



CITY of NOVI CITY COUNCIL

Agenda Item E
February 29, 2016

SUBJECT: Approval of Memorandum of Understanding and adoption of Resolution for Membership in the Michigan Street Lighting Coalition.

SUBMITTING DEPARTMENT: Department of Public Services *RA*

CITY MANAGER APPROVAL: *PA*

BACKGROUND INFORMATION:

Like many communities in Southeast Michigan, the City of Novi endeavors to reduce energy costs by converting indoor and outdoor lighting fixtures to more energy-efficient light-emitting diode (LED) technology. Municipal street lighting is one area to target for LED conversion, because:

- The City spends over \$100,000 annually to power DTE-owned street lights in the City's rights-of-way;
- LED lights only require roughly 50% of the power of conventional street lights that typically have metal halide and low- and high-pressure sodium technologies that are over 50 years old, which means the City could essentially cut its street light energy costs in half each year once old lights are converted.
- The payback period for converting street lights to LED fixtures is estimated to be three to five years, per DTE energy.

The Southeast Michigan Street Lighting Coalition (MSLC) exists to contest DTE-imposed fee structures before the Michigan Public Service Commission (MPSC). Recently, DTE filed a rate hike case with the MPSC that called for LED tariffs on electrical rates that would effectively eliminate the energy cost savings that could be realized by converting old DTE-owned street light fixtures to LED lamps.

Joining the MSLC would not only allow the City of Novi to have a voice in this particular MPSC rate case, but it would also give Novi access to various MSLC resources to better scrutinize future DTE cost proposals for LED fixture conversions, as well as for new street light installations in general (including fixtures, lamps, poles and electrical feeds). Novi's cost contribution to the MSLC would be \$1,000.

The attached Memorandum of Understanding (MOU) and Resolution have been reviewed by the City Attorney's office and found to be generally acceptable. The attached letter from Beth Saarela indicates that if an amendment to the MOU is considered by the Coalition, then the City's designee would not be able to vote in favor of it because the City Charter requires that it be brought to City Council for consideration instead.

RECOMMENDED ACTION: Approval of Memorandum of Understanding and adoption of Resolution for Membership in the Michigan Street Lighting Coalition.

| | 1 | 2 | Y | N |
|-----------------------------|---|---|---|---|
| Mayor Gatt | | | | |
| Mayor Pro Tem Staudt | | | | |
| Council Member Burke | | | | |
| Council Member Casey | | | | |

| | 1 | 2 | Y | N |
|-------------------------------|---|---|---|---|
| Council Member Markham | | | | |
| Council Member Mutch | | | | |
| Council Member Wrobel | | | | |



Street Lighting Coalition

Memorandum of Understanding

It is the purpose of this street lighting coalition Memorandum of Understanding (hereinafter the "Agreement") to set forth the composition, duties, and responsibilities of the coalition (hereinafter the "Coalition") that was formed as more particularly described below for the management and control of the Coalition's members' collective efforts before the Michigan Public Service Commission (MPSC) in Rate Case U-17767 filed by DTE Energy ("rate case").

I. HISTORY

In December 2014 DTE Energy filed a rate case for review by the Michigan Public Service Commission (MPSC) that included a new fee structure for municipal street lighting. A rate case is a regulatory procedure by which the MPSC evaluates the fairness and appropriateness of proposed rates and tariffs on an annual basis. The proposed tariff appears to significantly increase rates for LED lights and reduce the rates for less efficient high pressure sodium (HPS) lamps. In the past five years, many communities across the state have, mostly at their own expense, upgraded or planned to upgrade their outdated lights to the newest, most efficient technology (LED) to save money and reduce their environmental impact. The proposed new tariff threatens to dramatically reduce the savings communities have planned for in developing these projects. Several communities (referred to individually as "Community" or "Member") have agreed that intervening in the case as a coalition will increase the individual and collective capacity of the Communities to secure fair and favorable rates for the installation, operation and maintenance of municipal street light facilities.

