



ANNUAL REPORT



2023



A MESSAGE FROM LENTA

It is with mixed emotions that I pen this message to express my deepest gratitude and bid each of you a heartfelt goodbye. As I embark on a new chapter in my professional journey, I wanted to take a moment to reflect on the invaluable experiences and lasting memories we have shared together during my time at AREA. It has been a journey filled with ups and a few downs and many lessons learned.

First and foremost, I want to express my sincere appreciation for the unwavering support and guidance you have provided me and the AREA team. Your collective wisdom, strategic vision, and commitment to AREA have constantly inspired me to push beyond my limits and achieve extraordinary results. I am humbled to have been a part of the exceptional AREA team, and working on the community solar projects with you, the CAOs, Aaron, and the town staff have been a true privilege. I will always remember the collaboration and camaraderie we fostered within the Towns and this boardroom. We have engaged in thoughtful discussions, challenging debates, and constructive exchanges, all of which have contributed immensely to my personal and professional growth.

The investment in renewable energy projects such as the community solar projects not only delivers much-needed clean energy to the Nova Scotia grid but also has the ability to attract new talent to the province and encourage Nova Scotians to stay and build a greener future for us here.

Throughout my time at AREA, I have witnessed firsthand the profound impact of our collective efforts. Together, we have made a lasting and positive mark on Nova Scotia's energy transition and paved the way for other towns in the province to become agents of change. The memories we have forged during this journey will forever hold a special place in my heart.

As I bid farewell to you, I do so with a sense of optimism for the future. With your continued leadership and guidance, I am confident that AREA will flourish and accomplish even greater milestones.

Before I conclude, I would be remiss not to express my gratitude to each board member, the councils, CAOs, and Aaron. Your unique perspectives, expertise, and unwavering dedication have inspired me and made a lasting impact on the organization's success. I am immensely grateful for the lessons I have learned from each of you and the indelible mark you have left on my professional journey.

Please accept my deepest appreciation for your trust, support, and friendship throughout my time here. Working at AREA and alongside such extraordinary individuals has been an honour, and I will cherish the memories and experiences we have shared. Although my path may now diverge from AREA, the connections and relationships forged here will remain etched in my heart forever.

I wish you all continued success, fulfillment, and happiness in your future endeavours. May our paths cross again, as I am confident that our collective impact will continue to shape Nova Scotia and inspire others.

THE NUMBERS

\$8.8 MILLION
DIVIDENDS
PAID TO TOWNS

+6,700
UTILITY CUSTOMERS

7 YEARS
OF OPERATION

\$51 MILLION
IN TOTAL ASSETS

MILLIONS of
WHOLESALE POWER SAVINGS

10 TURBINES
23.5 MW

58%
CLEAN ENERGY

331,033
SAVED tCO_{2eq}

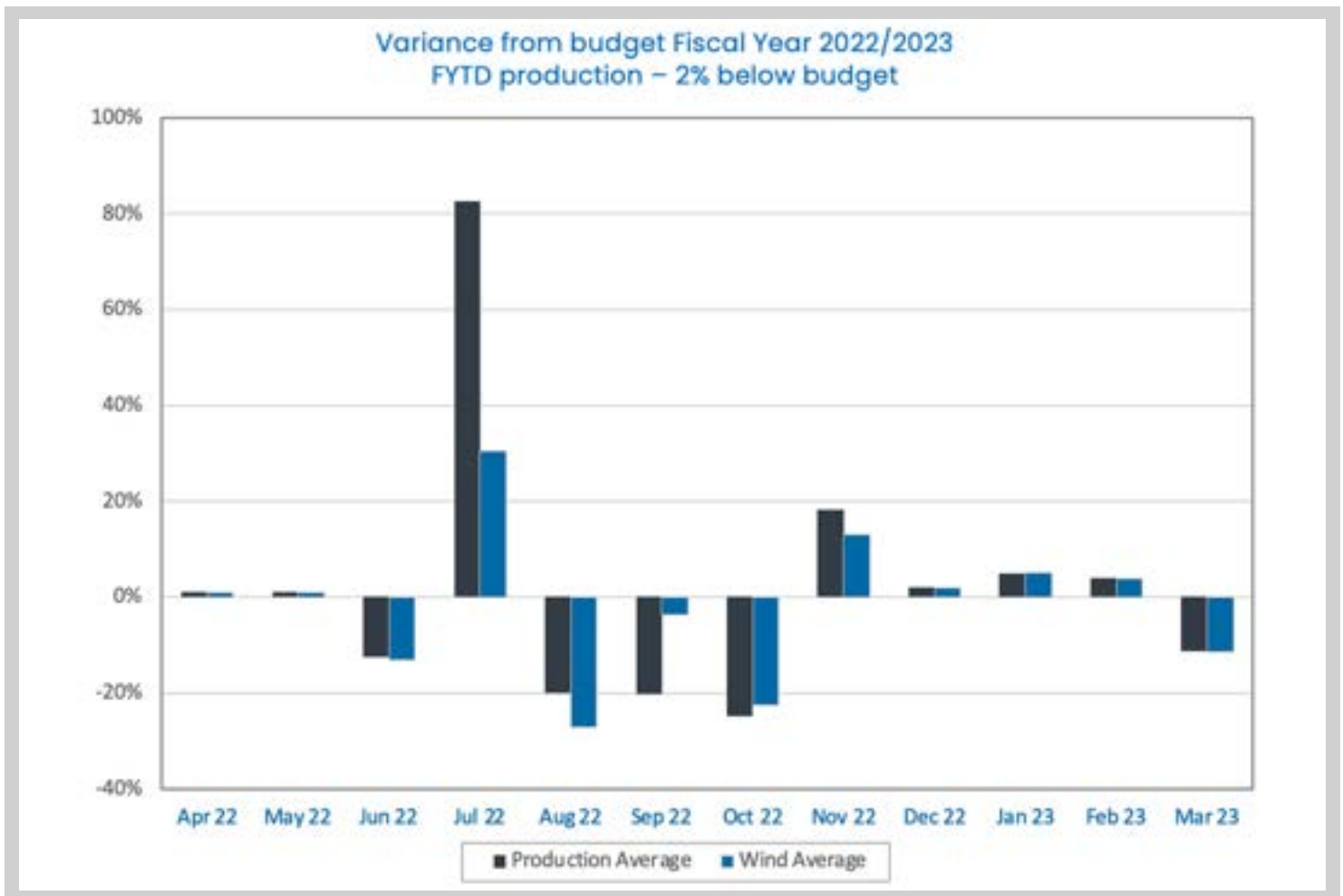
MILLIONS of
TOTAL BENEFIT TO TOWNS & MEUS



