

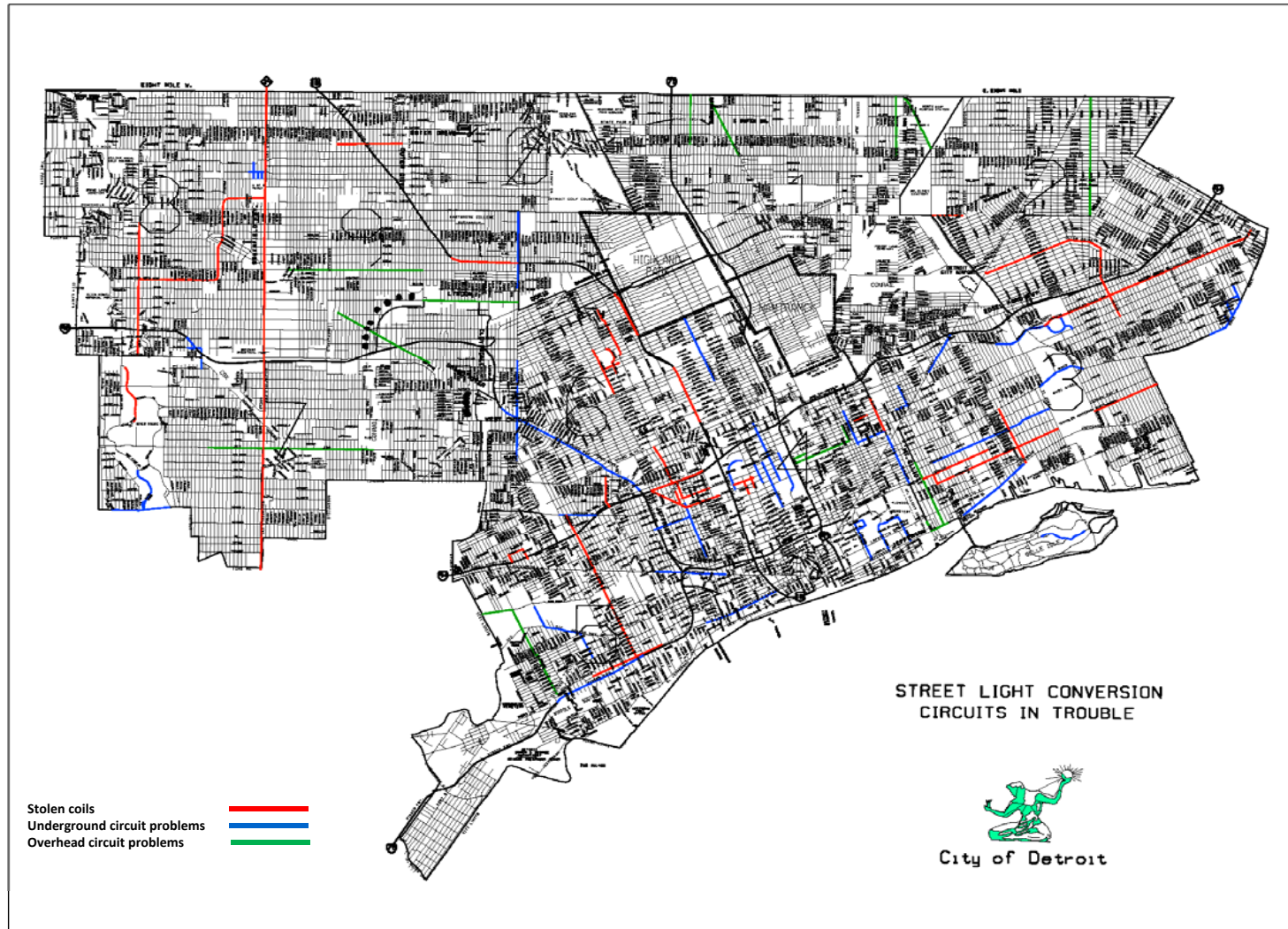
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# **PLD: Long and Short-Term Strategies**