II. COALITION

1. Term. This Agreement shall remain in effect for a period of two (2) years. However, any Member may terminate its participation in the Coalition at any time, by giving written notice to the Coalition of the termination. The notice must specify the effective date of termination, and must be sent to the Coalition at least 60 days prior to the termination date. The Coalition will continue to operate until fewer than two Communities remain as Members.
2. Composition. The Coalition shall consist of every Community that has joined and has paid its Community Assessment, as calculated and provided for in this Agreement.

III. LEADERSHIP COMMITTEE

1. Leadership Committee. The Coalition shall be led by a Leadership Committee, which shall carry out responsibilities and make decisions for the Coalition as provided more specifically in this Agreement.
2. Composition. The Leadership Committee shall consist of the Mayor, City Manager, City Administrator, Township Supervisor or other elected official or their designee, of each Community as selected by that Community. Each Community shall also select an alternate. The Leadership Committee shall also consist of the Director of the Michigan Township Association (hereinafter "MTA") or his designee.

Each Community shall be entitled to one representative as set forth above in attendance at each meeting of the Leadership Committee, provided, however, that other representatives of the Communities may attend and participate in discussions at meetings of the Coalition.

The Leadership Committee shall annually elect, by majority vote, a Chairperson, Vice-Chairperson and a Secretary to serve for a term of 1 year.

The Chairman of the Board of Directors of the Southeastern Michigan Regional Energy Office (hereinafter "SEMREO") and/or his designee may attend and participate in discussions at meetings of the Leadership Committee unless such participation is precluded by a conflict of interest. SEMREO shall be a full voting member of the Leadership Committee except for matters that have a direct financial impact of SEMREO.

3. Leadership Committee Meetings. The Leadership Committee shall meet at designated times and locations mutually convenient to the greatest extent possible for all representatives. It is anticipated that regular meetings of the Leadership Committee shall occur not more often than monthly. Agendas will be distributed and circulated at least twenty-four (24) hours in advance of all meetings to all representatives of the Coalition Members by the Director of SEMREO.

A member of the Leadership Committee or of a subcommittee designated by the Leadership Committee may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting conducted in this fashion constitutes presence in person at the meeting.

4. Responsibilities. The Leadership Committee shall be responsible for the overall policy strategy of the MPSC rate case and issues related thereto. To the greatest extent possible, as allowed by applicable law, all decisions by the Leadership Committee shall be final. The Leadership Committee's

responsibilities shall include, by way of example and not limitation the following:

- a. Approval of the operational budget.
 - b. Approval of all contracts for support and administrative services, consultants, legal representation, and accounting services.
 - c. Review and approval of any proposed settlement with DTE Energy.
 - d. Community Assessment costs that shall be made to each Community upon their participation in the Coalition. Any rates and charges specified in any such schedule shall be subject to adjustment by the Coalition.
 - e. SEMREO shall generate the bills and collect the revenues for the operational costs of the Coalition. Such bills shall be payable monthly or quarterly as shall be determined by the Leadership Committee.
 - f. Dispute Resolution.
5. Voting. Each representative on the Leadership Committee shall have one vote on each matter voted upon by the Leadership Committee; provided however, that the Coalition representatives shall use their best efforts to arrive at a consensus on all matters considered by the Leadership Committee. A quorum constituting a majority of the voting representatives of the Coalition shall be required to conduct business. The duties set forth may be exercised by majority vote of the representatives of the Coalition present at any meeting in which there is a quorum, except that for the amendment of this Agreement or for the requirement of a revenue assessment, approval by two-thirds of the representatives of the Coalition present shall be required, together with any other approvals that may be required by law.
6. Coalition Executive Committee and Duties. The Coalition Executive Committee shall comprise four (4) Coalition Community members' representatives or their alternates as voting members, and the Chairman of the Board of Directors of SEMREO or his designee as a non-voting member. Community members of the Coalition Executive Committee shall be selected by a majority vote of the full Leadership Committee. The Coalition Executive Committee shall meet on an as-needed basis between regularly scheduled meetings of the Leadership Committee. Three members of the Coalition Executive Committee shall constitute a quorum. Notice of all Coalition Executive Committee meetings shall be given to all Coalition members at least one (1) business days prior to its meeting. The Coalition Executive

Committee shall perform the responsibilities of the Leadership Committee as may be necessary between regularly scheduled meetings of the Leadership Committee. The Coalition Executive Committee may call special meetings of the Leadership Committee on two (2) business days' prior notice. The Coalition Executive Committee may exercise all powers and authority of the Leadership Committee between meetings including the approval of expenditures less than \$5,000 and decisions regarding tactical strategy before the MPSC rate case of a time sensitive nature.

