

**PUBLIC AGENDA
STANDING POLICY COMMITTEE
ON ENVIRONMENT, UTILITIES
AND CORPORATE SERVICES**

Monday, November 4, 2019, 9:00 a.m.

Council Chamber, City Hall

Committee Members:

**Councillor S. Gersher, Chair, Councillor H. Gough, Vice-Chair, Councillor T. Davies,
Councillor D. Hill, Councillor M. Loewen, His Worship, Mayor C. Clark (Ex-Officio)**

Pages

1. CALL TO ORDER

2. CONFIRMATION OF AGENDA

Recommendation

That the agenda be confirmed as presented.

3. DECLARATION OF CONFLICT OF INTEREST

4. ADOPTION OF MINUTES

4 - 7

Recommendation

That the minutes of meeting held October 7, 2019 be approved.

5. UNFINISHED BUSINESS

6. COMMUNICATIONS (requiring the direction of the Committee)

6.1 Delegated Authority Matters

6.2 Matters Requiring Direction

6.3 Requests to Speak (new matters)

7. REPORTS FROM ADMINISTRATION

7.1 Information Reports

Recommendation

That the report contained in Item 7.1.1 be received as information.

7.1.1 Inquiry on Becoming a Blue Community – Affordability and Human Rights [CK. 7920-1 x 1905-2] 8 - 11

A report from the General Manager, Utilities and Environment Department is attached.

7.2 Approval Reports

7.2.1 Sanitary Sewer Charge Exemption – Arbor Glen Condo Corporation [CK. 1905-2] 12 - 13

A report from the General Manager, Utilities and Environment Department is attached.

Recommendation

That the Standing Policy Committee on Environment, Utilities and Corporate Services recommend to City Council:

That the request for a sanitary sewer charge exemption for the Arbor Glen Condo Corporation, located at 330 Stodola Court, be approved; and the Director of Corporate Revenue be requested to remove the sanitary sewer charge from water meter numbers 60119638 and 60119639, effective July 16, 2019.

7.3 Decision Reports

7.3.1 Changes to Net Metering and Small Power Producer Programs [CK. 2000-1 x 1905-3] 14 - 20

A report from the General Manager, Utilities and Environment Department is attached.

Recommendation

That the Standing Policy Committee on Environment, Utilities and Corporate Services recommend to City Council:

1. That Option 1, Match SaskPower's Net Metering Program and Suspend Small Power Producer Program, be approved to revise SL&P's customer-based generation programs; and
2. That Solicitors be requested to update Bylaw 2685 – Electric Light and Power Bylaw to reflect the revised Net Metering Program and suspend the Small Power Producer program as outlined in this report.

8. MOTIONS (NOTICE PREVIOUSLY GIVEN)
9. GIVING NOTICE
10. URGENT BUSINESS
11. IN CAMERA AGENDA ITEMS
12. ADJOURNMENT

PUBLIC MINUTES

STANDING POLICY COMMITTEE ON ENVIRONMENT, UTILITIES AND CORPORATE SERVICES

**Monday, October 7, 2019, 9:00 a.m.
Council Chamber, City Hall**

PRESENT: Councillor S. Gersher, Chair
Councillor H. Gough, Vice-Chair
Councillor T. Davies at 9:06 a.m.
Councillor D. Hill
Councillor M. Loewen at 9:04 a.m.
His Worship, Mayor C. Clark (Ex-Officio)

ALSO PRESENT: General Manager, Utilities & Environment A. Gardiner
Solicitor C. Bogad
Deputy City Clerk S. Bryant
Committee Assistant D. Sackmann

1. CALL TO ORDER

The Chair called the meeting to order on Treaty 6 Territory and the Homeland of the Métis People.

