

## Chapter 3: The Municipal Ownership Option

It is no coincidence that the first municipalities in the state to convert to LEDs already owned their street lights. Westchester municipalities in Con Edison territory, including the cities of Yonkers and New Rochelle and the village of Dobbs Ferry, saw the opportunity to achieve significant financial and energy savings, and were in a position to act on it. With the conversion of its 12,000 street lights to LEDs, Yonkers is seeing gross savings of \$1.8 million annually (a 65 percent reduction in energy costs).<sup>1</sup> New Rochelle anticipates an annual savings of nearly \$640,000 through conversion of its 6,900 lights.<sup>2</sup> Approximately 20 Westchester municipalities have now completed street light conversions.

The benefits of making the switch have not gone unnoticed by municipalities in other service territories whose lights are owned by their utility, and a number of them have reached agreements to purchase of their street light systems, or have begun taking the steps to proceed with a purchase. This chapter examines the benefits of this pathway to LED conversion and identifies the issues a local government should consider when deciding which pathway to pursue. Each utility has different requirements. Knowing what these are in advance will help local governments make an informed decision and plan accordingly.

### Benefits of Street Light Ownership

#### Lower Costs:

Local governments will realize a significant reduction in annual spending from ownership of their street light systems because the largest portion of a municipality's street light bill is the rent paid for the lights and not the delivery of electricity.<sup>3</sup> Moreover, these rates tend to increase over time. The utility's fixture charge is comprised of numerous costs that a municipality would not have to pay if it owned the lights. These include:

- *The utility's rate of return, or profit.* Utilities earn a PSC-approved rate of return on the capital structure/cost of capital for their street light systems--nine percent at the time of writing.
- *Federal and State income taxes and local property taxes.* Municipalities are exempt from taxes.

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<sup>1</sup> VHB Engineering, (n.d.).

<sup>2</sup> Presentation by Alex Tergis, former DPW Commissioner for the City of New Rochelle, "LED Streetlights, webinar produced by Courtney-Strong, Inc., July 7, 2015: <https://vimeo.com/132846414>

<sup>3</sup> Office of the New York State Comptroller, January, 2008.

- *System costs.* These refer to a host of costs associated with running the utility’s business, including administration and general expenses, customer accounts, service and sales costs, and, in most cases, delivery costs.<sup>4</sup>

Table 7 illustrates the significant difference in utility charges for utility-owned and customer-owned street lights.<sup>69</sup>

Table 1 - Utility-Owned vs. Customer-Owned Lights: Rates and Charges (2017)

	Central Hudson	NYSEG	O&R
<b>70w HPS, Company-owned (annual)</b>			
Annual fixture charge (including delivery)	\$169.55	\$121.90 <sup>5</sup>	\$168.84
<b>70w HPS, Customer-owned (annual)</b>			
Electricity Delivery charge	\$25.59	\$28.43	\$30.53
Pole rental fee (utility-owned)	\$7.27	\$12.14	0
<b>Total (customer-owned)</b>	<b>\$32.86</b>	<b>\$40.57</b>	<b>\$30.53</b>

As shown in the table, utility charges are many times greater if the lights are rented than if the municipality owns them outright. The Town of Orangetown, which purchased its street lights from O&R in 2016, will reduce its street lighting costs by about \$290,000 annually through savings from avoided utility fixture charges, alone.<sup>6</sup>

Quicker Conversion to LEDs:

A local government that owns its street lights can convert to LEDs more quickly than if the utility owns them. As discussed in the last chapter, utilities are permitted under their tariffs to take many years to convert a municipality’s lights to LEDs, deferring to the future the full financial savings and greenhouse gas reductions of a complete conversion. In sharp contrast, within a single year the City of Yonkers converted its 12,000 lights, which is the equivalent of nearly half of Central Hudson’s entire inventory.<sup>7</sup> Most municipalities have far fewer lights than Yonkers, and could complete a conversion in a matter of a few weeks or months. The Village of Dobbs Ferry, for instance, installed approximately 400 street lights in less than one month.

<sup>4</sup> NYSEG charges for delivery separately from the fixtures rates.

<sup>5</sup> This figure represents the annual fixture “rent” of \$93.48 and a separate volumetric delivery charge of \$28.43. The other utilities include the cost of delivery in the fixture rate.

