

Special Council Meeting Minutes

February 27, 2019

Present

Mayor Basil Stewart
Deputy Mayor Norma McColeman
Councillor Bruce MacDougall
Councillor Barb Ramsay
Councillor Cory Snow
Councillor Greg Campbell
Councillor Carrie Adams
Bob Ashley, Chief Administrative Officer
Rob Philpott, Director of Financial Services
Gordon MacFarlane, Deputy CAO and Director of HR & Legal Affairs
Greg Gaudet, Director of Municipal Services
Brian Hawrylak, HR Officer
Members of the Media

Call to Order / Approval of Agenda / Any Conflict of Interest Declaration

The meeting was called to order by Mayor Stewart

Motion It was moved and seconded;
That The Agenda be approved as circulated.
Motion Carried

Electrical Capacity Planning presentation Dunsky Consultants

Representatives (Julie-Ann and Ahmed) from Dunsky Energy Consulting made a presentation of a draft energy capacity plan.

CAO provided a brief update of the steps up to this point. Public sessions and media briefings will be held tomorrow.

The first step in the study to deal with needs for the next 25 years was to understand the Summerside system and needs and capacity planning requirements. Sessions were held with stakeholders to get their thoughts.

Capacity planning is forecasting what is needed to meet customers' demands for electricity at all times given foreseeable emergencies and contingencies. In other words, it is a utility's responsibility to plan for, and be able to meet, the amount of electricity that customers will require at any one time. In reality,

this means planning for the time each year when the most electricity is being used.

A small car has much less storage space than a minivan. Due to its small size (among other reasons), it uses much less energy (gasoline) than the van. As an analogy for capacity planning, think about a family of 5 or 6 people. If the family were planning which type of vehicle to purchase, they would need to consider the different situations the vehicle was needed for:

- 1) For general, everyday purposes such as driving to work (overall use over the course of a year) a small car would be more appropriate because the extra space is not needed on a regular basis and the car is less expensive to operate.
- 2) For family outings and events, however, the family needs to fit everyone in the vehicle. In these cases, a minivan van is more appropriate for the family's needs.

The family may decide it is more efficient to buy the car and borrow or rent a van for those times when it is needed. In reality, many families end up purchasing both, using the car for commuting and the minivan for family requirements, which also works for the analogy but may cost more. In this analogy, the rationale for buying a car for regular, everyday use represents energy planning: How much energy do we need over the course of the year, and how do we provide it in a cost-effective and sustainable way? However, the rationale for buying a van (or ensuring that one is available) for those times when we need more space represents capacity planning: How much energy do we need at those few times when demand for energy (or space, in the case of our analogy) is highest? With capacity planning, we need to plan for those days when we need the extra space.

Summerside Electric must supply 33MW, the most required in 2018 were 28MW, there has to be a 15% in case of increases, so that is how 33MW is determined. Over the course of the year it is 144,000 MW hours. The forecasted load is growing about 2% a year.

After identifying capacity options and spending time understanding stakeholders' concerns and considerations, our team conducted a qualitative evaluation to determine the feasibility of options. From this evaluation, a short-list of options was developed; this list was used for our quantitative (financial) assessment:

New Brunswick Power imports (baseline option);
Expansion of the Heat For Less Now (HFLN) program;
Expansion of the Interruptible Load program (ILP);
Grid-scale battery storage;
Biodiesel generator; and
Diesel generator

Peak demand is in the evening in the winter so solar was not selected as an option, as with wind, as wind cannot be guaranteed at certain times of the day. However, Dunsky does recommend to continue to explore those options, it was just outside the scope of this report.

They looked at each option and did a quantitative analysis on what would meet each policy objectives.

Based on the results of analysis, Dunsky proposes that Summerside takes a staged approach to capacity resource planning by implementing multiple options. If the utility "stacks" multiple capacity sources rather than relying on one option only, they stated that Summerside has the potential to meet its goal of supplying a greater share of its capacity needs with on-Island resources.