2. CONFIRMATION OF AGENDA

Moved By: Councillor Hill

1. That the request to speak from Neal Sarnecki, Director, Saskatoon North Partnership for Growth (P4G), SREDA, dated October 4, 2019 be added to Item 7.3.1;
2. That the items with speakers be considered immediately following Unfinished Business:
 1. 7.3.1 - Neal Sarnecki; and
3. That the agenda be confirmed as amended.

In Favour: (4): Councillor Gersher, Councillor Gough, Councillor Hill, and Mayor C. Clark

Absent (2): Councillor Davies, and Councillor Loewen

CARRIED UNANIMOUSLY

3. DECLARATION OF CONFLICT OF INTEREST

There were no declarations of conflict of interest.

4. ADOPTION OF MINUTES

Moved By: Councillor Gough

That the minutes of meeting held September 9, 2019 be approved.

In Favour: (4): Councillor Gersher, Councillor Gough, Councillor Hill, and Mayor C. Clark

Absent (2): Councillor Davies, and Councillor Loewen

CARRIED UNANIMOUSLY

Committee considered Item 7.3.1 next.

5. UNFINISHED BUSINESS

6. COMMUNICATIONS (requiring the direction of the Committee)

6.1 Delegated Authority Matters

6.2 Matters Requiring Direction

6.3 Requests to Speak (new matters)

7. REPORTS FROM ADMINISTRATION

7.1 Information Reports

7.1.1 Home Flood Protection Program – Pilot Results [CK. 7560-1]

A report from the General Manager, Utilities & Environment Department was provided.

Moved By: Councillor Gough

That the information be received.

In Favour: (6): Councillor Gersher, Councillor Gough, Councillor Davies, Councillor Hill, Councillor Loewen, and Mayor C. Clark

CARRIED UNANIMOUSLY

7.1.2 City Council LGBTQ2S+ Training [CK. 4740-1]

A report from the Chief Human Resource Officer was provided.

Moved By: Councillor Gough

That the information be received.

In Favour: (6): Councillor Gersher, Councillor Gough, Councillor Davies, Councillor Hill, Councillor Loewen, and Mayor C. Clark

CARRIED UNANIMOUSLY

7.2 Approval Reports

7.3 Decision Reports

7.3.1 Reseller Rate for Regional Customers of Saskatoon Water [CK. 7781-1]

As per earlier resolution, this item was considered following Unfinished Business.

A request to speak from Neal Sarnecki, Director, Saskatoon North Partnership for Growth (P4G), SREDA, dated October 4, 2019 was added to this item.

A report from the General Manager, Utilities & Environment Department was provided.

Neal Sarnecki, Director, Saskatoon North Partnership for Growth (P4G), Saskatoon Regional Economic Development Authority, spoke in support of the recommendations in the report of the General Manager, Utilities & Environment, dated October 7, 2019 and looks forward to working with Saskatoon Water to facilitate the implementation of the new reseller rate.

Galen Heinrichs, Water and Sewer Engineering Manager, Strategy & Transformation presented a complementary PowerPoint to the accompanying report.

Councillor Loewen and Councillor Davies both entered the meeting at the onset of the PowerPoint presentation.

Moved By: Councillor Davies

That the Standing Policy Committee on Environment, Utilities & Corporate Services recommend to City Council:

1. That Option 2: Phased Reseller Rate Transition (Rate Freeze) be included in the 2020/2021 Water, Wastewater and Infrastructure rates; and
2. That the Administration negotiate directly with the municipalities and water utilities currently receiving water from the City to pay a fee upon connection comparable to the water off-site fees paid in Saskatoon.

In Favour: (6): Councillor Gersher, Councillor Gough, Councillor Davies, Councillor Hill, Councillor Loewen, and Mayor C. Clark

CARRIED UNANIMOUSLY

Item 7.1.1 was considered following 7.3.1.

8. **MOTIONS (NOTICE PREVIOUSLY GIVEN)**
9. **GIVING NOTICE**
10. **URGENT BUSINESS**
11. **IN CAMERA AGENDA ITEMS**
12. **ADJOURNMENT**

The meeting adjourned at 9:39 a.m.