ELLERSHOUSE

WIND FARM

As noted in many consecutive reports, the Ellershouse asset remains healthy and operationally sound overall. The chart below illustrates that Fiscal 2022-2023 electricity production was slightly below budget, by about two percent, generally in line with a slight dip in the wind resource. Enercon achieved an outstanding overall site availability of 98.4% in Fiscal 2022-2023. AREA staff continue to dialogue with local, larger industry players to position ourselves ready for supplier component disruption or in a worst-case scenario, supplier bankruptcy. We continue to advance our negotiations with Enercon given their significant price increases in the indexed operations and maintenance contract, but progress has been slow on this front.



ELLERSHOUSE WIND FARM

Another “pothead” connection on the 69kV transmission line failed on June 30th, 2023, with physical evidence suggesting lightning as the root cause. AREA very much appreciated the timely and dedicated dispatch of the Town of Berwick Electric Commission crew and management (Joey Foley and Don Regan) along with Connect Atlantic Utility Services (CAUS) that immediately began replacing the line. CAUS replaced the cable, while saving part of the old one, which we can later use on a shorter section. AREA forewent about \$30,000 in lost production during this low-wind week of downtime and will incur about \$40,000 in costs for the repair (and use about \$20,000 of cable stock, previously ordered and held in Berwick). AREA has sufficient spare cable given a previous cable purchase two years ago. Alternatives to the underground 69kV line were originally, and continue to be, more expensive; therefore, AREA must tolerate and budget for such unplanned downtime and remedy. Other substation and grid downtime was favourable in Fiscal 2022-2023 compared to assumptions made at the time of the investment decision.

NSPI curtails wind farm production in the Province from time to time when high wind generation corresponds to Provincial electrical demand in the range of 800MW-1000MW. Ellershouse experienced 83 of these occurrences in Fiscal 2022-2023, resulting in roughly \$85,000 of delayed revenue opportunities. AREA is now exporting energy to NBPower, from time to time, to avoid curtailment, with realized pricing ranging from low to reasonable. NSPI recently indicated that AREA cannot export unless a curtailment takes place; AREA intends to work this out with the System Operator in September. Regardless, AREA management feels we have a strong chance of reducing the nearly \$100,000 of delayed annual revenue. AREA staff maintain the previously stated position that whatever production is not realized this year will be extracted at the end of the turbine's economic lifetime; however, the net present value of the delayed realization of profit is what motivates us to export.

2023



COMMUNITY SOLAR

The 9MW of community solar photovoltaic gardens are making progress despite the challenges caused by supply-chain disruptions. The Berwick and Mahone Bay projects are expected to reach commercial operation in September, while the Antigonish project is expected to be completed in December.

The above-normal weather conditions, particularly the heavy rainfall, have significantly impacted the construction progress and increased costs on all three sites. The adverse weather had various effects on the construction projects, including delays, additional expenses, and logistical challenges.

Pausing the Antigonish project for three months to allow for site conditions to improve demonstrates our commitment to efficient and environmentally sound construction practices. Taking such measures ensures that projects are implemented in a way that minimizes potential negative impacts on the environment.

These utility-scale projects have garnered significant attention from government departments, including the Premier's office and other towns within the province. This indicates a growing interest and recognition of the importance of renewable energy projects and the transition towards a more sustainable energy sector. The attention and support from government departments lend credibility to AREA's expertise and track record in renewable energy. This recognition will further enhance the AREA's reputation, making it more attractive to potential partners, and clients. It can also provide a competitive advantage when competing for government funding for future projects.

