



City of Columbia, Missouri

Meeting Minutes

City Council

Monday, November 6, 2017
6:00 PM

Pre-Council

Conference Room
1A/1B
Columbia City Hall
701 E. Broadway

I. CALL TO ORDER

Mayor Pro Tem Ruffin called the meeting to order at approximately 6:01 pm.

Present: 6 - Ruffin, Trapp, Thomas, Peters, Skala, and Pitzer

Absent: 1 - Treece

Electric Connection Policy and Electric Extension Policy

Attachments: [Presentation](#)

[Line Extension and Connection Policy Handout](#)

City Manager Mike Matthes stated that the focus tonight is a jumping off point for further conversation on this issue, which was requested by Council member Thomas. Utility Director, Tad Johnsen stated that they have been working with Utility Financial Solutions, LLC. This will be an update on where they are with this project. Mr. Johnsen stated that they would like direction from Council on what they would like moving forward. Mr. Johnsen introduced Mark Beauchamp, President of Utility Financial Solutions.

Mr. Beauchamp outlined the objectives for a line extension which are to: stabilize the effect on line extension expenditures of Columbia Water and Light (CWL), simplify the implementation process, separately identify the connection fee portion charged to new customers, and help to ensure investments made by CWL will not result in higher rates for existing ratepayers. He noted that the current policy is harming rate payers as they are paying too much and the goal is find the sweet spot. When you build a system with a lot of capacity and eventually new customers come online that capacity shifts, so they have assigned a value to customers based on the cost impacts on the transmission system and their impact value. The value is reduced by long term impacts on the backbone infrastructure. The difference is the maximum investment that CWL would contribute toward the extension of service to a new customer. He stated that this helps to ensure that adding a new customer will not result in higher rates for existing ratepayers. Mr. Thomas asked how much per year customers are overpaying. Mr. Beauchamp stated that he did not research that, he only looked ahead. Mr. Thomas stated that it is obvious that we are overburdening existing customers and subsidizing new customers. Mr. Beauchamp added that updates to policies like this take time to change as they impact so many. Mr. Thomas asked why electric is viewed differently than other utilities. Mr. Beauchamp stated that it's not viewed totally different as we identify the value they bring to the system and the long-term impacts they bring to the infrastructure. The group discussed the customer values and how those are determined and how customers are charged. Mr. Thomas asked why this is different than sewer. Mr. Beauchamp stated that all ratepayers have equity in the water system. A new customer comes in and buys at the same level of equity as the other customers. If the system is properly funded, then

over time there will be higher equity, buy in will be higher and rates will be more stable. If the system is not properly funded, then the equity and buy in costs go down, but rates go up. The industry just handles it differently. Council member Trapp added that the cost of electric and the cost to deliver electric is vastly different than the cost of water and sewer. Water and sewer's physical infrastructure is a higher percentage and traditionally electric is only collected through rates. He feels there is value in adding new customers to the electric system as new customers coming on reduce operating costs. He felt that this is a reasonable approach to assign value new customers in this way so that we aren't subsidizing new development. Mr. Thomas understood that historically we have been massively subsidizing new development at the expense of current customers. Mr. Trapp did not think it's a massive subsidy because electric rates are so high it's been historically collected through rates. He felt a balanced approach of collecting costs makes sense. Mr. Thomas felt that the electric rates are inflated because our system provides free built connections to new homes.

Mr. Beauchamp provided a summary of the residential line extension analysis and explained that the residential customer value is \$952 and the long-term impact on the backbone system is \$182. His research showed that the average cost to a customer is \$1,771. To simplify the line extension policy, a residential customer will be charged \$1,000 compared to the current practice that CWL pays all of the line extension costs. Mr. Beauchamp reviewed the policy for subdivisions stating that CWL will construct extensions up to, but not within a subdivision and developers will be charged for costs to extend services within the subdivision. All costs for extension within the subdivision will be charged to the the developer and costs are reduced by CWL's maximum contribution of \$569 times the number of lots. Homeowners will be charged \$200 for the service drop into the home. Mr. Beauchamp reviewed residential developer charges stating that the contribution margin is \$551 for a home in a subdivision plus \$200 charged to the homeowner. The contribution is reduced by a connection fee of \$182 for backbone facilities and the difference in cost and the \$569 is charged to the subdivision developer. Mr. Beauchamp stated that small commercial customers will be charged the greater of the cost of the extension less \$100 per kVa installed transformer capacity or the minimum of \$50 times the installed transformer capacity. Large commercial will be the same, but at a rate of \$50 per kVa. Mixed use would be a rate of \$96 per kVa. He provided some examples of each type. Mr. Beauchamp stated that he has seen many line extension policies among many states and there are very few utilities that charge the customer 100% and very few that pay the cost like Columbia does. This balances the risk as best we can. Mr. Thomas felt that if there is a risk to the utility because of the way we do this, then if we adequately charge within each rate class for the cost of adding another customer in that rate class, then there would be no risk to the utility because the customer would be paying for that connection and we would be whole. Mr. Beauchamp stated that the utility would be whole but the customer would assume the risk. The group briefly discussed this. Mr. Skala felt that this is a step in the right direction to share the burden. Mr. Pitzer asked how adding renewable energy changes this structure. Mr. Beauchamp stated that if rates are structured correctly, it would not change much. That would need to be looked at more closely long-term. Mr. Thomas stated that received an analysis from Mr. Johnsen of the capital improvement projects in the electric utility over the next four years. The estimated costs for projects are maintenance, upgrades needed to serve existing customers, and the percentage for growth totaled \$26 million over the four years, which equates to about \$12/month/customer. Based on this list it looks like customers have been paying about \$12/month too much to help pay for growth projects. Mr. Johnsen stated that the numbers provided were from an expense perspective. Mr. Beauchamp stated that virtually all utilities have a middle ground for sharing the cost burden. Providing a customer value to ensure that growth is good for everyone and is a good way to ensure fairness.

Mr. Matthes added that this is the start of this conversation. If Council wishes to move forward, that should be indicated at a regular council meeting and the public process could move forward and something would be brought back to Council at a future date. Mr. Skala stated this is the direction he feels we should move toward. Mr. Trapp agreed. Council agreed to bring this up at the regular meeting.

II. OTHER ITEMS THE COUNCIL MAY WISH TO DISCUSS

None.

III. ADJOURNMENT

The meeting adjourned at approximately 6:53 pm.