

Saint John Energy

A Vision for the Future

October 16th, 2017

Building a sustainable growth model while continuing to address evolving customer needs, transformative technologies and new government legislation

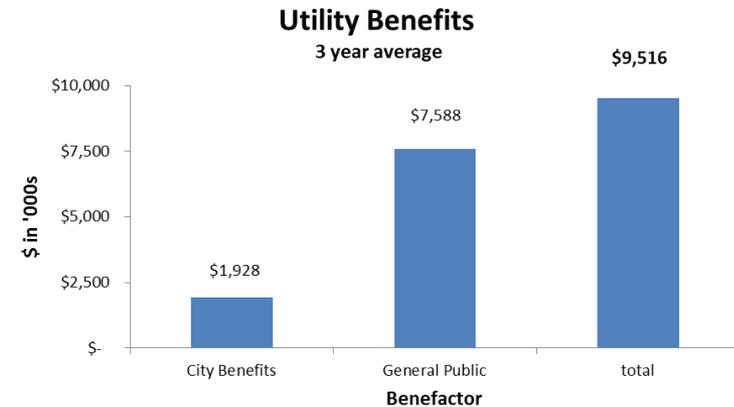


Saint John Energy

SJE is a traditional distribution utility serving light industrial, commercial, and residential customers

2016 YE Profile

	Saint John
Date of Inception	1922
Customers	36,500
Sales	\$110.1M
Capital	\$12.7M
Expense	\$108.6M
Net Book Value	\$74.8M
GW hr Purchased	947
GW hr Generated	0
Consumer Products	Yes



Reliability: ↑ National Avg

Customer Satisfaction: 83.7%

Long Term Debt: \$0



Saint John Energy has prided itself in being an advocate for customer choice and has bold aspirations for the future

Project: Objectives

Initiated by some exciting opportunities, Saint John Energy and the City of Saint John began a mutually beneficial project to become better positioned for growth and sustainability which extended to include the common interests of the municipal utilities of Perth-Andover and Edmundston

Objectives

1. Position the municipal utilities for sustainable growth
2. Determine how the municipal utilities can share the benefits from growth with their respective Owners and Customers
3. Mitigate business and investment risk

Why Now

- All players in the electric utility industry are evolving their business models for the future
- Renewable generation development opportunities exist within New Brunswick
- Technological innovation is providing exciting smart energy consumer choices, enabling reduced consumption and lower costs
- The municipalities require new revenue sources to maintain existing infrastructure and services

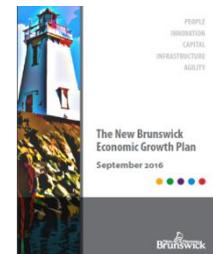
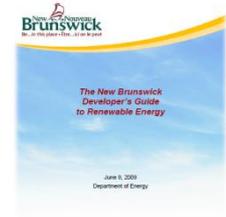
The municipal utilities current structure limits exploring new business opportunities at a time when its core electricity distribution business is changing

Aligning Municipal Utilities to Key Provincial Policies

The recent policies of the provincial and federal governments contain exciting visions for the energy sector

Highlights

1. DERD: Community Renewable Energy Plan and LORESS Program
 - *up to 40MW of renewable energy from First Nations and an additional 40MW of renewable energy from local entities as defined in the Regulation*
 - Renewable Portfolio Standard (RPS) requiring NB Power to ensure that, by 2020, 40 percent of its in province electricity sales are provided from renewable energy
2. DELG: Climate Change Action Plan
 - *planning for and investing in new technologies that reduce pollution, such as smart grid and renewable electricity*
3. Council of the Federation's 2015 Canadian Energy Strategy (co-led by Premier Gallant)
 - *the development of our energy resources attracts investment, generates significant economic growth, and improves the quality of life for people and communities across the country*
4. 2016 New Brunswick Economic Growth Plan
 - *New Brunswick is working to become a hub for smart grid development by attracting start-ups and national and international firms to do their testing and development work in New Brunswick*