**November 07, 2011**

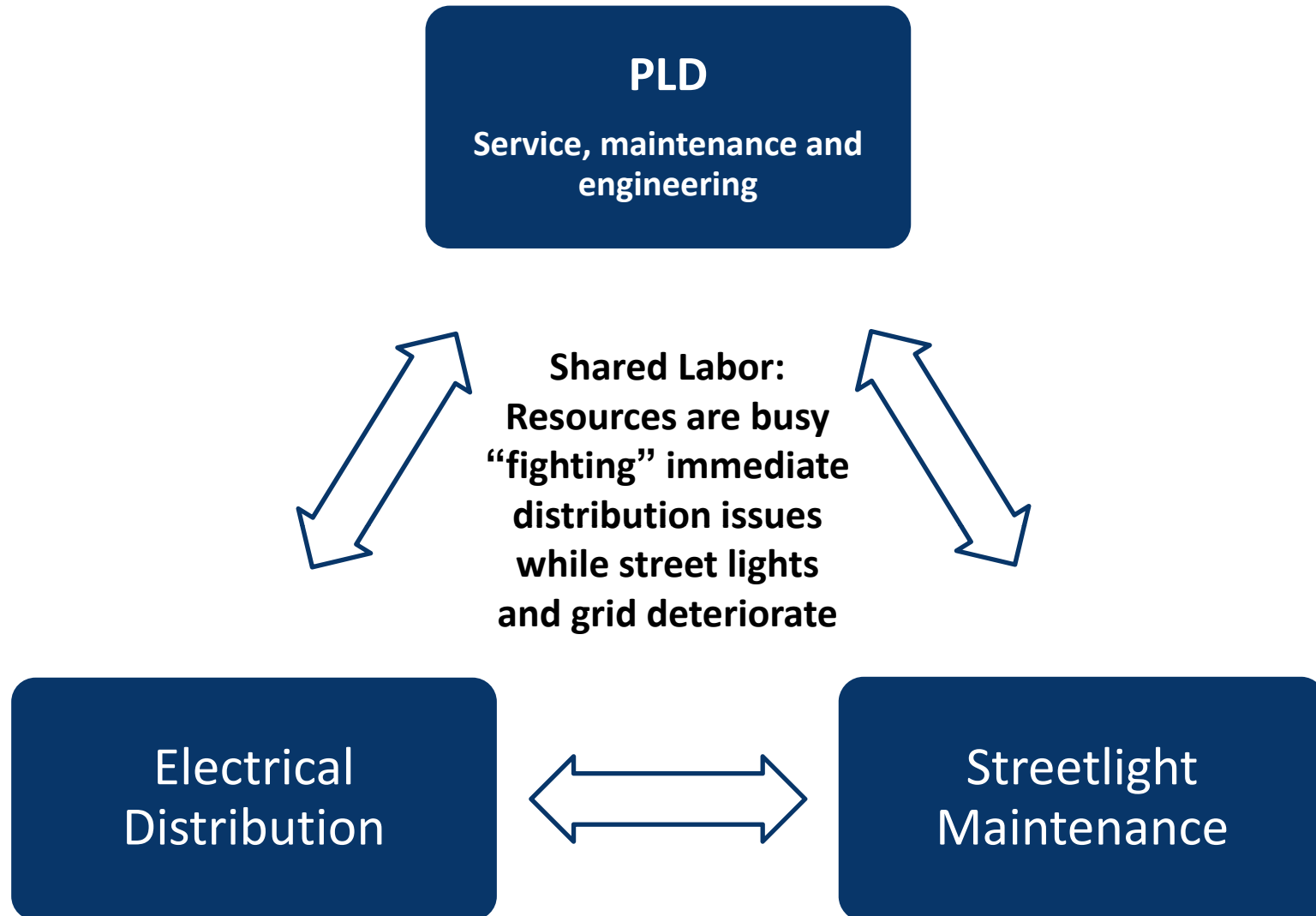


# An unacceptable number of the City's streetlights are out because of vandalism, an aging grid, and inadequate maintenance and resources