<sup>6</sup> This estimated annual savings takes into account an estimated \$75,000 per year in maintenance costs for existing lights. Once the street lights are converted to LEDs, the maintenance costs would be substantially reduced, providing even greater annual savings.

<sup>7</sup> VHB Engineering, (n.d.).

### Local Control over Lighting Design and Fixture Choice:

Utility choices of LED street light wattages can be limited, and do not necessarily meet the needs of the community. As noted in the Chapter 2, LED options offered by Mid-Hudson utilities can be oversized for the lights they are meant to replace.

When a municipality owns its street lights, the community can convert to LEDs on the basis of a well-designed lighting plan, choosing fixture wattages and Kelvin levels (affecting the “warmth” of the light color) that meets community needs. The planning process can include a street light audit or assessment to:

- 1) Confirm that the lights for which the municipality is billed matches the lights that are installed;
- 2) Evaluate the condition of the existing lights and armature;
- 3) Assess whether all street lights are actually needed;
- 4) Determine the appropriateness of existing lighting levels and the uniformity of lighting along a given street.

These assessment activities can be undertaken at one time, as part of a turnkey retrofit project or as a separate contract with a lighting consultant; or they can be performed as discrete activities by a combination of municipal staff/volunteers and consultants. (These options are discussed in greater detail in Chapter 6.)

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, and these errors can only be corrected through field verification. In the Town of Marbletown, for instance, volunteers on the municipal Conservation Advisory Council undertook a field inventory of the town’s 71 lights and discovered two missing lights and two lights located on private property for which the Town had been billed for years.<sup>8</sup> The Town was able to secure a bill credit for six years of billing for these lights.<sup>9</sup> The City of Kingston contracted with a consultant to undertake a billing analysis of its street lights, and recovered close to \$43,000 from Central Hudson due to prior billing errors for over 2,400 lights; and the Town of Rosendale recovered about \$30,000 following a billing audit of 191 lights.<sup>10</sup> Individual municipal refunds have been as much as \$100,000 in NYSEG territory, as much as \$75,000 in Central Hudson territory, and as much as nearly \$25,000 in O&R territory.<sup>11</sup>

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<sup>8</sup> Email correspondence with Tom Konrad, Chair of the Marbletown Environmental Conservation Commission, June 16, 2016.

<sup>9</sup> Refunds for past billing errors are legally limited to the previous six years of billing. If a light has been missing for 20 years, the utility benefits from 14 years of over-collection.

<sup>10</sup> Figures provided by the City of Kingston and Town of Rosendale. The consultant collects a percentage of the total refunds as commission for undertaking the audit in lieu of a fee charged to the municipality.

<sup>11</sup> Email communication with David Rose, Principal, Computel Consultants.

Decommissioning unnecessary lights is another way towns and villages can save energy and money. A **street light needs assessment** conducted by volunteers on the Rosendale Environmental Commission determined that at least 10 percent of the Town's lights could be eliminated without an impact on traffic or pedestrian safety.<sup>12</sup> It is important to note the legal liability associated with the removal of lights. In Massachusetts, the courts have held that as long as a formal public process was followed prior to decommissioning, a local government's actions will be indemnified.<sup>13</sup>

Surveying existing street lights also provides the opportunity to improve light levels, aesthetics, as well as traffic safety, and to reduce glare. A good **field audit** examines each light with respect to locational characteristics, such as pedestrian traffic volumes and street width, to determine whether light levels are appropriate and to ensure uniformity in lighting. (It is not uncommon to find a single street with two, three, or four different light sizes, despite similar locational characteristics.) Once this field information is recorded, an LED replacement plan can be developed that better meets community needs. Field audits also tend to result in additional energy and cost savings by reducing the likelihood of oversized replacements. Ideally, the street light audit integrates the street light data into a geographic information system (GIS), which will enable municipalities (or their contractors) to more efficiently operate and manage their street light system going forward, and more quickly address any outage or other problem.

The field audit is a valuable tool in managing the asset and getting a sense of its condition prior to ownership. Information gathered from assessing the conditions can potentially be used in negotiations with the utility for the purchase of street lights; and can also be used to determine possible maintenance requirements that should be included in any upgrade to LED technology. The data collected can become a part of a community's GIS database or at a minimum used in connection with installation and maintenance services.

