1525 Broadway
Longview, WA 98632
www.ci.longview.wa.us

City of Longview

City Council

Mayor MaryAlice Wallis
Mayor Pro Tem Michael Wallin
Council Member Ruth Kendall
Council Member Chet Makinster
Council Member Steve Moon
Council Member Christine Schott
Council Member Hillary Strobel

Tuesday, August 10, 2021	**6:00 PM**	**HYBRID/ZOOM - 2nd Floor, City Hall**

NOTICE IS HEREBY GIVEN, in accordance with RCW Chapter 42.30, that the City Council of the City of Longview, Washington, will be holding a special meeting on Tuesday, August 10th, at 6:00 p.m. at the Council Chamber, City Hall, 1525 Broadway St, Longview. The meeting is also available by Zoom.

Please click the link below to join the meeting:
https://us02web.zoom.us/j/83753227034

Telephone options (you may need to try more than one number if you receive a busy signal):
Dial any of the following numbers:

1-253-215-8782
1-669-900-6833
1-346-248-7799
1-408-638-0968
1-646-876-9923
1-301-715-8592
1-312-626-6799

Meeting ID: 837 5322 7034

For information about Zoom accessibility, please contact the City Clerk's Office at 360-442-5041.
The City Hall is accessible for persons with disabilities. Special equipment to assist the hearing impaired is also available. Please contact the City Executive Offices at 360.442.5004 48 hours in advance if you require special accommodations to attend the meeting.

The City of Longview has been conducting virtual meetings, but as we transition back to more in-person meetings, Council would like to take the opportunity to ask our community what works for them. Please visit the link to take a quick survey regarding public meetings held in-person vs. hybrid (combining virtual and in-person attendance): https://www.surveymonkey.com/r/3G3BVG3

1. CALL TO ORDER

2. ROLL CALL

3. WORKSHOP

21-000888 INDUSTRIAL WATER RATE FOR NIPPON DYNAWAVE PACKAGING COMPANY, LLC

RECOMMENDED ACTION:
DIRECTION TO STAFF

21-000889 WASHINGTON WAY, LARCH ST TO 34TH AVE - PROJECT PREVIEW

RECOMMENDED ACTION:
NONE

4. ADJOURNMENT

*** Any invocation that may be offered at the Council meeting shall be the voluntary offering of a private citizen, to and for the benefit of the Council. The views or beliefs expressed by the invocation speaker have not been previously reviewed or approved by the Council, and the Council does not endorse the religious beliefs or views of this, or any other speaker.**

NEXT REGULAR COUNCIL MEETINGS:
THURSDAY, AUGUST 26, 2021 – 7:00 P.M.
THURSDAY, SEPTEMBER 9, 2021 – 7:00 P.M.

NEXT COUNCIL WORKSHOPS:
THURSDAY, SEPTEMBER 23, 2021 – 6:00 P.M. HOSWWA UPDATE

City of Longview

Agenda Summary

INDUSTRIAL WATER RATE FOR NIPPON DYNAWAVE PACKAGING COMPANY, LLC

RECOMMENDED ACTION:
DIRECTION TO STAFF

COUNCIL STRATEGIC INITIATIVE ADDRESSED:
Continue Effective Financial Management

SUMMARY STATEMENT:
A presentation summarizing the current Weyerhaeuser Company industrial water rate. A review of the current negotiations with Nippon Dynawave Packaging, LLC. Review of the draft Nippon Dynawave Packaging, LLC industrial water agreement.

FINANCIAL SUMMARY:
The current Weyerhaeuser Company industrial water rate is a flat $3,986 per month. The proposed rate is $2.13 per CCF, which at today's consumption rate is approximately $34,000. The exact monthly charge will vary with consumption.

STAFF CONTACT:
Ken Hash, Public Works Director

Attachments:
1. Ind Water Rate memo
2. Industrial Water Rate

Memorandum

August 10, 2021

TO: City Council

FROM: Ken Hash, Public Works Director

SUBJECT: Industrial Water Rates Information and Recommendations

What is an Industrial Water Rate?

A negotiated contract water rate used with long term, large, consistent water consumers; also known as a bulk water rate. Typically, this rate is derived using a cost-of-service analysis. The cost-of-service analysis provides a rational basis for distributing costs to the specific customer given the demands that they place on the system.

Weyerhaeuser Company Water Agreement

The City of Longview has one industrial water rate agreement, and that is with the Weyerhaeuser Company.

In 1973 the City of Longview entered into an agreement with Weyerhaeuser Company for the sale/purchase of potable water. The rates were set to reflect the "cost to produce water." Highlights of the agreement are:

- Weyerhaeuser agreed to purchase not less than 1,000,000 cf of water per month.
- They would pay $845 for the first 1,000,000 cf.
- Then they would pay $0.0845 per 100 cf for everything over the first 1,000,000 cf.
- The term of the agreement was for 25-years.
- Rates were to be reviewed and adjusted every 5-years.

Two points of interest with this original agreement. The going rate in 1973 for a commercial water user would have been $1,536 for 1,000,000 cf. The City's accounting system in 1973 could not calculate the tiered rate, so from the start Weyerhaeuser was charged a flat rate per month, regardless of consumption. A practice that continues to today.

The rate would be changed three times over the next 48 years. In 1984 the rate was changed to $1,400 for the first 1,000,000 cf (minimum) and $0.14 per 100 cf for everything over the first 1,000,000 cf. At this time the agreement stated that distribution costs were deferred in recognition of Weyerhaeuser's cooperation and assistance to the City during water shortage emergencies.

The next two rate changes occurred in 1991 and 1996 when the rates were set at $2,760 and $3,986, respectively. Today, 25-years later, the rate is $3,986. At 2021 rates, a commercial water user would pay $37,700 for 1,000,000 cf of water.

Industrial Water Rates Information and Recommendations

In 2016, the City hired FCS Group to do an Industrial Water Rate Analysis.

Alternative A recommended a rate of $1.7381 per 100 cf. This represents the cost to produce and deliver water to the water meter. This represents base-capacity costs with a small amount of customer costs and no fire protection costs. The commercial water rate in 2016 was $3.09 per 100 cf. Escalated using council approved rate increases; the $1.7381 becomes $2.13 in 2021 dollars. In comparison, today's commercial rate is $3.77 per 100 cf of water.

