

**RESOLUTION NO. 2019-50**

**RESOLUTION ADOPTING REVISIONS TO  
LIGHT AND POWER DEPARTMENT LINE EXTENSION POLICY  
AND REPEALING RESOLUTION NO. 2007-46**

**WHEREAS**, through Council Resolution 2007-46 the City adopted revised Line Extension Policy for the Light and Power Department recognizing that customers who benefit from an electrical system improvement should share in the cost of that improvement; and

**WHEREAS**, costs associated with electrical system improvement have risen significantly since 2007; and

**WHEREAS**, updating of the policy and associated fees is appropriate at this time.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF FOREST GROVE AS FOLLOWS:**

**Section 1.** The City Council adopts the revised Electrical Line Extension Policy and the Schedule of Fees and Allowances associated with the Line Extension Policy marked Exhibit A.

**Section 2.** The attached Electrical Line Extension Policy and Schedule of Fees and Allowances shall become effective on September 24, 2019

**Section 3.** Resolution No. 2007-46 is hereby repealed upon the effective date of the foregoing Light & Power Line Extension Policy.

**Section 4.** This resolution is effective immediately upon its enactment by the City Council.

**PRESENTED AND PASSED** this 23<sup>rd</sup> day of September, 2019.

  
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Anna D. Ruggles, City Recorder

**APPROVED** by the Mayor this 23<sup>rd</sup> day of September, 2019.

  
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Peter B. Truax, Mayor

## CITY OF FOREST GROVE ELECTRICAL LINE EXTENSION POLICY

### GENERAL:

The City's electrical line extension policy is consistent with the "cost of service" philosophy upon which electrical rates are based. This policy requires developers pay for backbone system line extensions, and requires new customers pay for a portion of the costs associated with a customer primary line extension and/or service line extension. Under this policy, a developer or customer may elect to use a private contractor to construct **the substructure of a** backbone, customer primary, and/or service line extension in lieu of City provided construction. A customer is an individual, group, or organization which receives electrical service directly or indirectly from the City of Forest Grove. A developer is an individual, group, or organization that alters the characteristics of real estate property in order to accommodate occupancy by future customers.

### ELECTRICAL LINE EXTENSION POLICY:

**Backbone System Line Extension:** A backbone system line extension is the mainline high voltage electrical circuit that carries electricity to transformers or to customer's sites. The total cost of the backbone line extension to, and into a development, residential, commercial or industrial, shall be the responsibility of the developer. In the case of residential underground subdivisions, the line extension charge is determined on a flat fee per lot basis. Included in the total costs shall be all required electrical lines, transformers, **above grade** street lighting facilities and other related devices. Trenching, vaults, pads, **pedestal & junction boxes, street light bases and** conduits shall be provided by the customer.

**Customer Primary Line Extension:** A customer primary line extension is a high voltage line connecting to a mainline primary circuit and continuing onto a specific customer's premises in order to feed the transformer serving the customer. Where an individual customer's site requires a customer primary line extension, the customer shall be responsible for the full cost of the line extension less the determined allowance.

**Customer Service Line Extensions:** Customer service line extensions include electrical lines that carry electricity from the transformer(s) or terminal pedestals to a customer's meter. The customer shall be responsible for the total cost of a service line extension less the determined allowance.

**Underground Conversions:** Customers requesting conversion to underground service facilities shall pay the City for any unrecovered value in their existing overhead service. The customer shall also pay for the new underground installation, and shall be responsible for all trenching, vaults, pads, and conduits.

**Allowances:** An allowance is a reduction in the amount a customer shall pay for a customer primary line extension and/or service line extension. Allowances shall be based on utility costs directly associated with electrical system installations and recovery of those costs through new revenues directly attributable to those installations. The maximum allowance available to any customer shall be an amount equal to the portion of revenue generated by existing rates that can be applied to utility construction and maintenance costs. This allowance shall be equal to a 5 year payback or less to the City based on the customer's anticipated electrical usage and estimated annual revenue. Should the allowance exceed line extension costs, the City will not issue a credit or make a payment.