Councillor S. Gersher, Chair

Deputy City Clerk S. Bryant

Inquiry on Becoming a Blue Community – Affordability and Human Rights

ISSUE

In 2017, the City of Saskatoon was asked to become a “Blue Community”. As part of this request, it includes the promotion of publicly financed, owned and operated water and wastewater services so as to ensure universal access at affordable rates. Questions have been raised about how the City considers affordability measures of water and wastewater rates in Saskatoon. In addition, the request includes the declaration of a human right to water and sanitation, which relates to the issue of affordability. This report addresses the feasibility of including affordability when considering the water and wastewater rates for 2020 and 2021, as well as the impact of the human rights declaration.

BACKGROUND

At its August 13, 2018 meeting, the Standing Policy Committee on Environment, Utilities and Corporate Services considered a report from the Administration in response to an Inquiry on Becoming a Blue Community. The Committee resolved:

“That the Administration report on the feasibility of including affordability when considering rates in advance of new water rates being brought forward.”

The Committee further resolved:

“That the Administration report back on Recommendation 1 contained in the report of the A/General Manager, Corporate Performance Department dated August 13, 2018, with respect to human rights.”

CURRENT STATUS

Utility rates for water and wastewater, combined with the Infrastructure Levy, are designed to cover all operating and maintenance costs, fund current and future capital requirements, and provide a return on investment to the City of Saskatoon (City). Rates are designed using an inclining block strategy to promote conservation for residential customers and a uniform rate structure for commercial properties.

The rate structure consists of the following components:

- Water volumetric charges;
- Water service charge – fixed charge based on water meter size;
- Wastewater volumetric charges;
- Wastewater service charge – fixed charge based on water meter size;
- Wastewater volumetric surcharge – where applicable, commercial customers are surcharged for extra strength wastewater discharged to the collection system; and
- Infrastructure Levy – A volumetric charge for the capital replacement of the water distribution and wastewater collection systems.

The smallest water meter size is 5/8", which predominantly exists in core neighbourhoods. The residential fixed service charge based on this meter size is the lowest charge of all sizes at \$11.89 per month per water and wastewater service.

The residential volumetric charge uses an inclining block strategy, consisting of three volumetric tiers. The below table shows the combined volumetric rate for each tier, which increases as total monthly usage increases.

Combined Volumetric Rates	
Tier	2019 Rate
First 600 cubic feet	\$ 9.758
Next 600 cubic feet	\$ 10.506
Over 1200 cubic feet	\$ 12.829

The City's current primary remedy for non-payment of water and wastewater bills is to shut off water, with eventual recovery through adding the debt to the tax roll being a secondary option.

DISCUSSION/ANALYSIS

Affordability

Increasing rates to achieve sufficient total revenue to fund operating requirements and capital programs for water and wastewater services can impact low-income households. Water affordability can be calculated or defined in different ways, but most commonly, it is calculated as a ratio of cost to median household income (MHI). There are various views on what an acceptable ratio should be. The Effective Utility Management Leadership Group, 2017; Hughes et al., 2014; Stratus Consulting, 2013, recommend a relative affordability rate of 4.5% of MHI for combined water and wastewater charges. The United Nations Human Rights to Water and Sanitation affordability mandate recommends a maximum rate of 3% of MHI for combined water and wastewater charges.

Utilizing the 2015 MHI data and inflating to 2019 dollars, the Saskatoon MHI is estimated at \$72,969 after income tax deducted. The 2019 MHI for the lowest income neighbourhood is estimated at \$37,657 after income tax deducted.

Average household water consumption for a single family residential home is approximately 800 to 1,000 ft³/month. In 2019, the total monthly water and wastewater charge for a 5/8" water meter and 900 ft³/month consumption is \$113.84. For the core neighbourhoods, average consumption is closer to 600 ft³/month, which would result in an \$82.33 monthly charge.

