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18th Legislative District
Montgomery County

Environmental Matters
Committee

Subcommittees

Land Use and Ethics

Motor Vehicles and Transportation



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The Maryland House of Delegates
ANNAPOLIS, MARYLAND 21401

April 2, 2013

The Honorable Nancy Navarro
President
Montgomery County Council
100 Maryland Ave
Rockville, MD 20850

Re: Street Lighting in Montgomery County

Dear Council President Navarro,

I am writing to inquire whether the County Council plans to schedule a committee meeting to review the Street Lighting policies of the Montgomery County Department of Transportation and the utilities serving Montgomery County.

As described in my recent letter to County Executive Leggett, I believe that there may be opportunities for improvements in the cost effectiveness, energy efficiency, budgeting practice, and procurement of street lighting in our County. If a committee meeting is scheduled, council staff may wish to review the current MCDOT and utility policies and practices and compare them with best practices from other jurisdictions. The Council may also wish to ask for an overview of the recent settlement agreement reached between the County and Pepco regarding street lighting. The Council may wish to ask the County's legal department for an update on Pepco's rate increase proposal which includes a 12% increase on street lighting maintenance rates.

Street lighting is a basic local government service which is important for public safety, pedestrian, driver safety, and for commerce. With an annual expenditure of over \$10 million, it is a significant budgetary and energy expense for the County. Street lighting technology has changed significantly in recent years and many local governments have been pursuing and/or considering upgrades in the interest of improved

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visibility, reduced operating cost, and increased energy efficiency.

Montgomery County currently has around 67,000 street lights. About half of these street lights are owned and maintained by the utilities and leased to the County in a monopoly arrangement under rates approved by the Maryland Public Service Commission. The other half of the street lights are owned by the County and maintained by contractor under rates negotiated through a competitive procurement.

Budgeting for street lighting expense

In the proposed budget for Fiscal 2014 (as in budgets for past fiscal years), the County's street lighting expenses have been split between two departments. The first budget line item is in the Department of Transportation which has personnel who oversee street lighting installation and maintenance. This line item includes the cost for installing new lights and also the contract with LMI to maintain the county owned lights. The second budget line item is within the Department of General Services. DGS is responsible for energy expenditures. This line item includes the electricity for all of the street lights and also the non-electricity maintenance expenses for the utility owned lights. Because no single department is responsible for the entire maintenance expense, it is difficult to have transparency and accountability for this expense.

In your budget deliberations, the Council may want to consider placing all street lighting maintenance expenses under a single department and a single budget line item.

Street Lighting Infrastructure: County Ownership vs. Utility Ownership

There are two models for unmetered street lighting. 1) When the local government owns the street lighting infrastructure, the maintenance can be competitively bid out. Vendors have an incentive to provide good service at reasonable rates. The local government is also free to make energy efficiency upgrades and enjoy savings when economics dictate. Local governments can also apply for state and federal grants to make energy efficiency upgrades. 2) Utility- owned lights are provided in a regulated monopoly arrangement. **In the Pepco service territory, MD PSC approved maintenance rates are five times higher for utility- owned lights than for county owned lights.** Under the utility ownership model, the local government is responsible for paying the capital cost of street lighting installations and upgrades

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through the "Contribution In Aid of Construction" provision of Pepco's tariff; however Pepco retains ownership of the infrastructure. The District of Columbia government negotiated ownership and control of Pepco's street lighting infrastructure in the mid-1980's and is able to bid out maintenance in a single procurement. The Maryland General Assembly passed a law in 2007 to help facilitate local government ownership of the street lighting infrastructure. Utilities have consistently opposed state legislation to tighten the 2007 law; the Montgomery County Department of Transportation has dismissed the idea of considering County ownership of the street lighting infrastructure.

Agreement between Pepco and Montgomery County

The Council's Transportation and Environment Committee last reviewed street lighting during a public meeting in 2004. At that time there were concerns with Pepco's performance with repairing burned out lights. In 2012, the Montgomery County Office of Consumer Protection and the County's outside counsel reached a settlement agreement with Pepco over street lighting maintenance rates, terms and conditions, technology upgrades, and performance with input from the Montgomery County Department of Transportation. This agreement has significant budgetary implications for the County but was not reviewed or approved by the Council. The agreement also erects significant barriers toward local government ownership of the street lighting infrastructure.

Technology changes

About 20,000 of the country's lights are mercury vapor, a 1950's technology. Another 40,000 are high pressure sodium, a 1970's technology more energy efficient than mercury vapor but considered obsolete because of the poor quality of its orange-yellow light and the availability of newer types with better energy efficiency, whiter light and dramatically longer life. Bulbs for both mercury vapor and high pressure sodium last about five years. **Induction** lighting became commercially available in the 1990s. Bulbs are extremely long lasting (20 years), are energy efficient and give off a high-quality white light. Many jurisdictions have upgraded their lighting to induction (examples: Garrett Park, Chevy Chase View, City of Frederick, Town of Kensington, County Executive Building, Brookside Nature Center). Pepco has offered rates for induction street lights for about five years. **LED** (light emitting diode) is the newest type of street lighting technology. It is still maturing but is being adopted by many jurisdictions (example: Baltimore City, Town of Kensington). The Montgomery County Department of Transportation has selected LED as its desired technology for the future and recently instructed Pepco to halt their mercury vapor to high pressure sodium change out program. Pepco has announced based rates and options for

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LED lighting but has not announced the capital costs association with the upgrade or the speed at which upgrades can be implemented.

Pepco's proposed rate increase

In November 2012, Pepco proposed an increase to distribution rates including a 12% increase to street lighting maintenance rates. If approved by the MD PSC, the annual amount that Montgomery County pays Pepco for street lighting maintenance will increase by \$375,000 annually. This rate increase will also affect municipalities within the County. As an intervenor in Case No. 9311, Montgomery County has the ability to challenge this rate increase. I have also written to the chairman of the MD PSC to ask that he direct the staff to question Pepco's existing maintenance rates, let alone a 12% increase.

Thank you for considering my suggestion.

Sincerely,

A handwritten signature in blue ink, appearing to be the initials 'AL'.

Delegate Al Carr

cc: County Executive Isiah Leggett
Councilmember Roger Berliner, Chair Transportation Infrastructure & Environment Cmte