

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS
(Sitting/Acting as the Board of Clackamas County Service District #5)

Study Session Worksheet

Presentation Date: April 22, 2014 **Approx Start Time:** 9:00 a.m. **Approx Length:** 60 min.

Presentation Title: CCSD#5 (Street Lighting) Revenue Distribution

Department: Department of Transportation and Development

Presenters: Dan Johnson, District Manager

Other Invitees: Wendi Coryell, Service District Specialist

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Clackamas County Service District #5 (CCSD#5), Street Lighting, is requesting direction on the use of recently received additional revenues.

EXECUTIVE SUMMARY:

On March 18, 2014 staff requested direction on the use of \$865,000 of additional revenues received through street lighting-type changes and the sale of district poles and authorization to proceed with additional lighting conversion from High Pressure Sodium (HPS) to Light Emitting Diode (LED) to improve efficiency and reduce cost.

At the conclusion of this presentation, staff was tasked with:

1. Coordinating with the City of Happy Valley and, with their concurrence, advance conversions of the Shoebox-style street lighting;
2. Refine the estimated cost of desired lighting improvements along the McLoughlin Boulevard Corridor; and
3. Advancing analysis of a possible district rate increase to mitigate impacts of a Portland General Electric (PGE) rate increase that went into effect January 1, 2014.

Activities to date are summarized in the following paragraphs.

1. Conversion of Streetlighting Type

On the evening of March 18th staff received concurrence from Happy Valley City Council to advance the conversion of the Shoebox style street lighting from HPS to LED. District staff has filed the appropriate paperwork to advance this conversion which is expected to be completed over the next three months.

Per PGE analysis, this conversion is estimated to reduce the monthly billing by \$8,916 for an annual savings of approximately \$107,000.

2. McLoughlin Boulevard Lighting Improvements

Over the last year, staff has worked closely with the McLoughlin Area Plan Implementation Team (MAP-IT) representatives on a number of lighting related projects, ranging from the hanging of banners and development of an Intergovernmental Agreement (IGA) with the Oregon Department of Transportation (ODOT) to allow additional lighting along the corridor, where feasible, with redevelopment.

Of particular interest is the viability of providing additional lighting along McLoughlin Boulevard (OR 99E) in unincorporated Clackamas County between Milwaukie and Gladstone. When discussing the cost of enhancing streetlighting along McLoughlin, a number of elements must be considered, including, but not limited to:

- Existing streetlighting – primarily consisting of ODOT intersection lighting;
- Existing power transmission lines – overhead transmission lines create a conflict;
- Light Ownership – ODOT (intersections), remaining district;
- Capital Construction Costs – differ based on type of lighting;
- Operational Costs – differ based on type of lighting; and
- Appearance – community desire to have a high quality aesthetic appearance.

Assessment of all of these elements is necessary to provide a detailed fiscal analysis of the proposed project. Staff has worked with representatives from MAP-IT, ODOT, and PGE to provide the following capital construction cost estimates. These cost estimates are very preliminary and range from \$465,000 to \$1.3 million and are more thoroughly outlined on Attachment A.

In summary, these options consist of:

- Option 1: Cobra Pole Streetlights (more aesthetic/higher cost): \$1.3 million,
- Option 2: Mixed of Wood and Cobra Pole Streetlights (moderate aesthetic/moderate cost): \$640,000
- Option 3: Wood Pole Streetlights (less aesthetic/lower cost): \$465,000.

As previously discussed, available revenues total \$865,000.

2. Rate Discussion

As discussed on March 18th, the use of these additional revenues does relate to the near term need to adjust district rates. Early last year, PGE filed a Request for a General Rate Revision, also known as the 2014 PGE Rate Case, which was approved by Oregon Public Utility Commission (OPUC) on December 9, 2013.

Two components of the Rate Case apply directly to street lighting in CCSD#5:

- An increase in general cost of service, and
- A change in methodology from an embedded cost model to a marginal or fixed cost model.

Preliminary analysis suggests these increased costs and change in methodology would result in a monthly and annual cost increase of \$26,439 and \$317,268 respectively. Increased costs of this nature would necessitate a 16% increase in district rates.

With the planned conversion of the Shoebox streetlights from HPS to LED these estimated cost increases would be decreased to a monthly and annual cost increase of \$17,523 and \$210,276 respectively. Increased costs of this nature would necessitate a 11.6% increase in district rates.

Staff presents three separate rate scenarios, each of which is dependent on amount of additional revenue directed to projects. All scenarios incorporate the cost savings realized with the recently approved conversion of the Shoebox style streetlight to LED. See Attachment B.