The Nippon Dynawave Packaging, LLC Water Agreement

After more than a year of negotiation, I have met with the representatives of Nippon Dynawave Packaging. LLC (NDP) and have tentatively agreed on a new industrial water rate. The new NDP industrial water rate agreement includes:

- The rate will start at $2.13 per 100 cf.
- No minimum purchase amount.
- It will be a 25-year agreement
- The rate will be adjusted by the same percentage rate adopted by City Council periodically through the resolution process.
- Beginning in 2026 and every five years thereafter, the City will review the unit rate using a cost-of-service analysis. Within 60 days of completion, the analysis will be shared with NDP. The unit rate will be adjusted to the newly established rate.

RECOMMENDATION

Draft a resolution to bring to City Council that will authorize the City Manager to enter into the enclosed Industrial Water Rate agreement with Nippon Dynawave Packaging. LLC

Attachments:

- 1973 Nov 1 agreement
- 1984 Feb 29 letter
- 1991 April 3 letter
- 1996 May 21 letter
- FCSG Memo – 2016
- Draft Ind Water Rate Agreement

File

AGREEMENT BETWEEN CITY OF LONGVIEW

and

WEYERHAEUSER COMPANY

This Agreement by and between the City of Longview, Washington, a municipal corporation organized under the laws of Washington, hereinafter called the "City" and Weyerhaeuser Company, a Washington corporation, hereinafter called "Weyerhaeuser" is entered into this 1st day of Nov., 1973.

ARTICLE I. The City agrees to sell to Weyerhaeuser and Weyerhaeuser agrees to buy from the City not less than 1,000,000 cubic feet of water per month at the Point of Delivery, as said term is hereinafter defined, said water to be of a quality and purity identical with the water now or hereinafter supplied to water customers of the City.

ARTICLE II. The term "Point of Delivery" as used in this instrument, shall be construed to mean the following location:

(a) The South side of Industrial Way near Washington Way and more specifically described in Exhibit "A" attached hereto and made a part hereof.

ARTICLE III. It is mutually agreed that water purchased by Weyerhaeuser will be purchased for the purpose of use on properties owned by Weyerhaeuser or by Weyerhaeuser subsidiaries who may be now or are hereafter connected to Weyerhaeuser's distribution lines. Weyerhaeuser agrees they will not resell the water, except to ships docking at its' Longview dock.

ARTICLE IV. All water purchased by Weyerhaeuser shall be metered. The rates for such metered water supplied in any one month or fractional part thereof shall be in accordance with the following schedule:

For the first 1,000,000 cu. ft. - $845.00

For all over 1,000,000 cu. ft. - .0845 per 100 cu. ft.

ARTICLE V. In addition to paying monthly, upon receipt of written billing from the City, for such water at the specified rates in Article IV above, Weyerhaeuser agrees to reimburse the City for the construction charges for an 8" distribution line, to be constructed by the City, along Washington Way from the C & C Railroad to the south side of Industrial Way and along the south side of Industrial Way from Washington Way to the easterly property line of R-W Paper Company and to further reimburse the City for the construction charge for a six (6) inch water meter, including installation, the general location of said distribution line and meter being shown on the sketch attached hereto, marked Exhibit "A", and by this reference made a part hereof.

Such charges shall be made by the City to Weyerhaeuser in accordance with the following schedule for:

(a) 8 inch water line along Washington Way from C & C Railroad to Industrial Way ---- $7,100.00

(b) 8 inch water line along Industrial Way from Washington Way to R-W easterly property line ---- $7,400.00

(c) 6 inch water meter installed ---- $3,600.00

and shall be promptly paid by Weyerhaeuser upon receipt of the written statement of the City for the same which statement will be submitted when the work is completed.

Such 8 inch line installed under this Contract, together with the water meter shall be and remain the property of the City.

ARTICLE VI. Weyerhaeuser shall and does assume all responsibility for water received by it at the Point of Delivery and at all points thereafter, and hereby covenants and agrees to protect and save harmless the City and its agents, servants and employees, from all claims for injury or damage to persons or property occasioned by the use of such water or facilities used for the distribution thereof by Weyerhaeuser or from the facilities mentioned in Article V above, and to completely indemnify the City, and each of the aforesaid individuals, with respect to all costs and expenses whatsoever, including attorney's fees, incurred in connection with or as a result of any and all claims for injury or damage arising out of this contract, save and except such injury or damage as may be caused by acts of the City, its servants, employees or agents.

ARTICLE VII. The duly authorized agents of the City shall have free access at all reasonable hours to the property of Weyerhaeuser for the purpose of installing, inspecting, testing and maintaining or removing of the City's property, reading meters and any other purpose incidental to the carrying out of the provisions of this contract.

ARTICLE VIII. Provided both parties have fully, faithfully and strictly observed and performed the same and every part thereof, this Agreement shall continue in effect for a period of twenty-five (25) years from the date hereof and thereafter until cancelled by either party upon twelve months notice in writing to the other party. The rates set forth in Article IV hereof shall be reviewed and adjusted, as necessary, every five (5) years by the City, based on its actual costs of water production and distribution, and Weyerhaeuser shall be notified in writing of any such rate change and hereby covenants and agrees to pay the same. Should Weyerhaeuser refuse to pay any such rates, the City may immediately discontinue furnishing water hereunder and take any other legal action deemed necessary to recover any sum due the City for water furnished hereunder up to the date of such discontinuance. Weyerhaeuser agrees to pay the City's court costs and a reasonable attorneys' fee, as fixed by the Court, for the City's attorneys if the City prevails in any such action.

ARTICLE IX. This Agreement shall take effect as of the first day of January, 1974.

ARTICLE X. Any notice required to be given under this Agreement shall be deemed complete when mailed by one party to the address of the other party by certified mail, postage prepared, and return receipt requested. Such notices shall be mailed as follows:

If to the City:

City of Longview
City Hall
Longview, WA 98632
Attn: City Manager

If to Weyerhaeuser:

Weyerhaeuser Company
P.O. Box 188
Longview, WA 98632
Attn: Vice-President S.W. Washington Region

subject to the right of either party to change such mailing address by mailing notice as above provided.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officials the day and date first above written.

