

Summary of existing streetlight purchase and on-bill financing for LED streetlight conversion legislation

There are two existing barriers for LED streetlight conversions that could be largely overcome with regulation and/or legislation which are:

1. Streetlight ownership and maintenance, and
2. Lack of financing.

Streetlight ownership & maintenance | Streetlights may either be owned by the municipality or the utility. The ownership generally dictates the responsibility for operations and maintenance of the lights. In both Virginia and Maryland, the streetlights are largely owned by the utilities. Unless the existing utility-owned streetlights are inoperable or fully depreciated there is little incentive for the utilities to convert to LED lights. As the benefits of LEDs are becoming more evident, utilities are making the switch, but the rate of conversion is often slower than the demand from the municipalities. The longer LED streetlight conversion is postponed, the more money municipalities must pay for lights that are inefficient, require more maintenance and many times do not adequately light roadways and sidewalks.

Regulatory and/or legislative action is needed in both Virginia and Maryland to facilitate municipal purchase of existing streetlights from the utilities if the municipality is interested in owning the lights and being responsible for the operation and maintenance. There are laws in both states that require utilities to allow municipalities to purchase their streetlights, however the laws set few parameters for such requests. When municipalities request to purchase the streetlights, utilities may place an extremely high price on the existing lights, which can make the purchase financially impossible for the municipalities.

Lack of financing | Regardless of ownership of the streetlights, up-front capital is needed to undertake an LED streetlight conversion. For many municipalities, especially smaller municipalities, the up-front capital for the conversion is an insurmountable challenge.

Utility on-bill financing is a viable method for reducing or eliminating the hurdle of up-front capital needs for LED streetlight conversion of utility owned lights. With on-bill financing, the cost of the upgraded streetlights is covered by the utility and paid back by the municipality through a line-item on their monthly utility bill. The savings from the conversion are allocated to repay the cost of the conversion meaning the municipality might not see an increase or see a minimal increase in their monthly expenses. Once the cost of the LED conversion is repaid, the municipality would begin to see a cost savings.

Below are examples of states – Massachusetts and Rhode Island - that have successfully regulated municipal streetlight purchase through legislation, as well as an example timeline for working with a utility for streetlight purchase.

Thirdly, there is information on California's Bill that requires utilities to provide on-bill financing for streetlight conversions. The bills for all three examples can be found on the MEA municipal streetlight program website.

Massachusetts | M.G.L. Chapter 164 Section 34A | Municipal Streetlighting Service

Massachusetts General Law Chapter 164 Section 34A allows municipalities to purchase streetlights from their utility. It was adopted as part of the 1997 Restructuring Act. The law provides for the following:

1. Provides any municipality receiving street lighting service from an electric utility the right to acquire municipal streetlights from the electric company;
2. Street lighting service is defined to include space on any pole or lamp post and the fixture, arm, feeder wire to the lamp from the distribution connection, and mounting hardware;
3. Requires the electric company to provide an alternative tariff for the delivery service specific to municipal-owned streetlights;
4. Sets a 60-day schedule upon notice by the municipality to the electric company and the department of public utilities to effect this purchase and sale, and gives authority to the department (not to arbitration or the utility) to settle any dispute the parties may have within the 60-day limit; and
5. Provides compensation to the electric company for the lighting equipment for its unamortized investment, net of any salvage value, as of the date the electric company receives notice the municipality wishes to exercise this right.

An Example Timeline

- January 1 – **Municipality provides Notice to the Electric Company**, and the Public Utility Commission or Department, that it intends to purchase its street lighting equipment from the Utility pursuant to M.G.L. c. 164, §34A. This Notice further requests the electric company notify the Municipality of the purchase price net of depreciation that has been typically set at \$1.00 (one dollar) if all equipment is fully depreciated.
- March 1 (on or about) - **Electric Company tenders a Purchase and Sale Agreement** regarding municipal streetlights that includes an inventory of lights by pole no., type, wattage, lumens and location (as an Exhibit- description of the facilities), a **License Agreement** that calls out the rights and responsibilities of the Municipality to locate its street lighting equipment on the pole or lamp post of the Electric Company.
- After March 1 – Municipality provides payment, insurance binder and signed Purchase and Sale Agreement and License Agreement to the Electric Company who then fully executes the agreements and revises the utility bill to reflect the change of ownership to the municipal owned-service.

In the Massachusetts Eversource Energy service territory that includes greater Boston, the South Coast and Western Massachusetts, as of 2019, nearly all municipal street lights have been purchased by each city or town from the electric company and have then procured services to perform conversions to LED along with third-party operations and maintenance agreements.

Rhode Island | Title 39 Public Utilities and Carriers | Chapter 39-30 | Municipal Streetlight Investment Act | section 39-30-3

Rhode Island's Municipal Streetlight Investment Act creates a utility tariff so municipalities may purchase their streetlights. The champions of the bill estimated over \$3,000,000 in annual savings from maintenance and operations alone if all Rhode Island municipalities purchased their streetlights. The bill was passed in 2013 and does two things to facilitate the purchase of streetlights from the utility:

1. It sets the purchase price of the lights from the utility. The price is what the utility originally paid for the lights minus any depreciation.
2. It requires the resulting utility tariff to include reduced consumption from streetlighting controls, such as dimmers for LED lights, for ALL municipal customers.
3. Sets a 60-day schedule upon notice by the municipality to the electric company and the department of public utilities to effect this purchase and sale, and gives authority to the department (not to arbitration or the utility) to settle any dispute the parties may have within a 90-day limit;

As of 2018 16 Rhode Island municipalities had successfully purchased their streetlights with more currently working through the process.

California | Assembly Bill No. 719 | An act to add Section 384.5 to the Public Utilities Code

California's AB 719 was passed in 2013 and requires electrical corporations (utilities) to:

1. Submit a tariff to fund energy efficiency improvements on streetlight poles, such as LED lights;
2. Design the tariff to allow local governments to remit the cost of the improvement through the tariff;
3. Ensure that any improvement performed is eligible for any rebates or incentives available through ratepayer-funded programs.

The tariff is used at the discretion of the local governments. At the time of the bill's adoption it was estimated that it could result in the replacement of 857,000 utility-owned streetlights with more energy efficient lights, such as LEDs, if all local governments took advantage of the tariff. A recent internet search shows that several jurisdictions have taken advantage of the tariffs and on-bill financing to convert to LED streetlights.