



INFORMATION REPORT

TO:	Chair and Members Public Works Committee
COMMITTEE DATE:	February 2, 2015
SUBJECT/REPORT NO:	Street Light Operating Impacts 2015 (PW15009) - (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Gord McGuire (905) 546-2424, Extension 2439
SUBMITTED BY:	Gerry Davis, CMA General Manager Public Works Department
SIGNATURE:	

Council Direction:

Not Applicable

Information:

Council approved Report PW14037 entitled "Update on Light-Emitting Diode (LED) Street Lighting" (refer to Appendix A to this report) at its April 9, 2014, meeting to allow staff to pursue cost mitigation strategies for street light rate applications at the Ontario Energy Board (OEB).

Engineering Services also provided Information Update ENG14.004 on June 20, 2014, entitled "Projected Street Light Rate Impacts for 2015" (refer to Appendix B to this report) projecting rate increases for both Hydro One Networks Inc. (HONI) and Horizon Utilities Corp. (Horizon) for the 2015 - 2019 periods. The 2015 financial impacts of the OEB approved rates to the City are outlined below.

Hamilton operates 45,000 street lights which are divided between HONI (5,000 lights) and Horizon (40,000) lights. These rate filings affect approximately 95% of the lights that are considered unmetered and directly connected to the distribution system.

The 2015 energy portion of the street light budget increases \$575,000 or 12% due to commodity price increase and increased distribution fees from HONI and Horizon.

For 2015 the projected cost of energy will be in the \$3M to \$3.2M range subject to variances in commodity and Global Adjustment pricing.

Through the LED retrofit project we expect to drop potentially 25% (\approx \$750,000 to \$800,000) of the systems energy usage however that will occur throughout 2015. Therefore those energy savings will be fully realized in 2016, and the proposed 2015

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budget proposal is based on current usage patterns. Greater detail of the operating impact will be provided as part of the 2015 budget process.

The energy costs represent 42% to 45% of the overall Street Light budget proposal for 2015.

HORIZON UTILITIES DELIVERY SERVICE CHARGES

The original rate application from Horizon requested a delivery fee increase of approximately \$384,000 (25%) in 2015 (Bill impact App2-W_Bill Impacts spreadsheet). Hamilton intervened in the OEB rate filing and identified the impacts of this rate application to the street lighting class.

The latest draft rate order indicates that the Hamilton Street Light rate class will be charged an additional \$284,056.95 in 2015 (based on 37,586 lights using 6,610.39 KW).

Horizon's annual delivery service charge to Hamilton will be \$1.86 million in 2015, representing a 17.95% increase in the delivery of energy as compared to 2014.

Components of the overall delivery charges have experienced a 564% increase since 2008 (Delivery Service Charge). The board approved rates will result in an 18% increase in 2015 rising to 27% in 2019 measured against the 2014 base for this charge alone.

The total impact of the proposed increase over the five year (2015 - 2019) duration represents an additional \$1.84M in operating costs from the 2014 base rate.

City staff continues to work diligently to mitigate cost impacts through energy reductions, asset inventories and ongoing meeting with Horizon staff to understand the cost impacts.

The OEB instructed Horizon to detail delivery service costs to the City in the draft rate order and Hamilton awaits that review from Horizon.

The Horizon Delivery Service Charges represent 27% of the overall street light budget proposal for 2015.

HONI RATE FILING EB 2013-0416 FOR 2015-2019

This application raises connection fees 272% from \$1.47 to \$4.01 and increases the number of connections that it will actually collect revenue on during the course of this rate program. However it is unclear how HONI plans on recovering the revenue and the net impact is still being reviewed.

Hamilton expects the exposure on this application to be in the \$50,000 to \$100,000 range annually once details are resolved.

This file is currently in front of the OEB and Hamilton has received notice that interim rates will apply in 2105 until final rates are settled in quarter one of 2015. We will advise Council of updated rates once they are published by the OEB.