When the street lights are municipally owned, the community has control over lighting design and fixture choices. With the benefit of a street light audit, local governments can implement a lighting plan that saves energy and money, while also addressing any existing lighting deficiencies in the process.

#### Energy Savings:

Local governments can realize greater energy and related cost savings through municipal ownership than by continuing to rent street lights from the utility. As demonstrated in Chapter 5, these savings can be substantial compared to utility LED options, if those options are oversized. With local control over fixture selection, governments are not constrained by limited utility wattage choices, and can choose the lowest wattage lamp that meets lighting needs

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<sup>12</sup> Rosendale Commission for Conservation of the Environment, *Rosendale Streetlight Assessment Report*, December 2013.

<sup>13</sup> Thomas P. White, Executor of the Estate of Dorothy K. White vs. Town of Easthampton Superior Court of Massachusetts, Civil action No. 97-148, September 12, 1986.

based on locational considerations. The ability to complete a conversion much more quickly will also result in greater energy and cost savings.

#### Advanced Functionality:

With advances in communications technology and new opportunities to network street light systems, LED street light conversions offer the promise of much greater control over lighting than older technologies. To achieve the full benefits of real-time lighting control, utility tariffs will need to be revised and metered service may be required. Many of the controls today have internal meters that are compliant with revenue-grade meter requirements of American National Standards Institute (ANSI) C12.20, the standard for electricity meter accuracy and performance.<sup>14</sup>

#### Costs of Municipal Ownership

To make an informed decision regarding street light system ownership, municipalities must understand all the costs of ownership--both upfront and ongoing. A detailed cost analysis is presented in Chapter 5. Here, the types of costs a municipality should anticipate are described.

#### Up-Front Costs

The upfront costs include: 1) costs associated with the purchase of the street light system from the utility (discussed below), and 2) costs associated with the purchase and installation of LED street lights (discussed in Chapter 4).

#### The Purchase Price of the Street Light System

Unlike in such states as Massachusetts and Rhode Island, where utilities are required by statute to charge no more than the undepreciated value of the existing street lights (i.e., the remaining book value), New York's utilities have the latitude to decide what to charge municipalities for their street light systems. As specified in the tariffs of all three Mid-Hudson utilities, "the Company shall determine a proposed purchase price of its equipment, taking into account factors which may include, but are not limited to, the market value of the street lighting system to be sold, the remaining book value of the street lighting system to be sold...and any other costs which the Company may incur in order to complete the sale."<sup>15</sup>

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<sup>14</sup> See the American National Standards Institute, <https://www.nema.org/Standards/ComplimentaryDocuments/ANSI-C12-20-Contents-and-Scope.pdf>.

<sup>15</sup> Central Hudson Gas & Electric Corporation, PSC No. 15, (Electricity), Service Classification No. 8 (Public Street and Highway Lighting), Sect. 8.9c (Initial effective date November 1, 2016): Leaf 224. Other utility tariffs contain the same or similar language.

In practice, the methodology for calculating the purchase price has differed from utility to utility, as detailed below. The after-tax proceeds from the sale of street lights in excess of the net book value are required by the PSC to be deferred for the benefit of electricity customers.

**O&R:**

O&R, in its purchase agreements with the Towns of Orangetown, Clarkstown, and Ramapo, employed a “replacement cost new less depreciation” methodology that included the net book value plus the labor cost of the original installation and any overhead (e.g., buildings, warehouses, personnel), which was then depreciated based on the age of the asset.<sup>16</sup> The accumulated depreciation was then subtracted from the estimate of the cost to replace the system new. The result for Orangetown was a purchase price of \$158.83 per street light (fixture and supporting arm); for Clarkstown, a purchase price of \$168.35 per light; and for Ramapo, a purchase price of \$276.84—a significant range.<sup>17</sup> In the case of Orangetown, about half of the Town’s street lights were the older mercury vapor lamps, which utilities stopped installing many years ago and which would have likely been fully depreciated by the time of the sale. Under a net book value approach, these lights would have cost the Town very little or nothing at all.

Recall from Chapter 2 that municipalities would have to pay \$165 per street light in stranded asset costs to upgrade to *utility-owned* LEDs. Purchasing the system has the added benefits of choice over LED fixture and avoidance of the on-going cost of renting the fixtures.