The Municipal Utilities are uniquely positioned to play a significant role in advancing the vision of the provincial government and continue to be a leading example of regional cooperation

Key Stakeholder Engagement

There has been a significant amount of interaction with various key stakeholders as it relates to the future of Saint John Energy

Public Engagements

- Annual General Meeting
- Open House
- Media engagement
- Focus Groups
- Customer Surveys
- Collaboration with community groups - QUEST

The Feedback

- Saint John Energy is trusted as a leader in smart energy solutions
- Custom solutions for low income demographic are important
- There is concern about the environment, climate change, and green house gas reduction
- Renewable generation is an area that should be explored
- The risk of investments should be mitigated
- Rate stability is important
- Service experience with SJE has been favorable

Saint John Energy will continue to seek out and incorporate the feedback from our key stakeholders: the rate payers, its owner the City, and its partners in plotting the future

Opportunity Update: LORESS

NB Power launched an expression of interest which closed June 30th for Locally Owned Renewable Energy of Small Scale from local entities for a total of up to 40MW of renewable generation

Highlights

Description:

- Eligible Projects: wind, solar, hydro, tidal, and biogas/biomass
- A local entity is: a municipal distribution utility, a municipality, local service district, etc...
- NBP stated purpose is to gather information but requires no legal obligations
- NBP has not stated a power purchase price range per technology, is left to submitter to specify
- In-Service target date: Dec 31st, 2020

Opportunities:

- Wind Development projects were the primary recent focus of analysis by SJE
- The following projects were investigated but were not pursued at this time due to high cost
 - Musquash Hydro Development
 - Utility Scale Solar

Benefits:

- Profits through ownership and partnerships potentially leading to more business
- Jobs during construction and ongoing operation
- Business opportunities for local contractors and engineering consultation
- Participation in NB government's goal of reaching 40% renewable energy by 2020



Énergie NB Power



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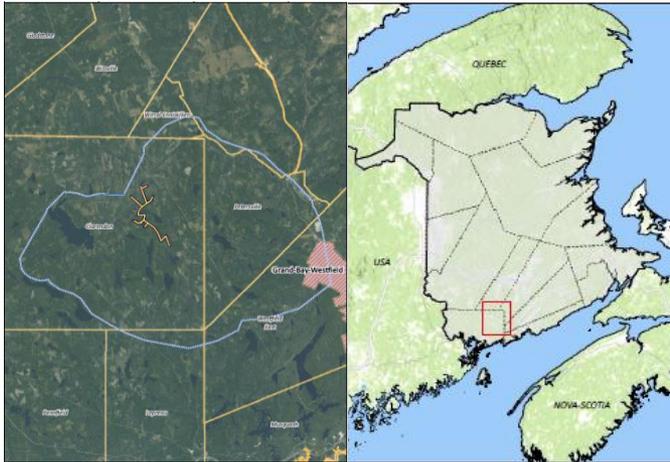
Two expressions of interest were submitted by the City of Saint John/Saint John Energy, Edmundston, and Perth-Andover comprising the local entity requirement

Opportunity Update: LORESS cont'd

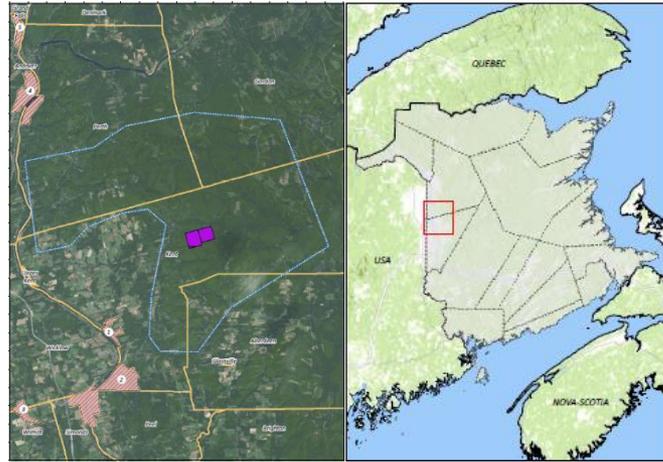
The Municipal Electric Utilities have formed a partnership with Valeco Energie Quebec to submit an expression of interest to develop two wind farm projects if successful in the bid process