3. PGE Response

During the March 18th presentation, the Board requested information from PGE regarding possible assistance to mitigate impacts of this unforeseen increase in rates. PGE has provided a memorandum of response dated April 14, 2014. See Attachment C.

FINANCIAL IMPLICATIONS (current year and ongoing):

Attachment A and B provide an analysis of the fiscal implications associated with these topics.

LEGAL/POLICY REQUIREMENTS:

Not Applicable

PUBLIC/GOVERNMENTAL PARTICIPATION:

City of Happy Valley: During the LED conversions and Option B light pole sales, staff had a number of discussions with City representatives regarding the use of the additional revenue. While a primary focus is providing additional LED lighting alternatives, the city has proposed a number of specific lighting safety projects. Staff updated Happy Valley City Council on March 10th regarding the new rate information from PGE and conversion of the Shoebox-style lighting.

McLoughlin Area Plan Implementation Team (MAP-IT): Over the last year, staff has worked closely with MAP-IT representatives on a number of lighting projects, with a focus on providing additional lighting along McLoughlin Boulevard (OR 99E) in unincorporated Clackamas County between Milwaukie and Gladstone. District staff is currently negotiating an Intergovernmental Agreement (IGA) with the Oregon Department of Transportation to allow additional lighting along the corridor where feasible.

OPTIONS:

1. Direct staff to delay project funding at this time and retain additional revenue to mitigate future rate increases.
2. Direct staff to retain a portion of the additional revenue for possible projects, retain remaining revenue to mitigate future rate increases, and refine the proposed list of projects for future consideration by the District Board.
3. Direct staff to retain all of the additional revenue for possible projects and refine the proposed list of projects for future consideration by the District Board.

4. Direct staff to provide additional information for consideration by the District Board.

RECOMMENDATION:

Option 2: Staff respectfully recommends the District Board direct staff to retain a portion of the additional revenue for possible projects, retain remaining revenue to mitigate future rate increases, and refine the proposed list of projects for future consideration by the District Board.

ATTACHMENTS:

Attachment A: McLoughlin Boulevard Illumination Project Cost Estimate

Attachment B: Rate Analysis

Attachment C: Memorandum dated April 14, 2014 from Portland General Electric

SUBMITTED BY:

Division Director/Head Approval



Department Director/Head Approval

 4-15-14

County Administrator Approval

For information on this issue or copies of attachments, please contact Wendi Coryell @ 503-742-4657.

McLoughlin Boulevard Illumination Project - Option 1: New Aluminum Poles

Conceptual Cost Estimate

April 11, 2014

Project Summary: Preliminary cost estimates assume placement of new Aluminum poles with Cobra style LED lighting fixtures.

Capital Costs

Element	Unit(s)	Number	Unit Cost	Cost/Revenue	Cost/Revenue	Note:
NEW Aluminum Pole Lumination						
Luminary (Cobra - LED)	Luminary	193	\$0			PGE Cost
New Aluminum Poles - 40'	Pole	193	\$0			PGE Cost
Trench, Conduit, Etc...	Linear Feet	33,000	\$40	\$1,320,000		Was \$24 on original estimate (\$360k)
Pole Base	Base					PGE Cost
Total				\$1,320,000		
District Operational Costs						
Element	Unit(s)	Number	Rate	Monthly	Annually	Note:
Luminary Units (Cobra)		193	\$9.23	\$1,781.39	\$21,376.68	Confirm w/ PGE (2014 RC / Overhead)
Aluminum Poles		193	\$21.25	\$4,101.25	\$49,215.00	
Total				\$5,882.64	\$70,591.68	
District Revenue Estimates						
	Unit(s)	Number	Rate		Annually	Note:
Current Revenue Estimate	Linear Feet	33,000	\$1.14	\$3,135	\$37,620	

McLoughlin Boulevard Illumination Project - Option 2: Mixed Pole Styles
 Conceptual Cost Estimate

April 11, 2014

Project Summary: Preliminary cost estimates assume the placement of Cobra style LED lighting fixtures on a mix of pole styles ranging from of streetlights on wooden poles and new Aluminum poles.

