

Tualatin Valley Water District
 Delivering The Best Water • Service • Value

**Rate Advisory
 Committee Meeting**
 December 7, 2016



Presented by:
 HDR Engineering, Inc.

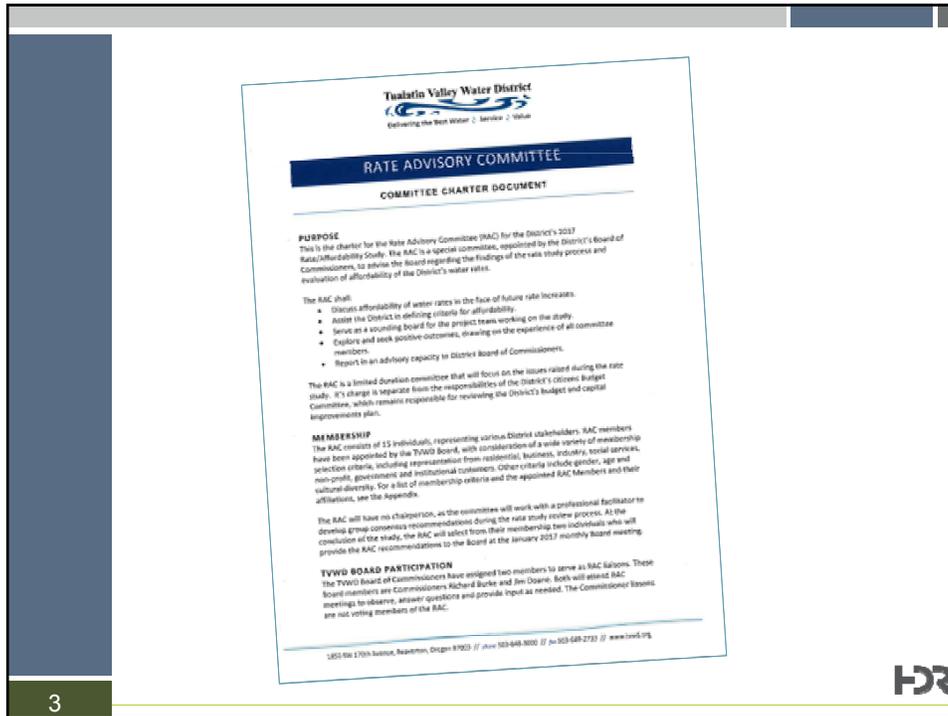


Tonight's Agenda

- Final RAC Meeting to summarize recommendations to the Board
- Review the RAC Charter/Charge
 - Develop a set of policy recommendations to the Board
- Review the results of the RAC survey
 - Utilize RAC survey results to draft policy recommendations
- Discuss final affordability recommendations
- Revisit the issue of consolidated billing
- Review the issue of duplex billing
- Review the RAC's recommendations to the Board
- RAC reporting to the Board
- Closing

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Reminder of the RAC Charter - Purpose

The RAC shall:

- Discuss affordability of water rates in the face of future rate increases.
- Assist the District in defining criteria for affordability.
- Serve as a sounding board for the project team working on the study.
- Explore and seek positive outcomes, drawing on the experience of all committee members
- Report in an advisory capacity to District Board of Commissioners



RAC Committee Charge

- Develop Board policy recommendations on:
 - Affordability and Rate Design
 - Common Service Consolidation
 - Duplex Billing
 - Hydrant Meter Calculations
 - Multi-Year Rates
- Tonight's meeting will focus on finalizing a set of policy recommendations based upon prior discussions, review of the issues and the recent RAC survey

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RAC Survey #2: Results *A Quick Flyover*



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Q #1: As a RAC policy recommendation to the Board, do you agree that monthly billing should be implemented by the District when it becomes available in the District's new billing system?

Response	Count
Yes	12
No	0
No Response	0

Conclusion:

- RAC Affordability Policy Recommendation 1 – Move from bi-monthly to monthly billing

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Q #2: As a RAC policy recommendation to the Board, should levelized billing be offered by the District as a customer billing option when it becomes available in the District's new billing system?

Response	Count
Yes	9
No	3
No Response	0

Conclusion:

- RAC Affordability Policy Recommendation 2 – Offer levelized billing as a billing option for residential customers

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Q #3: As a RAC policy recommendation to the Board, should the District's temporary assistance program (CEAP) be continued?