7. Subcommittees. The Leadership Committee may establish such subcommittees as the Leadership Committee deems appropriate.

IV. CASE OVERSIGHT

SEMREO shall be responsible for managing the daily activities and responsibilities associated with the rate case as may be directed by the Leadership Committee consistent with all applicable law. It is acknowledged that SEMREO may be compensated by the Coalition, as approved by the Leadership Committee, for the performance of these duties. Invoices for services from SEMREO shall not be paid unless approved by a majority vote of the Coalition Executive Committee, which shall make the decision without participation in the review or discussion by SEMREO's representative.

SEMREO's responsibilities concerning the rate case will include, but shall not be limited to:

1. Administration: SEMREO will schedule, provide notice and keep minutes of Leadership Committee and Coalition Executive Committee meetings; maintain Coalition documents and records; and provide general administrative support to the Coalition.
2. Finance: SEMREO will serve as the fiduciary for the Coalition, receiving all funds, processing all invoices and requests for expenditures, and maintaining the accounts of the Coalition.
3. Contract Management: SEMREO will develop and oversee contracts with outside parties for work on behalf of the Coalition.
4. Research: SEMREO will support the Coalition's research needs to ensure the success of the rate case, which may include collecting data from communities, preparing background for depositions, or preparing expert witnesses in collaboration with legal counsel.

Communications and Outreach: SEMREO will maintain regular communications with Members and partners on behalf the Coalition and serve as the primary media contact; SEMREO will work to engage additional communities in the work and membership of the Coalition.

V. FUNDING

In order to finance the operations of the Coalition the Community Members to this Agreement shall contribute an initial assessment in the amount reflective of the Community's share as shown in "Attachment A". It is agreed that this assessment is based on a budget that should be all-inclusive of the scope of work associated with the project. However, should the Coalition need to raise additional revenue the Leadership Committee with an affirmative vote of a two-thirds majority of the member communities may assess additional costs as may be required by the Coalition. Community Members shall contribute any such additional assessment unless they terminate their participation in the Coalition by giving written notice to the Coalition of the termination within 30 days of the additional assessment vote. The Leadership Committee shall have full authority to revise its method of allocating costs.

VI. RESOLUTION

The Communities joining the Coalition and agreeing to the terms of this Agreement shall do so by the passage of a formal resolution.

The Southeastern Michigan Regional Energy Office through the Chairman of the Board shall provide written acceptance of its role and responsibilities as provided for in this Agreement.

VII. AMENDMENT

This Agreement may be amended by a majority vote of the Leadership Committee at any time.

Signature Page

Memorandum of Understanding
Michigan Street Lighting Coalition

This Memorandum of Understanding is executed by the authorized representatives of the Parties as indicated below.

“MEMBER”:

By: _____
Name, Title

Dated: _____, 2015

“COALITION”:

SOUTHEAST MICHIGAN
REGIONAL ENERGY OFFICE

By: _____
Name, Title

Dated: _____, 2015

**Southeast Michigan Street Lighting Coalition****Attachment A****ALLOCATION OF EXPENSES TO PARTICIPATING MUNICIPALITIES**

Municipalities are asked to contribute to the budget in proportion to how many DTE-owned streetlights they have, reflecting what they have at stake in the establishment of tariffs for those fixtures. Several contribution tiers have been defined:

| DTE-owned streetlights | Payment |
|-------------------------------|----------------|
| >0 | \$1,000 |
| >999 | \$2,500 |
| >1999 | \$5,000 |
| >3999 | \$10,000 |
| >7999 | \$16,000 |

Municipally owned streetlights are not included in this count because they are billed under an electricity-only tariff for which DTE Energy has proposed much smaller changes.