**Central Hudson:**

In purchase agreements with the Cities of Poughkeepsie, Beacon, and Kingston, Central Hudson charged \$234 per street light (\$117 for the fixture and \$117 for the armature), which represented the undepreciated value on the utility’s books of the equipment being purchased at the time.<sup>18</sup> The purchase price bears no relationship to the actual age, size, and type of the particular fixtures and arms being sold—rather, it represents an average per unit value of the utility’s entire inventory. It is worth noting that in the purchase agreement with the City of Kingston, Central Hudson charged the same purchase price for any utility-owned LEDs installed prior to completion of the sale, including LEDs that were installed in the course of routine maintenance.

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<sup>16</sup> Based on documents provided by Orange & Rockland Utilities, Inc., to the Town of Orangetown explaining the method for calculating the purchase price in August 2015.

<sup>17</sup> <http://www.lohud.com/story/news/local/rockland/clarkstown/2016/10/28/orange-rockland-utilities-clarkstown-streetlights/92887938/>; NYS Public Service Commission, *Order Approving Sale of Certain Street Lighting Facilities to the Town of Ramapo, Case 16-E-0636, in the Matter of the Petition of Orange and Rockland Utilities, Inc., to Transfer Street Lighting Facilities to Town of Ramapo, effective February 27, 2017.*

<sup>18</sup> Municipalities are charged the same \$117 for the fixture if they choose to remain with utility-owned lights and accelerate the LED conversion. There is no charge for the armature since it remains in service to support new fixtures.

Following an accounting update in April 2017, Central Hudson increased the purchase price to about \$304 per fixture. This increase owed mainly to the installation of several thousand LEDs in the service territory in 2016 and early 2017 (see Chapter 2). The new street lights increased the overall value of the utility's street lighting assets, while the unrecovered stranded costs of the lights they replaced remained on the books and continued to be reflected in the average net book value of the lights, contributing to the higher price. In addition, the purchase of street lights by Poughkeepsie, Beacon, and Kingston meant that the average per fixture value would be spread over a smaller number of lights, which also contributed to the higher price per fixture. Because Central Hudson bases its price on an average cost per fixture, and not on the actual inventory of the community, some local governments will pay more than the actual value of their lights while others, with a greater proportion of newer lights, will pay less.

Since Central Hudson takes an average net-book value approach to setting the purchase price, local governments would pay the same costs for the fixture whether they upgrade to utility-owned LEDs (stranded cost charges) or purchase the fixtures outright (\$152 per light in 2017). However, when purchasing the street lights, local governments will additionally purchase the armature (another \$152), bringing the total cost per light up to \$304, as mentioned above. New LEDs will then be installed on the existing armature.

**NYSEG:**

NYSEG uses yet another methodology for calculating the purchase price of its street lights—the Present Value of Return on Assets (PVROA) and Administrative and General Expenses. The methodology incorporates net book value as well as the expected future return on street lights if the utility continued to own the assets. NYSEG then tacks on an additional seven percent of the PVROA for administrative and general expenses. In NYSEG territory outside of the Mid-Hudson region, the Village of Horseheads purchased its street light system for an average cost of \$99 per light and the Town of West Seneca purchased its street light system for \$412 per light.<sup>19</sup> (The West Seneca purchase price was greater at least in part because the purchase also included some poles and underground cables.)

Other charges and costs:

Until quite recently, utilities could impose various additional charges and costs without restriction as part of negotiated agreements with municipalities for the purchase of their street lights. This changed with a PSC Order in October 2016 on utility tariff amendments governing the process for the sale and transfer of street light ownership. Tariff amendments were

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<sup>19</sup> NYS Public Service Commission, *Order Authorizing Transfer: Petition of New York State Electric & Gas Corporation for Approval to Sell Certain Street Lighting Facilities to the Village of Horseheads Pursuant to PSL Section 70*, Case 15-E-0471, effective November 19, 2015; NYS Public Service Commission, *Order Authorizing Transfer: Petition of New York State Electric & Gas Corporation for Approval to Sell Certain Street Lighting Facilities to the Town of West Seneca Pursuant to Public Service Law Section 70*, Case 15-E-0142, effective November 25, 2015.

