

# Tualatin Valley Water District



Delivering the Best Water  Service  Value

## Water Rate Advisory Committee Meeting #4; November 2, 2016; 6:00 p.m.

### Attendees -

#### *Rate Advisory Committee*

- |   |  |
|---|--|
| <input type="checkbox"/> Al Schmitt                 | <input checked="" type="checkbox"/> Keith Hobson     |
| <input type="checkbox"/> Amy Way                    | <input checked="" type="checkbox"/> Kim Schoenfelder |
| <input type="checkbox"/> Chrissy Erguiza            | <input checked="" type="checkbox"/> Laura Mitchell   |
| <input type="checkbox"/> Craig Hopkins              | <input checked="" type="checkbox"/> Mark Poling      |
| <input checked="" type="checkbox"/> Gary Burns      | <input type="checkbox"/> Pam Treece                  |
| <input checked="" type="checkbox"/> Jessica Adams   | <input checked="" type="checkbox"/> Randy Mifflin    |
| <input checked="" type="checkbox"/> Jessica Stanton | <input type="checkbox"/> Sandy Galaway               |
| <input type="checkbox"/> Jordan Luevano             |  |

#### *TVWD Board of Commissioners*

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Jim Doane, P.E. | <input type="checkbox"/> Richard Burke |
|---|--|

#### *TVWD Staff*

- |  |   |  |
|--|---|--|
| <input type="checkbox"/> Mark Knudson, P.E.    | <input checked="" type="checkbox"/> Paul Matthews | <input checked="" type="checkbox"/> Andrew Carlstrom |
| <input checked="" type="checkbox"/> Carrie Pak | <input checked="" type="checkbox"/> Alex Cousins  | <input checked="" type="checkbox"/> Tod Burton       |
| <input checked="" type="checkbox"/> Joe Healy  |   |  |

#### *HDR Engineering*

- |                                    |   |   |
|------------------------------------|---|---|
| <input type="checkbox"/> Tom Gould | <input checked="" type="checkbox"/> Shawn Koorn | <input checked="" type="checkbox"/> Doug Zenn |
|------------------------------------|---|---|

### ■ Welcome

Doug Zenn opened meeting #4 of the Tualatin Valley Water District (District) Rate Advisory Committee (RAC). Mr. Zenn welcomed the group, facilitated introductions, and provided an overview of the agenda. Mr. Zenn also highlighted that the RAC would be polled throughout the evening, and explained the method that the group would use for voting. RAC members were provided a light supper prior to the start of the meeting.

### ■ Customer Communications

Alex Cousins provided a high-level presentation of the various ways that the District communicates with its customers. The methods for these touch points include:

- *Water Words* – this is the District’s newsletter that goes out to customers with their bills. TVWD and Clean Water Services prepare this jointly for both agencies.
- Postcards are occasionally mailed to customers, such as prior to the District’s annual rate hearing or when the District’s annual Consumer Confidence Report is available.

- Door hangers are used to notify customers when District crews are working in the area. The door hangers are also used for shut-off notifications.
- The water bill itself is used as a communication tool, as special messages or alerts can be included as bill messages.
- TVWD.org website – District staff updates the website regularly as the focal point of all District communications. The District is planning the replacement of its website using a new platform.
- Outreach – District staff participates at local farmer’s markets and community events.
- Media releases
- Televised Board meetings
- Youth education program

Additional communications and outreach efforts are planned for the next biennium. These include social media (Facebook, Twitter, and Nextdoor), a new website that will include the capability to embed videos, and a District re-brand.

### ■ RAC Charter Review

Prior to reviewing the RAC charter, Paul Matthews asked the RAC members for their opinions on the RAC process to this point. Specifically, Mr. Matthews asked whether the RAC thought that the process was on the right track to deliver recommendations to the District Board in the time that was left in the process (RAC meetings #4 and #5, and potentially and extra meeting #6).

RAC comment:

- One RAC member thought that the RAC process was on track, and opined that at the end of the process, the RAC members could provide written summaries of the process from their perspectives.

Mr. Matthews then presented a quick review of the RAC charter, highlighting the intent for the RAC to be a sounding board for recommendations to the District Board.

### ■ Multi-year Rate Adjustments

Shawn Koorn presented an overview of the issue and the District’s current approach to adopting rate adjustments. The District maintains a 30-year financial forecast model, adopts a budget every 2 years, yet adopts rates annually. The question at issue is whether the District should maintain its existing approach or consider adopting rate adjustments for multiple years at a time.

Included in this presentation was a comparison of advantages and disadvantages. Key takeaways from this part of the discussion were:

- An advantage of **annual rate adjustments** is that it allows customers to provide public input on rate adjustments annually. A disadvantage is the cost of developing rates and conducting the rate adopting process every year.
- Key advantages of **multi-year rate adjustments** include the transparency of future rate adjustments, multi-year adjustments are viewed favorably by bond rating agencies, and they can link directly to the District’s biennial budget process. A key disadvantage is that

economic conditions may change after adoption, so a utility needs to maintain an accurate rate forecast.