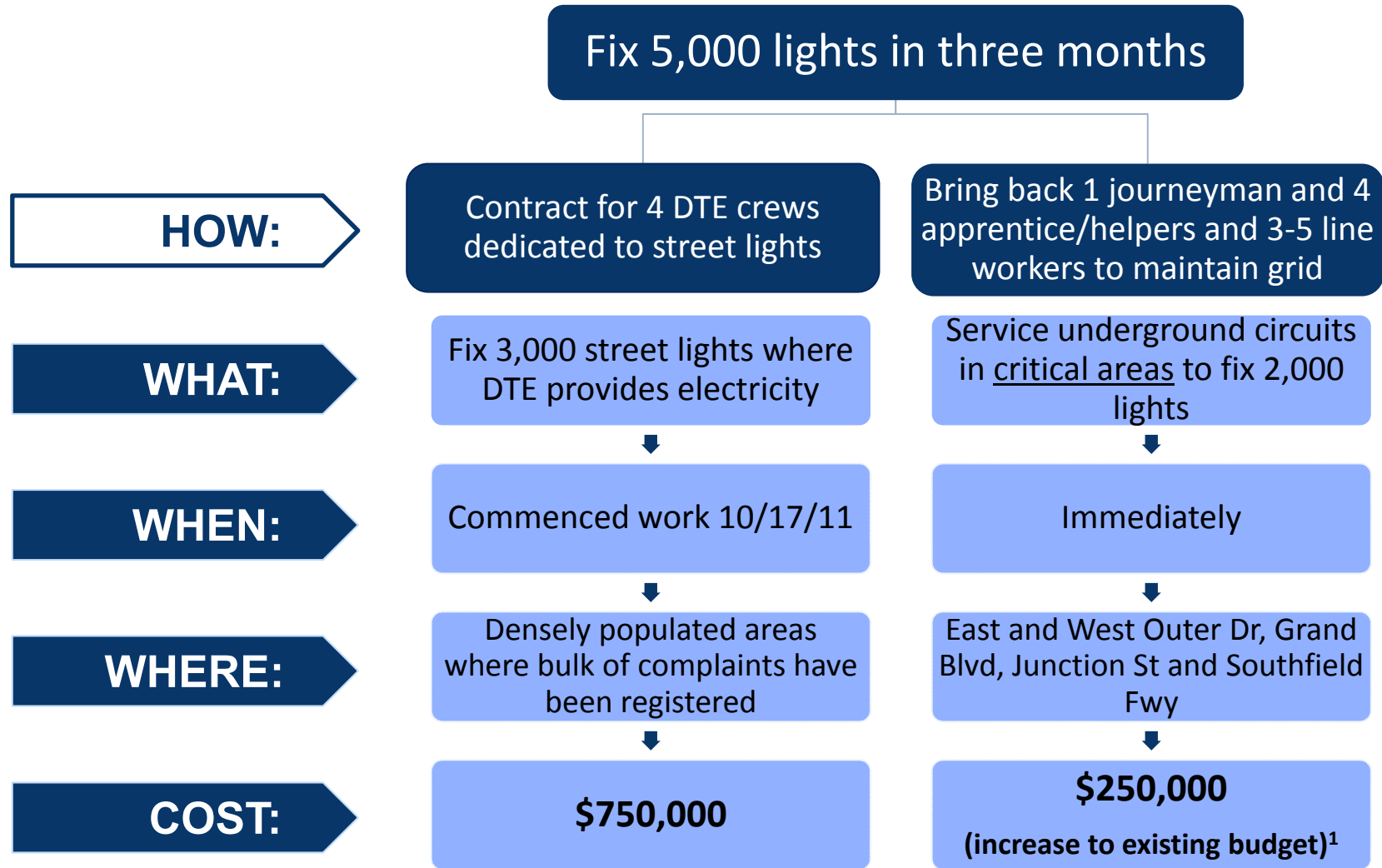


## Current Situation: Shared resources to maintain two failing systems results in neither running sufficiently

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# PLD will contract DTE crews and hire additional staff to fix 5,000 street lights in the short term



