



**AN IMPORTANT NOTICE FOR CANSO ELECTRIC UTILITY RATE PAYERS  
DECEMBER 3, 2018**

Dear Canso Electric Ratepayer,

The Municipality of the District of Guysborough wishes to advise you that we are proceeding to transfer the assets of Canso Electric to Nova Scotia Power, subject to the approval of the Nova Scotia Utility and Review Board.

The Municipality attempted to sell Canso Electric, but no offers were received. Canso Electric can no longer be maintained without large investments in personnel, infrastructure and equipment. These costs would have a dramatic impact on power rates. We estimate approximately a 40% increase.

Transferring the Utility to Nova Scotia Power is an option that would ensure your 2018 rates are comparable with other areas of the province at an estimated 9.1% increase for residential customers. There will be an approximate 1.7% increase to Nova Scotia Power residential rates in January 2019 and this increase would have applied under Canso Electric Utility. Most commercial customers will see a decrease under Nova Scotia Power rates, based on their rate class. Nova Scotia Power can also ensure your electrical service is safe, dependable, and sustainable in a manner that the Municipality cannot.

**Important information regarding this transfer is enclosed. To learn more and provide input, Canso Electric customers are invited to attend an information session on Tuesday, December 11<sup>th</sup> from 4pm – 7pm at the Canso Legion, 1131 Union Street Canso. Please note in the event of a snow storm, the information session will be held on Wednesday December 12th at the same time and location.**

Sincerely,

Warden Vernon Pitts

## **BACKGROUND**

In 2012 the Town of Canso dissolved and the Municipality of the District of Guysborough (MODG) obtained ownership of the Canso Electric Utility. The Utility serves approximately 450 customers under residential, small general, general, and small industrial classes and its assets consist of distribution equipment, including poles, lines, transformers, and street-lights.

Even before the Town of Canso applied to dissolve, MODG indicated that it did not want to acquire Canso Electric and in the event that dissolution of the Town were ordered it would proceed to market to sell it. MODG has consistently held this position ever since and has explored all options to achieve the sale.

After the Town of Canso filed to dissolve, a study of the Canso Electric Light Utility was completed by CBCL Consulting Ltd. After reviewing the CBCL study and other studies, the Municipality reiterated to the Town, the Province and NS Power that it did not want to acquire the Utility in the dissolution process and had no objection to the Town selling the Utility prior to the Town being dissolved. At that time, the Town passed a motion to sell the Utility.

## **CONDITION OF CANSO ELECTRIC LIGHT UTILITY**

Studies have verified infrastructure is in poor condition with many poles, transformers, and sections of wire being beyond the normal life expectancy and require significant, immediate and ongoing investment to restore them to an acceptable standard.

The CBCL Study recommended \$166,000 of immediate capital investment to replace outdated components, and \$100,000 per year to maintain the infrastructure in its then current condition.

The Utility does not have the required qualified linemen or equipment. The only option available to the Town (before dissolution) or Municipality as its successor for maintenance and repairs has been to engage third parties for those services.

The Municipality is currently totally dependent on third parties for maintenance and repairs. Current revenues do not cover operating costs or allow for the necessary capital funds required for immediate and ongoing upgrades to provide an acceptable level of service.

**CANSO ELECTRIC LIGHT UTILITY RATES**

At the time of transfer (July 1, 2012) of the Utility to the MODG, the power rates for residential customers were approximately 17% lower than the NS Power Residential rate. These rates reflected a chronic failure to invest in renewal of the necessary infrastructure of the utility resulting in its current condition.

Small Commercial (12,000 – 32,000 Kwh/year) customers were being charged 25-30% more than the NS Power rates. Small Industrial rates were approximately 8% lower than NS Power rates prior to the Town’s dissolution.

In 2015, the MODG engaged a consultant to conduct a rate review for the Utility. This rate review indicated that the Residential and Small Industrial rates were below cost. The consultant recommended an increase of 10% for Residential and 7.5% for Small Industrial even though these rates were still significantly below the cost of operating the utility. The rates were not raised higher in order to provide rate payers with an intermediate increase in rates before an anticipated transfer to NS Power when ratepayers would receive the same rates as NS Power customers.

These recommended increases were accepted by the UARB and applied July 1, 2016. However, these increases did not provide sufficient funds for full cost recovery of all operation costs and do not allow the necessary funding for the required capital repairs.