Municipal Street Lighting Coalition

Attachment B: Members

(Updated 10/1/2015)

City of Ann Arbor

Brownstown Township

City of Dearborn

City of Eastpointe

City of Farmington Hills

City of Ferndale

City of Harper Woods

City of Huntington Woods

City of Lincoln Park

City of Livonia

City of Milan

City of Northville

City of Pleasant Ridge

City of Pontiac

City of River Rouge

City of Roseville

City of Royal Oak

City of Saline

City of Southgate

City of St. Clair Shores

City of Ypsilanti

Southeast Michigan Regional Energy Office

Additional financial and in-kind support provided by Michigan Municipal League and Michigan Townships Association.

CITY OF NOVI

COUNTY OF OAKLAND, MICHIGAN

RESOLUTION TO JOIN THE MICHIGAN STREET LIGHTING COALITION

Minutes of a Meeting of the City Council of the City of Novi, County of Oakland, Michigan, held in the City Hall of said City on _____, at ___ o'clock P.M. Prevailing Eastern Time.

PRESENT: Councilmembers _____

ABSENT: Councilmembers _____

The following preamble and Resolution were offered by Councilmember _____ and supported by Councilmember _____.

WHEREAS; the City of Novi spends approximately \$100,000 per year in electricity charges for street lighting, an amount that comprises 21% of City of Novi's total electricity expenditures; and

WHEREAS; most streetlights in the City of Novi are owned and operated by DTE Energy, which charges the City of Novi for electricity, maintenance, lamp and system costs associated with operating those fixtures; and

WHEREAS; effective street lighting contributes to driver and pedestrian safety, crime deterrence, neighborhood ambiance, and reduces light trespass and light pollution; and,

WHEREAS; conversion of street lighting fixtures from incumbent technologies such as mercury vapor and high-pressure sodium to light-emitting diode (LED) technology can reduce electricity consumption and pollution from energy generation by 50% or more; and,

WHEREAS; based in part on financial projections provided by DTE Energy, annual operating savings by converting streetlight fixtures to LED will have a payback period of three to five years; and,

WHEREAS; the Michigan Public Service Commission (MPSC) recently rejected proposed revisions to DTE Energy's street lighting rates and tariffs that would have significantly reduced financial advantages of LED street lighting, and ordered DTE

Energy to collaborate with municipalities and MPSC staff to prepare an alternative proposal; and,

WHEREAS; a coalition of municipalities, called the Michigan Street Lighting Coalition and including 21 municipalities in Wayne, Macomb, Oakland and Washtenaw counties, successfully intervened in the MPSC rate case concerning DTE Energy streetlight tariffs and continues to represent municipal interests in the collaborative process with DTE Energy to achieve equitable rates for LED fixtures; and,

WHEREAS; membership in the Michigan Street Light Coalition would provide the City of Novi access to Coalition resources that would, among other benefits, assist staff in validating proposed LED conversion costs; and,

WHEREAS; the cost of the intervention is being shared by the members of the Michigan Street Lighting Coalition with additional contributions from the Michigan Municipal League's Legal Defense Fund and Michigan Townships Association, and that the City of Novi's allocated contribution of \$1,000 would be based on the number of DTE-owned streetlights billed to City of Novi.

NOW THEREFORE, IT IS THEREFORE RESOLVED that that the City of Novi join the Michigan Street Lighting Coalition.

AYES:

NAYS:

RESOLUTION DECLARED ADOPTED.

Maryanne Cornelius, City Clerk

CERTIFICATION

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Novi, County of Oakland, and State of Michigan, at a regular meeting held this _____ day of _____, 2016, and that public notice of said meeting was given pursuant to and in full compliance with Act No. 267, Public Acts of Michigan, 1976, and that the minutes of said meeting have been kept and made available to the public as required by said Act.

Maryanne Cornelius, City Clerk
City of Novi



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February 22, 2016

Rob Hayes, Public Services Director
City of Novi, Department of Public Services
Field Services Complex
26300 Lee BeGole Drive
Novi, MI 48375

Re: *Street Lighting Coalition Memorandum of Understanding*

Dear Mr. Hayes:

We have received and reviewed the Memorandum of Understanding (MOU) prepared by the Southeast Michigan Regional Energy Office (SEMREO) for the purpose of setting forth the duties, responsibilities, and composition of a coalition of Southeastern Michigan communities in joining together for the purpose of contesting a new fee structure proposed by DTE Energy that imposes tariffs on energy efficient LED lights, thereby significantly increasing their rates. The Coalition will prepare and submit filings, including proposed settlement documents, in the MPSC rate case filed by DTE Energy. The MOU spreads the cost of participation in the rate case among the participating communities in amount based on the number of DTE-owned streetlights in each member community. The Memorandum of Understanding requires the City to appoint an elected or appointed official of the City, or his or her designee, to act on the City's behalf when reviewing policy proposals developed for submittal to the MPSC.

