

Regional Street Lighting Procurement Program – Conceptual Overview

Background:

LED streetlights present an excellent opportunity for municipalities to reduce energy use and operating costs while improving public safety. LED street lighting has matured over the past five years into a reliable, high quality product that has dropped significantly in price.

The *Regional Street Lighting Procurement Program* (RSLPP) assembles the resources needed to design, procure, and finance the transition to LED street lighting tailored to each municipality's specific needs. The program will pool the buying power of participating municipalities, which means that the streetlights will be procured at a price below that which would be available to any one municipality. Further, the pooling of projects enables the RSLPP to leverage low-interest energy-efficiency financing from the [Pennsylvania Sustainable Energy Finance \(PennSEF\) program](#) developed for the Pennsylvania State Treasury by the Foundation for Renewable Energy and Environment (FREE). The PennSEF program facilitates the cost-effective and technically-sound advancement of energy performance contracting for municipalities, schools, and other governmental units, as well as for non-profit organizations. The energy performance contracts developed through this program must provide an energy savings guarantee whereby the energy cost savings will exceed the financing costs for each participant. In addition to significant energy cost savings, municipalities that retrofit to LEDs will also see significant operational and maintenance savings due to the longer life spans of LED lamps.

Regional Streetlight Procurement Program in detail:

- Development of an RFP that competitively selects a single Energy Services Company (ESCO) specializing in street lighting. The RFP will request that the ESCO is pre-qualified by the PennSEF program and provides the ability to use in-house installation labor or to utilize existing installation services. The RFP will also include a technically-sound specification for lamps and controls, which the selected ESCO will eventually use to procure lamps for participating municipalities in bulk, at the lowest possible price.
- The selected ESCO will provide each municipality with a free pre-contract audit that will include an estimate of savings available through an LED retrofit.
- Municipalities satisfied with the pre-contract audit will enter into a Guaranteed Energy Savings Agreement with the selected ESCO. The GESA will provide:
 1. an investment grade audit of the LED street lighting retrofit that will demonstrate at least 90 percent of the savings identified in the pre-contract audit;
 2. highest quality LED lamps at a price lowered due to the bulk purchase;
 3. a guarantee of energy cost savings. Additional savings will also be realized through operational and maintenance savings achieved throughout the life of the project;
 4. measurement and verification of energy savings achieved as a result of the project;
 5. long-term, low interest rate financing that is subject to appropriations and will not increase municipal debt. The financing will be self-funded through energy savings;
 6. unbiased technical support provided throughout the project by a competitively-selected third-party consultant as part of the program;
 7. FREE will provide ongoing legal and financial assistance at no cost to participants.
- Municipalities that enter into a Guaranteed Energy Savings Agreement with an ESCO will finance the project through a lease agreement with the PA Economic Development Finance Authority (PEDFA). The GESA will guarantee that the energy cost savings achieved through the project will exceed lease payments.

All municipalities in southeastern PA that own their streetlights are eligible to participate in the project.

For more information about the program, please contact Liz Compitello, Senior Research Analyst, at DVRPC: ecompitello@dvrpc.org, or 215-238-2897.

Step-by-Step Process: Regional Streetlight Procurement Program

Municipalities and program administrator **develop common RFP** to select a single Energy Services Company (ESCO) for the program. In addition to outlining roles and qualifications of the ESCO, the RFP will include specifications for streetlights and controls to establish minimum thresholds for efficiency, performance, and warrantee.



The **ESCO is selected, provides free pre-contract audits** to each participating municipality.



Each municipality that is satisfied with pre-contract audit enters into **Guaranteed Energy Savings Agreement (GESA)** with the ESCO. Technical support for this decision is provided to each municipality through the program.



ESCO conducts an "**investment grade**" **audit (IGA) of street lighting system** detailing system design. Municipalities review the IGAs with support of the program's technical and financial advisory team. If the IGA does not meet 90% of savings estimated in pre-contract audit, muni can opt out of GESA at no cost.



Municipalities wishing to proceed with project defined in IGA enter into a **lease agreement** with the PA Economic Development Finance Authority. Lease Agreement (LA) will allow quarterly payments to be made to the ESCO by the "trustee" of those lease payments. LA can also include costs associated with technical assistance provided through the program. Lease payments will not be made until savings are documented as achieved.



On behalf of all participating municipalities, **ESCO procures lamps in bulk** that have been agreed to in individual GESAs with municipalities. **Installation is conducted by ESCO, or if desired, by participating municipality.**



Upon documented realization of energy savings, municipality makes **quarterly lease payments** to trustee as per lease agreement. ESCO will provide **measurement and verification** of project to ensure that energy savings are meeting the guarantee outlined in the GESA.