**IMPACT ON RATES IF THE MUNICIPALITY CONTINUES TO OPERATE THE UTILITY**

There are a number of operating requirements that would need to be made by the Municipality:

- 2.5 positions (Power line Technicians)
- A certified line truck and equipment
- Annual operating cost (fuel, maintenance, repairs, etc.)
- Capital upgrades (required infrastructure upgrades)

Adding these costs would have a dramatic impact on residential rates. We estimate approximately 40% higher.

**RATE COMPARISON EXAMPLE**

**Your Bill Today**  
**\$121.15/month**  
 \*average residential

<i>Your 2018 Bill Under Municipal Ownership</i>	<i>Your 2018 Bill Under NS Power Ownership</i>
<b>\$208.55</b> 40% increase	<b>\$134.35</b> ***9.1% increase

**\*\*\*Change to electric bill will be dependent on power usage and MODG will be available to provide individual bill comparisons.**

**Commercial customers will see a rate decrease:**

- Small General a 19.9% rate reduction
- General Classes a 16.7% reduction

# COMMON QUESTIONS & ANSWERS

## **Q: What led to the decision to ask NS Power to take over ownership?**

**A:** Canso Electric can no longer be maintained without large investments in infrastructure, equipment and resources, including:

- 2.5 positions (Power line Technicians)
- A certified line truck and equipment
- Annual operating cost (fuel, maintenance, repairs, etc.)
- Capital upgrades (required infrastructure upgrades)

These costs would have a dramatic impact on residential power rates. We estimate about 40% higher.

Transferring the Utility to NS Power is an option that would ensure your rates are comparable with other areas of the province. It would also ensure your electrical service is safe, dependable, and sustainable.

## **Q: Why would NS Power want to take on the Canso Utility?**

**A:** As a regulated public utility NS Power has an obligation to ensure Nova Scotians receive reliable electrical service. Since a buyer could not be found, NS Power would carry out their duty to service our customers.

We are currently totally dependent on third parties for maintenance and repairs for the Utility. They are very familiar with our Utility infrastructure and could easily transition to the operator.

## **Q: What is the impact on Canso customers if NS Power were the operator?**

**A:** NS Power can provide Canso with a standard level of service consistent with the rest of the province.

Investments in infrastructure upgrades will also make the system more reliable. NS Power will seek regulatory approval of capital upgrades to ensure the Canso Electric assets are up to NS Power standards.

Canso customers would have access to all NS Power's customer care services and programs including online billing and payment information, and 24/7 outages information and access to the online outage map. The Customer Care Centre is also open Monday to Friday 8am-8pm.

Rates will need to be aligned with NS Power's current rate structure to ensure all customers are treated equally and fairly.

## **Q: How will residential rates be impacted?**

**A:** Under NS Power ownership, residential customer would see a 10.8% increase in 2019 instead of a 40% increase under MODG ownership.

## **Q: How will commercial rates be impacted?**

**A:** Commercial customers would see a rate decrease. Small General would see a 19.9% rate reduction, and General Classes a 16.7% reduction.

## **Q: Why will residential customers see an increase in rates while commercial customers will see a decrease?**

**A:** When the MODG took over Canso Electric in 2012, small commercial customers were being charged 25-30% more than NS Power rates.

In 2015, the MODG engaged a consultant to conduct a rate review. The review indicated residential were below cost and recommended a 10% increase at that time for residential customers.

## **Q: Will the UARB need to approve this transfer?**

**A:** Yes. An application for the Transfer of Assets of Canso Electric Light Utility to Nova Scotia Power Inc. will be submitted for approval by UARB.

## **Q: What is the timing of the transfer to NS Power?**

**A:** The current target is to complete the transfer by late Spring 2019.

## **Q: What are the financial consequences of this deal?**

**A:** NS Power will be paying MODG a fair market value for the assets. Because Canso Electric is losing money and requires significant investment in order to raise its infrastructure to standards comparable to Nova Scotia Power assets elsewhere in the province, the sale price for the physical assets of Canso Electric is the nominal sum of \$1. The remaining financial assets of the utility estimated at approximately \$200,000 and will be held in a special reserve and used only for purposes associated with the former Town as required by the letter of intent dated November 8, 2011 between the Town, MODG and the Province of Nova Scotia regarding the dissolution.

## **Q: How much will NS Power profit from this deal?**

**A:** NS Power is a regulated utility. Its rates are set to cover its prudently incurred costs of service and to provide a return on its capital investment, including the significant investments required in Canso.

## **Q: If NS Power takes over, would there be job opportunities?**

**A:** The transfer will not create new job opportunities.

## **Q: NS Power has been approved to install smart meters. Will Canso be getting smart meters?**

**A:** Yes. When NS Power deploys smart meters in Nova Scotia all customers will receive a smart meter.