Although joining the Coalition appears to be a worthwhile effort, and the MOU generally appears to be acceptable, the Amendment provision of the MOU appears to be inconsistent with the City Charter. Article VII of the MOUS provides for each member community's designee to agree to amend the MOU without further action by each community's legislative body. Counsel representing SEMREO has indicated that it is necessary to include this provision so that no single member community can block the progress of the Coalition by refusing to agree to an amendment. It is our position, however, that this provision is not valid under the City Charter and that a City designee may not vote with the Coalition's committee to unilaterally agree to amend the Agreement. SEMREO's response was that the City may withdraw from the Coalition if any amendment is not acceptable to the City. On this basis, we would recommend approval of the Memorandum with the condition that the City's designee may not vote on any

Rob Hayes, Public Services Director

February 22, 2016

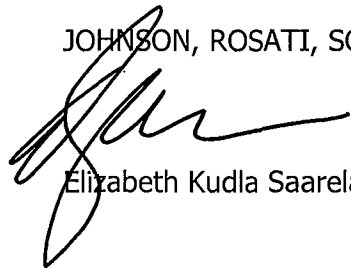
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amendment to the MOU and must bring any proposed amendment by to City Council for direction.

Please feel free to contact me with any questions or concerns in regard to this matter.

Very truly yours,

JOHNSON, ROSATI, SCHULTZ & JOPPICH, P.C.



Elizabeth Kudla Saarela

EKS

Enclosures

C: Maryanne Cornelius, Clerk (w/Original Enclosures)
Matt Wiktorowski, Senior Manager Field Operations Division (w/Enclosures)
Thomas R. Schultz, Esquire (w/Enclosures)

Don't raise suburbs' cost on LED streetlights, DTE told

Daniel Bethencourt, Detroit Free Press 6:56 p.m. EST December 16, 2015



(Photo: Ryan Garza, Detroit Free Press)

Detroit suburbs hoping to convert to LED streetlights may soon get cheaper rates now that a state agency has ordered DTE Energy to engage in more discussions over pricing.

On Friday, the Michigan Public Service Commission rejected a proposal by DTE that would have raised the price of running LED streetlights. Now the energy provider will come up with an alternative price through discussions with cities and others.

"We're really happy to get the chance to sit down with DTE and work out together how we're going to get the most out of this technology revolution," said Rick Bunch, director of the streetlighting consortium for the Southeast Michigan Regional Energy Office, which is working to have all metro Detroit communities switch to

LED streetlights by 2020.

DTE has said that their current rate for LED lights had been more experimental since the technology was newer, and the newer rate would have better reflected the cost.

"We believe the order intended an equal percentage increase for various types of street lighting, and we're evaluating our options," said Scott Simons, a DTE spokesman, on Wednesday.

Had DTE's proposal been accepted, the fees for LED and more traditional lights would have been close to the same, Bunch said -- and that would have made cities much less likely to invest in LED lights in the first place. Now the rates will stay where they were while negotiations begin over the next few months to work out a new rate.

The earlier proposal had been met with resistance from several groups, including Warren Mayor Jim Fouts, who was publicly against the new rate. Other groups filed with the MPSC.

"We're really happy the rates won't be going up," Bunch said Wednesday. He also said that in the longer term, "We're going to be pushing to get even greater savings."

Streetlights are many cities' biggest energy-related expense, and the tab can run over \$1 million per year for cities over 50,000 people, according to the Southeast Michigan Regional Energy Conference.

Free Press staff writer Christina Hall and the Associated Press contributed reporting.

Contact Daniel Bethencourt: dbethencourt@freepress.com or 313-223-4531. Follow on Twitter at @_dbethencourt.

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