Response	Count
Yes	12
No	0
No Response	0

Conclusion:

- RAC Affordability Policy Recommendation 3 – The District's Customer Emergency Assistance Program (CEAP) should continue

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Q #4: As a RAC policy recommendation to the Board, should the District's Customer Emergency Assistance Program (CEAP) be expanded?

Response	Count
Yes	3
No	6
No Response	3

Conclusion:

- No policy recommendation forthcoming from the RAC to expand the CEAP

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Q #5: As a RAC policy recommendation to the Board, should the District develop a policy for penalty forgiveness to allow for the reduction of, or waiving of, rate-related late fees and penalties (shut-off and turn-on fees)?

Response	Count
Yes	10
No	2
No Response	0

Conclusion:

- RAC Affordability Policy Recommendation 4 – District should develop a policy for penalty forgiveness

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Q #6: Should arrearage forgiveness be eliminated as an alternative to address the District’s affordability issue?

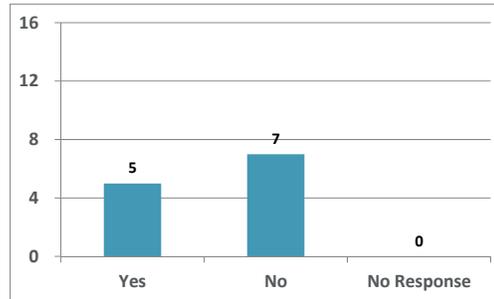
Response	Count
Yes	3
No	8
No Response	1

Conclusion:

- Inconclusive; but this question presumed past RAC indifference to this program since the CEAP is designed to address arrearage issues

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Q #7: Should lifeline rates be eliminated as an alternative to address the District’s affordability issue?



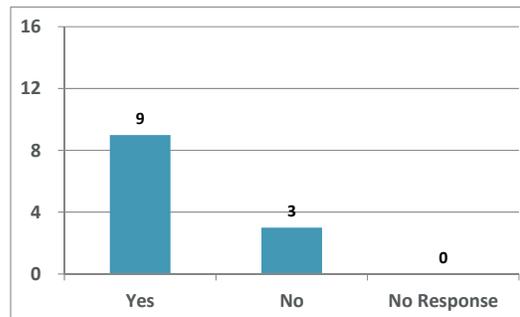
Note: in responding to this question, some RAC members may not have recalled the financial cost/rate impacts of this option – requires a 10% increase in all customer rates to provide a first block rate subsidy to all residential customers

Conclusion:

- RAC provided clear support for a low-income rate (Q. #8); Given that a lifeline rate conflicts with low income rate structure, eliminate the lifeline rate from further consideration



Q #8: As a RAC policy recommendation to the Board, should the District offer a low-income rate for qualifying customers?



Conclusion:

- RAC Affordability Policy Recommendation 5– TVWD should offer a low-income rate to qualifying customers



Q #9: If the RAC provides a policy recommendation to the Board to enhance the District’s CEAP, should the RAC also provide a policy recommendation to the District’s Board to offer a low-income rate for qualifying customers?

Response	Count
Yes	9
No	0
No Response	0

Conclusion:

- Not applicable, RAC majority chose not to enhance the current CEAP
- Offer both a low-income rate and existing CEAP

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Q #10: As a RAC policy recommendation to the Board, should the District’s rate setting process be revised to a 2-year rate period to sync with the District’s biennial (2-year) budgeting process?

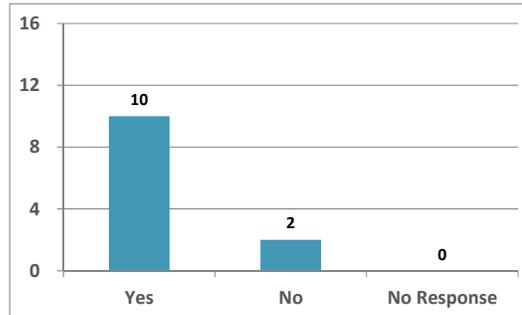
Response	Count
Yes	12
No	0
No Response	0

Conclusion:

- RAC Multi-Year Policy Recommendation 1 – Revise the rate setting process to establish a two-year period concurrent with the District’s biennial budgeting process

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Q #11: Multi-Year Rate Adjustments - Does the District need to expand its ratepayer education and public outreach efforts for this particular policy change?

