



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Mel Damewood, Engineering Manager; Brad Taylor, Water Operations Manager
DATE: August 6, 2013
SUBJECT: 2013 Water Policies & Procedures Update
OBJECTIVE: Approval of Policy Update, Meter & Service Installation Fees, and Veneta Sale of Water Rate

Issue

EWEB Staff has conducted its annual review of our Customers Service Policies and Procedures for Water. A diverse stakeholder group thoroughly reviewed and updated the documents in order to better communicate with customers. Also, as part of this Policy Update, EWEB Water is requesting approval of base and volumetric rates of wholesale water to the City of Veneta and changes to meter installation and service installation fees.

Background

Every year, EWEB staff reviews Customer Policy and Procedures to ensure these documents meet the needs of both EWEB and its customers. This year, only minor language changes were made in order to clarify policy.

EWEB water is also in need of updating its meter installation and service installation fees. EWEB has not changed our water service installation fees since June 2006.

EWEB Water also needs to add a new rate schedule for the Sale of Water to the City of Veneta.

In 2006, EWEB staff last recommended an increase in service installation fees. Here was an excerpt from the Board backgrounder regarding those costs.

Source: May 31, 2006 Board Background:

“Staff recommends a moderated approach to fee increases associated with water installation. These fees were last increased on July 1, 2000. There have been a number of operational changes made in the last year or so that appear to have costs trending downward at least when looking at 2005 vs. 2004 actual average costs. When comparing EWEB’s cost to other utilities, the average cost for EWEB at nearly \$2,000 per service seemed high. Staff would like to use the next two years to study this situation more fully.”

At that time, EWEB made a compromise in response to the high perceived costs of service installations which were near \$2,000. EWEB approved the fee at \$1,450 for a ¾ by 5/8 inch service and meter installation as its standard for residential services.

2008 - EWEB reviewed the costs once again and decided not to move forward with an adjustment due to the economic conditions, which remained bleak over the next 4 years. The average cost of service at that time was approximately \$2,500. EWEB had very few service installations being requested in this time period so it decided not to review these charges until the timing seemed better.

2012 - EWEB reviewed the charges in late 2012 and then decided not to pursue the service installation increases in light of the 20% rate increase proposal at the same time.

Today – Today, EWEB’s standards are to offer exclusively a 1-inch service line installation (previously offered ¾ inch and 1 inch) for residential service installations. Going to one size in service allows EWEB to standardize and reduce the number of stock items in our warehouse. EWEB has also shifted from the use of copper service lines to HDPE (High Density Poly-ethylene) in order to save material costs. The characteristics of HDPE service pipe also make using 1-inch very convenient. EWEB will still offer the choice of 5/8, ¾ and 1 inch meters for this size of service.

In reviewing costs over the past several years, EWEB staff has calculated that the average cost of installation of a service line is \$3,300. Below is a breakdown of those costs.

