



A How-To Guide and Timeline for Municipal Purchase of Street Lights in Central Hudson Territory

By Jen Metzger, PhD

Benefits and costs of municipal ownership

This guide will be of value to municipalities that are considering or would like more information about purchasing their street light system and converting to municipally- LEDs. If you are interested in utility-owned LEDs, we'll have a separate call about that after the PSC considers Central Hudson's latest street lighting proposal in Spring 2017.

Preliminary findings of a Mid-Hudson Street Light Consortium (MHSC) analysis of municipal ownership pathways to LED conversion found that local governments in Central Hudson territory could see a two-thirds reduction in street lighting costs if they purchase the street light system from the utility and convert to LEDs.¹ Much of these savings are the result of avoided fixture rental costs, though there are also significant additional financial savings from converting to LEDs because they use much less energy and require much less maintenance. Purchasing the system and converting to LEDs go hand-in-hand.

The payback on the investment is about 3-4 years, and you could see savings beginning in Year 1, depending on how your municipality chooses to finance it.²

Other benefits of ownership:

- Your municipality can choose the LED lights that are most appropriate to your community. You have control over fixture choice and specifications—the manufacturer, wattages, models, lighting color temperature—that you do not have with utility lights. Your community will be in a much better position to implement an LED conversion that your residents and businesses will be happy with.
- If your municipality owns the lights, you are also in a better position to take advantage of advanced functionality, using streetlights as a communication platform for other

¹ Please note that this MHSC assessment is currently undergoing peer review, and therefore findings can only be considered preliminary at this stage. Following review, the final report is expected to be released in Q2, 2017.

² The analysis calculates cost savings using a representative portfolio of 100 lights; while this offers guidance, cost savings may differ for your municipality if your street light inventory differs significantly from the average in the service territory.



town services, such as water meter reading, or to dim the lights at certain times in the evening in order to realize greater energy savings.

With ownership comes new responsibilities, such as maintaining the lights and responding to calls from the public if a light is out. These services can be outsourced or can be done in house—these are decisions for the municipality to make. The Consortium has guidance on procurement of LED street lights and ongoing maintenance, which can be found at <http://www.nystreetlights.org>. The focus herein is on taking over the system from the utility.

Regulatory context

Your municipality may reasonably ask, “why do we have to purchase those old lights—how could they possibly have any value?” This is a completely reasonable question, but the answer is, most of those lights still have some undepreciated value on the utility’s books, and Public Service Law requires that you purchase the asset from the utility. They cannot and will give it to you. The often substantial savings from ownership make the purchase worthwhile.

In 2015, the State Legislature passed a law intended to make it easier for municipalities to purchase their streetlight systems. and in October 2016, the PSC issued an Order to implement this new law, approving modifications to the utilities’ tariffs laying out the purchase process, with steps and timeframes. (A utility “tariff” contains the utility’s rules, policies, and schedule of rates, and must be approved by the PSC to ensure that they are fair, reasonable, and non-discriminatory. The tariff is available on the NYS DPS website.)

Overview of Process

The steps:

- Inform the utility in writing that your municipality is interested in purchasing the system, and request an estimated purchase price.
- The utility has 90 days to respond with an estimate.
- After considering the estimate, you must let the utility know that you want to move forward.
- The utility will send the municipality a draft agreement for the purchase and operation of the street lights, and the negotiation process begins.
- Once a mutually acceptable agreement is reached and signed by the parties, the utility has up to 60 days to file the documents with the PSC for review and approval. The Commission approval process can take anywhere from three to six months.
- After Commission approval, the municipality moves to electricity delivery-only service and ceases to pay monthly fixture charges. A pole rental fee will be assessed if the municipality does not own the poles.



Timeframe

From start to finish, the purchase process could take six months to 13 months, assuming that within two months the municipality and the utility can successfully negotiate the terms of the purchase agreement and the municipality's Board approves it.³ The process could be shortened to 5 or 6 months if the utility responds promptly to a request for an estimated purchase price, if the municipality negotiates and approves the agreement more quickly, and if the PSC signs off on the purchase agreement in 3 months.

Standard Central Hudson purchase agreement

The formal title of the agreement is the "Street Light Attachment and Conversion agreement." Unlike the other utilities, Central Hudson charges the same price for every light, no matter the age, size and type. The amount is \$234 per fixture--\$117 for the light, and \$117 for the armature--so a local official can look at the municipality's last street light bill, total up the number of lights, multiply by \$234, and that will be the purchase price. In its agreement with the City of Kingston, the \$234 price was also applied to any new LEDs the utility has installed during routine maintenance. The company's entire existing street light inventory (including the lights, armature, and hardware) has a single net-book value on the Company's books. That total, divided by the number of street lights the Company, is the basis for the \$234 figure. The Cities of Kingston, Poughkeepsie and Beacon all paid this per fixture price for the light and arm.

