-	776	788	470	501
Interest	8	24	660	685	733	738
Intra-municipal Charges	-	-	72	74	75	77
Utilities & Other Charges	-	-	30	42	50	68
Amortization	-	-	113	453	472	486
Subtotal	8	24	2,115	2,627	2,501	2,614
Intra-municipal Recoveries	-	-	-	-	-	-
Total Net Expenditure & Transfers	\$8	\$24	\$2,115	\$2,627	\$2,501	\$2,614
Total Net Operating Requirement	\$8	\$24	\$1,579	\$2,466	\$2,056	\$1,867

Branch - Blatchford Renewable Energy Utility

Budget Changes for 2019-2022

(\$000)

Revenue - Changes

Rate Revenue

Rate revenue increases annually as additional residents move into the Blatchford development and become customers of the Blatchford utility.

Infrastructure Revenue

Year over year changes in infrastructure revenue reflect the timing of when the one time infrastructure fee is paid by builders to connect to the Blatchford Utility District Energy System.

Expenditure - Changes

Personnel

1.8 FTE's in each of 2019 to 2022. Increases related to movement towards job rates, cost of living adjustment and related impact on benefits.

Materials, Goods and Supplies

Increases over 2019 are due to full year of operation and increase in customer base overtime.

External Services

Costs to implement the billing system and initial marketing costs decline after 2020 as these are one time costs related to start-up of the utility. Ongoing costs have been included with estimated inflation of 2%.

Intra-Municipal Services

Increases in service cost is due to estimated inflationary increases.

Utilities & Other Charges

Increases in utility costs relate to moving to a full year of operation in 2020. Additionally, as new customer accounts are added to the utility, the operating costs increase.

Amortization

Capitalization and amortization of assets based on assumption infrastructure will be financed by the Utility rather than a non-refundable cash infusion. Amortization is calculated on a straightline basis as assets are put into service (Energy Centre 1 in 2019).

Interest

Interest expense includes interest due to City of Edmonton for use of working capital and interest on long term debt used to Finance capital expenditures. Interest on working capital is calculated on rates from 1.65% to 2.0%. Interest is calculated on long term borrowing of 25 years at rates ranging from 3.55% to 4.3% .

Branch - Blatchford Renewable Energy Utility

Pro-Forma Income Statements

	2017 Actual	2018 Adjusted Budget	2019 Budget	2020 Budget	2021 Budget	2022 Budget
Revenues						
Rate Revenue			77	161	206	325
Infrastructure Fees			459	-	239	422
Grant Revenue			-	-	-	-
	-	-	\$536	\$161	\$445	\$747
Expenses						
Operating and maintenance			1,270	1,415	1,221	1,313
Intra-municipal recoveries			72	74	75	77
Net amortization		-	113	453	472	486
Interest	8	24	660	685	733	738
	\$8	\$24	\$2,115	\$2,627	\$2,501	\$2,614
Net Loss	(\$8)	(\$24)	(\$1,579)	(\$2,466)	(\$2,056)	(\$1,867)
Opening Net Deficit		(\$8)	(\$32)	(\$1,611)	(\$4,077)	(\$6,133)
Net Loss	(8)	(24)	(1,579)	(2,466)	(2,056)	(1,867)
Ending Net Deficit	(\$8)	(\$32)	(\$1,611)	(\$4,077)	(\$6,133)	(\$8,000)

Branch - Blatchford Renewable Energy Utility

Pro-Forma Balance Sheet

	2017 Actual	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast
Assets						
Cash	-	-	7,021	4,525	2,413	486
	-	-	\$7,021	\$4,525	\$2,413	\$486
Liabilities						
Due to City of Edmonton	15	53				
Short-term debt			9,000	9,000	9,000	9,000
Long-term debt	93	17,990	17,797	18,478	17,950	17,403
	\$108	\$18,043	\$26,797	\$27,478	\$26,950	\$26,403
Net Financial Assets (Net Debt)	(\$108)	(18,043)	(19,776)	(22,953)	(24,537)	(25,917)
Non-Financial Assets						
Non-contributed tangible capital assets	100	18,011	18,165	18,876	18,404	17,918
	\$ 100	\$ 18,011	\$ 18,165	\$ 18,876	\$ 18,404	\$ 17,918
Operating Surplus (Deficit)	(8)	(32)	(1,611)	(4,077)	(6,133)	(8,000)
Retained Earnings (Deficit)	\$ (8)	\$ (32)	\$ (1,611)	\$ (4,077)	\$ (6,133)	\$ (8,000)

Blatchford Renewable Energy Utility

Summary of Capital Expenditures

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		2017	Forecast	2019	2020	2021	2022	2019-	2023 &	Budget
Capital Design & Construction Construction Profile	17-02-2107	100	17,911	267	1,164			1,431		1,431
Blatchford Renewable Energy Utility P&D - Growth	CM-83-8383			-	-	-		-		-
Blatchford Renewable Energy Utility Delivery - Growth	CM-83-9000						-	-	-	-
Total Capital		100	17,911	267	1,164	-	-	1,431	-	1,431

Branch - Blatchford Renewable Energy Utility

Budget Changes for 2019-2022

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Revenue - Changes

Branch - Blatchford Renewable Energy Utility

Financial Indicators

(\$000)	2019 Budget	2020 Budget	2021 Budget	2022 Budget
1. Rates Sufficient to Meet Expenses				
Net Income (loss)	(1,579)	(2,466)	(2,056)	(1,867)
Target: Positive Net Income				
2. Actual Cash Balance	7,021	4,525	2,413	486
Target: Positive Cash Position				
3. Financing of Capital Investments				
Debt to Net Assets Ratio	148%	146%	146%	147%
Target: Between 50-70%				