RAC questions included:

- What is the District's bond rating? Answer – Currently, the District is debt free and does not have a bond rating. The District's most recent bond rating from Standard & Poor's was AA+.
- Are multi-year rate adjustments binding? Answer – No, the Board could make additional adjustments if circumstances necessitated that action.

RAC comments included concerns about a multi-year adoption process not providing enough visibility on rate increases and not allowing customers to provide input annually. Generally, the RAC members indicated that a 2-year rate adoption made the most sense given the District's biennial budget process.

### ■ Hydrant Meter Program

Mr. Koorn presented an overview of the issue and the District's current program for metered construction hydrants and water haulers (trucks). In general, the District's approach for metered construction water is consistent with industry practices. The District could, however, charge additional fees to water haulers or even provide metered water fill stations.

Among the advantages and disadvantages discussed, key takeaways include:

- Metered hydrant use
  - Advantage – consumption is metered
  - Disadvantages – initial cost of meters for customer use and the maintenance of damaged meters.
- Un-metered hydrant use
  - Advantage – Simple, low-cost approach
  - Disadvantage – Reliance on customer self-reporting
- Water filling station
  - Advantage – consumption is metered
  - Disadvantages – operating and capital costs and the availability of sites

RAC question:

- What do water haulers do? Answer – Construction, though they don't hook up with a meter at a single location.

RAC comments included:

- The program should be self-funded; water haulers should pay for the benefit received.

- Given the public’s perception of waste by water haulers, it could be an opportunity for the District to educate the public and the water haulers on the process and best practices for filling trucks.

In general, the RAC consensus was that the program appeared to be appropriate as long as the fees recovered the costs. The RAC also agreed, in general, that the District could provide additional education and outreach to customers using this program.

### ■ Consolidated Consumption Billing

The District’s rate structure for non-residential customers may provide a situation whereby consolidation of consumption from multiple meters is advantageous to a given customer (i.e., a lower bill). Mr. Koorn highlighted this issue and discussed a survey of other utilities which found that none of the surveyed utilities consolidated volumes from multiple meters for the purpose of billing a single customer. As part of his analysis, Mr. Koorn analyzed some example scenarios using the District’s rates which showed a range of benefits to hypothetical customers with multiple meters.

There are some concerns around the issue of consolidated consumption billing. From a cost-of-service perspective, customers that create peak demands are charged for those demands. Because much of the cost for a water utility is to meet the capacity requirements, those peak demands are the most expensive cost component of sizing the water system. From an administrative perspective, allowing customers to combine consumption from multiple meters will introduce a new complexity in the billing process and exceed the limits of the District’s current billing system. Overall, consolidated billing is not a common utility practice.

RAC question:

- What is the other side of this argument? Answer – Consolidating consumption from multiple meters may impact system development charges. Additionally, utilities prefer to have separate metering for irrigation meters specifically for the purposes of curtailments in states of drought or emergency.

RAC comments included the concern that the RAC members do not have enough information to make a recommendation to the Board and additional follow up on this issue will be needed.

### ■ Affordability Discussion – Part 3

Mr. Koorn led the third part of the affordability discussion. To begin, he reviewed the results of the recent survey on which affordability programs the RAC is interested in pursuing further. Mr. Koorn indicated that the low-income rate and the lifeline rate are in conflict; the two programs cannot be done together. All other program options could be implemented in tandem. However, the District may not be able to complete all programs at the current time given limitations to the District’s billing system. Additionally, the revenue impacts and the administrative costs of implementing multiple programs may limit the District’s ability to provide service in the short-term.

RAC question:

- Is “levelized billing” the same as “equal pay”? Answer – Yes.

RAC comments included:

- One RAC member voiced concern about utilities getting into the social services business.
- Other participants believe that the group is still ignoring the sewer portion of the bill and any changes to the water portion of the bill aren’t going to be enough to have an impact on the total bill. As a result, the changes being contemplated may not be worth the effort.
- Another RAC member said that even small amounts of assistance can have a big impact to those that need it.

### Poll Questions:

- 1. Should the District implement monthly billing and levelized billing?** – The consensus was yes; the District should consider these options. However, two RAC members were concerned that levelized billing would be a disincentive to conserve.
- 2. Should the District implement a lifeline rate, low-income rate, or neither?** – five RAC members indicated that a low-income rate should be considered. Three members said that neither option should be implemented.
- 3. Should the District implement or expand its emergency assistance program, penalty forgiveness, and arrearage forgiveness?** – Results varied for each of these affordability alternatives. This question is likely to be revisited.

### ■ Closing

Participants offered final comments on the meeting and process. Overall, the group found the discussion and participation of RAC members to be very beneficial. Members appreciated the opportunity to provide input on the issues and policy questions.

Meeting adjourned.