Using the above information, calculations yield an affordability ratio of 1.9% for all of Saskatoon and 2.6% for the lowest income neighbourhood. These ratios show that current water and wastewater rates are within the recommended maximum ratios of 3.0% and 4.5%.

In addition to these measures, the Administration considers affordability of water and wastewater services when setting rates at the basic human need level. The rates vary for basic human need consumption versus discretionary consumption. For example, there are three tiers in the residential rate structure:

1. Consumption within the first tier of 0 – 600 ft³/month covers basic human needs for most households.
2. Consumption within the next tier of 600 – 1200 ft³/month would be a combination of basic human need and discretionary spending.
3. Consumption greater than 1200 ft³/month would be considered solely discretionary spending for most households.

The City also promotes water conservation through its Water Conservation Initiative. It includes the “Be Water Wise” program to educate customers on various water conservation initiatives they can participate in to control their consumption. Moreover, with the City-wide roll-out of Automated Metering Infrastructure, residents will be able to monitor their water usage and make meaningful changes to save money using new online tools.

Economic theory and best practice research indicates that more robust income assistance programs should be addressed by federal and provincial orders of government. These governments have broad based and progressive tax systems where income redistribution is an objective. For example, in 2019, the Government of Saskatchewan implemented a new program called Saskatchewan Income Support. This program provides several low-income supports, including a shelter benefit that includes rent, mortgage payments, taxes, utilities, and all other shelter-related costs.

Human Rights

The standard human rights declaration required to become a Blue Community mentions affordability, and may bind the City to an unspecified commitment to affordability. There are also jurisdictional concerns, as discussed in the original report of the Acting General Manager, Corporate Performance Department dated August 13, 2018. However, the Council of Canadians, which has made the request for the City to become a Blue Community and is one of the partners in the Blue Communities Project, has advised that a potential resolution could be non-binding and more limited than the standard human rights declaration. The sample alternative resolution includes the following:

“BE IT FURTHER RESOLVED that [name of municipality] will refrain from shutting off water and wastewater services in any residence where residents have an inability to pay their bills, and furthermore that [name of municipality] will make every effort to work with the resident to remediate the debt before imposing punitive measures such as transferring the debt to the tax bill.”

A non-binding resolution would not raise any jurisdictional issues, as it would have no legal effect. However, if this resolution were binding, it would significantly restrict the City's ability to collect on unpaid utility bills. Further, the Blue Communities Project has publicly stated that if a municipality has a policy that shuts off a resident's water or wastewater services, this would be against the human rights to water and sanitation and would render the municipality ineligible to be a Blue Community. Passing a non-binding human rights resolution, so as to become a Blue Community, would not legally restrict the City from shutting off water, but the City would have to refrain from doing so in order to be recognized as a Blue Community.

FINANCIAL IMPLICATIONS

Total revenue for the Water and Wastewater Utilities has a degree of uncertainty. The fixed charge and the basic human need portion of the volumetric charges provides stability to the revenue, while the discretionary spending portion of the volumetric charges can be volatile. Adjusting rates to keep the 0 – 600 ft³/month tier low, and compensating by increasing the rates in the higher tiers, increases the risk of not realizing total budgeted revenue, which could result in utilizing the stabilization reserve or deferring important projects.

A commitment not to shut off water and make every effort to avoid transferring unpaid utility bills to the tax roll would have the potential to reduce collection on utility bills, but the degree of impact to revenue is unknown.

NEXT STEPS

The 2020 and 2021 Budget Report, to be presented in November 2019, will include an appendix entitled "Water, Wastewater and Infrastructure Rates for 2020 & 2021".

