

# Latecomer Policy

## Electric, Water, and Wastewater

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# Why we're here

- Review current latecomer policy, challenges, and opportunities
- Explore policy options
- Review recommendation
- Gather feedback – no action today

# What is Latecomers?

- The Latecomers policy allows an individual who has installed utility infrastructure to recover a portion of the costs from others if others later connect and benefit from the original work
- Applies to water, wastewater and electric systems

# Current policy

- A per-foot cost assessed to customers connecting to an existing line
- Customers may submit non-PUD originated receipts to be included in the total project cost
- Original construction eligible for latecomers for 10 years after project completion unless sold
  - No limit on # of connectors or payout amounts
- Primary industrial and land developments ineligible (ie: subdivisions)

# Overview of Challenges

## Customer

- Portions of the policy are hard to understand
  - Methodology is complex
- Consecutive construction projects create complications
- Delays create negative customer experience
- Attempts to administer Latecomers outside of the PUD
- Subsequent connections are no longer eligible once original contributor sold
- Subsequent Customers may pay multiple times due to multiple services

## District

- Determining eligibility
  - Interpreting application information
  - Property transfer/sale methods
- Validating Customer submitted receipts
- Eligibility length is at odds with other business practices
  - Exceeds records retention standards
- Portions of the policy are not easy to explain and hard to understand
  - Methodology and administration is complex
- Experienced legal challenges

# Industry Practices

- Participated in WPUA survey in 2021 (17 utilities)
  - ~½ do not have Latecomers
- Utilities with Latecomers policies have common policy elements such as:
  - clear eligibility criteria
  - policy term
  - number of payouts
  - minimum project costs

# Line Extension Data

## 100 Line Extension Random Sample Set – Connections

Line Extension	Line Extension with Latecomer Connections	Average Connections	Average Disbursement	Average Connected within years
5th Year	5	1.2	\$2,592	1
10th Year	6	1.16	\$1,443	3.8

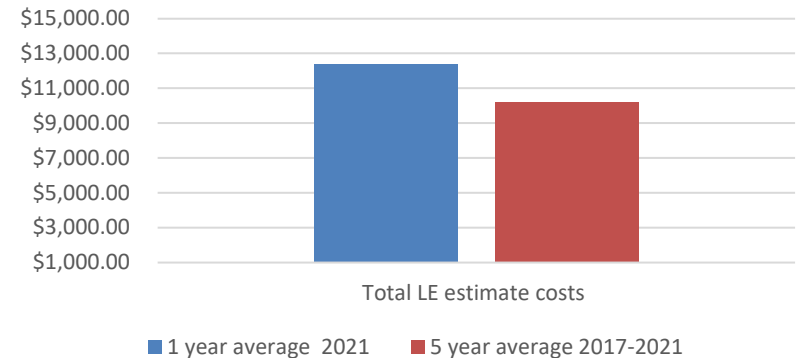
## Approximate Minimum Administrative Costs for per each Latecomers Calculation and Payout

Job Category	Average Hours	Costs
Internal Staff (CS, AP, Audit)	5	\$300

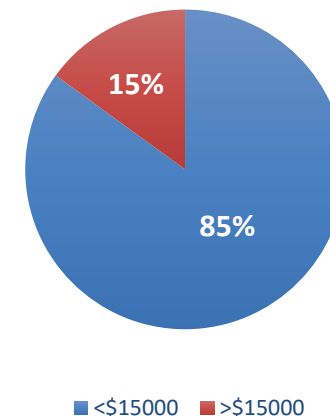
## Approximate Administrative Costs to consider Latecomers – required for every application

Job Title	Average Hours	Costs
Customer Service Engineer	0.5	\$24

## Average Line Extension Costs



## 2022 Line Extension Costs


















# Options considered

1. Maintain status quo
2. Eliminate Latecomer policy – Staff preferred
3. Pursue Latecomer Policy adjustments – Phased
  - a) Two-part approach to adjust the current policy and introduce a new policy for future connections



# Options Overview

	<b>OPTION 1 MAINTAIN STATUS QUO</b>	<b>OPTION 2 ELIMINATE POLICY</b>	<b>OPTION 3 ADJUST POLICY</b>
<b>SUMMARY</b>	Assume the challenges, risks, and customer dissatisfaction.	Eliminate challenges and risks. New line extension customers may initially experience dissatisfaction.	Minimize challenges and risks. Improve customer satisfaction through phased change.
<b>INDUSTRY STANDARD</b>			
<b>RISK</b>			
<b>POLICY ADMINISTRATION</b>			
<b>RESOURCE IMPACT</b>			
<b>PUD COST</b>			

While Option 2 is the staff preferred approach, we recommend Option 3 to advance the customer experience and lessen risk.

# Option 3

## Part 1 - Existing policy adjustments

- Remove property ineligibility (i.e. Sold property, trusts)
- Expire policy for new line extensions January 1, 2024

# Option 3

## Part 2 - New policy

- Establish reimbursement term of 4 years
- Establish a minimum project cost threshold of \$15,000
- Limit the number of subsequent payouts to 2
- Offset amounts to payoff any utility account unpaid delinquent balances
- Limit reimbursement to PUD originated customer paid costs
- Clarify eligibility criteria
- Applicable for new line extensions beginning January 1, 2024

# Next steps

- Gather feedback from today, adjust as needed
- Return with additional options or with resolution seeking approval

# Appendix

# Line Extension History

## Original

- Established in 1948
- Methodology
  - Required calculating what the customer would generate in annual revenue
  - If costs exceeded 5 years, the customer paid the excess
  - Over the years the ratio changed
- In 50's and 60's, new customers were needed and usage lowered power cost component from the federal system.
  - Revenue requirement had a line extension component built in.
- In 70's and 80's, rate pressure began and customers paid for line extensions (cost-based approach)
- 1994 – Connection fees were added to offset transformer, meters and secondary service costs.

## Current

- Continue to follow the 1994 approach
- District philosophies have changed
  - “Growth pays for Growth”
- Increased focus on retention schedules