



Hamilton

INFORMATION UPDATE

TO: Mayor R. Bratina and Members of Council	WARD(S) AFFECTED: CITY WIDE
DATE: March 4, 2013	
SUBJECT: Street Lighting 2013 Funding Increase Requests (ENG.13.001) (City Wide)	
SUBMITTED BY: Gary Moore Director, Engineering Services Public Works Department	SIGNATURE: 

At its meeting of February 28, 2013, General Issues Committee requested staff to provide a breakdown of budget impacts related to increased costs for street lighting as contained in the 2013 Public Works budget.

The 2013 budget increase request for street lighting of \$1.3M can be separated into energy, maintenance and reserve contribution.

Energy Related Increases

Energy billing for street lighting is composed of three components: administration/local delivery, transmissions and electricity consumption.

Historically, energy increases for street lighting had been relatively low and predictable. However, energy costs, province wide, began to escalate significantly beginning in 2008.

In 2012 the budget for energy was \$4.116M while the actual incurred cost from Horizon was \$4.753M a difference of \$637,000. In order to bring the current budget in line with anticipated actuals for 2013 an increase of \$800,000 is requested.

Prior to billing adjustments, HUC's Delivery Service Charge was \$0.36 per street light (COH has +/- 45,000 street lights). Beginning in 2008, adjustments were applied incrementally and by 2011 the Delivery Service Charge had increased to \$2.39 per street light. This equates to an increase of 166% or \$920,000. Further increases to the Delivery Service Charge were proposed by HUC in 2012 but are on hold pending OEB review.

Costs related to the transmission component of the street lighting electricity bill increased by 186% or \$431,000 between 2008 and 2012. For the same period, electricity consumption costs also grew steadily, but at a lower rate. Increases to transmission and electricity consumption charges were initiated by provincially regulated

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adjustments and not due to electricity demand increases as the street lighting infrastructure only grew by 3.2%.

On-going Efforts

COH staff have been participating in an OEB working group (established in October 2012) to review cost allocation policies for various customer classes, including street lighting. In reaction to the significant cost escalation for street lighting energy the COH requested the OEB to review a number of items:

- Define and justify the true costs street lighting imposes on electricity distributors
- Tools which the COH can utilize to mitigate further cost increases
- Greater transparency and engagement with the COH from the OEB and HUC/HO in respect to future rate-class applications
- Flexibility in billing policies to capture savings through energy demand reduction in advance of wide-scale LED street lighting adoption

Through participation in the OEB working group and continual engagement with HUC and HO, staff continues to develop and identify strategies/tools to reduce street lighting electricity consumption and mitigate future energy cost increases without impacting Council approved service levels.

Maintenance Related Increases

In Q2 of 2012 the pre-existing street lighting maintenance contract expired and a new contract was awarded through a competitive bidding process. The new contract resulted in an increased annual cost of \$200,000. Despite the increase, when compared to other municipalities in Ontario the total value of the maintenance contract is lower than average.

The current contract was awarded for a term of three years with the option of three addition single year extensions. Future cost increases are controlled as they are limited to published annual Consumer Price Index revisions (Statistics Canada - CPI) as defined by the contract terms.

Reserve Contribution

The third component of the increase is related to a reduction in the reliance on the energy reserve to fund increases. In the past these increases have been partially funded from the Energy Reserve. As part of the 2013 budget submission it was proposed to reduce the reliance on funding of street lighting costs from the reserve in the amount of \$300,000. This results in an increase in the levy by the same amount.

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