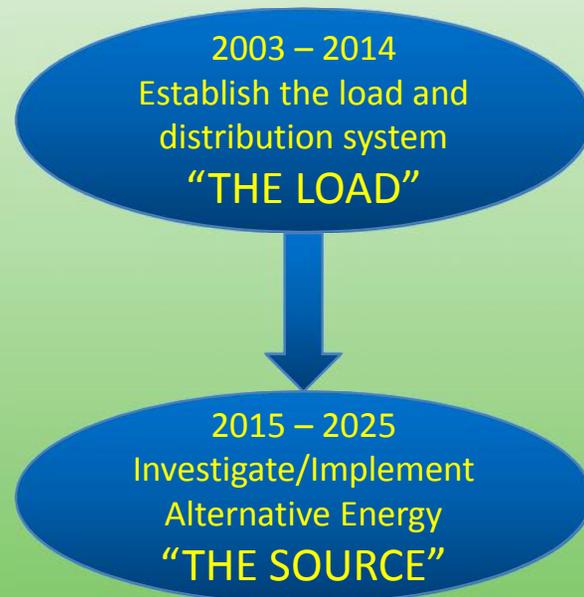


Rate Adjustment Application

July 9, 2018

Progress to date and long-term goals

Past, Present & Future



- Stop the use of electric baseboards
- Standardize & combine energy needs of the community
- Maximize the use of the distribution system's flexibility
- Diversify & use the most appropriate source of energy at all times

LEC 2003 – 2018

- 75 connections/customers totaling 5.25 million sq. ft. including 4,675 residential suites
- 4 heat sources: natural gas, solar, geo-exchange, heat recovery
- 3 service areas: Lower Lonsdale, Central Lonsdale, Marine Drive / Harbourside scheduled for inter-connection by early 2019
- Almost 10 km (trench pipe) of distribution system

Cooling Cycle Heat Recovery Projects

- School District 44 - 2011
- Tap and Barrel - 2016
- Polygon Gallery - 2017
- Pipe Shop Building - 2019
- Lot 5, including future ice rink - 2019

Future Energy Source Opportunities

- Metro Vancouver wastewater treatment plant in 2021
- Hydrogen injection study
- Waste energy recovery
- Biomass
- Synergies and waste energy from businesses (ICBC, Lions Gate Hospital)

Major Projects in 2018

- Expansion of Heat Recovery / Cooling Mini Plant 5
- Connection of Moodyville
- Interconnection of Service Areas (allow use of alternative energy sources throughout the system)
- Completion of automation technology upgrade

Financial Position

2017 Financial Results

- 2017 Net income: \$799,595
- 2017 Interest paid to City: \$351,790
- Nov. 1, 2017 rate increase implemented in January 1, 2018
- Revision to practice of funding projects with operating revenue increased the 2017 cash available resulting in a debt reimbursement of \$450,000 at the end of 2017
- Debt reimbursement targeted for 2035

**Lonsdale Energy Corp. - Status of Outstanding Loans
as of May 31, 2018**

Date Authorized by Council	Amount Authorized by Council	Amount Disbursed to LEC	Available Balance	Amount Reimbursed by LEC	Amount Outstanding	Loan Purpose
19-Jun-12	\$2,000,000	\$2,000,000	\$0	\$902,261	\$1,097,739	FCM GMI \$2million Loan through the City
16-Dec-13	\$12,000,000	\$12,000,000	\$0	\$450,000	\$11,550,000	Distribution system construction & working capital
13-Jul-15	\$2,000,000	\$2,000,000	\$0	\$0	\$2,000,000	Corix Agreement Expiration Settlement
2-Nov-15	\$611,966	\$611,966	\$0	\$0	\$611,966	Corix Agreement Expiration Settlement
25-Jan-16	\$1,600,000	\$1,205,000	\$395,000	\$0	\$1,205,000	Construction of mini-plant 8
4-Apr-16	\$2,300,000	\$1,165,000	\$1,135,000	\$0	\$1,165,000	Connection of Moodyville
4-Apr-16	\$600,000	\$600,000	\$0	\$0	\$600,000	Connection of 160 East 6th
12-Sep-16	\$3,250,000	\$2,550,000	\$700,000	\$0	\$2,550,000	West Keith Road Financing
12-Jun-17	\$2,300,000	\$775,000	\$1,525,000	\$0	\$775,000	2017-2018 LEC Construction Program Financing
24-Jul-17	\$3,600,000	\$0	\$3,600,000	\$0	\$0	Heat Recovery from the NSWWTP
18-Sep-17	\$1,200,000	\$535,000	\$665,000	\$0	\$535,000	Cooling Services Lot 5
	\$31,461,966	\$23,441,966	\$8,020,000	\$1,352,261	\$22,089,705	

Rate Adjustment

Rate Adjustment Rationale

- Proposed increase is based on 12 month inflation
- Nov. 1, 2017 rate increase delayed to January 1, 2018
- 2017 Implementation was delayed until ratification of NSWWTP agreement with Metro Vancouver.
- 2018 return to regular adjustment date of Nov. 1st
- Equipment, construction and maintenance costs are increasing

Rate Adjustment Rationale (cont'd)

- Commodity Charge follows FortisBC gas pricing => No adjustment
- Meter and Capacity Charges to follow inflation
- Higher cost of alternative energy sources => additional increase of 5% of Capacity Charge
- Translates into an average increase of 3.7% on the total cost after inflation

Proposed Rate Adjustment

Rate Schedule 1 (Consumption up to 300 MWh per year)

