



May 2018 Newsletter

The reason that the California Street Light Association (CALSLA) exists became conspicuously evident in 2017 as we addressed adaptive/dimmable rates and tariffs, small cell attachment device legislation, LED retrofit rebate disputes and of course, the transition from older, and in some cases obsolete, street lighting technologies to LED. CALSLA's primary goal is to continue to mitigate and reduce electric rates and facilities charges for street lights and traffic signals for California cities and counties.

In 2017, CALSLA was successful in limiting and lowering rates in PG&E and SDG&E service areas. In the SCE service area, our efforts assured cities and counties that are in the process of converting to LED would remain eligible for retrofit rebates beyond January 1, 2018. Across the country, CALSLA representatives have spoken with local governments, non-profits, vendors and service providers in support of rate and tariff monitoring, while encouraging more collaboration and better working relationships with utilities.

Please see the detailed comments below by service area, on current and upcoming issues, prepared by CALSLA's Rate Analyst, Alison Lechowicz.

SDG&E Service Area

In August 2017, we received a very favorable final decision in SDG&E's 2016 General Rate Case. CALSLA worked on the case for over 18 months and we were able to successfully argue for a minimal change to street light rates plus a new, affordable program for dimmable lamps and ancillary devices. Key elements in this rate case included an agreement on the structure of a dimmable/adaptive street light rate, much lower than requested rate adjustments, recovery of customer costs, billing system implementation costs, ancillary (attachment) device rates and old technology transfer costs, e.g., the LS-1C rates. The final ruling set an important precedent for California's jurisdictions as many of the Smart City/Internet of Things (IoT) capabilities are tied to the adaptive controls in street lighting systems. Ultimately, rates need to be specifically designed to help local governments monitor their street light assets, the technology and sensors attached to them, and the energy consumption and efficiency used to affect climate action planning and costs. The new street light rates are scheduled to go into effect in July 2018, and the new dimmable/adaptive and ancillary rates will be established in August 2018.

Although we received preliminary and final decisions last summer, our work on the rate case continued. CALSLA's diligent monitoring of the elements of the 2016 General Rate Case (GRC) ruling uncovered two instances where SDG&E did not properly calculate the final approved rates. In the first instance, SDG&E miscalculated LED fees which would have overcharged customers following conversion. In the second instance, CALSLA filed a protest in November 2017 because SDG&E failed to use rates and tariffs that the Administrative Law Judge (ALJ) approved in the August 2017 final decision. Our protest is currently under review by the CPUC.

CALSLA is disappointed by SDG&E's actions to attempt to disregard the CPUC's GRC ruling, and by SDG&E's lack of apparent progress on the dimmable/adaptive rate program. We will be closely monitoring SDG&E's actions during the next few months.

Assuming that SDG&E abides by its GRC commitments to the CPUC and to local governments, CALSLA intends to utilize the SDG&E decisions to design ways to lay the groundwork for managing data, systems and infrastructure into the future, and across the State of California.

SCE Service Area

CALSLA and 21 SCE jurisdictions representing the locations of over 110,000 of SCE service area's 750,000 street lights submitted testimony to the CPUC regarding SCE's Phase I 2018 GRC. This submittal was one of CALSLA's largest cooperative efforts ever in a rate case.

The testimony addressed SCE's proposal to eliminate the LED retrofit rebates in January 2018 by describing LEDs as "a standard luminaire", even though only 1% of SCE's street lights had been converted to LED. CALSLA and its SCE jurisdiction partners explained how SCE's delays and inconsistencies in completing the acquisition process, e.g., the sale and transfer of street light infrastructure from SCE to cities and counties, threatened financial planning, climate action goals and represented incompetence in processing of sales and transferring the assets.

CALSLA initially identified the LED retrofit rebate issue in the GRC, then in late June 2017, CALSLA filed for party status in the energy efficiency proceeding to make sure that the LED retrofit rebate issue was addressed. Between June 2017 and December 2017, we persistently insisted that SCE honor the rebate commitment made to local governments that had contracted to purchase street light infrastructure assets.