CITY OF LONGVIEW

By: J Walter Bach
City Manager

ATTEST:

Gale D. Craddock
City Clerk

WEYERHAEUSER COMPANY

By: J M McEwen
Authorized Official and/or Agent

APPROVED AS TO FORM:

W. R. Studley
Corporation ~~Counsel~~

ATTEST:

____

Title: ____________________

THE CITY OF LONGVIEW
FOUNDED 1923
LONGVIEW, WASHINGTON 98632

February 29, 1984

Mr. Chuck Wiggins
Regional Vice President
Weyerhaeuser Company
P. O. Box 188
Longview, WA 98632

Subject: City Water Purchased by Weyerhaeuser Company

Dear Chuck:

Enclosed is a copy of our Agreement for the selling of City water to Weyerhaeuser. In Article VIII you can see that the rates charged for this water are to be "reviewed and adjusted, as necessary, every five (5) years by the City, based on its actual cost of water production and distribution. . ." Our Agreement is ten years old as of January 1, 1984. During these ten years we have enjoyed an excellent working relationship with Weyerhaeuser Company and have not found it necessary to increase the rates charged for City water to Weyerhaeuser Company.

However, many improvements have been made to our water system during this period. In particular, we have made a significant expansion of the treatment plant. This expansion was jointly financed by the City and the Cowlitz Public Utility District No. 1. In our Agreement with the P.U.D., we are required to share with them the annual cost of producing water from this plant. In 1984, the costs to produce water are 14¢ per 100 cubic feet.

As you can see, your current charge is 8.45¢ per 100 cubic feet, which is 5.55¢ per 100 cubic feet less than our costs. In addition to these production costs, the City also incurs a distribution cost in order to deliver City water to your meter. We believe Weyerhaeuser Company should pay at least the cost of the production of the water. In recognition of your cooperation and assistance to the City during water shortage emergencies, we will defer any charges for the cost of distributing the water from the plant to your meter.

Mr. Chuck Wiggins
February 29, 1984
Page 2

Article VIII and X of the enclosed Agreement requires that notice be given to you in the event the City finds it necessary to increase the rates. Please consider this letter as notice that effective April 1, 1984, your monthly water rates will be as follows:

For the first 1,000,000 cubic feet - $1,400.00 per month minimum

For all water over 1,000,000 cubic feet - 14¢ per 100 cubic feet

Please feel free to call if you have any comments or questions.

Sincerely yours,

CITY OF LONGVIEW

J. Walter Barham,
City Manager

JWB:sw
Attachment/1

cc: Tom Riffe, Director of Finance
Lee Edtl, Director of Utilities

THE CITY OF LONGVIEW
FOUNDED 1923
LONGVIEW, WASHINGTON 98632

April 3, 1991

Daniel A Spjut
Purchasing Manager
Weyerhaeuser Paper Company
P.O. Box 188
Longview, Washington 98632

**Re: Weyerhaeuser Water Agreement
Account #182111**

Dear Sir:

This is to follow up our meeting of this date regarding water service to the Weyerhaeuser Mill Site through the 6-inch meter located at the main gate; this service is addressed in the special agreement dated November 1,1973,. As we discussed, the rate has not been reviewed since 1984 when it was adjusted to $0.14 per ccf.

As a result of reviewing residential and commercial water and sewer rates, it came to our attention that our industrial rate needed reviewing. This review has been completed by our consultant. I have attached a copy for your convenience.

As of the May 1991 billing, which should occur about May 10, the rate shall be increased to $0.276 per ccf, in accordance with the attached "New Agreement Rate Schedule." This increased rate includes the $0.17 wholesale rate, plus other Level 1 costs shown in the Financial Consulting Solutions Group report; Level 2 costs as shown in the report; and a proration of costs for new capital projects scheduled within the next 5 years as shown on the Level 2 Amendment.

This rate shall remain in effect for the next 5 years at which time we anticipate recalculating all costs and including Level 3 and 4 costs in the rate.

We also discussed the problem regarding the miscalculation of the billings over the past year and a half. Starting with the May billing, we will credit your account at the rate of $0.276 per ccf until the $38,752.61 overcharge is cleared up. Since no bill will be generated during that time period we will send you an account history showing consumptions on a monthly basis.

(WAT52)

P.O. BOX 128 LONGVIEW WASHINGTON 98632

The City of Longview Washington

May 21, 1996

Daniel A Spjut
Purchasing Manager
Weyerhaeuser Paper Co.
PO. Box 188
Longview Washington 98632

Re: Weyerhaeuser Water Agreement
Account #30-31-182111

Dear Sir:

As you will recall, we met in April of 1991 and discussed our position regarding what we should be charging for water consumed under this agreement. At that time we agreed to charge $0.276 per CCF for a period of five years. At the end of that period we would review our industrial rate and make any necessary adjustments. At that time we were predicting that the 1996 rate would be in the neighborhood of $0.36 per CCF plus any increase in the wholesale rate.

At this time our consultant is preparing to review this and other rates for us, however a preliminary review indicates that the final rate for 1996 will be approximately $0.3986 per CCF. Consequently we will use this rate in the interim, which only reflects the increase in the wholesale rate due to increased treatment costs and make any adjustments necessary in subsequent billings.

If you have any questions concerning this matter, please contact this office at 577-3372.

Yours truly,
CITY OF LONGVIEW

Lowell Marsh
Utilities Administrator

FCS GROUP
Solutions-Oriented Consulting

Memorandum

To: Jeff Cameron, John Axford; City of Longview **Date:** June 19th, 2016

From: John Ghilarducci, Chris Gonzalez, Brooke Tacia; FCS GROUP

RE: Industrial Water Rate Analysis

The City of Longview currently provides bulk water service to Weyerhaeuser Company under an agreement originally established in November 1973. Article VIII of this agreement established a term of 25 years, and automatically extended thereafter until terminated. The City has requested an update to the industrial bulk water rate to reflect the current cost of providing service to Weyerhaeuser and potentially to other industrial users.

Under the terms set forth in Article IV of the 1973 agreement, Weyerhaeuser pays a fixed rate for the first 1,000,000 cubic feet of water use per month; an overage rate applies to any additional usage. FCS GROUP most recently reviewed the industrial bulk water rate as part of a 2009 cost-of-service analysis that derived an equitable allocation of the water utility's costs to customer classes.