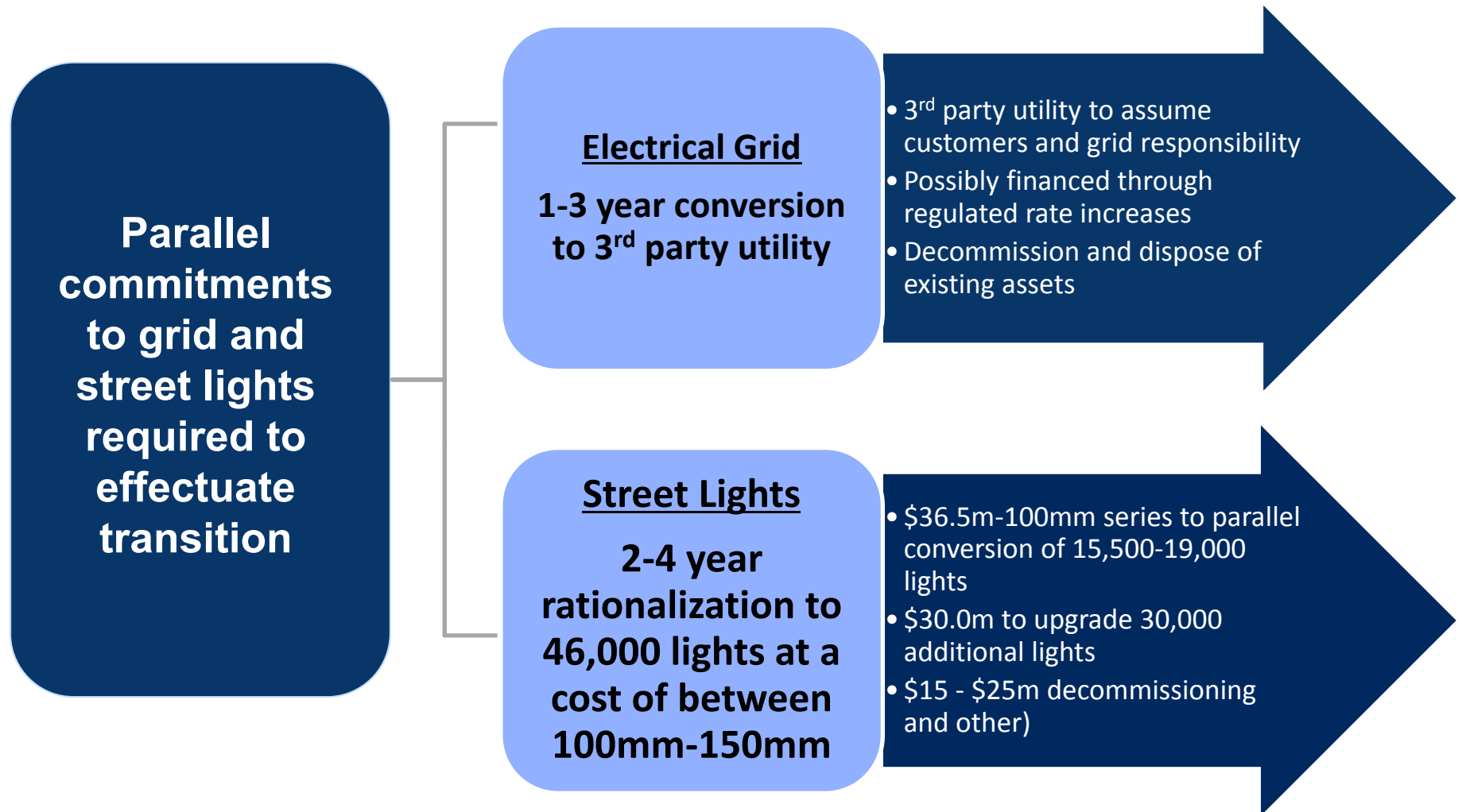
**Immediate addition of resources will temporarily improve lighting service while the City pursues a sustainable solution**