Report Approval

Written by: Reid Corbett, Director Saskatoon Water
Tyson Bull, Solicitor, City Solicitor's Office
Approved by: Angela Gardiner, General Manager, Utilities & Environment

Sanitary Sewer Charge Exemption – Arbor Glen Condo Corporation

ISSUE

The Arbor Glen Condo Corporation, located at 330 Stodola Court, has requested a sanitary sewer charge exemption for two water service meters that are dedicated to their landscaping irrigation system. These water services would be considered a dedicated water service connection that does not return to the sanitary sewer system.

RECOMMENDATION

That the request for a sanitary sewer charge exemption for the Arbor Glen Condo Corporation, located at 330 Stodola Court, be approved; and the Director of Corporate Revenue be requested to remove the sanitary sewer charge from water meter numbers 60119638 and 60119639, effective July 16, 2019.

BACKGROUND

Customers that have a dedicated water service connection to provide water that does not return to the sanitary sewer system may apply for a sanitary sewer charge exemption, as per Bylaw No. 9466, The Sewage Use Bylaw, 2017, which states:

“Adjustment for Water Not Discharged to Sanitary Sewer System

60. (1) If a substantial portion of the water purchased by a person is not discharged to the sanitary sewer system, the person may apply to the City for an appropriate adjustment in the sewer service charge.”

The City of Saskatoon has approved sanitary sewer charge exemptions for customers who have a dedicated water service connection that does not return to the sanitary sewer system. This is confirmed by Saskatoon Water Meter Shop staff through an onsite visit.

DISCUSSION/ANALYSIS

On July 16, 2019, Mr. Ron Fisher contacted the Saskatoon Water Meter Shop staff to inquire about a sanitary sewer charge exemption for two water service meters that are used exclusively for landscape irrigation at 330 Stodola Court. A site visit from the staff confirmed these two meters are used exclusively for irrigation purposes.

The request for a sanitary sewer charge exemption from the Arbor Glen Condo Corporation complies with Bylaw No. 9466, The Sewage Use Bylaw, 2017, section regarding “Adjustment for Water Not Discharged to Sanitary Sewer System”. This recommendation recognizes previous approvals for sanitary sewer charge exemptions that have been passed by City Council.

IMPLICATIONS

There will be a minimal impact on the wastewater revenue. There are no legal, social, or environmental implications identified.

NEXT STEPS

Upon approval, the sanitary sewer charge exemption will be effective July 16, 2019.

Report Approval

Written by: Fred Goodman, Meter Shop Superintendent, Saskatoon Water
Reviewed by: Reid Corbett, Director of Saskatoon Water
Approved by: Angela Gardiner, General Manager, Utilities & Environment

Admin Report - Sanitary Sewer Charge Exemption – Arbor Glen Condo Corporation.docx

Changes to Net Metering and Small Power Producer Programs

ISSUE

SaskPower has made substantial changes to its Customer-Based Generation Programs (i.e. Net Metering and Small Power Producer programs). Saskatoon Light & Power (SL&P) typically mirrors the Customer-Based Generation Programs offered by SaskPower and is therefore seeking City Council direction to make corresponding changes to SL&P's programs.

BACKGROUND

2.1 History

City Council, at its meeting held on October 9, 2007, considered the Small Power Producers Program, and adopted the Power Producer Policy.

City Council, at its meeting held on June 22, 2015, considered the Net Metering Program for Saskatoon Light & Power and resolved, in part:

- “1. That Saskatoon Light & Power revise the Power Producer's Policy to add a Net Metering Program to align with SaskPower's Net Metering Program”.

City Council, at its meeting held on May 23, 2017, considered a rate increase for the Small Power Producer Program to match SaskPower's rate and resolved, in part:

- “1. That the proposed Small Power Producer Program rate be approved for Saskatoon Light & Power as outlined within this report”.

2.2 Current Status

SL&P offers two customer-based power generation programs – the Net Metering and Small Power Producer programs.

The Net Metering program is designed for residential and commercial customers who want to generate some of their own electricity. The Net Metering program allows customers to generate and consume electricity and 'bank' any excess electricity as a credit to offset future usage within a fixed period. Bi-directional electricity meters are installed in order to measure the amount of electricity provided to the customer from the grid and the amount of electricity provided by the customer back onto the grid. SL&P issues an energy credit for electricity provided by the customer to the grid.