The cost-of-service analysis provides a rational basis for distributing costs to each customer class given the demands that they place on the system. Detailed cost allocations, along with appropriate customer class designations, promote equitable cost recovery through the City's rate structure. Consistent with industry standards as identified by the American Water Works Association (AWWA) in ***Manual M1 – Principles of Water Rates, Fees and Charges***, the cost-of-service analysis includes the following key elements:

- Allocation of costs to functions of service
- Allocation of costs to customer classes based on relative demands

Each of these analytical phases is discussed in further detail below.

A. Functional Cost Allocation

The water utility's costs are allocable to the following functions of service:

- **Customer:** Costs associated with establishing, maintaining, and serving water customers. These costs, which include administrative, billing, and customer service costs, typically do not vary by meter size or water usage.
- **Base Costs:** Costs related to providing capacity to meet "base" or average demands.
- **Peak Costs:** Costs related to providing incremental capacity to meet peak demands.
- **Fire Protection:** Costs attributable to providing fire protection, including both facilities directly related to fire protection (e.g. hydrants) and facilities that have been oversized to accommodate fire flows (e.g. mains, pumps, reservoirs).

Costs that can be directly attributed to a service function are fully allocated to that function – for example, meter reading costs are fully allocated to the customer function. A functional allocation of the water utility's assets informs the allocation of other costs (e.g. employee salaries, operating supplies) to service functions. **Exhibit 1** provides a summary of the functional cost allocation results.

Exhibit 1: Water Utility Functional Cost Allocation Summary

Allocated 2016 Cost	Customer	Base Capacity	Peak Capacity	Fire Protection	Total
Treatment	$ -	$ 630,024	$ 541,821	$ -	$1,171,845
Other Water Operations	688,853	2,864,704	2,433,864	501,172	6,488,593
Total	**$688,853**	**$3,494,728**	**$2,975,685**	**$501,172**	**$7,660,439**
Percent of Total	**9.0%**	**45.6%**	**38.9%**	**6.5%**	**100.0%**

Exhibit 1 indicates that 84.5% of the utility's costs are allocable to providing system capacity to meet average (base) and peak water demands. Costs related to customer service and meters represent 9.0% of total costs, and the remaining 6.5% is attributable to fire protection.

B. Customer Class Cost Allocation

The functional cost pools shown in **Exhibit 1** are allocated to customer classes based on the demand each class places on the system. The following principles guide this allocation:

- **Customer:** Recognizing that these costs generally do not depend on meter size or water usage, they are allocated to classes based on the number of customer accounts.
- **Base Capacity Costs:** Because these costs are associated with average demands, they are allocated to classes based on total annual water use.
- **Peak Capacity Costs:** This analysis considers two potential ways of allocating costs associated with meeting peak demands.
  - The first focuses on individual customer peaking patterns, and allocates the costs based on each class' incremental peak demand above its winter-average demand.
  - The second focuses on the system's peak demand, allocating costs based on each class' demand during the peak-demand period (summer months).
- **Fire Protection:** Costs related to fire protection are allocated to classes based on meter capacity equivalents. These costs would not be allocated to industrial customers such as Weyerhaeuser that maintain their own fire protection water system and do not receive fire protection water from the City.

Exhibit 2 summarizes the customer class cost allocation for both alternatives:

Exhibit 2: Customer Class Cost Allocation Summary

	Customer	Base Capacity	Peak Capacity	Fire Protection	Total
Allocated 2016 Cost					
Treatment	$0	$630,024	$541,821	$0	$1,171,845
Other Water Operations	$688,853	$2,864,704	$2,433,864	$501,172	$6,488,593
Total	$688,853	$3,494,728	$2,975,685	$501,172	$7,660,439
Number of Accounts	14,952				
2016 Cost Per Account Per Month					
Treatment	$0.00				
Other Water Operations	$3.84				
Total	$3.84				
Number of Meter Equivalents Receiving Fire Protection				20,175	
2016 Cost Per Meter Equivalent Per Month					
Treatment				$0.00	
Other Water Operations				$2.07	
Total				$2.07	
Annual Water Demand		2,010,700 ccf			
2016 Cost Per ccf (All Usage)					
Treatment		$0.31			
Other Water Operations		$1.42			
Total		$1.74			
Summer Water Demand			789,767 ccf		
2016 Cost Per ccf (Summer Usage)					
Treatment			$0.69		
Other Water Operations			$3.08		
Total			$3.77		
Allocation of 2016 Costs to Industrial Class:					
Number of Industrial Units	**1**	**120,000 ccf**	**40,000 ccf***	**0**	
Alternative A (Excluding Peak Capacity Costs)	**$46**	**$208,568**	**$0**	**$0**	**$208,614**
Alternative B (Including Peak Capacity Costs)	**$46**	**$208,568**	**$150,712**	**$0**	**$359,326**

**Base demand during four-month summer peak-demand period.*

Weyerhaeuser currently pays a rate of $3,986 per month for the first 1 million cubic feet per month, and an overage rate of $0.3986 per hundred cubic feet (ccf) for additional usage. Weyerhaeuser's usage history indicates that it remained within 1 million cubic feet per month for all of 2014, avoiding overage charges. Consequently, the industrial class is currently paying $47,832 per year.

Both of the alternatives shown in **Exhibit 2** suggest that the City could justify a considerable increase in the share of costs allocated to the industrial class. In Alternative A (incremental peak approach), the industrial class is not allocated peak capacity costs because Weyerhaeuser is assumed to use the contract volume of 1 million cubic feet per month – by definition, it does not peak in its usage. Virtually all of the costs allocated to the industrial class in Alternative A are base-capacity costs, which represent 45.6% of the total revenue requirement and are allocated to customer classes based on annual usage (Weyerhaeuser's contract volume represents 6.0% of total system water usage). The industrial class is allocated a small amount of customer-related costs on the basis that Weyerhaeuser represents 1 of 14,952 accounts served by the City. As previously noted, fire-protection costs are not allocated to the industrial class because it does not receive that service.

Alternative B includes an allocation of peak-capacity costs to the industrial class based on its usage during the summer months (July – October billing period). Weyerhaeuser's contract volume represents about 5.1% of the City's summer usage, resulting in an allocation of $150,712 in peak-capacity costs to the industrial class. This is the only difference between the two alternatives.