Highlights

Charlotte County Project



Chapman Hill Project



Description for each project:

- Capacity: 20MW
- Turbines: Qty 5 x 4MW
- Located on Crown Lands
- Saint John/Saint John Energy Ownership: 17%



SAINT JOHN



The municipal distribution sector can play an important role in renewable generation and require the barriers to success eliminated

Opportunity Update: Consumer Products

The SJE mini-split heat pump is a real world example of the win-win proposition that the municipal electric utilities can contribute to the energy ecosystem.

Key Facts

Saint John Energy Related:

- 2017 YE Gross revenue is \$1.3M with low marketing efforts, 20% of subscribers are outside Saint John
- During the product rollout period, realistic forecasts suggest significant growth as being obtainable
- Revenues from consumer products has offset the losses on the core business side
- RFP awarded to contractor for service territory expansion
- SJE program has created up jobs in the local SJ economy
- Customers are saving money even after their mini-split rental charges
- Rental program caters to customers who cannot afford the upfront cost of mini-split
- Contributes to NB Power's RASD program without a cost to NB Power
- Estimated energy reduction of 3.7 Million kWhs or 2,600 metric tons of CO² (2017 YE)
- On June 20th, NRCAN announced that SJE is the first utility to ever win the ENERGY STAR Most Efficient promoter of the year award



Municipal Utilities have demonstrated success in Consumer Product service offerings, there is a strong customer demand for future service and strong alignment with NB Power's goals

Project: Opportunities and Benefits

Business development opportunities exist for municipal utilities: including but certainly not limited to LORESS and mini-splits

Opportunities

Ready Now!!

1. Invest in Renewable Generation: LORESS
1. Expand Energy Services: Consumer Products

Future – in the development funnel:

1. *Additional Renewable Generation: Wind, Hydro, Solar*
2. *New Energy Services: Consumer and Smart Home*
3. *Introduce Utility Services: Asset, Engineering, and Operational*
4. *New Technologies: Storage, Smart Grid, Electric Vehicle Charging*



Benefits

- Economic growth
- Job creation within the region
- Partnership opportunities with other Maritime municipal utilities
- Increase consumer choice for smart energy services
- Financial sustainability, potential reduction of unconditional grants
- Create new local community investment partnerships: CEDCs
- Fuel local smart grid entrepreneurs
- Reduce carbon footprint
- Compliments NB Power
- Contribute to the Reduce and Shift Demand (RASD) program
- Rate stability for customers
- Dividend to the City to support key citizen services



NB Municipal Utilities with a proven track record for success and ambitions for future growth are well positioned to both exploit and be a catalyst for innovation and job growth in the sector

The Evolution of Municipal Electric Utilities in Canada

Saint John Energy is working with the City of Saint John, the City of Edmundston, the Town of Perth-Andover, NB Power and the Province of New Brunswick



The goal to evolve New Brunswick's municipal electric utilities based on national best practices and governance models

Next Steps

There has been a significant amount of interaction with various levels of government in regards to enabling the sustainability and growth vision of the Municipal Utilities

Government Interaction

- Recent Government Touchpoints:
 - Multiple meetings with Senior Policy Staff (ERD and ELG)
 - Deputy Minister and Minister, ERD
 - Deputy Minister, ELG
 - Office of the Attorney General
 - Staff and CEO of NB Jobs Board
 - Capital Borrowing Board
 - NB Power’s Executive Team
 - Premier’s Office

The Ask of Government

- The ask to government is to enable the ability to:
 - Make investments in renewable generation for self supply, or power purchase agreement with NB Power, or export
 - Offer energy efficient and smart energy services
 - Limit liability of investments in the above through use of corporate structure

Saint John Energy wants to directly support the Province of New Brunswick’s **New Deal** for Saint John through new growth-related energy services and renewable energy development opportunities