Dunskey explained their suggested approach, addressing the options and timing included in the recommendation.

Because the demand-side programs alone cannot meet Summerside's capacity needs, developing supply side options in parallel is necessary. Both battery and diesel systems are scalable and readily developed within a two-year development process. As a result, they provide flexibility to react to changes in demand and to potential changes in HFLN and ILP participation levels.

1. INVEST IN DEMAND-SIDE CAPACITY OPTIONS

Summerside already has cost-effective, available demand-side capacity options through its Heat For Less Now and Interruptible Load programs. The HFLN and ILP are not only the most cost-effective options, but they also are under Summerside's direct influence and control. As a result, we recommend developing and expanding these programs so that they reach their maximum potential in the coming few years. Our team has estimated 10.2 MW of potential deployment under both programs between 2020 and 2024.

2. PILOT BATTERY STORAGE WHEN IT BECOMES COST-EFFECTIVE

We recommend piloting battery storage in the early-to-mid 2020s. While research and existing cost trends indicate that batteries should be cost-effective at that time, Summerside should issue a Request for Information (RFI) to gauge the cost-effectiveness and business case for the battery system. In addition to receiving additional granularity on investment cost, a battery storage pilot would also provide Summerside with actual data-based evidence on the potential value streams from the use of batteries for capacity provision, ancillary services, energy arbitrage, and others.

3. CONSIDER BIODIESEL GENERATION AS A SUBSTITUTE FOR DIESEL

With similar capital investment as a diesel generator, a 16 MW biodiesel generator may be a cleaner substitute to Summerside's initial proposal. The major challenge will be securing a low-cost and reliable supply of fuel, as these costs are anticipated to be higher for biodiesel. The trade-off for this expense is improved alignment with Provincial and federal energy goals, and it is of greater interest to Summerside stakeholders.

The reason this option is later in the implementation timeframe is so that the benefits and drawbacks of both diesel and biodiesel can be examined at a future date, as emerging technology and changing regulations mean that investing in a diesel generator (even if using biodiesel) while on the cusp of these changes may lead to an undesired technology lock-in.

In addition to newly built capacity, Summerside could also consider refurbishment of existing diesel generators reaching end of life and converting them to biodiesel.

4. REFURBISH WIND ASSETS NEAR END OF LIFE

Summerside's wind farms, with 9 MW and 12 MW capacity, are set to reach end-of-life by 2028 and 2034 respectively. While not part of the analysis, Dunskey proposes that refurbishment of these assets be considered as an option to extend capacity benefits from the assets for the future.

5. EXPAND STORAGE CAPACITY BY 2030

After gaining experience and evaluating learnings from the earlier suggested battery storage pilot, Summerside will be well positioned to expand installed storage capacity and maximize value by optimizing battery dispatch for capacity and ancillary service provision. The projected low cost of storage during this timeframe suggests battery storage will have significant benefits to the utility and

its customers, as well as help serve as a valuable grid asset for ensuring grid reliability.

Dunsky's analysis led to a recommendation that Summerside consider a stacked approach to address current and future capacity needs. Under this approach, multiple capacity options and sources are planned for and built over the coming years to ensure a stable and diverse resource mix that will meet peak demand and serve the City's needs. In addition to meeting the city's future demand, the recommended approach results in significant cost savings when compared to a high reliance on capacity imports, maintains Summerside's leadership in implementing cutting-edge technologies, and meets the requests of residents and businesses for a clean energy mix without jeopardizing security, reliability or resiliency of supply.

In addition to meeting the City's objectives of having a secure, reliable and diverse resource mix, the proposed approach allows the city to maintain flexibility moving forward, which is critical when forecasting capacity needs in a time of fast-paced technological and policy changes.