Capital Costs

Element	Unit(s)	Number	Unit Cost	Cost/Revenue	Cost/Revenue	Note:
EXISTING Wood Pole Lumination						
Luminary (Cobra-LED)	Luminary	100	\$0			PGE Cost
NEW Wood Pole Lumination						
Luminary (Cobra - LED)	Luminary	8	\$0			PGE Cost
New Wood Pole - 50'	Pole	8	\$5,000	\$40,000		
NEW Aluminum Pole Lumination						
Luminary (Cobra - LED)	Luminary	85	\$0			PGE Cost
New Aluminum Poles - 40'	Pole	85	\$0			PGE Cost
Trench, Conduit, Etc...	Linear Feet	15,000 LF	\$40	\$600,000		Was \$24 on original estimate (\$360k)
Pole Base	Base					PGE Cost
Total				\$640,000		
District Operational Costs						
Element	Unit(s)	Number	Rate	Monthly	Annually	Note:
Luminary Units (Cobra)		193	\$9.23	\$1,781.39	\$21,376.68	Confirm w/ PGE (2014 RC / Overhead)
Aluminum Poles		85	\$21.25	\$1,806.25	\$21,675.00	
Wood Poles		8	\$9.51	\$76.08	\$912.96	
Total				\$3,663.72	\$43,964.64	
District Revenue Estimates						
	Unit(s)	Number	Rate		Annually	Note:
Current Revenue Estimate	Linear Feet	33,000	\$1.14	\$3,135	\$37,620	

McLoughlin Boulevard Illumination Project - Option 3: Wood Pole

Conceptual Cost Estimate

April 11, 2014

Project Summary: Preliminary cost estimates assume a placement of Cobra style LED lighting fixtures on existing and new wood poles.

Capital Costs

Element	Unit(s)	Number	Unit Cost	Cost/Revenue	Cost/Revenue	Note:
EXISTING Wood Pole Lumination						
Luminary (Cobra-LED)	Luminary	100	\$0			PGE Cost
NEW Wood Pole Lumination						
Luminary (Cobra - LED)	Luminary	93	\$0			PGE Cost
New Wood Pole - 50'	Pole	93	\$5,000	\$465,000		
Total				\$465,000		
District Operational Costs						
Element	Unit(s)	Number	Rate	Monthly	Annually	Note:
Luminary Units (Cobra)		193	\$9.23	\$1,781.39	\$21,376.68	Confirm w/ PGE (2014 RC / Overhead)
Wood Poles		93	\$9.51	\$884.43	\$10,613.16	
Total				\$2,665.82	\$31,989.84	
District Revenue Estimates						
	Unit(s)	Number	Rate		Annually	Note:
Current Revenue Estimate	Linear Feet	33,000	\$1.14	\$3,135	\$37,620	

Option #1 - Rate Retention

100% Rate Retention / 0% Project Funding

Type	Measure	Schedule	Current Rate	FY 2014-2015 0 % Rate Increase	FY 2015-16 2% Rate Increase	FY 2016-17 2% Rate Increase	FY 2017-18 2% Rate Increase	FY 2018-19 2% Rate Increase
Residential	Per Lot/Annual	A	\$32.94	\$32.94	\$33.60	\$34.27	\$34.96	\$35.66
Residential	Per Lot/Annual	B	\$45.63	\$45.63	\$46.54	\$47.47	\$48.42	\$49.39
Residential	Per Lot/Annual	C	\$63.98	\$63.98	\$65.26	\$66.56	\$67.90	\$69.25
Commercial / Industrial / Multifamily	Per Linear Foot / Annual	D	\$1.14	\$1.14	\$1.16	\$1.19	\$1.21	\$1.23
Residential	Per Lot/Annual	E	\$7.70	\$7.70	\$7.85	\$8.01	\$8.17	\$8.33
Residential	Per Lot/Annual	F	\$57.08	\$57.08	\$58.22	\$59.39	\$60.57	\$61.79
Residential	Per Lot/Annual	H	\$83.83	\$83.83	\$85.51	\$87.22	\$88.96	\$90.74
Residential	Per Lot/Annual	J	\$111.40	\$111.40	\$113.63	\$115.90	\$118.22	\$120.58
Residential	Per Lot/Annual	K	\$76.95	\$76.95	\$78.49	\$80.06	\$81.66	\$83.29
Residential	Per Lot/Annual	R	\$239.58	\$239.58	\$244.37	\$249.26	\$254.24	\$259.33

Type	Measure	Schedule	Units
Residential	Per Lot/Annual	A	93
Residential	Per Lot/Annual	B	5,994
Residential	Per Lot/Annual	C	8,583
Commercial / Industrial / Multifamily	Per Linear Foot / Annual	D	184,086
Residential	Per Lot/Annual	E	557
Residential	Per Lot/Annual	F	142
Residential	Per Lot/Annual	H	3,591
Residential	Per Lot/Annual	J	1,707
Residential	Per Lot/Annual	K	393
Residential	Per Lot/Annual	R	1,186