Charge	Current Rate	CPI Rate of Inflation	Rate Adj. for Inflation	5% Increase to Capacity	2018 Rates
Meter Charge (per month)	\$ 30.42	1.5%	\$ 30.88	n/a	\$ 30.88
Capacity Charge (per kW)	\$ 3.7841	1.5%	\$ 3.8409	5.0%	\$ 4.0329
Commodity Charge (per kW.h)	\$ 0.03398	n/a	\$ 0.03398	n/a	\$ 0.03398

Proposed Rate Adjustment

Rate Schedule 2 (Consumption over 300 MWh per year)

Charge	Current Rate	CPI Rate of Inflation	Rate Adj. for Inflation	5% Increase to Capacity	2018 Rates
Meter Charge (per month)	\$ 163.81	1.5%	\$ 166.27	n/a	\$ 166.27
Capacity Charge (per kW)	\$ 3.7841	1.5%	\$ 3.8409	5.0%	\$ 4.0329
Commodity Charge (per kW.h)	\$ 0.02871	n/a	\$ 0.02871	n/a	\$ 0.02871

Charges to Developers

- Connection fee of \$81.05 per kW of nominated capacity (proposed increase from \$79.85/kW)
- Aims at encouraging building efficiency
- Builders are saving the cost of boilers and room

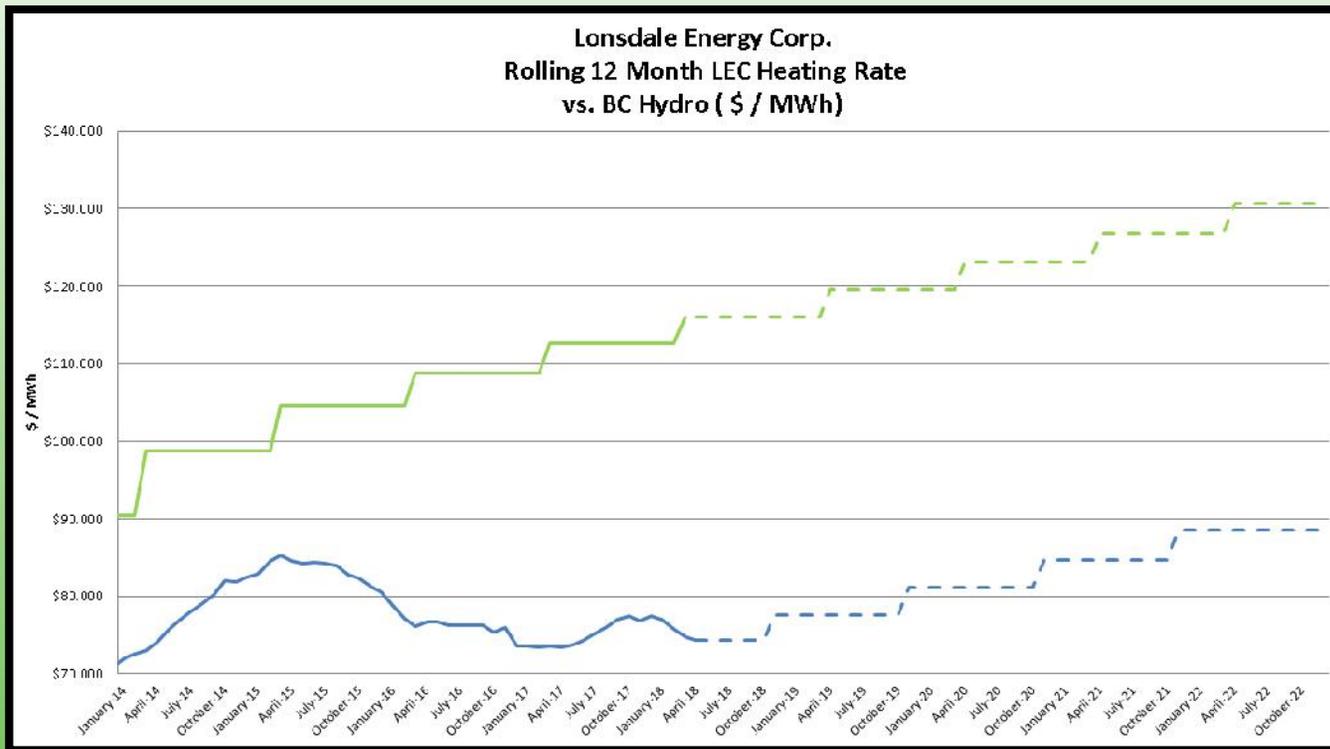
Competitiveness of LEC

Table - Comparison of LEC rate with other providers

Energy Provider	Type of Service	Year of rate	Rate (\$ / MWh)	Difference with LEC
LEC	Hot Water	2017	\$77	-
BC Hydro	Electricity	2018	\$116	50%
Fortis BC	Stand-alone NG Boiler	2018	\$89	15%
River District Energy (East Fraserlands)	Hot Water	2017	\$108	39%
South East False Creek (SEFC)	Hot Water	2018	\$110	42%
SFU UniverCity Energy	Hot Water	2018	\$113	46%
Richmond Oval Village District Energy	Hot Water	2018	\$93	20%
Surrey City Energy	Hot Water	2018	\$112	45%

Notes:

- LEC cost based on 2017 revenue and heat delivered.
- BC Hydro cost based on purchase of 50% residential step 1 and 50% residential step 2 electricity price as of April 1, 2018 and a 5% rate rider. Based on these assumptions the 2018 electric cost would be \$116 / MW.hr. (3.0% increase).
- Cost of Fortis BC, River District Energy, SEFC, SFU UniverCity, Richmond Oval and Surrey City Energy taken from City of Vancouver report dated November 21, 2017.
- Creative Energy Ltd. and UBC have been omitted due to the fact that their systems are steam based.



Thank you