On December 20, 2017, CALSLA finally received written notice that SCE agreed to deliver LED retrofit rebates to those SCE jurisdictions that are currently converting their street lighting infrastructure. Many jurisdictions constructed their financial modeling for acquisition and for energy savings around the receipt of the rebates, and would have faced challenges in completing the projects without the certainty described above.

Also, on June 30, 2017, SCE filed its Phase 2 General Rate Application that proposed a 6% increase in street light rates, which was later amended to a 5.7% increase. CALSLA filed testimony on March 23, 2018 to challenge the increase and recommended a 1.6% cap on any rate adjustment. CALSLA anticipates that the SCE GRC activity will continue throughout 2018-19 and possibly beyond, as resolution of the rate cases tends to be a multi-year process.

PG&E Service Area

PG&E filed its 2016 GRC on June 30, 2016. CALSLA's initial review indicated that PG&E proposed a slight decrease for LS-2 (customer owned) street lights. However, traffic control fixed rates are proposed to double from \$10/mo. to \$20/mo. Using data requests, CALSLA has asked for more information about this significant increase.

PG&E indicated plans to designate LED street lights as the new standard technology, which is good, as long as those jurisdictions that still wish to utilize previous lighting options, like HPSV, are not penalized. The dimmable street light pilot program being utilized by the City of San José will continue, although PG&E has indicated a preference for a static dimming schedule rather than a fully adaptive schedule. CALSLA is currently in negotiations with PG&E over these issues, and a satisfactory settlement has yet to be reached.

Also, PG&E filed new supplemental testimony on November 2, 2017. There was no impact to street lights the revision showed a large proposed increase to traffic controls of about 24%. PG&E indicated it would present an alternate scenario to mitigate the impacts. Because we could not reach settlement on these issues, CALSLA submitted supplemental testimony on November 30, 2017 to address the traffic control issue.

In March 2018, CALSLA filed settlements on street light and traffic control issues. The street light class rate increase is capped at 0.7% reflecting an increase in the electricity charge. For traffic controls, the settlement proposes a slight decrease.

On March 7, CALSLA and PG&E conducted a workshop at PG&E's offices in San Francisco to discuss longer-term dimmable street light and ancillary device rate options. Several public agencies attended in person and via phone as well as vendors, who provided technical expertise. It was productive to hear what technologies PG&E is currently deploying with its LS-1 lamps, and for PG&E to hear the needs of customers. In particular, we identified ways to potentially save costs for customers installing devices, e.g., PG&E owning the metering chip instead of the customer which may save auditing costs, and using PG&E's mesh network to transmit

metering data that could save cities the cost of managing their own wireless networks. The next step is that PG&E and CALSLA will jointly file a summary report with the CPUC, and PG&E can include new tariffs in its next rate case.

CALSLA Background Information

The California Street Light Association (CALSLA) represents the interests of counties, cities and towns before the California Public Utilities Commission (CPUC) and has done so since 1982. CALSLA advocates street light and traffic signal electric rates that are fair to local governments. We also offer technical and engineering information, public and private funding information, acquisition strategies, legal review and help in negotiating service issues with utilities. CALSLA has been very successful in reducing electric rates and supporting street light agencies.

On three-year cycles, investor-owned utilities (IOUs) in California file requests at the CPUC to increase revenues and raise street light rates. Without intervention by CALSLA, rate increases to street light customers would not be analyzed for accuracy and would go unopposed at the CPUC.

For most of the rate cases before the CPUC over the last thirty-five years, CALSLA has been the only organization intervening on behalf of street light customers. CALSLA rate consultants and attorneys testify before the CPUC and are successful in litigating and/or negotiating lower rates for street lights and traffic controls, and in gaining better levels of service from the utilities. Savings in electricity and facility costs over three decades has been in the tens of millions of dollars.

In the next few years, the battle for local government control of street lighting assets and future uses of the facilities will become key factors in whether or not “smart city” technologies will be widely available and reasonably priced. Also, Federal and State efforts to eliminate local governments’ abilities to manage, control and gain revenue from the “valuable integrated vertical infrastructure” in communities will continue, and must be challenged.

CALSLA’s strategic mission includes questioning lack of transparency on billing, inventory, asset management, maintenance and operation costs, depreciation and valuations, and examining regulations to clarify correlations between Federal and State requirements. CALSLA’s priorities, listed below, are set by the members of the Executive Committee, whose members represent cities and counties around the state.