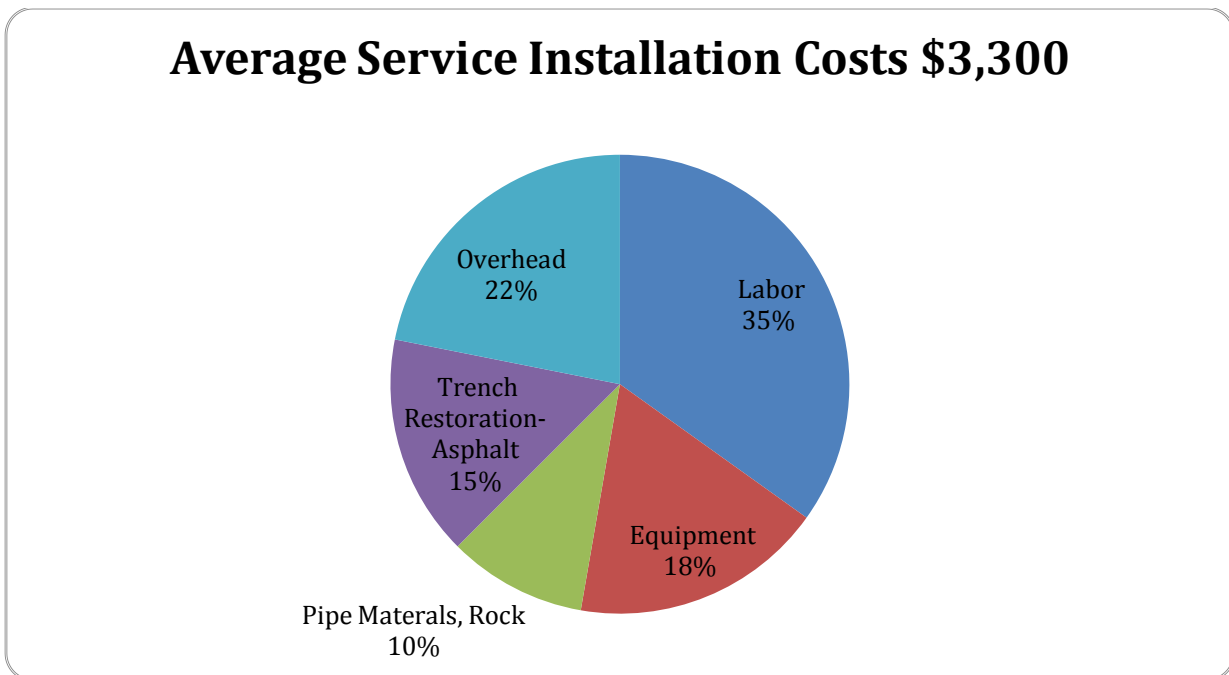


Table 1 below, compares today’s service installation charges to the proposed charges.

Service and Meter Size	Table 1	
	Today	Proposed
1-inch x 5/8 inch (Meter included)	\$1,450.00	\$3,300.00
1-inch x 3/4 inch	\$1,480.00	\$3,300.00
1-inch x 1 inch	\$1,550.00	\$3,300.00
1-1/2 inch and larger	Est. Cost	Est. Cost

Meter Installation Fees

EWEB Water is also recommending an increase in the “meter installation” fees. In many places where water service does exist to a vacant lot, all that is needed is to install the meter. These costs are also based upon the cost of the meter, typical time spent by staff to document the meter set, and field install. Table 2 compares today’s meter installation charges to the proposed charges:

Meter Installation Charge	Table 2	
	Today	Proposed
5/8 – inch	\$160.00	\$275.00
3/4 - inch	\$190.00	\$305.00
1” – Inch	\$230.00	\$375.00
1-1/2 inch and larger	Est. Cost	Est. Cost

Systems Development Charges

There is no proposed change to EWEB’s SDC’s. EWEB will propose an index cost increase in January of 2014 as per our SDC policies and practices.

Basis and Principles for Charges

EWEB staff recommends these fee changes based upon the following principles:

- 1) Recover the expenses that actually are incurred for this work.
- 2) Do not discriminate for or against properties that are adjacent to or not from water mains.
 - a. Equally apply service costs whether a short or long service.
 - b. Spread restoration costs equally amongst requesting parties.
- 3) EWEB cannot subsidize development through our rate structure. Development must pay for itself.
- 4) Provide the highest quality level of service we can to our customers.

Benchmarking with Other Utilities

Attachment A includes a comparison to other Oregon utilities for service installation charges and meter set fees, as well as a holistic view of all standard charges (including SDC’s) related to service

installations. EWEB staff could not determine if these other utilities charge at actual cost, or if there is a subsidy provided by rate payers through their own policies.

Triple Bottom Line Analysis

A full TBL was not conducted on these policy changes. In terms of the service installation fee proposal impacts, the follow are relevant;

Economic: Charging for actual costs places the burden of cost on the development community rather than subsidizing development through rates. This is perceived as a positive since EWEB encourages development to carry its own costs rather than spreading those costs to rate payers.

Social: Service installation fees generally impact development that is occurring in “infill” situations. This is a minority of development that is occurring in Eugene. However, the City of Eugene encourages within its urban growth policies that infilling existing vacant lots is preferred in lieu of expanding the UGB and building new subdivisions. Increasing costs to infill development will make it more difficult to attain this goal. Staff has met with the Lane County Homebuilders Association (HBA), who is the largest stakeholder, to discuss the proposed service installation fee. The HBA would prefer the Board consider either subsidizing the service installation fees or phase in the fees to minimize the initial impacts. EWEB staff is open to hearing alternatives to the recommended proposal.

