TO: HONORABLE CITY COUNCIL

ATTENTION: FINANCE COMMITTEE

FROM: CITY MANAGER

DATE: APRIL 18, 2006

DEPARTMENT: UTILITIES

CMR: 184:06

SUBJECT: RESOLUTION AMENDING VARIOUS RATE SCHEDULES RELATED TO RECOVERING COSTS THROUGH CONNECTION FEES FOR NEW METERS IN LARGE DEVELOPMENTS CAPABLE OF AUTOMATED METER READING, GAS VENT LINES, AND BOLLARD PROTECTION FOR METER SETS

RECOMMENDATION
Staff recommends that the City Council adopt the attached resolution to amend fees for Utility connection schedules E-15, G-5, and W-5.

BACKGROUND
The Utilities Department provides service connections to its distribution network in order to meet new customer’s needs for electric, gas, water and sewer services. Connections are usually finalized after the City inspects and approves all equipment installed by the customer (i.e., contractor or developer) and usually after the customer pays the required fees as set forth in the utility connection fee rate schedules.

The connection fee schedules are developed to recover costs that the Utilities Department incurs to provide installation and connection services to new and existing customers. In cases where new types of equipment or services are introduced, new fees must be created if they are not included in current utility rate schedules. The Utilities Department is introducing new fees for the installation of automated meter reading equipment for water and gas meters in large developments, as well as bollards and vent lines to provide better gas meter safety.

In addition, clarification has been made to language in the current electric connection fee schedule, as it is somewhat vague and subject to incorrect interpretation.
DISCUSSION

Gas Safety Features (Bollards and Vent lines)
Gas meter sets have regulators that vent to atmosphere in case of overpressure situations. The Utilities Department needs to install a regulator vent line if the gas regulator location does not meet the WGW Utilities Standards (e.g., the regulator is too close to where gas can accumulate and become a hazard, such as a window, electric panel, etc). The Utilities Department also requires steel bollards be installed when the gas meter is in danger of vehicular damage. These charges have been added to Schedule G-5 to allow the utility to recover its cost of installation in a timely manner.

Automated Meter Reading
The City of Palo Alto initiated a pilot program for Automatic Meter Reading (AMR) in 2005 (CMR 187:05). The Utilities Department either purchased meters with factory-installed AMR “Encoder Receiver Transmitters” (ERTs) or retrofitted the ERTs in the field. These installations were put in service at meter locations that are time consuming to read, hard to access, frequently read, hazardous to read, in remote locations, and/or in sites with large numbers of meters.

If the City should decide to deploy AMR in the future, any non-ERT equipped meters will have to be retrofitted in the field or replaced with new meters containing ERTs. In order to avoid having to retrofit or replace non-ERT meters in the future for new, large developments (30 units or more) and having to recover those costs in future rates, the Utilities Department is proposing to require large developments to have meters with factory-installed AMR- ERTs. While these meters can be read by the current, manual meter reading methodology used in the field, their fifteen-year battery life allows them to be used in future AMR applications.

Until the test period is over and a full cost-effectiveness analysis for Automated Meter Reading is completed, the Utilities Department is not recommending purchasing all future replacement meters with ERT-equipped replacements.

Electric Connection Fees
Language regarding a one-time waiver of connection fees when connecting services during the construction of an underground district has been clarified. Previous wording could have been interpreted to give a permanent fee exemption for service connections within established underground districts. In addition, language was introduced clarifying that connection fees will only be charged on new overhead system services or upgrades exceeding 200 amperes. For simple disconnects and reconnects of services 200 amperes or less, the cost to perform this service is much less than the established fee for new services that involve more staff time. In this case, charging the fee can discourage customer replacement of obsolete service equipment and contribute to the customer/contractor attempting to make the live connections themselves without calling City staff.
**RESOURCE IMPACT**
The estimated increase in annual connection fee revenues is approximately $20,000 and $10,000 for the Gas and Water Funds, respectively. Implementing these charges will allow for meter reading staff to be better utilized and will avoid the need for additional staff increases. The language changes to schedule E-15 are meant to forestall possible future issues and do not have a financial impact.

**POLICY IMPLICATIONS**
These recommendations do not represent a change in current City policies.

**ENVIRONMENTAL REVIEW**
The adoption of the resolution does not constitute a project under the California Environmental Air Quality Act; therefore, no environmental assessment is required.

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**ATTACHMENTS**
Attachment A: Resolution
Attachment B: Utility Rate Schedule G-5, W-5, and E-15