The drivers for a diverse and flexible capacity supply also mean that actual implementation decisions and preferred timing of each stage can be made closer to specific milestones to ensure that Summerside does not make a short-term decision with long-term unintended consequences. The recommendation provided enables this continued monitoring of the changing context of grid operations and opportunities, as well as costs and policy considerations before specific, all-or-nothing decisions are made.

Dunsky's analysis led to a recommendation that Summerside implement a stacked capacity resource system, in which multiple options and sources are planned for and built over the coming years to ensure a stable, diverse capacity system that will meet peak demand and serve the City's needs. Doing so will also result in significant cost savings when compared to continuing to import capacity from New Brunswick Power; it will also maintain Summerside's leadership in implementing cutting-edge technologies as well as meet the requests of residents and businesses for a clean energy mix without a loss of stability and reliance.

Greg Gaudet stated that it is a well written and thought out plan in order to provide capacity. He stated that it is important to meet the minimum load throughout the year.

There are public sessions tomorrow at Credit Union Place. Dunsky will then take that input and finalize the report and bring it back to the City.

Resolutions

Permanent Gas Tax Fund--Allocation Reform

Preamble

The Province of PEI has notified the City of Summerside to advise the city that its 2019-20 gas tax allocation will be about \$135,000 less than last year. The notification also forecasts the year by year amounts for the next five years. Overall, there is a projected increase of approximately 2% for the sum of the five years upcoming versus the five years just past.

The sharp drop in 2019-20 allocation from 2018-19 exerts significant negative impact on the city's capital planning. Several factors are at play, including the application of a population-based formula, but also the impact

of provincially supported, municipal restructuring to create larger municipalities. Increasing the municipal footprint on the Island also decreases the provincial footprint of unincorporated areas.

The Federation of PEI Municipalities (FPEIM) gives members the opportunity to directly influence the policy and advocacy work of FPEIM. Municipalities may submit resolutions to the FPEIM Board for consideration by the organization's directors.

The following resolution falls under FPEIM's Category "A": Resolutions on issues that are the direct responsibility or concern of Prince Edward Island municipalities and that fall within the jurisdiction of the provincial or federal governments.

COS 19-014

Moved by Deputy Mayor McColeman and seconded by Councillor Campbell

WHEREAS one of the hallmarks of the Federal Gas Tax Fund has been predictability and reliability in its funding streams, significantly enhancing the ability of municipalities to plan, construct, rebuild, or upgrade critical infrastructure assets; and

WHEREAS the Gas Tax Funds administered by the province of Prince Edward Island has historically provided municipalities a reliable level of consistent, year-to-year funding in its distribution of funds with only minor fluctuations; and

WHEREAS the Province supports municipal restructuring to create larger, stronger, more sustainable communities, a direct impact on some municipalities has been a sudden, unanticipated cut in their 2019-20 allocation; and

WHEREAS the province's December 18, 2018 written notification to municipalities concerning the five-year outlook on gas tax funding contains an underlined caution which reads, "Adjustments may be made to reflect...new incorporated communities and the merging of communities..." and could be reasonably interpreted that some municipalities must assume a direct financial burden of future restructuring by way of a cut to their 2019-20 allocation; **THEREFORE**

BE IT RESOLVED THAT the FPEIM enter into discussion with government of Prince Edward Island with the objective of continued support for municipal restructuring while minimizing the consequences of restructuring on the 2019-20 municipal gas tax funding allocations.

Resolution carried 6-0

COS 19-015

Moved by Councillor Campbell and seconded by Councillor Adams

BE IT RESOLVED THAT Council supports Councillor MacDougall's candidacy to run for re-election as President of the Federation of PEI Municipalities in 2016.

Resolution carried 5-0

Committee of the Whole

Motion It was moved and seconded;
That That we move into Committee of the Whole after a brief Recess.
Motion Carried

Open Session Resumed

Report:

No report

Adjournment

Motion It was moved and seconded;
That The meeting be adjourned.
Motion Carried

Basil L. Stewart
Mayor

Brian Hawrylak
HR Officer