While the City can choose either of these allocation methodologies when setting rates, the rates for all customers should be based on a consistent allocation methodology. If the City recovers more from industrial bulk water users (e.g. peak-capacity costs), it would be reasonable to expect a corresponding reduction in the amount recovered from the City's other customer classes.

Exhibit 3 summarizes the industrial bulk water rate structure alternatives for Weyerhaeuser:

Exhibit 3: Industrial Bulk Water Rate (Weyerhaeuser)

	Existing	Updated[1]	
		Alternative A	Alternative B
Base Rate (Includes 1,000,000 cf per Month)	$3,986	$17,384	$29,944
Overage Rate per 100 cf (> 1,000,000 cf per month)	$0.3986	$1.7381	$2.9940

[1]The monthly base rate under the updated rate alternatives includes a customer billing charge of $3.84.

In addition, the City has requested guidance on setting a bulk water rate for future industrial users. **Exhibit 4** presents a potential structure based on the rates shown for Weyerhaeuser in **Exhibit 3**.

Exhibit 4: Industrial Bulk Water Rate (Other Users)

Minimum Monthly Base Rate per Meter	Customer Service	Fire Protection	Total
3/4" Meter	$3.84	$2.07	$5.91
1" Meter	$3.84	$5.18	$9.02
1-1/2" Meter	$3.84	$10.35	$14.19
2" Meter	$3.84	$16.56	$20.40
3" Meter	$3.84	$33.12	$36.96
4" Meter	$3.84	$51.75	$55.59
6" Meter	$3.84	$103.50	$107.34
8" Meter	$3.84	$165.60	$169.44
10" Meter	$3.84	$238.05	$241.89
12" Meter	$3.84	$341.55	$345.39

Rate per ccf	Treatment	Other	Total
Alternative A (Excluding Peak Capacity Costs)	$0.3134	$1.4247	$1.7381
Alternative B (Including Peak Capacity Costs)	$0.5420	$2.4520	$2.9940

The rate structure shown in **Exhibit 4** can be customized to reflect the level of service provided.

- The customer service charge would apply to each meter served. Customers with multiple meters would equitably pay for a greater share of the utility's customer service and billing costs, given the additional effort to read and compute bills for each meter.
- The fire protection charge would only apply to customers that receive fire protection water service from the City. This analysis is based on the allocation logic used in the 2009 cost-of-service analysis, which determines a single unit cost of fire protection for all customer classes – as a potential future refinement, the City could consider establishing a class-specific fire protection charge reflecting each class' fire protection requirements.
- The applicable rate per ccf would be selected depending on whether the customer receives treated or untreated water, and whether or not they require a commitment of peak capacity. The City should use consistent logic for all customers when deciding whether or not to include peak-capacity costs in the rate per ccf – it can be defined based on individual customer peaking patterns, or it can be defined based on customer demands during peak demand periods.

For customers requiring a capacity commitment from the City, the rate per ccf would apply to the amount of capacity committed to determine an incremental base rate (above the minimum base rate per meter). Usage above the committed capacity level would be subject to the rate per ccf on a volumetric basis.

Considering Weyerhaeuser's rate structure as an example,

- The base rate includes a customer billing charge for one meter, as the City has to read Weyerhaeuser's water meter and generate monthly bills.

- The base rate does not include the fire protection charge because Weyerhaeuser provides its own fire protection water and does not receive that service from the City.

- The applicable rate per ccf includes the treatment component, as Weyerhaeuser's agreement with the City provides for water quality that is consistent with what the City provides to its other customers. Weyerhaeuser's base rate also includes a capacity charge that is determined by applying the rate per ccf to the amount of capacity committed to Weyerhaeuser (10,000 ccf per month). The rate per ccf applies as a volumetric rate to all usage above 10,000 ccf per month.

Even if a bulk water customer does not require a capacity commitment, it would still be appropriate for the City to recover a portion of capacity-related costs through the base rate. The City could use its commercial base rate structure as a starting point, deducting the applicable fire-protection charge for customers that do not require that service from the City. The full rate per ccf shown in **Exhibit 4** would generally apply to all usage, though the City could consider exempting customers from certain components based on the level of service to be provided. For example, it would make sense for the City to exempt raw water customers from the treatment component of the rate; the City could justify exempting customers with interruptible service from the peak-capacity component of the rate.

We recommend that the City consider increasing the industrial bulk water rate to reflect the cost of providing service. Prior to adjusting rates for the City's other customers, it would be prudent for the City to complete a more comprehensive cost-of-service rate study.

AGREEMENT BETWEEN CITY OF LONGVIEW

AND

NIPPON DYNAWAVE PACKAGING COMPANY, LLC

This agreement by and between the City of Longview, Washington, a municipal corporation under the laws of Washington, hereinafter called the "City" and Nippon Dynawave Packaging Company, LLC, a foreign limited liability company, hereinafter called "NDP" is entered into this _____ day of ______________, 2021.

ARTICLE I. The City agrees to sell to NDP and NDP agrees to buy from the City not less than 1,000,000 cubic feet (10,000 CCF) of water per month at the Point of Delivery, during the term as defined in article VI. Water will be of a quality and purity identical with the water now or hereafter supplied to water customers of the City.

ARTICLE II. The term "Point of Delivery" as used in this Agreement, is the following location:

(a) The South side of Industrial Way near Washington Way and more specifically described in Exhibit "A" attached and made a part of this agreement.

ARTICLE III. All water purchased by NDP shall be metered. The rates for such metered water supplied in any one month or fractional part thereof shall be $2.13 per CCF escalated periodically as detailed in Article VII.

ARTICLE IV. NDP shall assume all responsibility for the water received by NDP at the Point of Delivery and agrees to protect and save harmless the City and its officials, agents, and employees, from all claims for injury or damage to persons or property occasioned by the use of such water or facilities used for the distribution thereof by NDP and to completely indemnify the City, and each of the aforesaid individuals, with respect to all costs and expenses whatsoever, including attorney's fees, incurred in connection with or as a result of any and all claims for injury or damage arising out of this contract, save and except such injury or damage as may be caused by acts of the City, its officials, agents or employees.

