

INDOT Road School

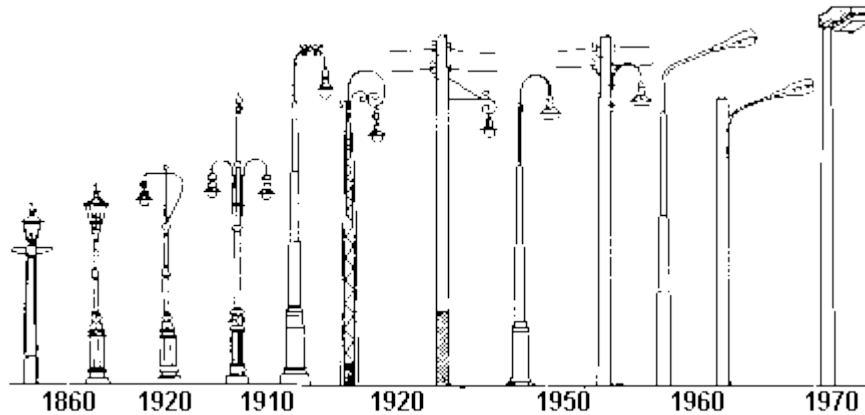
West Lafayette, Indiana

March 11, 2015

STREET LIGHT TARIFF EVOLUTION



Large Boston Street Light



4th Century: 1st recorded use of street lighting in Greek City of Antioch.

1803: 1st gas lights in America in Newport, RI

1968: 1st lights powered by electricity were put in Indianapolis

1700's: 1st street lighting in America was in Pennsylvania, using candles and a vessel invented by Benjamin Franklin to keep from blowing out.



1985: Lights changed “en Masse” in Northwest, IN.

STREET LIGHT TARIFF EVOLUTION

- Besides just being interesting to Street Light Geeks, this does set the stage for where we are today.
- Rates were first set on the basis of the cost of poles, brackets, luminaire's and wiring at the time the systems were built.

STREET LIGHT TARIFF EVOLUTION

In Nipsco service territory, streetlights were put in across their entire service territory during or about 1985.....all high pressure sodium lights.

STREET LIGHT TARIFF EVOLUTION

Now in Lake County there are approximately 16,500 streetlights:

- HPS – 14,750
- MH – 1,617
- MV – 157

How did we go from all HPS to a mixed bag?

STREET LIGHT TARIFF EVOLUTION

- Governmental entities have control over street lights in their boundaries (I.C. 36-9-9).
- What kind of lights did they put in?
 - Whatever they thought best.
- The Utility now owns many of them as they were deeded over to the Utility.
 - Some the customer owns and the Utility maintains.

STREET LIGHT TARIFFS IMPACT ON GOVERNMENTAL ENTITIES

- Street Light Costs for those Street lights owned by Municipalities are payable from their General Fund dollars.
- Property Tax Caps, Decreasing Assessed Value and Levy Freezes have brought Street Light Costs under a Spotlight.

CURRENT STATE OF STREET LIGHT TARIFFS

Tariffs are pretty much a mess across the State of Indiana.

- Some tariffs are huge, listing every light type in its system. IPL's redline proposed tariffs are 61 pages long and offer many dozens of types of luminaire's.
- Nipsco's are better, but like all of the investor owned utilities in Indiana, no real LED or Plasma Tariff.

REGULATORY PERSPECTIVE

- Poles are depreciated
- Fixtures are depreciated
- Brackets are depreciated

- Rates charged to customers for the above do not reflect that. It's like a leased vehicle that you keep paying for long after the lessor has recovered all of its costs.

There really has been no motive on the part of the utilities to change.

THE FUTURE

There is hope:

- There is legislative pressure to reduce energy footprints.
- There is legislation currently wending through the process of re-establishing DSM programs.
- IC 8-1-39 makes it acceptable to Investor owned utilities to make the change in street light technology and rates.

IC 8-1-39

- Transmission, Distribution, and Storage System Improvement Charges and Deferrals

TDISC

SALIENT ASPECTS

- Requires a 7 year plan
- Allows targeted economic development projects
- Plan resets every 6 months
- Allows recover of 80% of capital expenditures and costs through a tracking mechanism with deferral of the remaining 20%
- Increase can not be more than 2% per year of retail revenues
- IURC must act within 210 days

WHAT MAKES THIS SALIENT?

- The 7 year plan changes every six months.
- In the Nipsco TDISC case (Cause No. 44370) the Commission found that changing out street lights to new technology is Economic Development and can be included in TDISC recovery as such.

This allows:

- Recovery of 80% of costs and a deferral with AFUDC of approximately 7% as carrying charge.
- 2% cap on increase of retail revenues is apparently open to conjecture.

WHAT MAKES THIS SALIENT?

- Company can change its street light tariffs to reflect cost of service and recover these costs to change out the street lights within the TDISC.
- With the price of LED fixtures plummeting and warranties now accepted at 10 years, the marginal cost of changing out the fixtures provide paybacks of 2-7 years.

HOW DOES THIS WORK?

- The Company changes its tariffs to reflect the cost of depreciated poles and brackets.
- The Company puts in the new LED Lights.
- The Company changes out the lights it owns contemporaneously with the Customer changing out its lights.
- The Company runs its costs to change out the lights through its TDISC Tracker.

WHY IS THE UTILITY SATISFIED?

- It Recovers its costs on a timely basis through the TDISC to change out the street lights.
- It demonstrates a large savings of energy as a result of changing out the street lights.
- It demonstrates that it is a good corporate citizen working to achieve a win-win.

WHY IS THE CUSTOMER SATISFIED?

- New Technology LED's will be snap in, thus easy replacement if something goes wrong.
- If something goes wrong during the warranty period, send it back, get a new one, snap it in.
- Greatly decreased maintenance when compared to HPS.
- Costs will be less.
- LED's properly placed and sized add to quality of life and safety.

THANKS FOR LISTENING!

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