1. Figure shown is a 3-month effect on budget; \$1,000,000 annualized number

# The City cannot afford the capital improvements required to update the electricity grid and street lights

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# Series Circuits must be converted to multiple with costs varying depending on footprint and conversion type.

## Series to multiple conversion

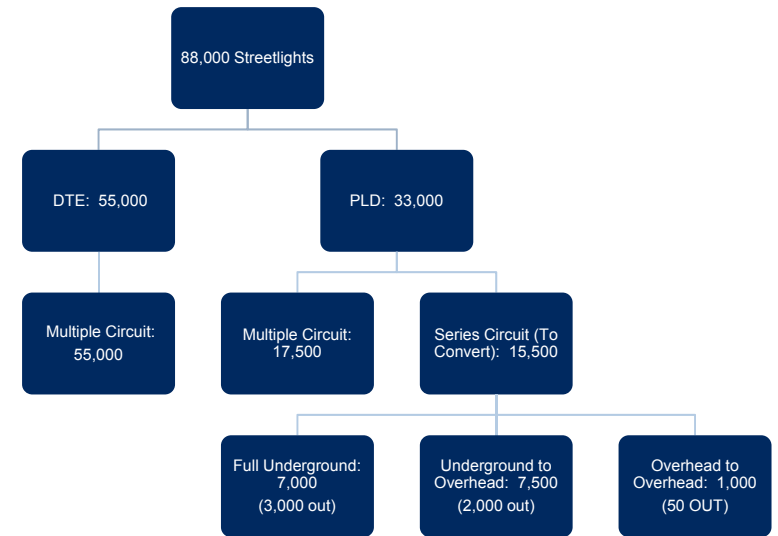
- Parts are no longer available for 15,500 series circuit lights
- All must be converted in 2 years
- Includes inoperable lights due to stolen coils
- Represent almost 1/2 of PLD powered footprint (all DTE fed lights already converted)
- Cost estimates grow substantially if all underground lights are underground converted

Total Lights

Power Source

Circuit Type

Necessary Conversions



Conversion Type	Number	Unit Cost	Total Cost
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Underground <sup>1</sup>	7,000	\$ 4,000	\$ 28,000,000
Underground to Overhead <sup>2</sup>	7,500	\$ 1,000	\$ 7,500,000
Overhead <sup>2</sup>	1,000	\$ 1,000	\$ 1,000,000
<b>Total<sup>3</sup></b>	<b>15,500</b>		<b>\$ 36,500,000</b>

**Notes:**

1. Unit cost based on discussions with DTE and PLD management
2. Unit cost based on discussions with PLD management
3. Cost rises to over 90mm if all underground circuits are converted

## Conversion cost varies by type

**Conversion cost varies by type**

- Full underground conversion costs approximately \$4,000 per light and between 9,000-19,000 circuits are underground
- In areas where underground circuits can be converted to overhead, significant savings can be made

**Failure to convert will result in long-term outage in areas that are not converted to multiple, including Southfield Fwy, E and W Outer Drive, West Grand Blvd, and Junction Street**



# Wind down and transition electrical grid to 3<sup>rd</sup> party utility

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Immediate capital expenditures are needed for the system to operate properly. PLD lacks the funding and capacity to return to a fully functioning utility