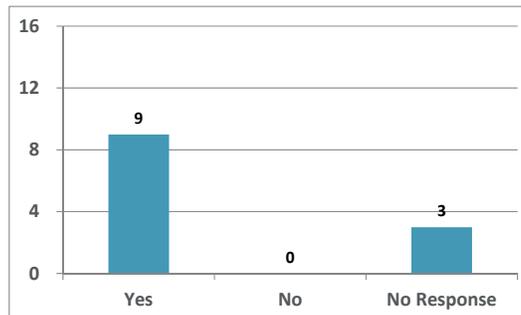


Conclusion:

- RAC Multi-Year Policy Recommendation 2 – District provide clear customer outreach to explain two-year program



Q #12: As a RAC policy recommendation to the Board, the District’s current approach to hydrant meters be maintained, but should the District provide enhanced outreach and education to these customers regarding efficient use?



Conclusion:

- RAC Hydrant Meter Policy Recommendation – District should provide enhanced outreach and review the cost of providing this service



Summary of Where We Are

- Clarified most of the affordability policy recommendations
 1. Monthly billing
 2. Levelized billing
 3. Continuation of CEAP (Temporary / Emergency Assistance)
 4. Penalty Forgiveness
 5. Low-Income Rate
 - Need to clarify policies within low-income rates
- Completed Hydrant Meters and Multi-Year Adjustments
- To do: Consolidated Billing and Billing of Duplexes

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Low-Income Rate

Remaining RAC Policy Direction Needed



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Low-Income Rate: Required Policy Direction

Survey was provided after the October 5th RAC meeting

1. Qualification Criteria
2. Administration and Screening
3. Other Qualifying Customers
4. Rate Structure (Separate Rate?)
5. Component of Rate Discounted
6. Level of the Discount (Appropriate Range/Amount)
7. How Are Costs Recovered (i.e., Program Paid For)

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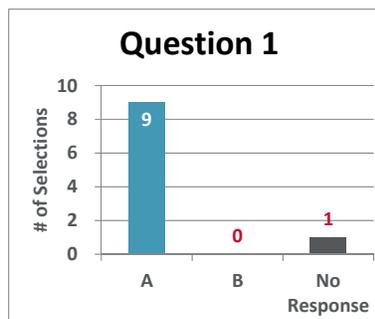


Question 1 – Qualification Criteria

- What qualification criteria (i.e. proof of income) should TVWD use to qualify a customer for a low-income rate?

– A: Use an existing qualification criteria (e.g. LIHEAP, OEAP)

– B: TVWD establish their own criteria

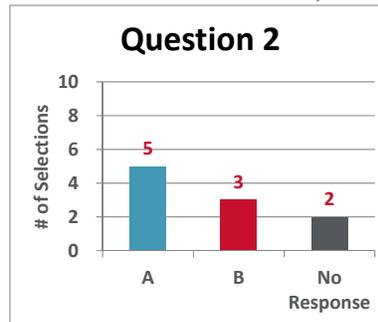


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Question 2 – Administration and Screening

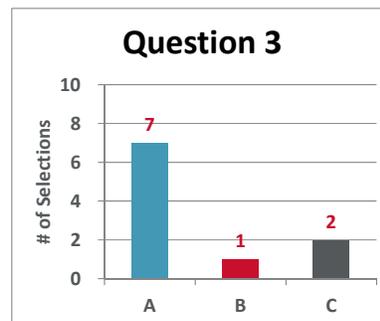
- Administratively, who should screen customers for qualification?
 - A: Use an outside organization, particularly if income levels must be verified
 - B: TVWD screens customers, particularly if TVWD will accept qualifying customer from another organization (e.g. customer qualifies for LIHEAP assistance)



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Question 3 – Other Qualifying Customers

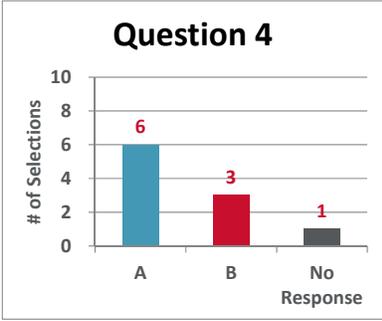
- Which customer should qualify for this rate?
 - A: Low-income customer only
 - B: Low-income and disabled only
 - C: Low-income, disabled, and other _____ (specify, e.g. seniors)