## SCHEDULE OF FEES AND ALLOWANCES

### Backbone System Line Extensions:

Residential Development:

Developer will provide all trenches, vaults, pads, and conduits required for the line extension as approved by the City, and pay for the costs to install all electrical facilities required for residential subdivisions. The City shall pay for any over-sizing. For residential subdivisions, the developer shall pay the following fee:

~~\$1,640~~ \$2,050 after reduction by the allowance amount per residential lot and any other lot receiving secondary electrical service

### Commercial and Industrial Developments:

Developer will pay total cost of backbone system line extension as approved by the City to and into the development. The City shall pay for the costs of any over-sizing of the line extension and for any provisions for future system expansion.

### Residential, Commercial and Industrial Developments:

Developer has the option to use a qualified contractor to construct **the substructure of a** backbone system line extension, or a portion thereof, to and into a development. All plans and specifications for construction of the line extension shall be provided by the City **at an established fee**. ~~If a qualified contractor is used for a backbone system line extension, fees for that portion of the work completed by the contractor shall be waived. The minimum fee shall be \$500 per lot to cover design, inspection, and other administrative costs.~~

### Customer Primary and Service Line Extensions:

The customer or developer shall pay full cost of customer primary and service line extensions including all required material. All trenching, vaults, pads, and conduits, including service conduits will be installed by the customer. Over-sizing and provisions for future system expansion shall be paid by the City. The total cost will be reduced by the appropriate allowance.

The residential service line extension fee shall be ~~\$195~~ \$450 after reduction by the allowance amount.

### Allowances:

The allowance for extensions that do not fall under residential subdivision development or residential service line extensions **in a subdivision** shall be calculated using the following formula:

#### **Residential Customer Primary and Service Line Extensions:**

Allowance = 5 x 10% of estimated new annual revenue

#### **Commercial & Industrial Customer Primary and Service Line Extensions:**

Allowance = 5 x 10% of actual new annual revenue

*Actual annual revenue for commercial & industrial credit calculations will be determined by the following method:*

Within 6 months of service energization, customer will notify FGL&P that they are ready to start the allowance annual calculation period. At the end of the 12 month billing period, the actual annual revenue will be used to determine the credit allowance under the above policy

NOTE: Allowance applies only to revenues attributable to new load served by the line extension.

**Use of Private Contractor:** A developer or customer may elect to use a private contractor to construct **the substructure of a** backbone, customer primary, or service line extension. If a private contractor is used, fees for that portion of the work completed by the contractor shall be waived. All contractors used by customers or developers for line extension work must be pre-qualified by the City. All engineering and design and all plans and specifications for work to be performed will be provided by the City. Materials used shall be approved by the City prior to construction. All contractor work shall be monitored and inspected by a qualified City Inspector. Any extra ordinary or unforeseen costs to the City resulting from the contracted line extension installation shall be the responsibility of the customer or developer. In no case however, shall the fee charged per lot in a residential subdivision be less than \$500, which is an amount necessary to reimburse the City for design, administrative, and inspection costs.



*A place where families and businesses thrive.*

<i>CITY RECORDER USE ONLY:</i>	
AGENDA ITEM #:	<u>8.</u>
MEETING DATE:	<u>09/23/2019</u>
FINAL ACTION:	<u>RESO 2019-50</u>

**CITY COUNCIL STAFF REPORT**

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**TO:** *City Council*

**FROM:** *Jesse VanderZanden, City Manager*

**PROJECT TEAM:** *Jesse VanderZanden, City Manager  
Keith Hormann, Light & Power Director  
Paul Downey, Admin Services Director  
Eddie Littlefield, Power Services Manager*

**MEETING DATE:** *September 23, 2019*

**SUBJECT TITLE:** *Proposed Revisions to Light & Power Line Extension Policy*

<b>ACTION REQUESTED:</b>	<b>Ordinance</b>	<b>Order</b>	<b>X</b>	<b>Resolution</b>	<b>Motion</b>	<b>Informational</b>
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*X all that apply*

**ISSUE STATEMENT:** The City of Forest Grove first established the Light & Power Department Line Extension Policy in 1993. The policy was most recently updated in 2007. Since 2007, Light & Power labor and material costs have risen significantly. A recent sampling of 293 subdivision lots reveals that current extension policy allows us to collect only 79% of the cost of extending electric service to these lots. Staff is requesting the electric service extension line fees to residential lots be increased and the credit for industrial and commercial line extensions be based on actual usage. Staff has prepared a resolution to increase fees and adopt a revised policy to reflect the revision to the commercial and industrial credit.

