



City of Richmond

Report to Committee

To: Finance Committee **Date:** March 17, 2015
From: Robert Gonzalez, General Manager,
 Engineering & Public Works and Chief Executive
 Officer, Lulu Island Energy Company **File:** 01-0060-20-
 LIEC1/2015-Vol 01

Jerry Chong
 Director, Finance and Chief Financial Officer,
 Lulu Island Energy Company

Re: **2015 Operating Budget for the Lulu Island Energy Company**

Staff Recommendation

That the report titled “2015 Operating Budget for the Lulu Island Energy Company” dated March 17, 2015 from the Chief Executive Officer and Chief Financial Officer, Lulu Island Energy Company be received for information.

Robert Gonzalez, General Manager,
 Engineering & Public Works and
 Chief Executive Officer, Lulu Island Energy
 Company

Jerry Chong
 Director, Finance and Chief Financial Officer,
 Lulu Island Energy Company

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS:
APPROVED BY CAO	

Report

DATE: March 17, 2015

TO: Robert Gonzalez
Chief Executive Officer, Lulu Island Energy Company

Jerry Chong
Chief Financial Officer, Lulu Island Energy Company

FROM: Alen Postolka, Acting Senior Manager, Sustainability and District Energy

Re: **2015 Operating Budget for the Lulu Island Energy Company**

Origin

The 2015 Operating Budget for the Lulu Island Energy Company (LIEC) has been prepared by management and approved by the Corporation's Board of Directors. The LIEC is providing its annual budget report to Council for information.

Background

The LIEC, a corporation wholly-owned by the City of Richmond, was established to provide district energy services for the City. Under direction from Council, and following receipt of the necessary approval from the Inspector of Municipalities, the incorporation of the LIEC was completed in August 2013.

In June 2014, the City and the LIEC executed a District Energy Utilities Agreement, assigning the LIEC the function of establishing and operating district energy systems as well as providing thermal energy services on behalf of the City.

In October 2014, the LIEC and Corix Utilities executed a Concession Agreement whereby the LIEC would own the Oval Village District Energy Utility (OVDEU, previously known as River Green District Energy Utility) and its infrastructure, and Corix will design, construct, finance, operate and maintain the OVDEU, subject to the City, as shareholder of the LIEC, setting rates for customers.

Analysis

The OVDEU is the first district energy project developed through the LIEC. Staff are working with Corix to provide service in April 2015 to the first two developments: Carrera by Polygon and Riva by Onni, with Cadence by Cressey scheduled immediately afterwards. The following table represents anticipated development connection timelines for the next two years:

Table 1: Development Timing in RGDEU Service Area

	Anticipated Occupancy
Onni (Riva)	April 2015
Polygon (Carrera)	April 2015
Cressey (Cadence)	December 2015
Intracorp (River Park Place)	2016
Amacon (Tempo)	2016
Aspac (Parcel 9 & 12)	2016/2017

The City of Richmond also owns and operates the Alexandra District Energy Utility (ADEU). The LIEC was established for the purpose of managing district energy utilities on the City’s behalf, but the ADEU is currently not an asset of the LIEC. Staff intend to bring forward a report with recommendations to transfer ADEU assets and operations to the LIEC within the current year.

2015 Operating Budget

REVENUES	
Service Connection Fee	\$988,000
User Fee Revenue	\$252,907
Building Permit Fee Revenue	\$27,000
	\$1,267,907
EXPENSES	
ETS Payment to Corix	\$988,000
Corix Monthly Fee	\$230,832
Professional Services Fees	\$10,000
Legal and Accounting Fees	\$6,500
Marketing	\$1,200
	\$1,236,532
TOTAL LIEC ANNUAL NET BUDGET	\$31,375

This will be the first year of operations for the LIEC, so there are no 2014 budget comparables.

The OVDEU is in its early days of operation, and as a result its utility (electricity and natural gas), operation and maintenance costs are still largely based on projections of the financial model. Also, the customers' energy use (building performance) is estimated based on the average building performance in the region and energy modeling reports prepared by the building designers. The 2015 Operating budget incorporates estimated revenues and expenses from the OVDEU based on the above projections and development activity.

Financial Impact

None.

Conclusion

The 2015 Operating budget has an overall budgeted net surplus of \$31,375, which will be transferred to a provision account to be used towards future capital repayments.



Alen Postolka, P.Eng., CP, CEM
Acting Senior Manager, Sustainability and District Energy
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