ARTICLE V. The duly authorized agents of the City shall have free access at all reasonable hours to the property of NDP for the purpose of installing, inspecting, testing and maintaining or removing of the City's property, reading meters and any other purpose incidental to the carrying out of the provisions of this contract.

ARTICLE VI. Provided both parties have fully, faithfully and strictly observed and performed every part thereof, this Agreement shall continue in effect for a period of twenty-five (25) years from the date signed or until cancelled by either party upon twelve months' notice in writing to the other party.

ARTICLE VII. Beginning on January 1 after endorsement of this agreement, the rate will be adjusted by the same percentage rate adopted by City Council periodically through the resolution process. Beginning in 2026 and every five years thereafter, the City will review the unit rate using a cost-of-service analysis. Within 60 days of completion, the analysis will be shared with NDP. On January 1 after the cost-of-service analysis is completed, the unit rate will be adjusted to the newly established rate. In intervening years, the rate will be adjusted by the same percentage rate adopted by City Council periodically through the resolution process. NDP hereby agrees to pay the same. Should NDP refuse to pay any such rates, the City may immediately discontinue furnishing water hereunder and take any other legal action deemed necessary to recover any sum due the City for water furnished hereunder up to the date of such discontinuance. NDP agrees to pay the City's court costs and reasonable attorneys' fee, as fixed by the Court, for the City's attorneys if the City prevails in any such action.

ARTICLE VIII. The agreement shall take effect as of the first day of ___________________, 2021.

ARTICLE IX. Any notice required to be given under this Agreement shall be deemed complete when mailed by one party to the address of the other party by certified mail, postage prepared, and return receipt requested. Such notices shall be mailed as follows:

If to the City:

City of Longview
Attn: Public Works Director
PO BOX 128
Longview, WA 98632

If to NDP:

Nippon Dynawave Packaging Company, LLC
Attn: _____________________
3401 Industrial Way
Longview, WA 98632

subject to the right of either party to change such mailing address by mailing notice as above provided.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officials on the day and date above.

CITY OF LONGVIEW

By:___________________________________
City Manager

ATTEST

____
City Clerk

APPROVED AS TO FORM

____
City Attorney

NIPPON DYNAWAVE PACKAGING COMPANY, LLC

By: ______________________________________

Authorized Official and/or Agent

Title: _______________________

ATTEST

____

APPROVED AS TO FORM

____
Corporate Counsel

INDUSTRIAL WATER RATE WORKSHOP

Ken Hash
Public Works Director
August 10, 2021

THE HISTORY OF THE WEYERHAEUSER COMPANY WATER AGREEMENT

- November 1, 1973 – the City of Longview enters into an agreement with Weyerhaeuser Company for the sale/purchase of potable water. The rates were set to reflect the "cost to produce water".
  - Not less than 1,000,000 cf of water per month
    - $845 for the first 1,000,000 cf
    - $0.0845 per 100 cf for everything over the first 1,000,000 cf
  - 25-year agreement
  - Rates to be reviewed and adjusted every 5-years
- In 1973 the commercial rate would have been $1,536 for 1,000,000 cf.

THE HISTORY OF THE WEYERHAEUSER COMPANY WATER AGREEMENT

- February 29, 1984 – the Longview/Weyerhaeuser agreement was adjusted for the first time. Again, this reflected the "cost to produce water".
    - $1,400 for the first 1,000,000 cf (minimum)
    - $0.14 per 100 cf for everything over the first 1,000,000 cf
  - Rates were reviewed and adjusted after 10-years
  - Distribution costs were deferred in recognition of WeyCo cooperation and assistance to the City during water shortage emergencies

THE HISTORY OF THE WEYERHAEUSER COMPANY WATER AGREEMENT

- April 3, 1991 – the Longview/Weyerhaeuser agreement is adjusted for the second time. Again, this reflected the "cost to produce water".
  - $2,760 for the first 1,000,000 cf (minimum)
  - $0.27 per 100 cf for everything over the first 1,000,000 cf
- May 21, 1996 – the Longview/Weyerhaeuser agreement is adjusted for the third and final time.
  - $3,986 for the first 1,000,000 cf (minimum)
  - $0.3986 per 100 cf for everything over the first 1,000,000 cf

THE HISTORY OF THE WEYERHAEUSER COMPANY WATER AGREEMENT

- It’s to be noted that in 1973 the City’s accounting system was unable to compute the 2-tier rate system. So, WeyCo has been charged a flat rate regardless of consumption.
  - 1973 - $845 per month
  - 1984 - $1,400 per month
  - 1991 - $2,760 per month
  - 1996 - $3,986 per month
  - Today - $3,986 per month

THE HISTORY OF THE WEYERHAEUSER COMPANY WATER AGREEMENT

- In 2016 the City hired FCS Group to do an Industrial Water Rate Analysis.
  - Alternative A recommended a rate of $1.7381 per 100 cf. This represents the cost to produce and deliver water to the water meter. This is base-capacity costs with a small amount of customer costs and no fire protection costs
  - The commercial water rate in 2016 was $3.09 per 100 cf
- Escalated using council approved rate increases, the $1.7381 becomes $2.13 in 2021 dollars. Todays commercial rate is $3.77.

THE NIPPON DYNAWAVE PACKAGING CO. WATER AGREEMENT

- This agreement will be with Nippon Dynawave Packaging Company, LLC.
- The rate will start at $2.13 per 100 cf
- 25-year agreement
- The rate will be adjusted by the same percentage rate adopted by City Council periodically through the resolution process.
- Beginning in 2026 and every five years thereafter, the City will review the unit rate using a cost-of-service analysis. Within 60 days of completion, the analysis will be shared with NDP. After the cost-of-service analysis is completed, the unit rate will be adjusted to the newly established rate.

WHAT ABOUT OTHER INDUSTRIAL USERS? WHO ARE THE TOP TEN?

	Top Water Consumers	5/1/21 - 6/3/21	
	Name	consumption	
1	Nippon Dynawave	8,321	
2	Kapstone	5,592	
3	NW Hardwoods	941	
4	Port of Longview	939	
5	Pacifc Fibre	758	
6	Cowlitz Co Jail	707	
7	Interfor	673	
8	LV Country Club	638	
9	Wash Man LLC	634	
10	TRRWA	554	
	total	19,757	

RECOMMENDATION

DRAFT A RESOLUTION TO BRING TO CITY COUNCIL THAT WILL AUTHORIZE THE CITY MANAGER TO ENTER INTO AN INDUSTRIAL WATER RATE AGREEMENT WITH NIPPON DYNAWAVE PACKAGING, LLC. AS OUTLINED ON SLIDE NO. 7.

