



Introduction

The following is a presentation on behalf of the Union of Municipalities of New Brunswick (UMNB) on Matter 375: NB Power 2018-2019 General Rate Application to the Energy and Utilities Board (EUB).

The focus of our presentation is the cost of service and proposed increase for the rate class “Street Lights and Unmetered.” Specifically, NB Power is requesting a 2.00% average increase in rates effective April 1, 2018, including a 2.00% increase for Street Lights.

At issue is the revenue-to-cost ratio for Street Lights when compared with the “Range of Reasonableness” as defined by the EUB.

Background

UMNB represents 61 member municipalities and rural communities throughout New Brunswick. UMNB advocates on behalf of its members with the goal of building strong, sustainable and viable municipalities and rural communities throughout our province.

Most New Brunswick municipalities rely on NB Power for streetlights. According to the City of Fredericton’s submission, municipalities provide street lights in a variety of forms:

- Lights and davits (arms) installed on utility poles owned by NB Power and/or Bell Aliant. Lights are rented on a monthly basis from NB Power at unmetered rates depending on the wattage. If the utility pole on which the light is mounted is only used for street lights, there is a rental fee for the pole as well.
- Lights and poles owned by municipalities (e.g. decorative lights). NB Power provides electricity on either a metered or unmetered basis.
- Other lights operated by NB Dept. of Transportation and Infrastructure along major highways.

In many communities, well-lit roads are considered an important part of safety for both drivers and pedestrians. Street lighting is also one of a municipality’s more expensive bills.

- For city like Fredericton, the approx. cost of street lighting in 2017 was over \$1 million.
- For a town like Sackville, the approx. cost was \$157 337, or \$0.025 on their 2017 property tax rate of \$1.55 per \$100 of assessment paid by residents.
- For a village like Tide Head, with a population of less than 1000 people, street lights cost approx.. \$40 342, or 4.24% of its 2017 operating budget.
- For an incorporated Rural Community like Hanwell, street lights cost approx. \$41 216.



While a small number of municipalities operate their own electrical service, the vast majority do not have the option of shopping around for a better deal and must rely on NB Power for street lights.

For this reason, the existing cost of service and the proposed increase being discussed at this rate hearing are of significant interest to UMNB's members.

The "Range of Reasonableness"

In its 2016 decision on Matter 271, the EUB stated:

"On a system-wide basis, the revenues to be obtained through approved rates from all customer classes should be equal to the sum of the cost apportionments for each customer class. To state this another way, the system revenue to cost ratio should equal 1.0 (or unity). In theory, a revenue to cost ratio of 1.0 should apply for each class. There may be valid reasons, however, why rates will produce projected revenues higher than allocated costs for some classes, offset by rates for other classes that will produce revenues lower than allocated costs. In the decision of December 21, 2005, the New Brunswick Board of Commissioners of Public Utilities (PUB) indicated that "... a long term target range of .95 to 1.05 for the revenue to cost ratio for each class is reasonable." This continues to be the view of the Board."

In other words, the EUB has already stated that the rate charged to each rate class should be approximately equal to the cost of supplying the service, with a "range of reasonableness" of 0.95 to 1.05, or 95% to 105%.

NB Power acknowledges the range of reasonableness in its document 'Evidence' presented as part of the current 2018-2019 General Rate Application. Section 10.1 states that "*The goal is to adjust rates such that the Revenue-to-Cost Ratio ("RCR") for each rate class is within the range of reasonableness of between 0.950 and 1.050.*"

2018/2019 RCR for Street Lights does not fall within the "range of reasonableness"

According to the evidence presented by NB Power as part of the 2018-2019 General Rate Application, however, the revenue-to-cost ratio for Street Lights is significantly outside the range of reasonableness.

According to NB Power's document 'Evidence' Table 9.1a: "Recommended 2018/19 CCAS at Uniform 2% Rates," the revenue-to-cost ratio for Street Lights and Unmetered based on NB Power's proposed rate would be 1.9543 or 195%.

In other words, NB Power is proposing to bill almost double the cost of supplying the service.



Contrary to the EUB's direction, the revenue-to-cost ratio for street lights is getting worse, not better. According to documents from past EUB Matters, recent revenue-to-cost ratios were as follows:

2015/2016: 1.76 or 176% of costs
2017/2018: 1.915 or 192% of cost
and again
2018/2019 1.9543 or 195% of cost

In short, the recent, current and proposed revenue-to-cost ratios for street lighting are unreasonable by the EUB's own standard. It begs the question why the EUB approved rate increases that made this disparity worse despite its past direction.

Based on the numbers presented, it appears municipalities are being egregiously overbilled for this service.

Burden on municipalities and residents

This has significant financial implications for municipalities, and affects their capacity to provide other services their citizens need and expect.

Money spent on excessive costs for street lighting is money that cannot be spent on well-maintained roads and parks, or on essential services like waste management and public safety. It is also money that ultimately comes from residents in the form of taxes.

NB Power's 2017/2018 Evidence document, Section 11.0 stated that differential rate increases were not considered for Street Lights because *"These services are optional services for customers, and benefit the other customer classes through their contribution to net earnings."*

That suggests New Brunswick's towns, villages, cities and rural communities are expressly being overcharged for street lighting to subsidize other rate classes and to improve NB Power's bottom line. This is unjust and not consistent with the principle of the range of reasonableness.

Furthermore, the definition of "optional" in this case is not reasonable.

We live in a province where daylight hours are limited for a significant part of each year, and where the standard work and school day in winter often starts and ends in the dark.

To assess whether street lights are genuinely simply "optional" for the municipalities that provide them, please imagine the impact on safety and public opinion if a city decided to save money by turning off the lights along a busy road. Or consider the impact of street lights on the



safety of pedestrians, such as children walking home from school or women walking alone in the dark.

In summary:

1. The cost-to-revenue ratio for street lighting is significantly and disproportionately outside the “range of reasonableness” identified by the EUB.
2. The disparity has worsened over time rather than improving, contrary to past direction to NB Power from the EUB.
3. The disparity imposes a significant financial burden on municipalities.
4. The proposed 2% increase for 2018/2019 would exacerbate rather than correct the problem.

UMNB’s Request and Recommendation:

UMNB requests that the EUB direct NB Power to adjust the current rates for Street Lights and Unmetered, from 2018 onwards, to a level that provides fair pricing for street lighting service within all municipalities.

Speaking notes