**BACKGROUND:** The current Light & Power Department Line Extension Policy has been in effect since August 6<sup>th</sup> 2007. The policy provides for collecting 100% of the direct costs of the line extension from either the developer or customer at the time of installation. Extensions for new service not part of a subdivision are invoiced at actual cost. Extensions within a residential subdivision are billed at the average per lot cost of \$1640 which was based on labor and material costs in 2007. A recent study of 293 subdivision lots shows that developers were billed a total of \$480,520. The actual cost to provide service to these lots is \$738,543

The Line Extension Policy provides an allowance as an offset against the cost of service extension to recognize the contribution of new electric revenue served by the extension to the capital and maintenance cost of those facilities providing the new service. The allowance is calculated by adding 10% of the estimated new annual revenue attributable to the line extension over a five year period. Allowances for extensions not part of a subdivision are calculated on an individual basis. An existing allowance of \$402 is applied towards the service line extension in a subdivision at the time of the meter installation. Using the current annual revenue per residence of \$1,140 and the same

methodology, the new average allowance per residential service is \$570. The current average cost of a residential service line extension (including radio-read electric meter) is \$547.

If the \$570 average allowance is applied to the per lot cost (\$2,521) and residential service line extension cost (\$547) prorated based on relative cost, the per lot allowance would be \$468 and the residential service line extension allowance would be \$102. The resulting adjusted per lot cost would be 2,053 and the adjusted service line extension cost is \$445. We recommend rounding the fees to \$2,050 and \$450 respectively.

These proposed changes have an effective date of September 10, 2019. We suggest applying the existing per-lot charges to developments that have received tentative preliminary plat approval on or before September 9, 2019. We suggest applying the new residential service line extension fee to projects with building permits applied for after September 9, 2019

**FISCAL IMPACT:**

**STAFF RECOMMENDATION:** Light & Power staff requests that the Council consider approving the attached resolution which adopts the provisions to the Line Extension Policy, and updates the associated fees and allowances. Proposed changes include:

- Increase subdivision per lot fee to \$2,050
- Increase residential service fee to \$450
- Increase residential allowance to \$570 per meter. New per lot fee and residential service line fee include a deduction for the prorated allowance

**ATTACHMENT(s):**

Resolution & Exhibit A – Proposed Line Extension Policy Revisions



# Proposed Line Extension Policy Revision

Keith Hormann, L&P Director

September 23, 2019

- Our original line extension policy was developed in 1993. There have been several updates and revisions since inception
- Updates and revisions to the policy have included fee adjustments due to rising costs and language changes due to evolving construction practices and needs
- The policy was last updated in 2007

- We issued a contract to Financial Consulting Services (FCS) to review our policy and recommend the needed adjustments. This is the same consultant who performed our recent cost of service study
- FCS determined that we are collecting 79% of our per lot subdivision costs and 43% of our service line extension costs

- FCS's study concluded that to recover the cost of installation after the credit allowance is calculated in, the subdivision per lot fee would need to raise from \$1,640 to \$2,050 and the service line extension fee from \$195 to \$450.
- FCS also determined that we would need to increase our residential service credit allowance from \$402 to \$ 570. This is based on the credit allowance formula which is calculated at:  
(estimated annual revenue X 10% X 5 years = credit allowance)

- This credit allowance formula is used at all levels of service including residential, commercial & industrial
- Staff has identified that on the commercial & industrial credit allowance calculations there is a high possibility of inaccurately calculating the credit when using the estimated annual revenue. Staff is proposing that when calculating the commercial & industrial credit allowances the following credit allowance formula is utilized:  
(actual annual revenue X 10% X 5 years = credit allowance)

- Staff's recommendation is to adopt the revised line extension policy which includes updated cost calculations and language revisions