QUESTIONS?

City of Longview

Agenda Summary

WASHINGTON WAY, LARCHST TO 34TH AVE - PROJECT PREVIEW

RECOMMENDED ACTION:
NONE

COUNCIL STRATEGIC INITIATIVE ADDRESSED:
Improve transportation systems
Improve streets and roads

SUMMARY STATEMENT:
We will preview a new grant funded project which will improve Washington Way from Larch Street to 34th Avenue.

FINANCIAL SUMMARY:
This project is funded through an FHWA NHS grant of $4.7 million.

STAFF CONTACT:
Ken Hash, Public Works Director

Attachments:
1. Wash Way memo
2. Washington Way

Memorandum

August 10, 2021

TO: City Council

FROM: Ken Hash, Public Works Director

SUBJECT: Washington Way, Larch St to 34th Ave – Project Preview

In the Council Workshop on August 10th, we will preview a new grant funded project which will improve Washington Way from Larch St to 34th Avenue.

Who funded the project?
FHWA through WSDOT has funded a National Highway System (NHS) Asset Management Project.

What is the project?
The project will plane and resurface much of the roadway. We will replace damaged concrete panels, as needed. ADA ramps will be re-constructed to the current standard, as needed. Signal systems will be replaced or updated. In the end, we will restripe the road as a 3-lane roadway section. It will have 2 travel lanes, a two-way left-turn lane and 2 bike lanes.

When will the project be constructed?
Summer of 2023

Where is the project?
On Washington Way from Larch St to 34th Avenue.

Why are we doing the project?
The grant application was meant to address City streets where the following criteria was met:

- On a National Highway System Route
- On street with a high roughness rating
- In a City with a street maintenance program
- In a City with a street maintenance funding program (TBD)
- In a City with a street rating program.

The City of Longview and specifically Washington Way fit the above criteria.

In a day and age when we are trying to work on complete streets and trying to include all modes of transportation, the conversion of Washington Way to a 3-lane road diet seemed like a step in the right direction. In addition, the timing was perfect.

Washington Way, Larch St to 34th Ave – Project Preview

Why Preview the Project?
Road diet projects are subject to much controversy. What may come up as we advance the project?

- Taking away vehicle lanes
- Causing congestion
- Reduced capacity
- Change
- On-street Sunday parking
- ???

I can't promise a road diet project that doesn't include controversy. But, I can promise a project that incudes no surprises and an adequate amount of public outreach.

What's the cost?
$4.7 million dollars with no required local match.

RECOMMENDATION
None required

Washington Way

Larch St to 34th Ave

Ken Hash
Public Works Director
August 10, 2021

Washington Way

Washington Way

Washington Way

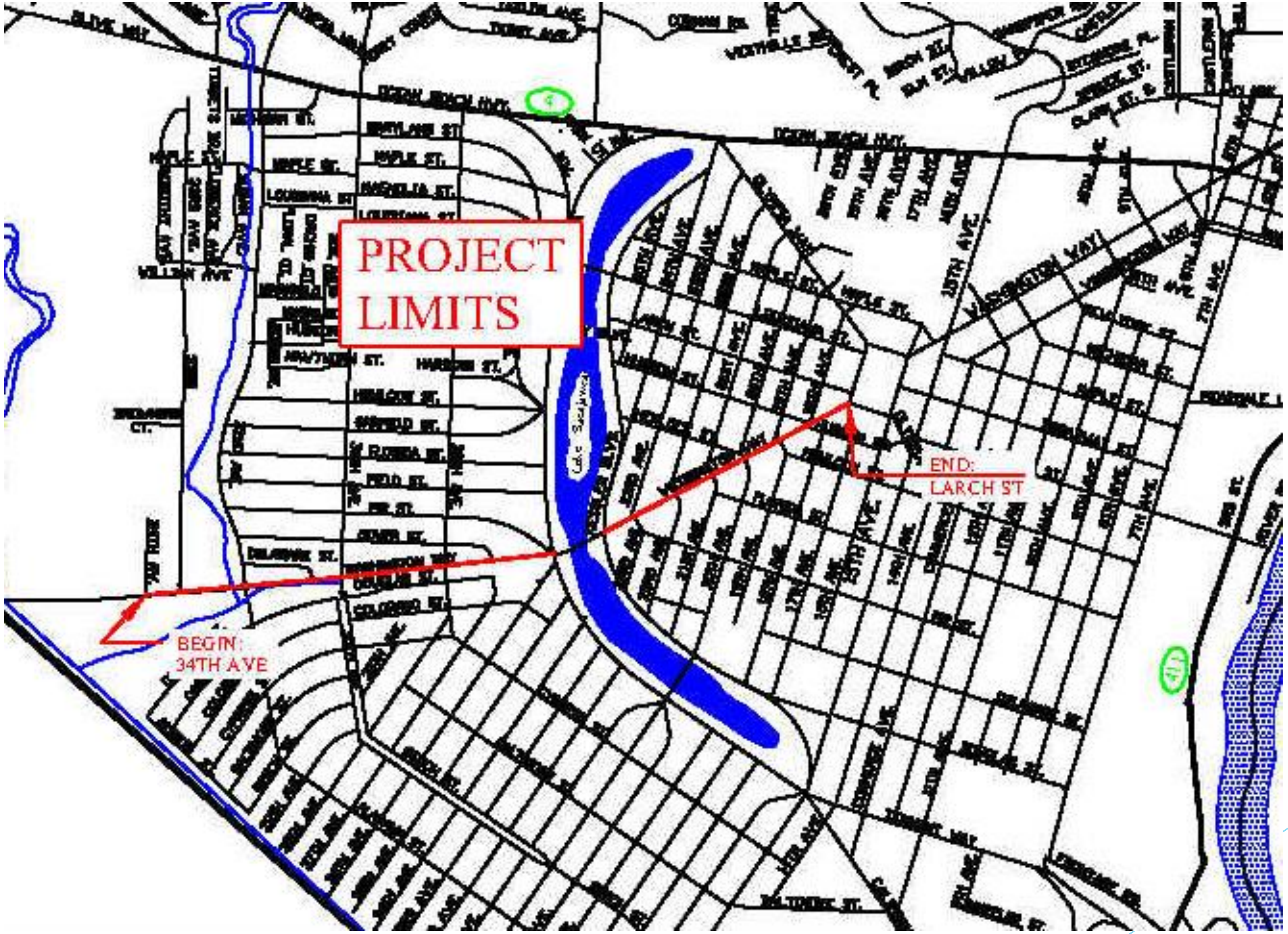
Larch St to 34^{th} Ave

2021 NHS Asset Management Project

$4.7 Million

Plane and resurface, replace concrete panels, ADA curb ramps, channelization, relocate detection loops.

