

# Implementation of Prudent Utility Management by Public Utility Districts and Sewer & Water Districts

## **Feedback from the Washington Public Utility District Association**

### How prudent utility management is currently used:

PUDs provide one or more of the following utility services; electricity, water, wastewater and telecommunications.

The decision whether to utilize regular PUD employees for utility work or contract out for the work is determined by a variety of factors including cost, as per the RCW threshold, employee qualifications/certifications, work flow management and coordination.

- Example #1: A PUD doesn't have regular employees trained to work on power lines of a certain voltage. The PUD will automatically contract out for the work.
- Example #2: A PUD has a limited number of employees. It would not be financially prudent to staff up for periods of increased work load. Therefore the PUD will contract out.
- Example #3: Emergency response when contracting out would result in delays in repairs/restoration of essential service.

### How PUD's arrived at the \$300,000 threshold under prudent utility management in 2019:

Under state statute, various classes of Public Utility District expenditures must go out for competitive bidding if their costs exceed certain so called "bid limits." These bid limit thresholds were last updated in 2008 and since that time utility costs have significantly increased. For example, the costs of common utility construction materials are 20 to 100% more expensive than they were 10 years ago.

In addition, significantly more of the distribution grid is now being installed underground which is generally much more costly than overhead construction. The increases in bid limits included in the legislation will allow PUD crews to complete a few more of the smaller, high training value and time sensitive projects. It is important for PUD crews to conduct this work. An intimate familiarity with the distribution system improves the speed and safety of power restoration in the event an accident or weather related disruption. Nevertheless, this bill would have no effect on large projects that would remain subject to competitive bidding. One other purpose of this bill is to restore the historical treatment of certain construction elements. Items like wire and conduit were recently included in the bid limits cost calculation and this reduced the number of projects available to PUD crews handle.

## **Feedback from Water & Sewer Districts**

Raising the threshold allows Water Sewer Districts (WSDs) to do the same work they have traditionally performed with their workforces. The prices for that same work have increased due to inflation and due to additional requirements being placed on WSDs. This is not a situation where WSDs are trying to take work from contractors.

## Lakewood Water District

### Why increasing the self-performance level is necessary:

1. Isolation valve replacements - District has several isolation valves that do not close watertight; many of these are in the roadway and in valve clusters. Digging out a tee with three gate valves and then repairing pavement can easily exceed the current \$50,000 threshold depending on the extent of roadway repairs required. Often these are discovered when we are preparing for a shutdown to install a new service or following a main break/repair.
2. Streets with parallel water mains - We have mains in parallel along 104th Street near our pump station and elsewhere in the District. If we had a main break – as we did recently along 104th – we would repair that broken main and need to repair the pavement. Depending on the age of the other parallel main, it would be advantageous to replace the other main before we are subject to the pavement moratorium.
3. Fire hydrant repair/replacements – We've had many instances where a fire hydrant is damaged, and we attempt to do what we feel is a simple repair to find out that shackle rods are corroded, and we need to extend the replacement all the way back to the tee. This often means that we need to replace the tee, 6" valve, and piping to the hydrant. Often the tee is in the roadway or under a sidewalk, etc., which significantly increases the project's cost. If this happens near an intersection, which is common, and curb ramps are not to current ADA standards, we would likely be required to replace those to meet current standards; this can be a significant cost.
4. Developer extension project – Situations are similar to what we see at Kendrick St development right now. A developer needs to replace/upsized a portion of the water main loop with a larger main and then likely make frontage improvements, which will drive up costs in any future replacement. We could move forward with replacing the rest of the main the last few hundred feet, because we would not be able to utilize the developer's contract for the construction work as we have public bidding/public works requirements. In the example of Kendrick Street, this would be roughly 350 feet of water main, valves, hydrants, etc., where we would want to complete the loop rather than have ½ 4" main and ½ 8" main and the project not be in the budget for this year. We've seen around \$250/lf for recent 8" projects, so this could be close to \$88,000 plus tax and potentially more depending on the amount of paving required.
5. Permit Fees- Our local authority permit fees have more than doubled in the last four years. This is for the permit to work in the right of way that we pay a franchise fee to use. The pavement-cutting fee four years ago was \$150-\$180, and now they start at \$560.00.
  - Pavement Moratorium: These are rules that do not allow for a cut and patch within a specific time frame from the new construction of a paved roadway; this, in our jurisdiction, includes cutting chip-sealed surfaces less than five years old. This has

the effect of not only raising the price of new work in those areas but also attaching a new set of parameters and increasing the cost of repairing the roadway should work be required for maintenance on an emergency basis.

- Pavement Degradation Fees: This is yet another new impact, as this comes into play during and after the moratorium. The assumption is that a patch in a roadway causes a reduction in the expected life of that roadway.
6. Material Costs: Utilities have seen the costs of the materials required to operate and maintain our critical facilities: The prices of hydrants, valves and fittings have skyrocketed. Here are a couple of examples, the cost of a single tapping valve in 20" now costs \$45,000 and this does not include the excavation and traffic control or restoration. Today a 24" gate valve to purchase is now in excess of 30,000 that being materials alone, this does not include the by-pass assemblies that you need to install so that you can operate the valve once in place. A hydrant was running \$1,900 two years ago is \$4,500 now. Large meters and specialized valves like pressure reducing or altitude valve can all cost all of the allowable self-performance budget to purchase let alone install and test.
  7. Labor Costs: In our case, the average field rate for the 2016 budget was \$42.82/hr.; we are now using \$60.62/hr., an increase of 41.5%. So, \$50,000 of labor in 2016 is now \$70,750. Over the last three years, fuel has risen over 60% in the same period.
    - Due to the scarcity of labor, the costs of hiring this work have increased precipitously as the workforce struggles to get and retain qualified help; their availability to do work is reduced, so they charge more for the work they can do. A recent example of this is we had a water main break, which was repaired but not before it caused significant damage to the roadway. The District considered replacing the 70-year-old water main under the pavement repair area, but this exceeded what we were allowed to perform, just in the restoration of the break. We did request a quote to replace the 250 feet of water main before we repaved; the quote was based on us supplying the materials for the water main, one hydrant, and a single service line. The installation price alone was \$400.00 LF, \$100,050 in installation cost on top of the \$30,000 in materials, not to mention the \$147,000 for repaving. The District could have repaired the water main with our staff for \$58,968 plus the \$30,000 in materials and \$147,000 in paving.

All of these factors have accentuated the need to increase the bid limit from its current level of \$50,000 and increase the level of work performed under prudent utility management to \$300,000.

#### North City Water District

##### Example:

Crews discovered a main break early morning on a 1952 cast iron water main. They would have identified the condition of the water main and noted it in the work order. Historically, they would have put a repair band on the break and closed up/repaved the hole.

Now with the bill, following the evaluation of the water main that broke, they would then, because it is an older water main, determine the length of water main between the break and the adjacent water main (which was a 1994 ductile iron main with restrained joints). The main was 43 feet away and there was a single valve in the area. With this new house bill, we could have had crews replace the older main up to the existing 1952 restrained joint main, add at least two valves plus pay the pavement which would likely have put the project over the \$50,000 limit. The main would have been repaired very soon after the break occurred.

Because we couldn't do it that way, we will end up going through a design and getting a permit then going out for a small works project to get it done. It will likely be a larger project, so we will end up adding a longer length of pipe to the scope but also pushing it out further. In some cases, we end up having at least one other main break in the area before we can get the small works project out for bid.