required in order to comply with a 2015 law, which amended Chapter 495 of NYS Public Service Law. This law also gave municipalities the option of petitioning the PSC to facilitate the sale if negotiations with the utility are not progressing. Ultimately, however, the final decision to sell the asset still remains with the utility.<sup>20</sup>

During the PSC’s review of the utilities’ proposed tariff amendments, the Mid-Hudson Street Light Consortium (MHSC) and the Ulster County Association of Town Supervisors and Village Mayors submitted comments calling for improved transparency and accountability in costs imposed by utilities operating in the Mid-Hudson region, and also took issue with specific fees and costs that have been imposed by utilities in the past.<sup>21</sup> In response, the Commission required utilities to refrain from charging municipalities for field audits and inspections of a municipality’s lighting installations as a condition of the purchase, and also directed the utilities to itemize each element of the purchase price in proposed agreements and explain how each cost is developed.<sup>22</sup> This was an important victory for municipalities, helping to level the playing field in negotiations with the utility and ensure that proposed costs are fair and reasonable.

Table 8 below identifies the one-time costs to local governments of taking over the street light system, in addition to the purchase price for the street lights, themselves.<sup>88</sup>

**Table 2 - One-time Costs of Street Light System Transfer (2017)**

	Central Hudson	NYSEG	O&R
<b>Customer-supplied drawings</b>			required
<b>Installation of In-line disconnect fuse</b>		required	required
<b>Affixing of labels to poles</b>	required	required	required

As Table 8 indicates, utilities have different requirements affecting the total costs of transferring ownership to the municipality. Both O&R and NYSEG require that municipalities install an in-line disconnect fuse for each light, which de-energizes the street light during installation and maintenance. Central Hudson is the only utility in the Mid-Hudson region that does not require installation of a fuse, which typically costs in the range of \$17 to \$25 each, plus labor. All utilities require that municipalities affix a label on the street light poles near the

<sup>20</sup> NYS Public Service Commission, *Order Approving Tariff Amendments with Modifications*, In the Matter of Tariff filings to Effectuate Amendments to Public Service Law – New §70-a (Transfer of Street Light Systems),” Cases 15-E-0745, 15-E-0746, 15-E-0747, 15-E-0748, and 15-E-0749, October 14, 2016.

<sup>21</sup> Mid-Hudson Street Light Consortium and Ulster County Association of Town Supervisors and Village Mayors, Comments on the Tariff Filing by Central Hudson Gas & Electric to Effectuate Amendments to Public Service Law – New 70-a (Transfer of Streetlight Systems), Case 15-E-0745, April 29, 2016. The MHSC submitted similar comments in response to the O&R and NYSEG filings (Case 15-E-0746 and Case 15-E-0749, respectively).

<sup>22</sup> NYS Public Service Commission, *Order Approving Tariff Amendments with Modifications*, Cases 15-E-0745, 15-E-0746, 15-E-0747, 15-E-0748, and 15-E-0749, October 14, 2016: p. 12.

point of attachment, which allows the utility (and municipality) to easily identify the municipality's ownership of the light from ground level. Labels typically cost less than \$1 each.

#### Legal costs:

When purchasing the street light system, the municipality will incur the kind of legal expenses typically associated with negotiation of contracts.

### On-Going Costs of Street Light Ownership

#### Insurance:

The utilities require that the municipality carry certain types of insurance as a condition of the transfer of ownership, and that the utility is named on these policies as an Additional Insured. The policies include Workers' Compensation and Employer's Liability Insurance, Comprehensive General Liability Insurance, and Business Automobile Liability Insurance—coverage that municipalities typically already have. The main risk the municipality accepts when assuming ownership of street lights is the risk of a major storm damaging a large number of lights or major underground wiring problems (if lights are underground-fed).<sup>23</sup> Since the risk is typically small, the additional insurance cost is generally minimal. The Town of Union, which took over ownership of its street lights in 1998, acquired liability insurance for its lights at a cost of about \$1.30 per light.<sup>24</sup> (The Town realized a savings of approximately 40 percent annually in street lighting costs even after insurance and other costs were taken into account.)<sup>25</sup>

#### Foregone Tax Revenue:

Because street light equipment is a component of the property taxes paid by the utility to the local government, the transfer of ownership will result in a loss of this revenue. However, this amount is typically very small. A municipality can determine the exact amount by referring to line 373 (the Federal Energy Regulatory Commission accounting code for street lighting) in the assessment role.