Total Lots 22,818
Total LF 184,086

Option 2 - Partial Project Funding

50% Project Funding / 50% Rate Retention

Type	Measure	Schedule	Current Rate	FY 2014-2015 1 % Rate Increase	FY 2015-16 2.5% Rate Increase	FY 2016-17 2.5% Rate Increase	FY 2017-18 2.5% Rate Increase	FY 2018-19 2.5% Rate Increase
Residential	Per Lot/Annual	A	\$32.94	\$32.97	\$33.80	\$34.64	\$35.51	\$36.40
Residential	Per Lot/Annual	B	\$45.63	\$45.68	\$46.82	\$47.99	\$49.19	\$50.42
Residential	Per Lot/Annual	C	\$63.98	\$64.04	\$65.65	\$67.29	\$68.97	\$70.69
Commercial / Industrial / Multifamily	Per Linear Foot / Annual	D	\$1.14	\$1.14	\$1.17	\$1.20	\$1.23	\$1.26
Residential	Per Lot/Annual	E	\$7.70	\$7.71	\$7.90	\$8.10	\$8.30	\$8.51
Residential	Per Lot/Annual	F	\$57.08	\$57.14	\$58.57	\$60.03	\$61.53	\$63.07
Residential	Per Lot/Annual	H	\$83.83	\$83.91	\$86.01	\$88.16	\$90.37	\$92.63
Residential	Per Lot/Annual	J	\$111.40	\$111.51	\$114.30	\$117.16	\$120.09	\$123.09
Residential	Per Lot/Annual	K	\$76.95	\$77.03	\$78.95	\$80.93	\$82.95	\$85.02
Residential	Per Lot/Annual	R	\$239.58	\$239.82	\$245.82	\$251.96	\$258.26	\$264.72

Type	Measure	Schedule	Units
Residential	Per Lot/Annual	A	93
Residential	Per Lot/Annual	B	5,994
Residential	Per Lot/Annual	C	8,583
Commercial / Industrial / Multifamily	Per Linear Foot / Annual	D	184,086
Residential	Per Lot/Annual	E	557
Residential	Per Lot/Annual	F	142
Residential	Per Lot/Annual	H	3,591
Residential	Per Lot/Annual	J	1,707
Residential	Per Lot/Annual	K	393
Residential	Per Lot/Annual	R	1,186

Total Lots 22,818
Total LF 184,086

Option 3 - Project Funding

100% Project Funding / 0% Rate Retention

Type	Measure	Schedule	Current Rate	FY 2014-2015 2 % Rate Increase	FY 2015-16 5% Rate Increase	FY 2016-17 3% Rate Increase	FY 2017-18 3% Rate Increase	FY 2018-19 2.5% Rate Increase
Residential	Per Lot/Annual	A	\$32.94	\$33.60	\$35.28	\$36.34	\$37.43	\$38.36
Residential	Per Lot/Annual	B	\$45.63	\$46.54	\$48.87	\$50.34	\$51.85	\$53.14
Residential	Per Lot/Annual	C	\$63.98	\$65.26	\$68.52	\$70.58	\$72.70	\$74.51
Commercial / Industrial / Multifamily	Per Linear Foot / Annual	D	\$1.14	\$1.16	\$1.22	\$1.26	\$1.30	\$1.33
Residential	Per Lot/Annual	E	\$7.70	\$7.85	\$8.25	\$8.49	\$8.75	\$8.97
Residential	Per Lot/Annual	F	\$57.08	\$58.22	\$61.13	\$62.97	\$64.86	\$66.48
Residential	Per Lot/Annual	H	\$83.83	\$85.51	\$89.78	\$92.48	\$95.25	\$97.63
Residential	Per Lot/Annual	J	\$111.40	\$113.63	\$119.31	\$122.89	\$126.58	\$129.74
Residential	Per Lot/Annual	K	\$76.95	\$78.49	\$82.41	\$84.89	\$87.43	\$89.62
Residential	Per Lot/Annual	R	\$239.58	\$244.37	\$256.59	\$264.29	\$272.22	\$279.02

Type	Measure	Schedule	Units
Residential	Per Lot/Annual	A	93
Residential	Per Lot/Annual	B	5,994
Residential	Per Lot/Annual	C	8,583
Commercial / Industrial / Multifamily	Per Linear Foot / Annual	D	184,086
Residential	Per Lot/Annual	E	557
Residential	Per Lot/Annual	F	142
Residential	Per Lot/Annual	H	3,591
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Residential	Per Lot/Annual	K	393
Residential	Per Lot/Annual	R	1,186

Total Lots 22,818
Total LF 184,086



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204
PortlandGeneral.com

Memorandum

TO: Dan Johnson, Manager, CCSD #5
FROM: Jay Tinker, Director of Regulatory Policy and Affairs JJ
DATE: April 14, 2014
SUBJECT: Clackamas County Service District #5 Budget Impacts/Offsets

Thank you for your time last month at the Clackamas County Commission Study Session to discuss the impact of the 2014 PGE price increase. We have a long history of working well together, and our upmost goal is to identify a successful path forward -- one that balances our regulatory compliance mandates and Clackamas County's need to manage its overall budget against the unexpected increase in streetlighting costs for 2014.

