LED RATE TARRIFS AND NEW ADVANCES IN LIGHTING DESIGN

March 9th, 2016
The Development of Cost Based Rates

Rate design is the process within an Indiana Utility Regulatory Commission rate proceeding by which the cost of providing service to a class of customer is actually assigned to that class of customer, i.e., is a class of customer actually being charged the costs associated with providing service to that class of customer?
General Methods to Calculate Cost of Service

- The rates to Utility Companies are set on the basis of a Cost of Service Study

- What a Cost of Service Study Does:
  - Apportions Costs by Function
  - Chooses a Method or Methods to Apportion Costs:
    - 4 Coincidental Peak
    - 12 Coincidental Peak
    - Probability of Dispatch
    - Peak and Average
Example of Rate of Return on class of Customer

- Total Company - 4.43%
- Residential (811) - 3.14%
- Small Commercial (822) - 8.77%
- Large Commercial (824) - 7.56%
- Traffic Lighting - 24.52%
- Street Lighting -8.53%
- Total Retail -4.37%

Source: Northern Indiana Public Service Company, Cause No. 41746, Respondent’s Exhibit RDG-2
Cause No. 41746
Other matters of Interest

There were 9 interveners:

1. Citizens Action Coalition
2. United Senior Action, Ispat Inland Steel, Inc.
3. LTV Steel Company, Inc.
4. Unilever Home and Personal Care USA
5. Central Soya Company
6. Praxair
7. U.S. Steel Corporation
8. Bethlehem Steel Corporation
9. Kroger Company
All Street Light Costs

The municipality shall make to the utility operating the lighting system all payments required to be made to the utility for its service, in strict accordance with the terms of the contract or order under which the utility is operating. The municipality shall make the payments from its general fund or from a fund set aside for street lighting purposes, and shall be reimbursed for payments made in behalf of property owners by the collection of the assessments as provided in this chapter.

Current LED Tariffs

- Indianapolis Power and Light has one applicable to 8 multi-light fixtures on the Circle. Put there at the specific request of the City of Indianapolis. There are LED Tariffs pending.

- I believe Vectren is considering putting in an LED Tariff.

- Duke and I & M operate through individual contracts and have no LED Tariffs per se. I & M does have a special rate for the City of Fort Wayne.

- Right now if you are putting LED’s in these systems, and I suggest you do for most applications, as of now you need to have them metered, preferably in groups.

- Nipsco is very close to having LED Tariffs and commencing changing out all of their streetlights with LED fixtures.
NIPSCO MASS RETROFIT PROGRAM

- Nipsco and municipalities will purchase luminaire’s from the same vendor, getting the same pricing
- Nipsco will issue an RFP for installation of new fixtures
- At least some municipalities will issue an RFP for installation of new fixtures
  - Thought is to use an inter local agreement among the Cities and Towns
  - Cities and Towns to retrofit their fixtures at the same time as Nipsco changes out theirs
Installation Costs

**Investor Owned**

1. No incentive to minimize costs
2. Income Taxes
3. Return on Investment
4. Overhead Loadings

**Municipally Owned**

Every incentive to minimize costs
No Income Taxes
Alternative Cost to Installation
Very few Overhead Loadings
Thank you!

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