



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Brown, Carlson, Mital, Simpson and Helgeson
FROM: Mel Damewood, Chief Water Engineering & Operations Officer
Rod Price, Chief Electric Engineering & Operations Officer
DATE: June 22, 2018
SUBJECT: EWEB Development Policy
OBJECTIVE: Information and Direction

Issue

Over the past several months, EWEB has been modifying the Customer Service Policy and in June, approved the majority of the changes that were proposed. An issue that was deferred for discussion within our Customer Service Policies was EWEB's philosophy and policy regarding when Customers (most often, Developers) pay for needed infrastructure, and when EWEB, through its rate base and SDC charges, bears the cost of such infrastructure. Management would like review the current policy and is requesting Board feedback if there are needed modifications to this policy.

Background

Following is a brief overview of the Water and Electric interpretation of current Customer Service Policies (CSP) as they relate to customer /developer costs.

Discussion

Water

EWEB's policy for development has evolved over the decades to its current form today. At one time, EWEB water fronted the costs of constructed pipelines in subdivisions on the premise that EWEB was adding to its customer base, and then developers would pay back EWEB via payment plans. In the late 1970's and early 80's when recession hit Lane County and the nation, EWEB had fronted large subdivision infrastructure and developers were not able to pay the cost of the infrastructure due to soft lot sales, and most developers in that position defaulted on EWEB's arrangement. EWEB has no legal way to lien private property and ended writing off significant losses in development costs. This led to the changing of EWEB's development policy.

Today, the basic premise for who bears the cost of new infrastructure needed for development is paraphrased as follows: "The Developer will pay all costs associated to serve their development, and EWEB customers will not subsidize such infrastructure costs or development." EWEB Water's Main extension policy states "*The Customer will pay the estimated cost of the extension required to*

meet the added demand caused by the development. (CSP, Appendix F, Pg. 77)

This is especially true when the proposed development is separated from existing EWEB facilities. The Developer then must reach to the nearest (and logical path) source of water to serve and pipe that water to and through their development. Known as EWEB’s “To and Through” policy, the developer must pay for all infrastructure to sufficiently serve their demands and bring pipelines to the end of their development. At times, this can be excessive and deter development from occurring in certain areas.

In 1997 EWEB initiated Systems Development Charges (SDC’s) to help fund capacity adding capital projects. These fees are developed vis-à-vis regulated methodologies, and funds are restricted in use for capital projects that add capacity to meet increasing demand on the system. Typically eligible projects include capacity increases to treatment facilities, pumping and reservoir facilities, and transmission and large distribution piping. SDC’s currently are not eligible for projects that increase fire flow capacity, nor can they be used for in-kind renewal and replacement projects. SDC’s are collected when the customer/developer/homebuilder order a water meter to start consumptive services.

The following is a quick view of who is responsible for payment of new EWEB Infrastructure for new developments:

Infrastructure Type	Summary of Policy	Responsible Party	Impact to EWEB Prices (rates)
New Water Mains	Mains must go to and through proposed development, and sized to meet development demands- (CSP, Appendix F, page 77.)	Developer	Immediate: None. Adds to customer base. Long term: Adds to renewal and replacement costs in future.
Bonding, Letter of Credit, Cash	Performance guarantee (Operational Policy W-II-4, 7.)	Developer	None
New Services & Meters	Scheduled cost for services 1-inch and smaller. SDC also due at time of meter install. (CSP, Appendix F, pg 76)	Homeowner, Developer or Homebuilder	Immediate: None. Adds to customer base. Long term: Adds to renewal and replacement costs in future
Transmission Lines	No Customer Policy	EWEB	Type 1 & II Funded
Pump Stations	Part of Main extension if serves only single or limited subdivisions. (Proposed)	Developer pays for Pump station if only serving their development, EWEB will pay if pump	Immediate: Developer paid no impacts to prices. EWEB contributions are Type I capital.

		station serves greater area.	Long Term: EWEB pays for renewal and replacement, typically Type II. SDC's may be eligible.
Reservoirs	No customer Policy – If for single development, then would become part of extension policy. (Proposed)	In general, EWEB	Type II Capital SDC's may be eligible
Over-sizing Water Mains	Water Main Extension policy, if EWEB needs to increase size of main for system purposed (Appendix F, pg 77)	EWEB	Type I capital SDC's Typically Eligible
Hydrants	Per extension policy, CSP, Appendix F, pg 76.)	Developer, Homeowner or Customer	No price (rate) impacts.

Electric

EWEB's current policy for development is outlined in Appendix F on page 74 of our Customer Service Policy. For new developments that require line extensions, modifications, and relocations, customers are responsible for all costs associated with EWEB providing service. For all new development whether on private property or in the Right Of Way (ROW), the developer is required to install the substructure. Per Electric Procedure, a Payment and Performance Bond or Letter of Credit is required for substructure installations conducted by the Developer in the ROW. As an Electric practice, we reduce the Bond requirement to 25% after the completion of construction and then release the entire amount 1 year after construction is completed.

EWEB provides the customer/developer with a preliminary level project estimate up front for the work EWEB will perform and requires down payment 10% of the preliminary level estimate before preparing a final design. Before any construction, the customer/developer is then invoiced the remaining balance owed, less the initial money down, called Contribution In Aid of Construction (CIAC).

Electric does not have a "To and Through" policy. If there are any non-project related system reliability or resiliency work that will be done in conjunction of the extension, EWEB will pay 100% of associated costs.

Below is a summary of who is responsible for developments that require extensions and alterations.

In the table, Developer refers to any customer, requester or developer and CSP refers to the current Customer Service Policy posted on our website.

Infrastructure Type	Summary of Policy - Current	Responsible Party	Impact to EWEB Rates
Primary, secondary extensions and new Services.	CSP -Appendix F, pg 74 Developer is responsible for all extension costs.	1a. Developer for extension costs. 1b. EWEB for parts of construction not required for original extension.	Immediate: None. Adds to customer base. Long term: Adds to renewal and replacement costs in future.
Bonding, letter of credit requirements	Electric Procedures E4, pg.5 – performance guarantee	Developer	None
Network	CSP -Appendix F, pg 74 Electric Procedures – Section E3 Developer is responsible for all extension costs. Note: costs in network may be higher than similar extension request outside the network due to difference in equipment types.	1a. Developer for extension costs. 1b. EWEB for parts of construction not required for original extension.	Immediate: None. Adds to customer base. Long term: Adds to renewal and replacement costs in future
Relocations, Modifications	CSP - Appendix F, pg. 75 Developer is responsible for all costs.	Developer	Immediate: none Long term: Adds to renewal and replacement costs in future.
Primary Service	CSP - Appendix F, pg 76 Developer is responsible for all costs. Includes costs for any removals that may exist and be governed by signed Agreement	Developer	Immediate: None. Adds to customer base.

Customer owned generation	CSP – Appendix E pg 73 CSP – Appendix F pg 75 Developer is responsible for all costs. Includes Engineering studies that may be required and governed by signed Agreement.	Developer	Immediate: None.
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TBL Assessment

No TBL assessment was conducted for this issue.

Recommendation/Requested Board Action

This is informational and Management is requesting direction from the Board of any policy changes, if needed.

If you have any questions please contact Mel Damewood, Chief Water Engineering and Operations Officer at 541-685-7145 or email Mel.Damewood@eweb.org or Rod Price, Chief Electric Engineering and Operations Officer at 541-685-7122 or email Rod.Price@eweb.org.