The energy credit rate is equal to the electricity rate for service, which in 2019 for a typical residential service is \$0.14228 per kilowatt-hour (kWh) (not including the

federal carbon charge or municipal surcharge). Currently, SL&P has 133 customers participating in this program with a total generation capacity of 950 kilowatts (kW). The program has been popular and has seen 50% annual growth over the past five years.

In October 2019, SaskPower announced a revised Net Metering Program with an energy credit established at \$0.075 / kWh (not including the federal carbon charge or municipal surcharge). This is approximately 50% of the previous energy credit rate. This rate will remain constant for the next two years until the end of 2021. At that point, the credit will be set to match the average power purchase rate over a two-year period.

The Small Power Producer program is designed for residents or businesses that want to generate some of their own electricity, and earn money by producing some electricity back onto the grid. The Small Power Producer program allows customers to generate electricity and sell excess electricity at a special rate to SL&P, which in 2019 is \$0.112594 / kWh, and has been increasing by 2% each year. Currently, nine customers participate in this program amounting to a total generation capacity of 109 kW. This program has not attracted any new customers in the past three years since the Net Metering rate is more favourable.

In Fall 2018, SaskPower replaced their Small Power Producer program with the current Power Generation Partner program, which is intended for larger-scale renewable or carbon-neutral energy projects between 100 kW and 1 Megawatt (MW) in size. This new program has a competitive bidding process, offers lower energy purchase rates, and allows SaskPower to be more selective over which renewable energy projects are approved.

2.3 Public Engagement

As the City of Saskatoon (City) typically mirrors the programs offered by SaskPower, no separate public engagement has been conducted.

2.4 City's Current Approach

SL&P's current Customer-Based Generation programs have matched the rates offered by SaskPower to ensure there are no inequities for customers regardless of where they reside (i.e. within the SL&P or SaskPower electrical franchise areas).

2.5 Approaches in Other Jurisdictions

Customer-Based Generation programs are offered by many electrical utilities across Canada. However, the energy credit or purchase rate offered to customers through these programs vary by jurisdiction and can loosely be generalized to match either the retail energy rate (e.g. Hydro Quebec) or the energy purchase rate (e.g. Saint John Energy and SaskPower) applicable to the jurisdiction. Several Canadian utilities are establishing the energy credit rate based on the cost of generating power for the utility in order to ensure financial

sustainability for the utility and rate fairness for all customers. There is also a growing trend among utilities to competitively source large-scale renewable energy in partnership with the private sector using long-term Power Purchase Agreements, which offers cost effective penetration of renewable energy into the power grid.

OPTIONS

Option 1 Match SaskPower's Net Metering Program and Suspend Small Power Producer Program

SL&P would grandfather existing Net Metering and Small Power Producer customers under current program rates until December 31, 2028, following which they would receive the new energy credit rate applicable on January 1, 2029. For new customers, SL&P would match SaskPower's revised Net Metering program with excess energy credits at a rate of \$0.075 / kWh (not including the federal carbon charge or municipal surcharge). The credits will remain indefinitely on the customer's account and will not be paid out on account closure. The energy credit rate will be adjusted periodically to match SaskPower's rate.

With this option, SL&P would no longer offer the Small Power Producer program, which has not seen any new customer participation in recent years and is no longer offered by SaskPower. Administration will review alternate options to replace the Small Power Producer and report back in 2020 with recommendations.

Implementation:

Subject to City Council approval, the revised program changes would be implemented immediately.

Implications:

1) Financial

Since the energy credit rate of \$0.075 / kWh is still higher than the bulk power rate used to purchase electricity from SaskPower, there will remain a reduced financial implication for SL&P.