Keep in mind that while the municipality will replace the existing lights with LEDs, the lighting arms will continue to be used for your LEDs. The equipment is being purchased "as-is"—if the municipality discovers a problem later with the equipment, it can't go back to the utility and require the utility to fix it. The utility continues to be responsible for its own equipment, including the poles (unless the municipality owns the poles) and energy delivery infrastructure.

Central Hudson can no longer impose certain additional costs as part of its conversion agreement, including making municipalities pay for GIS audits of the street lights, or for third-party inspections of their work to install new LEDs, or post-construction survey fees. These charges were imposed by Central Hudson in the agreements signed by Poughkeepsie, Beacon, and Kingston. Last summer, the Mid-Hudson Streetlight Consortium submitted comments to the PSC, co-signed by the Ulster County Supervisors' Association, arguing that these additional costs were unfair and unreasonable. In its Order in October, 2016, the PSC agreed with MHSC. Central Hudson's standard conversion agreement, with the MHSC markup, is available upon request.

³ The minimum of six months assumes that the utility provides a purchase estimate in two weeks rather than three months; and submits the final agreement to the PSC in two weeks rather than two months.



If a municipality finds any of the aforementioned provisions in the proposed Central Hudson agreement, they should be removed, based on the October 2016 PSC Order.

Aside from the price of the system, what else does the conversion agreement address? It basically sets out all the requirements governing the transfer of the system to municipal ownership as well as on-going responsibilities of the municipality and the utility with regard to that system in the future.

The agreement lays out the procedures for any work done on the lights, including installation of new lighting, and how the municipality is to communicate with the utility about that work, as well as the certification requirements of any municipal or contract workers who will manage the lights. When the municipality takes over ownership, you will have to put a tag on the light identifying it as municipally owned. Central Hudson will provide the tag; this would typically be done when the LEDs are installed. The agreement also covers operational issues like tree-trimming, which continues to be the utility's responsibility, and how calls from the public about lights are to be handled. An important change to these provisions was achieved for the City of Kingston. Central Hudson is no longer able to charge \$250 for every "nuisance" call they receive about the lights. The language was removed at the request of MHSC.

Central Hudson requires electrical certification for municipal workers who are installing new lights or doing any maintenance. They must be qualified to work at 600 volts, which is higher than what is encountered when working on the lights. Central Hudson is the only utility operating in New York State to require this, arguing that the workers will be within space that is near the utility's high voltage infrastructure. On the other hand, Central Hudson does not require installation of a disconnect fuse, which the other utilities require and which is an additional cost.

The purchase agreement typically includes:

WORKERS' CERTIFICATION: Workers that are installing and/or maintaining the lights must meet certain qualifications.

INSURANCE REQUIREMENTS: The utility will require that the municipality carry certain types of insurance, and the municipality typically must name the utility as Additional Insured in the policies.

UTILITY NOTIFICATION: Whenever your municipality works on the lights—for instance, when you install LEDs—Central Hudson must be notified. The agreement lays out the notification process.

MAINTENANCE: In terms of on-going maintenance, Central Hudson will have sole responsibility for any tree-trimming near the lights.



REVIEW: The municipality's attorney should carefully review the agreement before it is signed.

Next Steps

A **billing audit** is a valuable first step that frequently results in refunds from the utility to the municipal customer. It is not uncommon for municipalities to be over-billed by the utility due to errors in record-keeping over the years. They fail to record changes in light wattages and types; they bill for lights that are no longer there, or that are now on private property. There are companies that conduct such billing audits or municipality with fewer than 300 lights could conduct an inventory with volunteers or staff. MHSC collaborated with Town of Marbletown to produce an informative PowerPoint presentation on how to do this inventory and it is available upon request.

The author of this guide, Jen Metzger, PhD, is director of Citizens for Local Power. Dr. Metzger produced the guide under the auspices of the Mid-Hudson Street Light Consortium, which is supported by the New York State Energy Research and Development Authority. MHSC is a grantee of NYSERDA's Cleaner, Greener Communities Program. Overseen by NYSERDA's Communities and Local Government Program, the Consortium comprises lead contractor Courtney Strong Inc. and subcontractors Citizens for Local Power, Abundant Efficiency LLC and LightSmart Consulting LLC. More than four dozen Mid-Hudson municipalities have participated in MHSC activities to date. For more information, see www.NYstreetlights.org