

Save Your Owners Real Money on Streetlight Rentals

EXECUTIVE SUMMARY

Santee Cooper, a South Carolina state-owned utility company, has unfairly, yet legally, overcharged Homeowners' Associations (HOAs) for the rental of streetlight poles and fixtures for many years.

Santee Cooper's strategy is to create a perpetual "cash cow" with its private outdoor lighting service contracts. It sells the benefit of no up-front costs for the installation of streetlight poles and fixtures to residential communities by charging a reasonable monthly rental fee for 36 months, at which time, the community may either terminate the contract and Santee Cooper will remove the poles and fixtures at no charge, or continue to pay the same rental fees month-to-month. When a customer realizes they have paid for poles and fixtures several times over, they learn that Santee Cooper refuses to renegotiate the contract, that they can't buy the existing poles and fixtures from Santee Cooper, and that the purchase of their own poles and fixtures requires a large upfront expense, including paying Santee Cooper to have meters installed and monthly rental fees for those meters.

The scheme is legal, but unfair. We believe the best option to halt this unfair practice is legislation.

SANTEE COOPER LEGALLY OVERCHARGING ITS CUSTOMERS

Under current South Carolina law, Santee Cooper, a state-owned utility, legally enters into three-year contracts with Property Developers and/or HOAs (customers) to install streetlights poles and fixtures with no up-front costs.ⁱ The customer contracts to pay monthly rental fees for poles and fixtures for 36 months. At the end of 36 months, the customer has the option to continue to rent the poles and fixtures at the same rates on a month-to-month basis. At any time beyond 36 months, the customer may terminate the contract with 30-days written notice, at which time, Santee Cooper will remove their poles and fixtures at no cost.

Since there are stiff penalties to customers for terminating the contract during the first 36 months, we can assume Santee Cooper recovers its investment in the poles, fixtures, installation, etc. within that period. Based on historical data, we can also assume that maintenance costs on rented poles and fixtures is considerably less than the monthly rental fee. This leads us to conclude that each month beyond 36-months, Santee Cooper is unfairly overcharging customers for streetlight pole and fixture rental.

Several local communities have used the above assumptions to estimate their overcharges under this arrangement. A large communityⁱⁱ, with 174 streetlights, estimates their overcharges to be greater than \$434,000 over the past 25 years (exclusive of the time value of money). A smaller, eleven-year old communityⁱⁱⁱ with 28 streetlights, estimates overcharges of more than \$25,000.

How much has this practice by Santee Cooper cost your Owners? *(Open the attached Excel file and enter the information for your community in the yellow colored cells to estimate the overcharges to your Community.)*

Some customers have attempted to re-negotiate the month-to-month rental fees without success. Others have offered to purchase the existing poles and fixtures, but Santee Cooper responds that they are prohibited from transferring ownership of viable assets without approval of the State Legislature.^{iv} A few HOAs have purchased poles and fixtures, and had them installed by third parties, which involves significant up-front expense, and, Santee Cooper will require the customer to install a Santee Cooper meter, for which they will charge the customer an installation and monthly rental fee, before the streetlights can be connected to the power source.^v

Unfortunately, most customers continue to pay the month-to-month rental fees and are unfairly charged for poles and fixtures many times over.

Finally, converting to LEDs is a great incentive to reduce energy consumption and improve the environment, but if you think this will save you money, think again. True, energy consumption will be reduced by approximately two-thirds, however, Santee Cooper limits each community to converting only 50 fixtures per year, charges a fee for each conversion, and imposes a higher monthly rental fee for LED fixtures over a seven-year payback contract period. The result? Savings on energy consumption is less than the higher rental fees for the LED fixtures and will continue in perpetuity.^{vi}

Santee Cooper is the only utility in the State not regulated by the South Carolina Public Service Commission, has little oversight by the Legislature, and is not motivated to be accountable to the South Carolina taxpayers who purchase their services.

A SOLUTION TO STOP THIS PRACTICE BY SANTEE COOPER

We believe the most viable path to saving Owners real money rests with our South Carolina State Representatives, Senators and Governor, by urging them to represent those who elect them to office, and sponsor, co-sponsor, and support legislation requiring Santee Cooper to alter the terms of their outdoor light contracts, to include:

- Beginning with month 37 and beyond, the rental fees for poles and fixtures will be set at an amount to cover maintenance of the rented poles and fixtures plus a reasonable profit margin that both Santee Cooper and the customer agree to in a long-term contract.
- As incandescent fixtures are converted to LED, monthly rental for the first 36 months will include Santee Cooper's cost of material and labor, and beginning month 37 and beyond, rental of all LED fixtures would be set in the same manner as above to cover maintenance plus a profit margin and included in a long-term contract. Customers should be rewarded with a net savings for converting to LED light fixtures.

WHAT YOU MUST DO TO SAVE YOUR OWNERS REAL MONEY – NOW!

1. Estimate what your outdoor lighting contract with Santee Cooper has cost your owners.
2. Share this document and your estimate of overcharges with:
 - a. Other members of your Board of Directors and your Owners
 - b. Friends who are Owners in other HOAs, and encourage them to forward it to the members of their Boards of Directors
 - c. Your South Carolina State Representative and Senator^{vii}
 - d. South Carolina Governor Henry McMaster^{viii}
 - e. Your local newspaper, talk-radio show, and television station news department^{ix}
 - f. Members of the Santee Cooper Board of Directors^x

Together, we can build a greater body of evidence of these overcharging practices that will help persuade our State Representatives, Senators, and Governor, to act in the best interest of the South Carolina citizens they have been elected to serve.

ⁱ Santee Cooper Outdoor Lighting Contract OL-17

ⁱⁱ 25-Year Old Community with 174 Streetlights - Estimated Overcharges

ⁱⁱⁱ Eleven-Year Old Community with 28 Streetlights - Estimated Overcharges

^{iv} SC Code of Laws §58-31-30(B)

^v Meter installed by, and rented from, Santee Cooper required – per Carlita Goff Communication dated August 30, 2019

^{vi} Incandescent to LED Cost Comparison Calculations – per Carlita Goff communication dated April 30, 2020

^{vii} State Representative and Senator contact information

^{viii} South Carolina Governor McMaster contact information

^{ix} Media contact list

^x Members of Santee Cooper Board of Directors