



## RATE ADVISORY COMMITTEE

### Summary Recommendations to the Board of Commissioners

---

#### INTRODUCTION

As part of the 2017 comprehensive rate study, Tualatin Valley Water District (TVWD or the “District”) formed a Rate Advisory Committee (RAC) to review specific rate-related policy issues and provide recommendations to the District’s Board of Commissioners. This report summarizes the following:

- The process used by the RAC to review and discuss the various policy issues the committee was tasked with, and
- The RAC’s final recommendations to the District’s Board of Commissioners (Board).

#### OVERVIEW OF THE RAC

The RAC consists of 13 individuals, representing a cross-section of District stakeholders. RAC members were appointed by the TVWD Board, with consideration of a wide variety of representation from residential, business, industry, social services, non-profit, government and institutional customers. The Board also assigned two Board members (Commissioners Richard Burke and Jim Doane, P.E.) to serve as non-voting RAC liaisons.

#### COMMITTEE CHARGE

In July 2016, the Board adopted a charter that tasked the RAC with reviewing and providing recommendations on the following topics:

- 1. Affordability and Rate Design** – The RAC considered the following questions regarding water rate design and affordability:
  - a. Should the District address affordability within its rate structure?
  - b. If the District addresses affordability, what are the options for doing so?
  - c. What are the other policy considerations (e.g., who will qualify individuals for affordability programs, how will lost revenue be recovered)?
- 2. Common Service Consolidation** – The District charges non single-family residential customers for water use using the District’s excess-use rate structure where a higher block rate is charged for water exceeding 140% of the average-annual consumption for each account. An institutional customer proposed the aggregation of consumption for multiple accounts when determining the average-annual consumption for rate design. This aggregation would lower that customer’s total water bill.
- 3. Duplex Billing** – Currently, the District follows the definition of ‘residential customers’ within the American Water Works Association (AWWA) M1 Manual that considers duplexes to be residential customers. As such, the District bills duplex customers using a block rate structure with two fixed blocks, which is the same methodology used for single-

family customers. The RAC considered the option to bill duplex customers with a shared meter in the same manner as the District does with multifamily residential customers, using a two-block excess-use rate structure in which the first block is based on the customer's rolling 12-month average use.

4. **Hydrant Meter Calculations** – The RAC reviewed and made recommendations on ways in which the District can meter and recover costs for temporary, non-emergency use of water through a fire hydrant. This included a review of the associated deposits, fees and flow charges.
5. **Multi-Year Rates** – In anticipation of the District's future revenue requirements, which includes near-term ongoing rate increases, the RAC discussed whether the Board should adopt multiple years of rate adjustments.

The RAC, based on its review of the above issues, was charged with providing a comprehensive set of recommendations to the Board on each of the topics.

#### **RAC MEETINGS AND GENERAL PROCESS USED TO REVIEW KEY ISSUES**

The RAC reviewed each of the five policy issues over the course of late summer and fall 2016. The RAC met for five consecutive months to review the consultant's work and discuss the issues in more detail. On two occasions, surveys were conducted between meetings with RAC members to gain a better understanding of the committee's interest in pursuing various policy choices. These surveys helped to guide the committee's discussion and areas of focus in subsequent RAC meetings.

Additionally, the consultants developed a detailed discussion paper for each of the five issues. Each paper provided an overview of the topic/issue, along with a discussion of various alternatives available to the District to address the issue. These discussion papers were provided in advance of each RAC meeting. During subsequent RAC meetings, the consultants provided an in-depth presentation of the papers, responded to RAC follow-up questions and facilitated the RAC's discussion of the issues. As a part of the fifth and final meeting with the RAC, all five issues were reviewed to gain a general consensus from the RAC for its final policy recommendations.

#### **SUMMARY OF THE RAC POLICY RECOMMENDATIONS**

The following is a summary of the RAC policy recommendations. These recommendations are discussed and provided in the order of the RAC's charge.

##### **1. Affordability and Rate Design**

The issue of affordability and rates was reviewed and discussed in detail. The RAC reviewed the ways in which utilities define "affordability" as well as demographic data for the District. The RAC concluded that a segment of the District's customers do, or may in the future, experience affordability issues within TVWD's service area. As a part of the RAC discussion, various industry options for addressing water rate affordability were reviewed. These approaches included the following program types:

- Bill Discounts
-

- Flexible Terms
- Lifeline Rates
- Temporary Assistance
- Water Efficiency

Based on the RAC's review of the issue of affordability and rates, the RAC provides the following policy recommendations to the Board:

- ✓ **Affordability Policy Recommendation 1 – Monthly Billing:** TVWD should move from bi-monthly billing to monthly billing for all customers.
- ✓ **Affordability Policy Recommendation 2 – Levelized Billing:** TVWD should offer levelized billing (i.e., similar to NW Natural Gas or Portland General Electric) as a billing option for residential customers. The RAC also recommended that TVWD work with customers that opt for levelized billing so that they understand TVWD's conservation practices and impacts levelized billing may have on customer consumption patterns.
- ✓ **Affordability Policy Recommendation 3 – Temporary/Emergency Assistance:** TVWD should continue to provide a Customer Emergency Assistance Program (CEAP). The RAC further recommended that the District provide additional customer outreach and education about the program's availability for at-risk customers. Finally, the RAC recommended that all customers should have the awareness and opportunity to contribute to this program.
- ✓ **Affordability Policy Recommendation 4 – Penalty Forgiveness:** TVWD should develop policies to allow for the reduction, or waiver, of rate-related fees such as shut-off and turn-on fees.
- ✓ **Affordability Policy Recommendation 5 – Low-Income Rate:** The RAC reviewed the issue of establishing a low-income rate structure and generally there was support for a low-income rate, although not all members were in favor of the idea. One of the main discussions on this issue was equity among customer classes and the level of subsidy to support a low-income rate that would be paid by other customers and customer classes. For these reasons, some RAC members were concerned with development of a subsidized rate for low-income customers. Although the RAC was not able to recommend a specific rate design to the Board, the RAC concluded that the District's management and Board should continue to review this issue to make a policy decision.

If the District's Board considers a low-income rate, the RAC provides the following policy guidance on establishing a low-income rate structure:

- i. To qualify customers for the low-income rate, TVWD should use an existing qualification criteria (e.g., Low Income Home Energy Assistance Program, Oregon Energy Assistance Program).
  - ii. To screen and qualify customers, TVWD should use an outside organization, particularly if income levels must be verified.
-

- iii. Only low-income customers should qualify for the low-income rate.
- iv. The low-income rate should be a separate and distinct TVWD rate structure (i.e., rate schedule).
- v. The Board should determine the best approach for discounting the rate (fixed component, variable component or both) which best aligns with the intent of the program and the revenue/cost constraints of providing this discounted rate.
- vi. The level of the discount should be based on either an amount of discount to be provided or a target for the District's funding limits. The RAC recommended that the Board should establish a target for funding and work within those constraints.
- vii. The RAC recommended that the District's management and Board determine the best approach to recover the revenues to fund the low-income rate.

## 2. Common Service Consolidation

Common service consolidation is related to TVWD's non-residential rate structure which is based on an excess-use rate design where a higher block rate is charged for water exceeding 140% of the average annual consumption for an account. In most situations where a customer has multiple accounts, consolidating consumption would lower the customer's total water bill. Based on a review of this issue, the RAC provides the following policy recommendation:

- ✓ **Common Service Consolidation Policy Recommendation:** The RAC concluded that it could not provide a final policy recommendation on this issue, but the District should continue to explore this topic, specifically with Tualatin Hills Park & Recreation District, as needed.

## 3. Duplex Billing

The District currently classifies duplexes with a shared meter as residential customers and bills duplexes using a block rate structure with two fixed blocks, which is the same methodology used for single-family customers. The RAC reviewed whether duplex customers with a shared meter should be classified as multifamily customers and billed accordingly (i.e., with an excess-use rate structure), or whether duplexes should continue to be billed as residential. Based on a review of this issue, the RAC provides to the TVWD Board the following policy recommendation:

- ✓ **Duplex Billing Policy Recommendation:** TVWD should change its customer classification for duplexes with a shared meter and classify these customers as multifamily customers.

## 4. Hydrant Meter Calculations

TVWD has a program for the use of water from hydrants. The RAC was asked to review and make recommendations on ways in which the District can better recover costs for

temporary, non-emergency use of water through hydrants. After reviewing this hydrant issue, the RAC provides the following policy recommendation:

- ✓ **Hydrant Meter Policy Recommendation:** TVWD should maintain its current approach to hydrant meters, but the District should provide enhanced outreach and education to bulk water customers regarding efficient and proper use. The District should also review the cost of providing this service and adjust the charges to recover the cost of serving these customers.

#### **5. Multi-Year Rate Adjustments**

Historically, TVWD has reviewed and adopted water rates annually. TVWD requested that the RAC review the issue of using a multi-year rate setting approach. After reviewing the issue of multi-year rate adjustments, the RAC provides the TVWD Board the following policy recommendation:

- ✓ **Multi-Year Rate Adjustment Policy Recommendation:** TVWD should revise its rate setting process to adopt two years of rate adjustments concurrent with the District's biennial budgeting process. The District also should provide expanded customer outreach to explain the adoption of two rate adjustments and additional outreach during the rate adoption process.

#### **SUMMARY**

The above discussion has summarized, in its entirety, the findings, conclusions and recommendations of the specific policy-related rate issues which the TVWD Board charged the RAC with reviewing.