## Long-Term

Retire and dispose of remaining assets

## Medium-Term

Transfer customers to 3<sup>rd</sup> party utility distribution grid

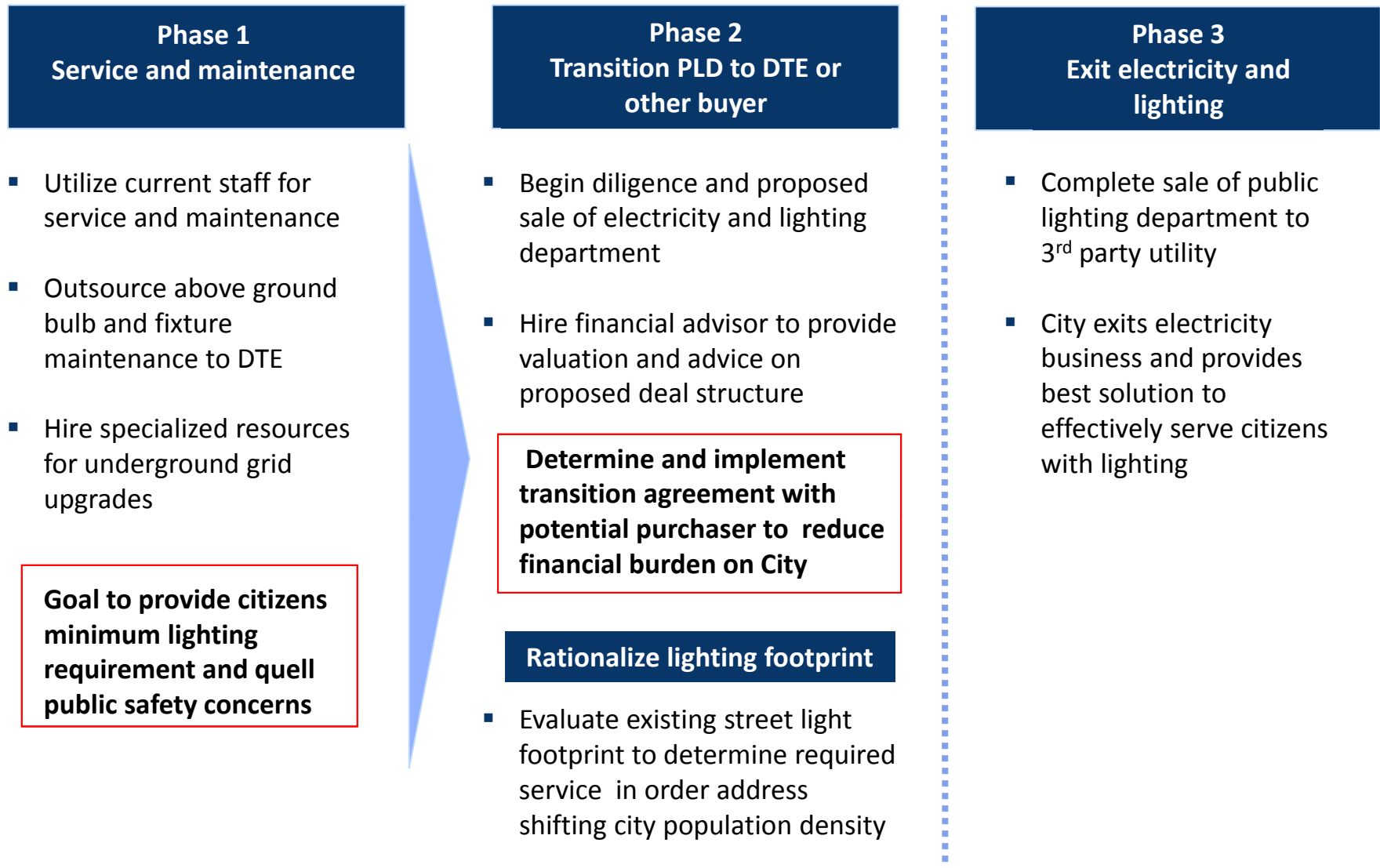
## Short-Term

Increase capacity of PLD to maintain grid until transfer. Resources are cross-functional and can be used for street lighting as well