- Dimmable/Adaptive Controlled LED Programs. LED street light conversions offer cities and counties noticeable savings on electric rates, carbon emissions reductions and lower operations and maintenance costs. CALSLA works with cities, counties, the CPUC and vendors to find reliable and cost-effective ways to help local jurisdictions take advantage of new and powerful technologies.
- Street Light Acquisition. CALSLA encourages public agencies to own their street lights. Cities and counties can own, operate and manage street lights more efficiently and at less cost than the utilities. Through ownership, cities and counties avoid paying street light facility rental charges to the utility. Public agencies can also operate the street lights at less cost with internal city or county staffing or through a contracted service provider. If the utility owns your street lights (LS-1), now is the time to locate and value your street light assets and acquire these facilities.
- Fair Electric Rates and Facilities Charges. When the utilities submit rate increases, CALSLA reviews their assumptions, calculations and accounting methodologies for accuracy and clarity, submits testimony and advocates appropriate and justifiable adjustments to the street light rate categories. While the street light tariffs only represent about 1% of the utilities’ annual revenues, street lights represent 30% to 70% of cities’ and counties’ annual electric/facilities costs. This disparate proportionality makes it imperative that CALSLA is at the table, since small increases in the rates can have a costly impact on city/county budgets.

CALSLA’s Executive Committee has adopted additional goals for the future to help assure that jurisdictions are fairly represented in negotiations with the utilities. CALSLA’s activities so far include:

- Legislative Advocacy – CALSLA continues to identify other legislative means to acquire street lights beyond eminent domain, and is closely monitoring activity and rulings in other states meant to encourage

local government ownership. Also, in 2017, CALSLA opposed SB 649, and submitted testimony supporting the positions of the League of California Cities and the California State Association of Counties. In a victory for local government control, Governor Brown rejected this bill for California. CALSLA continues to monitor the FCC actions concerning small cell and other telecom installations and the impact of its changes to the regulations regarding net neutrality.

- Transparency and Accountability – At local government expense, many of our members have determined that the utilities have inaccurate and incomplete billing, maintenance and operations records and little incentive to improve, which makes it difficult for local jurisdictions to accurately evaluate street light assets, costs, benefits and opportunities. CALSLA already advocates for accuracy and clarity from the IOUs in the GRCs, yet the IOUs have proved to be unreliable business partners. Local governments need clear, accurate and understandable data to make well-reasoned recommendations about street light assets to elected officials and community members, and we regularly communicate these concerns to the CPUC.
- Local Jurisdiction Training – CALSLA has developed and tested a “Street Lights 101” training session offering local government officials a 1 to 2 hour overview of retrofit options, acquisition strategies and adaptive controls technologies. CALSLA’s annual conferences also offer information on a wide variety of street light related topics.
- CALSLA Model – CALSLA may be the only association in the United States to regularly intervene on behalf of cities and counties on street light and traffic signal rates, tariffs and service issues. We are identifying avenues to share the CALSLA model in other regions. During the past year, CALSLA has discussed its structural model and success stories on rates, tariffs, liability issues and street light attachment issues with local government colleagues in New York, Illinois and the State of Washington.

CALSLA’s annual conferences each spring are offered at no cost to city and county representatives. Conferences cover a variety of topics including:

- Opportunities and challenges in the purchase of street lights from utilities,
- Adaptive controls/networks for street lights and new revenue generating technologies,
- Street light liability studies, and outlines of legal and regulatory requirements related to environmental review, dark skies and permitting for small cell/telecom and other attachment devices, and
- Case studies/lessons learned in design, installation, operations and maintenance of energy efficient, adaptive control street light systems.

CALSLA relies on counties, cities, towns, special districts and Associate members (vendors, JPAs and service providers already working with California local governments) to fund for activities and participation in rate cases.

In 2017 alone, the difference between rate increases proposed by the utilities and what was granted after CALSLA’s intervention resulted in millions of dollars of pre-budget savings to local governments throughout the state. CALSLA’s annual expenditures range between \$100,000 and \$150,000 depending on the number and complexity of rate.

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