

Camas Acres Hearing - Electric Local Utility District (LUD) Petition

February 11, 2008





Camas Acres Electric LUD Hearing

Staff presentation:

1. Review of statutory compliance
2. Camas Acres background
3. LUD overview
4. Electric Line Extension process
5. Staff summary
6. Staff conclusion and recommendation
7. Questions



Camas Acres Electric LUD Hearing

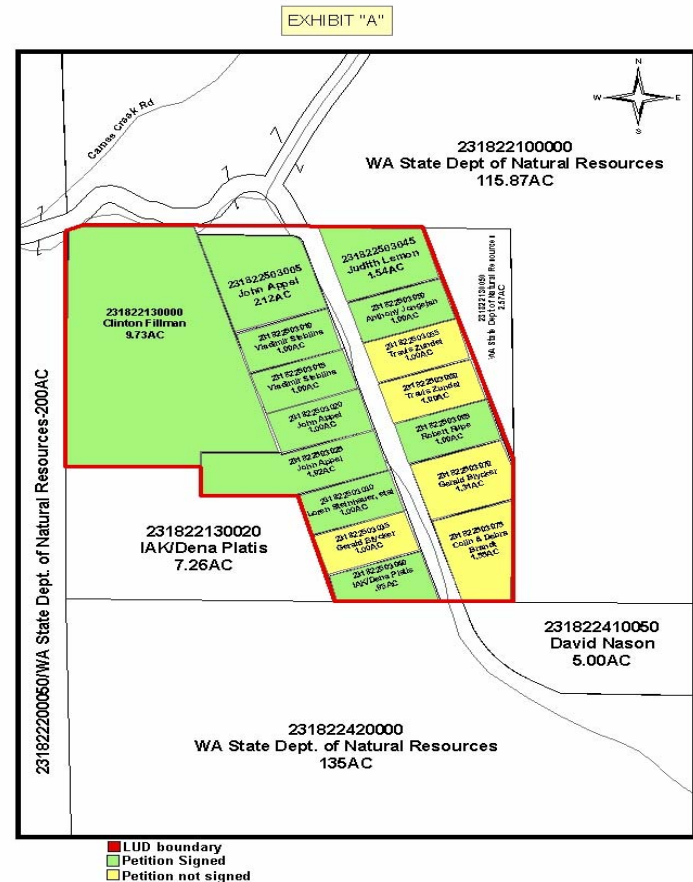
Resolution #05-12815 Requirement

- ❑ Petition received by majority of landowners, received 11/21/2007
- ❑ Resolution #08-13244 passed 1/21/2008 officially set today's hearing
- ❑ Exhibit A's were mailed on 1/22/2008
- ❑ Legal notice published on 1/25-26/2008 in the Wenatchee World
- ❑ Follow up emails were sent to listed property owners

Camas Acres Electric LUD Hearing

Petition - seeks to extend electrical service to 16 lots located in the Camas Acres area

- Signed by 8 of 11 property owners
- Representing 11 of 16 lots



Camas Acres Electric LUD Hearing

Camas Acres Background

- 1/25/2007 – provided line extension estimate \$195,426 that could serve 15 lots (backbone system)
- During 2007, District staff discussed various options with Camas Acres property owners
- 11/9/2007 – Informational meeting was held in Leavenworth to discuss issues around LUD formations
- 11/21/2007 – Petition from Camas Acres was received by the Clerk of the Board



LUDs – Overview

LUDs – one tool to extend utility services

- *Finances utility infrastructure*
- One option, property owners initiate by petitioning the PUD
- Valid signatures of at least 10% of the landowners or majority are required
- Commissioners evaluate whether the LUD is “financially and economically feasible” and other key factors
- Commissioners ultimately decide whether or not to form the LUD



LUDs – Extending Water & Sewer

LUDs take time to setup and require significant administration effort

- PUD has historically limited to unique and complicated water and wastewater infrastructure with the following factors:
 - No formalized extension policy
 - LUD would mitigate public health and safety concerns
 - Availability to leverage grant funds and/or low interest loans

LUDs – Extending Electric Service?

Electric infrastructure is extended using our Line Extension policy

- Rate Schedule 13
- Applies to developers and individuals
- Provides customer choice in process
 - Construction option for trenching, conduit, transformer pad and vault installation
 - Estimated or based on actuals

PUD has never used the LUD process to extend electric service

Line Extensions – Historical Perspective

- June 15th, 1985 – Customer to pay for 100% of actual line extension costs
- April 3rd, 1989 – Added a 10 year financing plan for up to \$10,000
- June 6th, 1994 – 10 year financing option was eliminated and connection fees were added
 - Reflected public sentiment that “growth pays for growth”
 - District and it’s customer owners should not be the bank for financing line extension



Line Extensions – Background

- Prior 5 year average – 193 line extensions a year @ \$7,595 each
- Since 2001, largest 30 line extensions have averaged \$19,250 each
- Largest single line extension - \$60,198 established in 1998

Customers have grouped together to collectively fund line extensions

Staff Summary

- Existing policy is in place for electric line extensions – schedule 13
- This petition does not meet the historic factors for LUD consideration
- Request essentially creates an administrative heavy financing mechanism for line extensions and may force customer participation
- Financing of electric line extensions utilizing the LUD process conflicts with Board guiding principle #3 “As a whole, we should manage rates to cover operating costs as measured by an acceptable operating ratio” and principle #6 “Cost control and efficiencies should be a component of annual financial plans “



Conclusion & Recommendation

- Camas Acres electric LUD Petition
 - Violates current line extension policy and it's intent
 - Would create a cascading precedent for future electric LUDs that circumvent existing line extension policy
 - Puts the District in the position of financing line extensions at a rate below cost recovery of current line extension policy
- Based upon these facts, staff recommends the Camas Acres electric LUD petition is not in the best interests of the District and its customer owners. It is not financially or economically feasible

Questions?