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Question 4 – Low-Income Rate Structure

- **Low-Income Rate Structure (select preferred method)**
 - A: Low-income rate is a separate and distinct rate structure
 - B: Use existing structure and provide a discount within the billing process



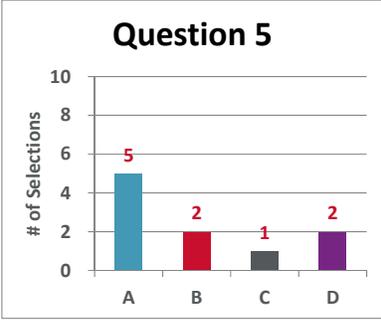
Option	# of Selections
A	6
B	3
No Response	1

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Question 5 – Component of Rate Discounted

- **Level of the Discount (Component Discounted) (select preferred method)**
 - A: Discounted meter (fixed) charge
 - B: Discounted consumption charge (1st tier only)
 - C: Discounted consumption charge (1st & 2nd tier)
 - D: Discount all components of the rate (i.e., discount entire bill by fixed %)



Option	# of Selections
A	5
B	2
C	1
D	2

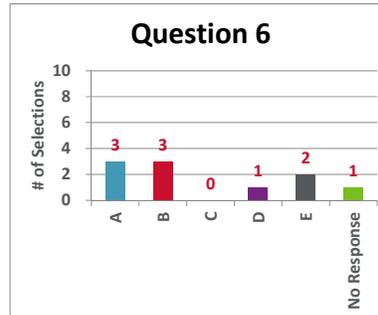
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Question 6 – Level of the Discount

- Level of the Discount (Amount)

- A: 50% discount on fixed charge (≈ \$6.15/mo; 15% off bill)
- B: 100% discount on fixed charge (≈ \$12.29/mo; 30% off bill)
- C: Discount 1st tier by 20% (≈ \$5.67/mo; 14% off bill)
- D: Discount 1st tier by 30% (≈ \$8.54/mo; 21% off bill)
- E: Other



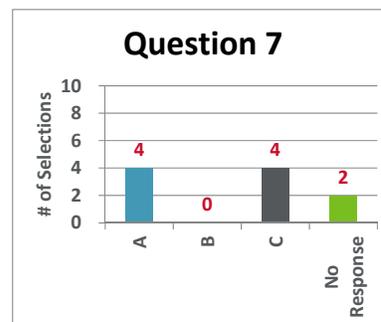
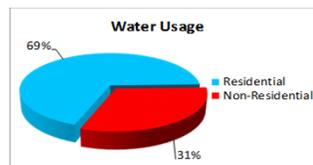
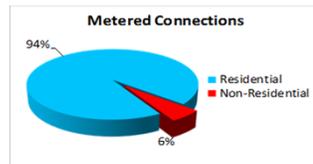
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Question 7 – Cost Recovery

- How should the costs of this program be recovered?

- A: Entirely from fixed charges (≈ \$0.30/month)
- B: Entirely from consumption charge (≈ \$0.02/CCF)
- C: Across both the fixed and consumption charge



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RAC Discussion Issues

1. Affordability
2. Hydrant Fees
3. Multi-Year Rate Adjustments
4. Common Service Consolidation
5. Duplex Billing



Overview of the Consolidation Issue

- Non-residential customers may have a unique situation whereby consolidation of consumption from multiple meters is advantageous to the customer (i.e., produces a lower bill when consumption is consolidated for billing purposes)
 - Customers with multiple meters, billed to the same account/property owner
 - Potential to move consumption from the Block 2 (higher) price to the Block 1 (lower price)
 - For non-residential, TVWD establishes tier sizes based on a 12-month moving average

Consumption Charges (\$/CCF)	
Base Rates	\$4.06/CCF
Block 2 Rates	\$5.79/CCF

Block 2 rate applies to quantities used in excess of 28 CCF in a bi-monthly billing period for single family residential customers or 140% of the past twelve-months average usage for multi-family, irrigation, commercial and production customers



