OC/CRW Joint Engineering Study Overview

Background

- The City of Oregon City (City) and the Clackamas River Water District (CRW) provide potable water to customers in the urban and rural areas south of the Clackamas River. Both water providers are supplied by the South Fork Water Board's (SFWB's) Water Treatment Plant (WTP) on the Clackamas River.

- CRW also operates a WTP on the Clackamas River to supply additional CRW customers north of the river. CRW plans to extend CRW WTP supply south of the river via the CRW Backbone Project.

- Under ORS 222.520-580, a City may annex and withdraw territory and assume facilities from special districts if the remaining district is left whole.

- In December 2013, the City and the South Fork Water Board (SFWB) filed an appeal to the Land Use Board of Appeals (LUBA) in opposition of CRW forming a water supply commission with the Sunrise Water Authority (SWA). The City stated that the commission infringed upon the City's expansion rights and constituted material harm to the City and SFWB.

- This appeal led to a series of discussions and a settlement agreement calling for this engineering study to provide direction for existing and future disputes over City annexation and withdrawal of CRW territory.

Study Goals

- Understand the conflicts and goals of the two water providers.

- Establish a policy of joint planning and cooperation between the two providers to serve the water supply and distribution needs of the region considering well organized economic efficiencies and avoiding duplicate infrastructure.

- Develop a framework for effective annexation and withdrawal that can be applied to existing and future conflicts.

- Develop a clear remuneration policy to encourage continued maintenance and renewal of the water system within potential conflict areas.

Process

- Beginning in January of 2017, both entities met individually and jointly with the consultant team to discuss conflict areas, understand providers' goals, and design mutually acceptable solutions. A series of maps were developed to illustrate conflict areas and understand both which customers and what infrastructure are potentially affected by annexation and withdrawal.

- The consultant team helped develop a remuneration policy that reflects standard industry practice and is consistent with similar regional water providers

Conflict Findings

- Up to approximately 525 existing CRW customers accounting for 11% of the 2016 CRW-South water demand and 40,000 linear feet (lf) of often deteriorated or developer built water mains are under consideration for provider transfer due to annexation and withdrawal.

- Most conflicts result from inconsistent application of annexation and withdrawal policies. This has led to unique formal and informal practices including:

    - Master meters – CRW customers and infrastructure isolated from the main CRW service area that are supplied at a meter with water wheeled through City infrastructure.

    - Joint Users – CRW customers served off either CRW, City, or jointly owned mains without an intervening master meter

    - Contiguous pressure zones at equivalent hydraulic grades in both systems

- Uncertainty of future annexation, service, and withdrawal timing is the largest driver behind most conflicts and solutions and it:

    - Has allowed for some of the unique practices described above, often intended as interim solutions, to perpetuate.

    - Currently discourages CRW system renewal and replacement in areas that will potentially be annexed and withdrawn at an unknown point in the future.

    - Limits long term planning and construction of infrastructure required for buildout conditions. This allows for potentially redundant improvements like those currently planned in both systems.

    - Causes miscommunication regarding infrastructure needs as development is planned in coordination with annexation

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Identified Areas of Agreement

- The City should serve water customers within the UGB where it makes sense, and annexation/withdrawal of joint users served from City mains and surrounded by the City should occur as soon as possible.

- Master meters are acceptable and encouraged where CRW is expected to maintain long term service without existing transmission. Master meters should be installed or moved to the current UGB when possible with ownership of the mains and service to customers defined by this clear boundary (inside the UGB served by the City and outside the UGB served by CRW)

- Joint Users should be limited to cases where the City legally cannot serve (i.e. existing CRW service outside the UGB that must be maintained), or where the existing customer count is too few or the water main is too short to warrant a master meter.

- Customers within City limits adequately served by an existing CRW pressure zone but receiving additional City services should remain CRW customers. However, in order to streamline billing and allow for City shut-offs, an agreement like the existing agreement between CRW and the City of Milwaukie should be developed.

- A remuneration policy based on Original Cost Less Depreciation (OCLD) is being developed to encourage: 1) continued maintenance and replacement of existing infrastructure for the benefit of existing and future customers, and 2) equity in the sharing of infrastructure investment in these potential conflict areas.

- When possible, jointly developed infrastructure should be investigated where both utilities have a long-term duty to serve customers in the area. The objective of such a partnership, similar to the successful HOPP area facilities, is to minimize redundant facilities, realize capital and O&M cost savings, and achieve operational simplification.

Next Steps

- Present the overall project context and summary of findings at the joint meeting of the City of Oregon City Council and CRW Board of Commissioners

- Finalize project documentation, including the recommended strategy for each identified conflict area and presentation of the remuneration policy

- Meet individually with both boards to understand concerns and reach an agreement

- Adopt the remuneration policy

- Formalize an updated, stand-alone Joint User Agreement

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- Perform a Wheeling Charge Study to determine fair City and CRW rates for Joint User or master metered customers based on a defensible methodology such as cost of service
- Develop process for systematic transitions of service with communication to customers recognizing that transition of service to the City within the UGB is generally the most effective
- Revise service boundaries to reflect current conditions
- Consider updating the City's policy for water rates to City customers outside city limits. While this policy encourages annexation, it presents a barrier to achieving the goal of providing the most cost effective and seamless service to the customers of the City and CRW.

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