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of Nova Scotia
Municipalities

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Energy Efficient Appliance Regulations
Regulatory and Strategic Policy
Nova Scotia Department of Energy
5151 George Street, suite 400
P.O. Box 2664
Halifax, Nova Scotia B3J 3P7

Dear Sir/Madam:

Re: UNSM Response to LED Roadway Lighting Regulations

The UNSM Board has reviewed the regulations and discussed the implications of this initiative on municipalities. The Board has expressed concern with this project since it was announced in April, 2011. There was no consultation with municipalities prior to the project's announcement and it is municipalities who will bear the cost of this initiative. While the Board is supportive of the initiative in reducing energy consumption and greenhouse emissions, the Board has not seen any analysis that identifies costs and benefits.

Issues specific to municipalities regarding this initiative include:

1) Capital cost of replacing 120,000 streetlights: LED streetlights have been priced in the vicinity of \$1000 per light. While the best case scenario suggests the cost of the light itself will decrease, it is not known to what level. The cost of lighting will vary according to wattage, and there is experience to suggest higher wattages will be required in certain areas to provide better illumination. Municipalities do not know what lights are required in the various locations throughout their municipalities. They do know that higher wattages are more costly and that LED lights are more expensive than those currently in use. The capital cost for the lights themselves could run in the order of \$120 million, which municipalities will have to pay regardless of who installs the lights - either a private contractor hired by the municipality or NSPI. Are there alternatives to replacing the entire light? Are there other ways in which capital costs can be reduced?

2) Value of the stranded asset: NSPI has indicated that the value of the current streetlights to be replaced is in the vicinity of \$23 million. This cost is the result of replacing the lights prematurely before the end of their useful life. UNSM and HRM have argued this number is too high, that parts of the old light fixture can be used with the new lights, and that the depreciated value assigned by NSPI is too low. A settlement agreement was reached prior to the NSPI rate hearing last September. At that time the UNSM and HRM understood the stranded asset value would be reduced to \$12 million.

However, NSPI is disputing the understanding in the settlement agreement and continues to place the value at \$23 million. NSPI is proposing to base the stranded asset value on their experience in converting 10 per cent of the lights. The results of this pilot will not be known for some period of time, possibly a year. Should a municipality wish to purchase and own the LED streetlights, the costs a municipality will pay to NSPI for removing the existing lights will be unknown. Currently NSPI charges municipalities \$180 per light removed.

The UNSM recommends allowing municipalities to replace the lights as they burn out or malfunction. On this basis, all lights would be replaced in 10 years, with no stranded asset cost to municipalities. The UNSM also would like to know if there is a market and value for the used lights. If not, what is the cost of disposing of these lights? By way of comparison, new existing technology lights cost \$190 + \$100 for installation. The Fee of \$180 per light as proposed by NSPI appears to be excessive considering the age of these assets.

3) Length of time to complete the conversion: UNSM believes that the value of the stranded asset could be reduced to zero if the conversion period were 10 years. UNSM requested the regulations be based on a 10 year conversion. The regulations proposed demonstrate a compromise in that it sets a conversion time of 7 years. This time period will result in some stranded asset value, but that value is unknown.

4) Energy Savings: The Province has estimated that municipalities will save \$18 million per year from reduced energy and maintenance costs. No documentation to support this claim has been provided. Nor has any analysis been provided to demonstrate the conversion to LED lights is the more cost-effective way to achieve a reduction in greenhouse gas emissions and mercury. NSPI has not put forward an all inclusive LED rate that includes maintenance. Regardless of ownership, municipalities will be paying an unknown amount for maintenance of LED lights.

5) Timeline for conversion: The regulations impose certain percentages to be converted by certain years. The regulations remove flexibility from municipalities to undertake the project in the most sensible and fiscally responsible manner. There is expectation the cost of lights and technical capabilities will improve in time - as recent experiences with new technology have clearly demonstrated. The timeline requires municipalities to convert more in the early stages, likely at higher prices. There is no evidence to suggest otherwise. Also, experience with LED streetlights is short. Anecdotal evidence indicates municipalities have had to replace lights installed with higher wattage lights to increase illumination.

6) Illumination Plan: Municipalities want to understand how to develop a plan around the number of lights to install and particular wattages necessary for their communities. While there are guidelines for illumination, few municipalities have a good understanding if they are able to reduce the number of lights. Developing an illumination plan will take time and resources municipalities may not have, particularly if the regulations are passed as proposed.

In summation, the UNSM Board is concerned with the number of outstanding questions that require answers. The issues are complex; moreover, there is a lack of thorough analysis of the costs and benefits for converting to LED streetlights in the timeframe proposed. The end result is that municipalities, and therefore their taxpayers, will be forced to pay a significant amount of money, the total of which is unknown. The return on investment is also unknown. How and when will residents benefit as a result of the conversion?

The UNSM Board strongly urges the Province to work with municipalities and NSPI to find answers to these questions, and to develop a reasonable, efficient plan to accomplish the goals envisioned in the initiative. Until this is undertaken, the UNSM Board opposes the regulations as currently proposed.

Sincerely,

A handwritten signature in black ink, reading "Jimmy MacAlpine". The signature is written in a cursive style with a large initial "J".

Deputy Warden Jimmy MacAlpine
UNSM President

cc: UNSM Board of Directors
The Honourable Charlie Parker, Minister of Energy
The Honourable John MacDonell, Minister of SNSMR