Environmental: Neutral impacts are perceived for this change in fees.

Discussion

W-I, W-II and W-III Water Policy Changes

The focus of the 2013 review process was W-I, Customer Service Policies for Water, W-II, Water Main Extensions, and W-III, Water Service Charges and Rates.

A high level summary of the changes for W-I include:

Moved Unauthorized Use of Water During Curtailment charge to Water Service Charges and Rates.

A high level summary of changes for W-II include:

Grammatical and clarifying changes to the policy, and changes to refunds to original developers by subsequent users to reduce administrative overhead for EWEB staff.

A high level summary of changes for W-III include:

Increased costs for water service installation fees and meter sets as described above.

Addition of Schedule 6 in W-IV:

A high level summary of Schedule 6 in W-IV:

During the Cost of Service work preformed for the 2012 EWEB Water Rate increase, methodologies were reviewed and updated for the Sale of Water. The Sale of Water refers to EWEB’s Wholesale Water sales (Santa Clara Water District, River Road Water District, and Willamette Water Company). We are expecting to begin the Sale of Water to the City of Veneta within the next 30 to 60 days (initial water sales will be for flushing and testing the new water main that is curretnly under construction.

Recommendation

EWEB management and staff recommend the approval of the Customer Policy and Procedure changes as described above and provided in W-I, W-II. . The changes have been reviewed by legal counsel.

With regards to the fees as proposed above in W-III, management recommends the following:

Service Installation Fees as described above, with no modifications;

Meter Installation Fees as described above, with no modifications.

Approve Schedule 6 of W-IV to establish Sale of Water rate for City of Veneta.

Copies of the updated policies are contained in the August 6th agenda which can be viewed at <http://www.eweb.org/boardmeetings>. The proposed changes are highlighted in yellow.

Resolution No. 1318 and 1319 are also included for your approval.

Requested Board Action

Approve 2013 Water Policies and Procedures updates as provided in the complete review documents.

Approve Resolution No. 1318 which adopts the rate for the Sale of Water to the City of Veneta.

Approve Resolution No. 1319 which promulgates the changes to EWEB's Customer Policies and Procedures.

Please contact Mel Damewood at Mel.Damewood@eweb.org if you have questions or comments on Water Policies and Procedures updates and Resolution No. 1319.

Please Contact Brad Taylor at brad.taylor@eweb.org if you have questions on Resolution No. 1318 and the Wholesale Rate for the City of Veneta.

**RESOLUTION NO. 1318
AUGUST 2013**

**EUGENE WATER & ELECTRIC BOARD
RESOLUTION APPROVING REVISION TO
WATER UTILITY POLICIES & PROCEDURES,
SURPLUS WATER SALE-CITY OF VENETA**

WHEREAS, the Eugene Water & Electric Board (EWEB) is a customer-owned municipal utility chartered to operate and maintain the water utility system; and Veneta is a municipal corporation organized under the laws of the State of Oregon; and

WHEREAS, the Charter of the City of Eugene and Oregon law grants EWEB authority to operate a water utility; and

WHEREAS, EWEB has determined that it is in the best interest of EWEB Customers within the City of Eugene to enter into agreements for the sale of surplus water by spreading and dividing the fixed overhead of the system over a wider rate base allowing a greater likelihood of water supply at less cost and of a higher quality than would otherwise be possible;

WHEREAS, it is in the best interest of EWEB to put permitted water to beneficial use in order to help assure water availability for the citizens of Eugene in future years;

WHEREAS, EWEB has surplus water available in its municipal water system and is now selling and contemplates that it will hereafter sell and dispose of such surplus water outside the boundaries of the City of Eugene;

NOW, THEREFORE, BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes the General Manager to adopt Policies & Procedures (Schedule 6) – which rates shall be effective on August 7, 2013.

DATED this 6th day of August 2013.

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water and Electric Board

President

I, TARYN M. JOHNSON, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the resolution adopted by the Board at its August 6, 2013 Regular Board Meeting.

Assistant Secretary