Ken Hash
Public Works Director
August 10, 2021


PROJECT LIMITS
BEGIN: 34TH AVE
END: LARCH ST

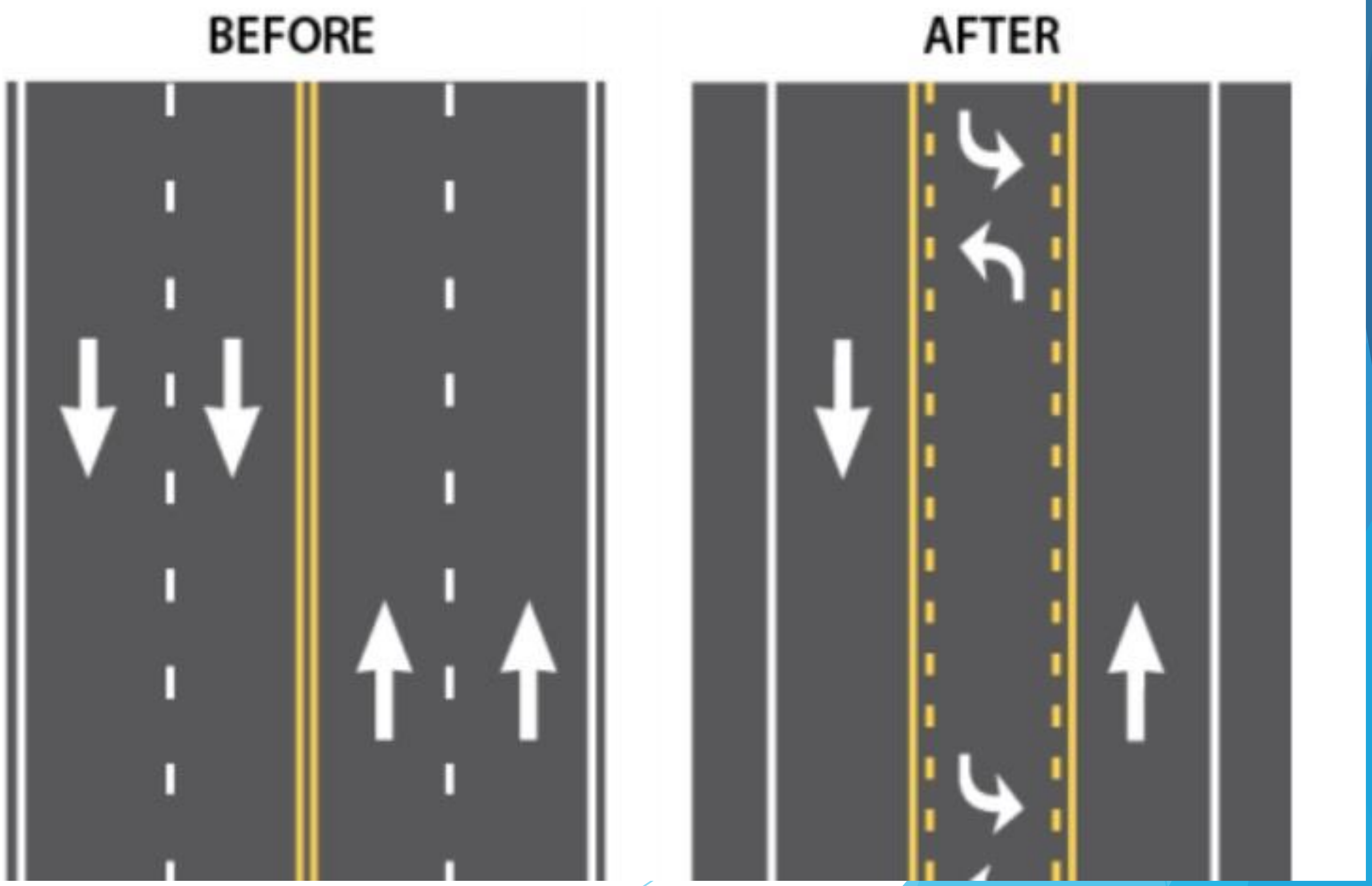
What will we be doing?

- Plane and resurface
- Replace concrete panels
- New ADA curb ramps
- Channelization
- Relocate detection loops

Road Diet

What is a Road Diet?

The most common is changing a four-lane road, with two lanes in each direction, into a three-lane road, with one lane in each direction and a shared center turn lane. The 10 to 12 feet of shared space from the lost vehicle lane can be used for a bike lane in each direction.



Why a Road Diet?

A Road Diet offers several high-value improvements at a low cost when applied to traditional four-lane undivided highways.

- Low cost
- Enhanced safety
- Mobility
- Access for all road users
- A "complete streets" environment to accommodate a variety of transportation modes.

Why a Road Diet?

The resulting benefits include:

- A crash reduction of 19% to 52%
- Reduced vehicle speed differential
- Improved mobility and access by all road users
- Integration of the roadway into surrounding uses that results in an enhanced quality of life

Why a Road Diet?

Crash History 2016-2018:

- 115 crashes
- 95 possibly preventable with a road diet
- 30 rear end accidents
- 42 possible injury accidents

Studies show a crash reduction of 19% – 52%

Road Diet Controversy?

What may come up:

- Taking away vehicle lanes
- Causing Congestion
- Reduced capacity
- Change
- On-street Sunday parking

Washington Way

Larch St to 34th Ave

2021 NHS Asset Management Project

$4.7 Million

Questions?