#### Operation and Maintenance Costs:

Once the street lights have been converted to LEDs, municipalities can expect comparatively low initial failure rates (at most, one percent<sup>26</sup>) as well as low on-going maintenance costs,

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<sup>23</sup> Woodbury, George, *Economic Analysis of LED Acquisition for the Town of Sutton*, December 2014.

<sup>24</sup> Office of the New York State Comptroller, 2007-MR-4, January, 2008.

<sup>25</sup> Ibid.

<sup>26</sup>The City of Los Angeles, California, for example, experienced a failure rate of 0.89 percent for 170,000 lights that were installed over seven years, compared to a 10 percent annual average failure rate for HPS lights. (Email communication with Ed Ebrahimian, Director, City of Los Angeles Bureau of Street Lighting, January 14, 2017; Ed Ebrahimian, Director, City of Los Angeles Bureau of Street Lighting, "Changing our Glow for Efficiency," Department of Energy Municipal Solid State Lighting Consortium – LED Workshop, Los Angeles, April 2012.

thanks to the long life of LED electronic drivers and photocells. Depending on the model, LED street lights are expected to last at least 25 years. HPS fixtures, by contrast, have a typical life span of about six years.<sup>27</sup> According to the 2014 NYSEDA report, *Street Lighting in New York: Opportunities and Challenges*, LED street lights save an estimated \$50 per fixture per year, on average, in re-lamp/re-ballast and other maintenance costs.<sup>28</sup> The report concluded that a statewide conversion to LEDs could result in as much as a \$67 million annual savings from reduced O&M costs, alone.<sup>29</sup>

Even with the relatively low maintenance needs of LEDs, municipalities should be prepared to undertake maintenance, as necessary, if they assume ownership of the lights. This can be done in one of two ways: The local government can contract for services that include routine maintenance and a call center; or it can provide these services with municipal staff. For a village or town with a few hundred lights, all that is typically required to perform maintenance is a bucket truck and a single trained employee. However, the employee must have the electric qualifications to work on the system and must be in compliance with all established standards associated with work in close proximity to electrical equipment.<sup>30</sup> Central Hudson imposes the additional requirement that workers be certified to work at voltages equal to or greater than 600 volts, due to the proximity of the lights to high-voltage equipment.<sup>31</sup> For these reasons, it is more typical for municipalities to use a contractor for maintenance as well as to field any calls about light outages or problems.

Bids for a full-service maintenance contract for HPS systems have ranged from \$1.22 to \$4.00 per street light per month, depending on the level of service and included components; LED systems, by contrast, can be maintained for about half this cost or less.<sup>32</sup> Chapter 5 uses as estimate of \$0.75 to \$2.00 per light per month for a maintenance contract. If multiple municipalities share a contract through an aggregation or piggyback arrangement (see Chapter 4), the costs will generally be lower. In a best-practices approach, a municipality that takes ownership of its street light system would also set aside a percentage of the substantial resulting financial savings from avoided fixture rent in a street light capital/contingency account to cover any unanticipated costs (such as a car knocking down a pole, or a major storm event taking out lights) that would not qualify as “routine maintenance.” The amount to set aside will depend upon the size of the community, and the number and types of lights. These funds could also pay for eventual fixture replacement at the end of the lights’ useful life.

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<sup>27</sup>HPS fixtures have a mean time to failure rate 24,000 hours.

<sup>28</sup> New York State Energy Research and Development Authority, Report Number 14-42, December 2014 (Revised January 2015: p. 11.

<sup>29</sup> Ibid.: p. S-2.

<sup>30</sup> NYS Public Service Commission, Order Approving Tariff Amendments with Modifications, Cases 15-E-0745, 15-E-0746, 15-E-0747, 15-E-0748, and 15-E-0749, October 14, 2016: p. 13.

<sup>31</sup> Street Lighting Attachment Conversion Agreement by and between Central Hudson Gas & Electric Corporation and the City of Kingston, September 21, 2016: p. 9.

<sup>32</sup> See Chapter 5. The costs are based on 2017 prices.

