

RCEC Chairman's Annual Report – April 30, 2012 Y/E

Although the financial statements for this year end show a loss of some \$62,500, that loss is a reflection of dividend payments on the City's \$1.2M of preferred shares and interest on the \$1.25M advanced by RCFC to get RCEC started. These dividends and interest total \$121,500, which had been suspended since inception. The fact those costs can now be absorbed is a reflection of RCEC's improving financial situation. The statements also include \$160,000 in depreciation which is a necessary paper entry not representing actual cash outlay but necessary in the interests of good financial reporting and accounting.

Other matters of note on the financial statements concern long term debt repayment which drops by some \$55,000 per year in 2016 when the Federation of Canadian Municipalities Green Municipal Funds debt is retired. Thereafter, other debt can be retired, more aggressively.

The untimely death of our President, Dr. David Johnson in March was a huge loss to his family, to RCEC, and to the community generally. His diligence in attending to RCEC's business over the years was in no small measure responsible for the steady growth and improving financial situation of RCEC. He is sorely missed. Also missed will be Brian Mallet, head of the City's engineering department, whose equally untimely death robbed us of his valuable insight into matters green and his fascination with solutions to the attendant issues.

David's passing left a second vacancy on the RCEC Board of Directors. Several well qualified people responded to the ad to fill the positions and after much consideration Bart Larson and Michael Liggins were the chosen applicants. We welcome them to the Board and know that they will provide valued input in RCEC's decision making.

The major accomplishments in this fiscal year centred on having the newly built RSS hooked up to the system with the new elementary school serviced in the current fiscal year. Both of these hookups proceeded without untoward events and are functioning well.

The Community Energy and Emissions Plan (CEEP) and the District Energy Expansion Plan (DEEP) set the stage for RCEC to initiate future development plans. Because provision of a District Energy (DE) utility is not usually a core municipal service; because development of such facilities is capital intensive and a strain on a municipality's borrowing power; and because most municipalities' have "enough on their plates" providing core services, a decision was taken to seek private sector involvement in expanding the system. The City Council established a Task Force composed of Senior City Staff, 2 councillors and 2 RCEC reps to work with RCEC in following up on the recommendations of the DEEP. Accordingly, a "Request For Expressions of Interest" (RFEoI) in some manner of partnering with the City was issued in July of 2012.

Following rigorous evaluation of the submissions received it was decided that Corix Utilities of Vancouver would be the party that we wished to work with us to consider the various options.

Corix has good experience in DE, combined heat and power plants, working with a variety of corporate interests, including municipalities and demonstrates flexibility in arriving at different types of partnership arrangements that benefit the interests of both parties. The next 6 to 8 months will be occupied by the investigation of what will best suit our needs.

Of importance to any corporate partner is surety that the community is strongly supportive of the DE concept and that there will be mechanisms in place to encourage and facilitate expansion of the system and of building hookups. The recently adopted OCP provides for the establishment of DE service areas where mandatory hookups will apply and/or new construction will be required to be DE ready if the system has not yet been extended to the area. Bylaws to achieve these ends are under preparation and will soon be out for public comment. North Vancouver has had bylaws covering these matters for some time and they are serving as templates for Revelstoke's purposes.

RCEC's official website was established this summer – www.revelstokecommunityenergy.ca – There are a number of upgrades to the site that will be attended to soon with provision for people to make direct contact to us. We will look forward to input and questions from the public.

The current fiscal year promises to be a busy one. I thank the Board of Directors, Mayor Raven and City Council, manager Larry Marchand, plant operator Aubrey Salon, RCFC staff that provide services to RCEC, all others who have had involvement in RCEC's progress and last but not least, Downie Timber and the Gorman Family whose cooperation has been key to RCEC's growth and development.

Geoff Battersby, President

October 2012