Overall, the progress being made in the construction of these community solar photovoltaic gardens signifies a step forward in the energy transition, as they will contribute to the generation of clean and sustainable energy in the province. By being leaders in utility-scale solar and renewable energy projects, the towns and AREA have taken on a pioneering role in the province. We have embraced the transition towards a more sustainable energy sector and have actively pursued renewable energy projects as a viable alternative to traditional energy sources. This proactive approach sets us apart as visionaries and trailblazers in the region.

\$16 MILLION
IN GRANTS

10GWh/y SOLAR
ENERGY



MEU COLLABORATION

We continue to make significant strides in our municipal electric utility modernization initiatives. In early June 2023, AREA applied for funding from the Nova Scotia Department of Municipal Affairs Municipal Innovation Program to assist in integrating the management of the electric utilities of the Towns of Berwick (ToB) and Mahone Bay (ToMB), and the Riverport Electric Light Commission (RELC). We eagerly await the results of our application, which are expected to be released within the next few weeks. Securing this funding will support our efforts and accelerate the modernization process. As we wait for an official update regarding our application, we have been actively engaging with staff from ToB, ToMB, and RELC, regarding the operations of each utility. A joint workshop is scheduled for the last week of July to establish a framework and MOU that will guide the process of modernization and optimization for the electric utilities, and ultimately inform the development of a new IMSA. The progress in this area is promising, and all parties' enthusiasm and dedication to this endeavour have been exceptional. Together, we are committed to ensuring the success and longevity of the MEUs as technology rapidly evolves and consumer needs become increasingly complex.

Additionally, AREA recently hosted a highly successful Maritime-wide municipal electric utility conference in Saint John, New Brunswick with support from Saint John Energy. The conference provided a valuable platform for MEUs across the region to gather and discuss shared challenges and opportunities. Key areas of focus included partnership in procurement, technology adoption, sharing expertise, and leveraging federal funding opportunities. The conference facilitated fruitful discussions, fostered collaboration, and established a strong network among MEUs. The feedback and insights gained from this conference will be instrumental in shaping our future modernization endeavours. Formalizing an association of Maritime Municipal Electric Utilities will be the next step toward cementing our shared commitment to future collaborations and resource sharing among the membership.



Maritime MEU staff conference in Saint John, New Brunswick, July 17th, 2023



A DELICATE BALANCE

This is the most exciting period in AREA's history, yet it is the most challenging. Inflationary and human resourcing pressures have hit AREA like most other organizations, be they private or public. The energy industry has seen incumbents recently move to aggressively defend market share more so than ever before. Government-industry tensions are at an all-time high, yet AREA is beneficially navigating this dynamic given our presence in both realms. We cannot ignore that the Provincial Renewable Electricity Standard is 80% by 2030, and the municipal electric utilities have been consistently rewarded for their climate leadership via AREA. It would be unwise to hand that mandate back to industry and hope they achieve Provincial policies, especially in the context of the Provincial and Federal Governments providing significant grant money to municipalities to decarbonize. The Premier is championing a distributed energy, rural economic development agenda as a hedge against risky extra-provincial mega projects that expose Nova Scotians.

There is much to lose and much to gain in the transition to decarbonized energy systems. Led by local concern, municipal councils are driving the decarbonization agenda, and many of those in Nova Scotia are reaching out to AREA to deliver these citizen ambitions. Each of AREA's ongoing activities is designed to increase citizen benefit from their town's continued ownership of its municipal electric utility and its ownership stake in AREA. In addition to delivering the Community Solar Gardens, managing the Ellershouse Wind Farm and executing the decarbonization plan, AREA staff will continue to (i) work with the Towns, under Mahone Bay's leadership, to restart the HOME program, (ii) shop for competitive and clean wholesale electricity supplies and (iii) deliver the exciting outcomes referenced in our Board approved Shared Solar business plan, to increase the dividend that AREA pays to the Towns. AREA is also providing significant support to ensure the financial and operational stability of the various municipal electric utilities including rate studies, general rate applications, succession planning and the ever-complex relationship with NSPI.

As evidenced by securing the \$16 million for Community Solar Gardens and assisting towns secure millions of funding for other significant projects, AREA, as a municipal clean energy corporation, is strategically positioned to capture increasing public funding for well-developed clean energy infrastructure projects. The Department of Natural Resources and Renewables staff confirm that AREA's funding submissions are the most comprehensive and most impactful, achieved by meshing our industry insight with our bespoke municipal clean energy project development strategy. This innovation sandbox positioning enhances the financial performance of our various decarbonization initiatives. AREA and the Towns were able to secure ICIP and SREP funding application assistance from the market in 2022 and therefore, this funding support function will be a focus realm from here forward. AREA expects to soon resume growing the cumulative benefit total of over \$23 million from dividends and cost-effective wholesale supply arrangements.

Resolving these many themes inside a municipally owned energy company will require Staff, Board Members and Councils to draw upon AREA's long-standing foundation of collaboration. In short, we will need to spend more time together in the coming months. AREA and its owner towns have been significantly rewarded for your climate leadership, and the Province and peer municipalities need it now more than ever.

-Aaron, Marianne, Meg, and Andrew