**Improvements are necessary to maintain a functional grid**



# The Administration's long term plan is to select a 3<sup>rd</sup> party utility willing to invest the significant capital required to fix and operate the grid



**Goal to provide citizens minimum lighting requirement and quell public safety concerns**

**Rationalize lighting footprint**

## **We have requested the following from Council**

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- **Agree to approve four DTE maintenance crews to fix 3,000 street lights at a cost of \$750,000**
- **Approve 3<sup>rd</sup> party due diligence cost including technical and financial valuation experts**
- **Council pass resolution to approve sale/transfer of PLD assets by 1<sup>st</sup> Quarter 2012**



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# Appendices



# Appendix 1a – public lighting department income statement

	\$ in millions			Actual		Prelim
	2008	2009	2010	2010	2011	
<ul style="list-style-type: none"> <li>2011 actual billings were \$44m with collections of ~ \$27m (60% rate)               <ul style="list-style-type: none"> <li>PLD in contract with DTE to purchase ~37.5m in electricity annually leaving \$6.5 to cover all other expenditures</li> </ul> </li> <li>Assuming 100% collections and normalization of other expenses, PLD still operates at an approximate <b>\$10m deficit</b></li> <li>This deficit occurs despite spending <b>zero dollars</b> on needed capital expenditures over the past 4 years and ceasing to generate electricity</li> </ul>	<b>Revenues<sup>1</sup></b>					
	\$ 35.5	\$ 22.3	\$ 32.3	\$	18.5	
	14.7	13.2	9.5		8.4	
	5.9	5.4	5.7		2.1	
	56.1	40.9	47.5		29.1	
	<b>Expenses<sup>1</sup></b>					
	(9.8)	(9.5)	(7.8)		(6.7)	
	(3.6)	(3.0)	(2.7)		(3.0)	
	(8.4)	(7.5)	(7.4)		(7.5)	
	(17.0)	(14.2)	(5.9)		(2.5)	
	(21.4)	(20.2)	(19.8)		(33.3)	
	(3.5)	(2.9)	(1.4)		(1.3)	
	(7.4)	(10.6)	(7.1)		(5.4)	
	(0.1)	(0.1)	0.0		(0.0)	
	(71.2)	(68.0)	(52.1)		(59.7)	
	<b>Total surplus (deficit)<sup>3</sup></b>					
	(15.1)	(27.1)	(4.6)		(30.7)	
	Normalization of electricity purchase <sup>4</sup>			(4.0)	4.0	
	Add-back of 2011 write-offs <sup>5</sup>				17.3	
	<b>Total surplus (deficit) after add-back<sup>6</sup></b>					
	\$ (15.1)	\$ (27.1)	\$ (8.6)	\$	(9.4)	

**Notes:**

1. Pro forma analysis has not been done yet to evaluate the impact of non-recurring items
2. 2011 increase in electricity purchase is a result of PLD ceasing to generate a portion of the power it distributes
3. Additional analysis is required to allocate costs between street lights operation and transmission/distribution business
4. For illustrative purposes only; actual normalization amount to be determined. Normalization represents change in contract with DTE. DTE charged back PLD May and June 2011 electricity purchase under new rates
5. Write-offs as provided by PLD management
6. 2008 and 2009 write-offs not available at time of analysis



## Complaints – reported outages

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DTE Fed Reported Outages:

3,000 lamp and fixture  
complaints

PLD Circuit Outages:

7,500 series  
1,500 multiple

Up to 21,500  
estimated  
outages

DTE Fed Unreported  
Outages:

Up to 5,000

PLD Unreported Lamp and  
Fixture Outages:

4,500

**A relatively small number of outages that have been reported are due to lamp and fixture issues**