Following is the information you requested coming out of our meeting.

PGE's obligation to non-discriminatory rate making:

Under Oregon law, the Oregon Public Utility Commission (OPUC) represents the public interest by ensuring that electric prices are just, reasonable, and non-discriminatory. There are a variety of statutes governing the OPUC and investor-owned utilities such as PGE that support this concept. For PGE prices to meet this standard, we are required to file consideration for and receive OPUC approval for any price changes that would affect our customers. After a ten-month public process, the OPUC approves our pricing structure and PGE then implements any changes. Because PGE cannot discriminate against customers by employing customized pricing credits for an individual customer, our options for mitigating the effect of the pole charge increase to Clackamas County are limited to non-pricing approaches.

Working together

What we can do together is explore options that would help temporarily defray costs for Clackamas County during the interim period until the County can raise additional revenues to offset increases in the price of electric service. We have evaluated several options to find non-discriminatory ways to help mitigate the unexpected streetlight price increase. We continue to review lighting and safety projects with your team, including ways we can support work along the McLoughlin corridor, however there is nothing definitive at this date. We remain opportunistic, and we will explore each project, program and

demonstration lighting project that does not violate our regulatory non-discrimination mandate and advances your safety and lighting objectives.

Our cumulative financial impact to the County budget in 2013 (and years prior) was substantial. While we certainly understand that this support is independent of the streetlight price increase and CCSD#5, we think it is important in the larger context of our relationship with the County and have highlighted the contributions below.

Clackamas County Service District investment by PGE and realized savings:

In 2013, PGE invested approximately \$1.57 million to convert 4,836 High Pressure Sodium lights to LED. In return the Service District received approximately \$865,000 in revenue from the pole purchase and Energy Trust Incentives. At the current rates, this conversion also resulted in approximately \$185,562 in savings by switching from HPS to LED.

In 2014, PGE will invest an estimated \$454,000 to convert 1,364 shoebox lights. This will deliver an estimated \$107,000 in energy savings (at current rates). PGE has submitted the project to the Energy Trust of Oregon (ETO) for consideration for an incentive for CCSD#5. Below is a summary of the LED conversion projects PGE had performed on behalf of Clackamas County Service District and the benefits delivered to CCSD #5 through these projects:

	Lights Converted to LED	% of Lights in Service District	Pole Purchase (in 000)	Estimated Energy Trust Incentive (in 000) *	Estimated Savings Sch 91-Sch 95 @ 2014 Rates (in 000)**
2013 Cobrahead Conversion	4,836	57%	\$615	\$250	\$ 185
2014 Shoebox Conversion	1,364	16%	NA	TBD	\$ 107
Totals	6,200	73%	\$615	\$250	\$292
*The Energy Trust of Oregon administers the incentive for HPS-LED conversion and makes the final determination of project eligibility and incentive amount.					
**Assumes no sale of Option B poles or conversion of eligible fixtures from HPS to LED.					

PGE community and budget impacts and offsets in Clackamas County

We take our role in Clackamas County seriously and value the relationship we have with all of the communities within the county. That's why you see our employees in the classroom, at the economic development meetings, with social service agencies, and taking an active role in the return of salmon runs to the Clackamas system.

Our community commitment is also financial.

Clackamas County Service District #5 Budget Impacts/Offsets

April 14, 2014

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- Our 2013 corporate and foundation support in Clackamas County in 2013 exceeded \$70,000. Entities receiving funds included the Clackamas County Historical Society, the Estacada Community Center, Johnson Creek Watershed Council, Northwest Housing Alternatives, Molalla Youth Sports and the Sandy Area Chamber of Commerce. Our 2014 support will exceed this. In fact, we have already approved a \$372,000 grant to the county for work on Carly Creek.
- PGE paid \$7,792,232 to Clackamas County in property taxes last year, and the franchise fees paid this year to the cities in Clackamas County totaled almost \$5.4 million. The \$21 million Readiness Center will result in approximately \$300,000 in new tax revenue for the county.

Please let me know if there is additional information we can provide.