For the average Net Metering customer, this would provide an estimated annual energy credit of \$231 (a decrease from \$438 under the existing program).

For SL&P, based on the current number of Net Metering customers, this decrease in energy credit results in an estimated reduced cost to the utility of \$27,500 annually (a decrease from \$58,300 under the existing program to \$30,800 under the revised program).

2) Legal

Existing Customer-Based Generation agreements do not have a term length and can be discontinued with a 60-day notice to customers. However, to be consistent with SaskPower in the transition to the new programs, SL&P would

grandfather existing Net Metering and Small Power Producer customers under current program rates until December 31, 2028, following which they would receive the new energy credit rate applicable on January 1, 2029.

3) Social

There would be no inequities in Net Metering programs between customers regardless of where they reside (i.e. within the SL&P or SaskPower electrical franchise areas). Customers grandfathered under the existing program will receive higher energy credits until the transition period expires on December 31, 2028.

4) Environmental

Customers would still have the ability to participate in the renewable energy marketplace and personally contribute toward lowering greenhouse gas (GHG) emissions from their homes and businesses.

Advantages:

- 1) A reduced energy credit rate would be more financially sustainable for the electrical utility and its rate payers.
- 2) This option will ensure that Net Metering customers will be contributing closer to the amount that other customers pay for the maintenance of the electrical grid.

Disadvantages:

- 1) The pay-back period for new Net Metering projects will increase before a positive return on investment is realized.
- 2) Customer participation rates may reduce and lower community participation in the City's Low Emissions Community strategy and GHG reduction targets.

Option 2 Maintain Existing Customer-Based Generation Programs – Status Quo

SL&P would continue with the existing Net Metering and Small Power Producer Programs and energy credit rates.

Implementation:

No changes to existing programs would be made.

Implications:

1) Financial

There would be no financial impact to Net Metering customers if the program remains unchanged. The financial impact to SL&P would stay at the existing cost of \$58,300 annually based on the existing number of customers. As the number of participating customers increases over time, the financial implication to the utility will continue to grow. This would reduce the utility's ability to fund electrical grid renewal projects and provide the current level of return on investment.

- 2) Social
There would be inequities in Net Metering programs between customers depending on where they reside (i.e. within the SL&P or SaskPower electrical franchise areas).
- 3) Environmental
Customers would still have the ability to participate in the renewable energy marketplace and personally contribute towards lowering GHG emissions from their homes and businesses.

Advantages:

- 1) Net Metering customers would continue to see an excellent return on solar investment.
- 2) The annual growth rate of customers participating in the program would likely increase, supporting community participation in the City's Low Emissions Community strategy and GHG reduction targets.

Disadvantages:

- 1) There would be inequities in Net Metering programs between customers depending on where they reside (i.e. within the SL&P or SaskPower electrical franchise areas).
- 2) The existing energy credit rate is not financially sustainable for the utility as more Net Metering customers joined the program.
- 3) Net Metering customers would contribute less financially to the maintenance of the electrical grid than other customers.

RECOMMENDATION

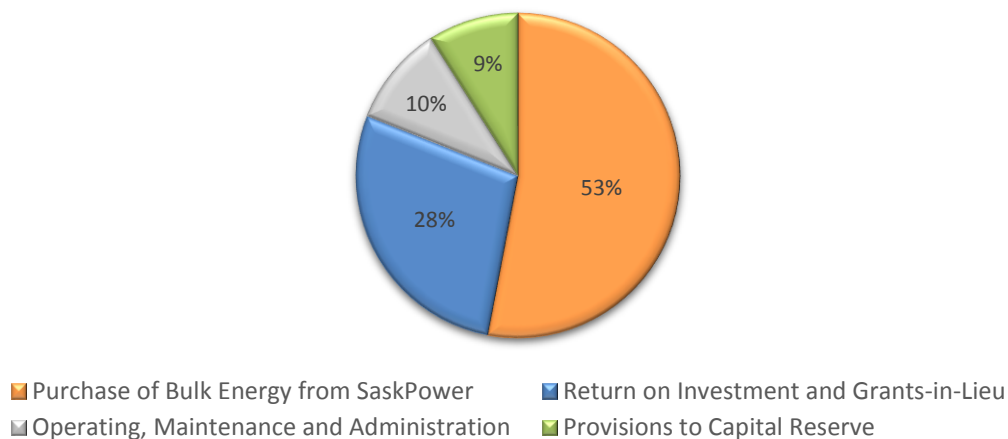
That the Standing Policy Committee on Environment, Utilities and Corporate Services recommend to City Council;