Survey of Consolidated Billing

- Two-meanings for “consolidated billing”
 - Each meter billed individually, but each individual metering point (bill) consolidated into a single invoice for ease of payment by the customer
 - Each metering point’s consumption consolidated into a single volumetric amount for calculation of a bill
- Survey of Oregon and other utilities found limited consolidation of bills (1st instance above), but no utilities that consolidated volumes for billing (See Consolidated Billing Issue Paper Table 1)

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Consolidated Billing – Issues and Concerns

- Cost of service
 - Equity – customers that create peak demands should pay for peak demands
 - Cost – meeting peak demands is the most expensive cost component
 - Industry best practice is to separately meter irrigation and provide a conservation price signal
 - Location (adjacent or separated metering points) – Peak costs drive both supply and distribution system costs
- Administrative
 - Opt-in or out program?
 - Recovery of reduced revenues
 - Meter reading and billing cycles
 - Billing system capabilities
- Other
 - Not a common or generally accepted utility practice

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Policy Direction – Consolidated Billing

- Allow for consolidated consumption for non-residential customers (Y/N)?
 - If yes, do customers have to opt-in?
 - If a customer opts-in, must they stay opted-in (i.e. at least 12 months)?

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RAC Discussion Issues

1. Affordability
2. Hydrant Fees
3. Multi-Year Rate Adjustments
4. Common Service Consolidation
5. Duplex Billing



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Overview Of Issue #5 – Duplex Billing

- TVWD currently defines, and bills, duplexes as residential customers
 - Fixed block rate structure with 2 blocks (0-28 CCF, > 28 CCF) bi-monthly
- Depending on the customer consumption characteristics, consumption during a bi-monthly period can be higher than the first block threshold
- **Key question:** Should TVWD consider billing duplex customers as multi-family customers and base the block sizes on the 12-month moving average?

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Approaches to Billing Duplex Customers

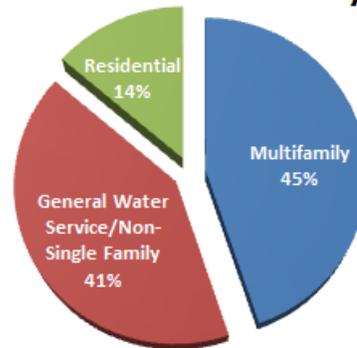
- No “industry standard” approach
 - Utilities classify duplexes in a variety of ways
 - Typically based on customer class definitions
 - Generally residential or non-residential – if no specific multi-family customer class
- Classification of duplexes can be the result of the rate structure (e.g., uniform vs. block)
- In some instances the existing block rate structure is used with block sizes adjusted on a per living unit basis to reflect usage of a duplex

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Summary of Utility Approaches to Duplex Classification

How Other Utilities Classified Duplex, of the 29 Utilities Surveyed



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Review of TVWD Duplex Customers

- TVWD completed a review of identifiable duplex customers in early 2016
- Identified approximately 434 duplex customers
 - Duplexes with a single meter serving both living units
- Determined the bi-monthly bill impacts assuming a change to the multi-family rate structure
 - Uses running 12 month average to establish block sizes
- Of the approximately 8,900 bi-monthly bills analyzed (2012 – 2016):
 - 27% (~2,400 bi-monthly bills) would have been lower
 - 67% (~5,960 bi-monthly bills) would have been the same
 - 6% (~540 bi-monthly bills) would have been higher

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Review of TVWD Duplex Customers (Cont'd)

- Bi-monthly bills that would have been higher:
 - Average increase of \$6.30 bi-monthly
- Bi-monthly bills that would have been lower:
 - Average decrease of \$16.81 bi-monthly
- Annual impact to TVWD as a result of moving to multi-family rate structure is less than \$10,000

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Policy Issues and Concerns

- Ability to identify all duplex customers served through a single meter
- A change in customer classification of duplex customers would result in some additional short-term administrative costs
- Customer class definitions will need to be revised to reflect this change in policy

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Policy Direction – Duplex Billing

- Should TVWD consider billing those duplex customers with a single meter serving both units as multi-family customers and base the block sizes on the 12-month moving average?
 - Yes
 - No

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RAC Recommendations Summary Recommendations to the Board of Commissioners (Document)



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RAC Reporting to the Board