### Pole Attachment Fee:

Some utilities charge a pole attachment fee for municipally-owned street lights. Table 9 lists charges by utilities operating in the Mid-Hudson region. O&R is the only utility that does not charge a fee.<sup>98</sup>

Table 3 - Utility Pole Attachment Fees for 2017 (annual costs per light)

	Central Hudson	NYSEG	O&R
Utility-owned pole (2017)	\$7.27	\$12.14	no fee
Jointly owned with telecom. company (2017)	\$3.62		no fee

### Anatomy of a Utility Bill: Municipally-Owned Street Lights

Electricity delivery: The cost of providing electricity service to the lights (see Table 7.)

Pole attachment fee (if relevant): rent of pole space for lights.

Energy supply: Per kWh charge at market price for supply. In New York, supply can be purchased from the utility or from a retail energy supply company.

Volumetric charges: Per kWh charges that include the System Benefits Charge, NYS Assessment, and Misc. charges.

### The Process of Purchasing Your Street Light System

As a result of changes to NYS Public Service Law in 2015, discussed earlier, the process for the sale and transfer of ownership to municipalities is now more standardized and the costs and

requirements imposed by the utilities are more transparent. The first step for the municipality is to provide written notification to the utility of its interest in purchasing all or a portion of the street lights, together with a request for an estimated purchase price. The utility then has 90 days to respond with an estimate, after which the municipality has 180 days to notify the utility of its desire to move forward with the purchase process. A failure to respond within the timeframe could delay the conversion process by another six months, since the utilities are only required to provide one price estimate per year.

Once the municipality confirms that it plans to move forward with the purchase process, the utility will provide a **proposed agreement for the purchase and operation of street lights**.<sup>33</sup> This agreement (or set of agreements, depending on the utility) includes all utility requirements related to the purchase, ownership, and maintenance of street lights--from electrical construction standards to tree-trimming provisions--as well as legal, insurance, and other obligations and dispute resolution procedures. Both the terms of the agreement and the purchase price are potentially open for negotiation, and should be carefully reviewed by the municipal attorney. The municipality has the option of filing a petition with the PSC to facilitate an ownership transfer agreement; however, as mentioned earlier, the PSC encourages local governments to pursue direct negotiation with the utility before filing a petition.<sup>34</sup> The PSC does not have statutory authority to compel the utility to sell this asset.

Once a purchase agreement has been negotiated and executed with the local government, the utility is required to file a petition for the sale with the PSC within 60 days. If the sale price is less than \$100,000, the Commission may comment or deny the petition. If no action is taken by the PSC, default approval is granted after 90 days. If the sale price exceeds \$100,000, the PSC must provide written consent to the sale—a process that could take about three to six months.

<sup>35</sup>

From start to finish, the entire purchase process could take a minimum of five or six months and a maximum of 13 months, assuming a prompt decision by the municipality to move forward with the process after receiving an estimated purchase price, and allowing two months for the municipality and the utility to negotiate the terms of the purchase agreement.<sup>36</sup>

Local governments can move forward with other preparations for conversion to LEDs in advance of, and during, the process of purchasing the street light system so that they are

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<sup>33</sup> This is also sometimes called a settlement agreement or purchase agreement. The purchase agreement may contain provisions for the operation of the lights, or a separate operating agreement may accompany the purchase agreement.

<sup>34</sup> NYS Public Service Commission, *Order Approving Tariff Amendments with Modifications*, Cases 15-E-0745, 15-E-0746, 15-E-0747, 15-E-0748, and 15-E-0749, October 14, 2016: p. 28.

<sup>35</sup> New York State Public Service Law, Section 70(1).

<sup>36</sup> 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.

prepared to move forward promptly with LED conversion once ownership has been transferred. (See Chapter 6 for a discussion of these steps.)

### Conclusion

Taking a municipal ownership approach to LED conversion can reduce street lighting costs significantly while affording greater local control over lighting design and fixture choices, a quicker conversion, and more opportunities for improved energy and cost savings for the long term. As the cost analysis in Chapter 5 will show, the savings from the municipal-ownership pathway are 50 to 75 percent over 15 years in Central Hudson and O&R territories. While annual bill savings from municipal ownership in NYSEG territory are nearly as high, the larger possible range of system buyback costs means that payback periods and, therefore, 15-year savings are more uncertain. At the same time, however, the purchase of the street light system, as well as procurement and installation of LEDs, involve a considerable investment. The next chapter explores the procurement, management, and financing alternatives available to municipalities to undertake this project.