1. That Option 1, Match SaskPower's Net Metering Program and Suspend Small Power Producer Program, be approved to revise SL&P's customer-based generation programs; and
2. That Solicitors be requested to update Bylaw 2685 – Electric Light and Power Bylaw to reflect the revised Net Metering Program and suspend the Small Power Producer program as outlined in this report.

RATIONALE

SL&P purchases bulk electricity from SaskPower and provides distribution services to customers within SL&P's franchise area. One of the main expenses incurred by SL&P is the cost of purchasing the bulk power (53% of total revenue). The expense of operating and maintaining the distribution grid is funded from the sale of electricity (10% of revenue for operating expenses and 9% of revenue for capital expenses). The balance of the revenue is provided to the City as a Return on Investment and Grant-in-Lieu of taxes (28%).

Summary of Expenses



The bulk electricity rate from SaskPower in 2019 is \$0.04567 / kWh (not including the federal carbon charge). SL&P also pays a demand charge which is based on the peak power used each month. Since the majority of solar power is produced in the afternoon and the peak demand for electricity experienced by the utility occurs later in the day, the solar power purchased from Net Metering customers does not significantly offset the demand cost charges from SaskPower. It is estimated that the solar power offsets 10% of SL&P's demand charges. Therefore, SL&P's estimated break-even scenario for purchasing solar power from customers would be \$0.04968 / kWh.

The break-even scenario for SL&P would therefore be to offer this energy credit rate to Net Metering customers. If the energy credit rate for Net Metering customers is higher than this amount, SL&P is paying a premium to purchase the electricity, leaving less funding within the utility available for operating and capital expenses.

Therefore, SL&P's existing Net Metering program is not financially sustainable and could result in substantial utility financial impacts if not corrected. Matching SaskPower's new Net Metering program energy credit rate will allow customers to continue generating solar-powered electricity while paying an amount closer to the break-even cost.

Based on the current number of customers using these programs (142), the total financial implication of Net Metering, from both lost revenue as well as the premium rate for the energy credit rate, amounts to approximately \$100,000 annually for SL&P. With a growth rate of 50% in customers joining the program each year, this total implication could grow to \$3.5 million within 10 years.

SL&P also recommends suspension of the Small Power Producer program, which has seen no new customer participation in the past three years, and warrants a thorough program review for suitability for an urban utility customer base. SaskPower's replacement Power Generation Partner Program is tailored to larger commercial

facilities, which may not be best suited for urban regions such as SL&P's franchise boundary, and requires further review by Administration.

ADDITIONAL IMPLICATIONS/CONSIDERATIONS

Bylaw 2685 - Electric Light and Power Bylaw, and Administrative Policy A07-022 – Power Producer Policy, require amendments to reflect the changes in this report.

There are no privacy or CPTED implications or considerations.

COMMUNICATION ACTIVITIES

The information will be made available to the public via the City's website and through direct communications to SL&P customers currently participating in Customer-Based Generation Programs.

REPORT APPROVAL

Written by: Jose Cheruvallath, Metering & Sustainable Electricity Manager
Reviewed by: Trevor Bell, Director of Saskatoon Light & Power
Approved by: Angela Gardiner, General Manager, Utilities & Environment

Admin Report - Changes to Net Metering and Small Power Producer Programs.docx