

# PORTLAND UTILITY REVIEW BOARD

March 18, 2004 - Meeting Minutes

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## Attendees

PURB Members: Peter Cogswell, Scott Fernandez, Jay Formick, Loren Lutzenhiser, Charles Porcelli, Frank Ray, Paulette Rossi, John Tyler, and Marty Wilson

Excused Absence: None

Unexcused Absence: None

City Staff: Jordan Epstein and Bob Tomlinson (OMF - FPD)  
Dave Gooley, Jim Hagerman, and Lee Klinger (BES)  
David Hasson and Dennis Kessler (Water Bureau)  
Eddie Campbell (Comm. Saltzman's Office)  
Scott Farris (Mayor's Office)

Public: Jim Abrahamson (Citizen)

## Process and Procedures

Introductions were made around the table

Paulette commented that the minutes of the February 19, 2004 meeting should reflect that the current PURB has not weighed in on the open reservoir issue, but the previous PURB did approve the budget that included expenditures for the covering of open reservoirs.

Scott asked that the February 19, 2004 minutes include the discussion on ultra violet treatment and lamp breakage:

*Scott: Two years ago UV was priced at \$20 million as a cost to implement. We encouraged that direction because of the cost, not the technology. Then it soon went up to \$55 million, then to \$60 million, and now up to \$102 million 2 years later. What do we project the price to be when the time comes if we go in that direction?*

*Dennis: There are still some things to be worked out on that technology. Part of this is costs due to storage that we didn't prioritize. A big chunk is the storage issue. The other part is some type of a clear well depending on where you put it. If you put it at the headworks, you can utilize the head of the dams and you have the contact time for other types of disinfection from where it leaves the headworks until it gets into town. And you don't have to pump. If you start moving this downstream, you will have to pump and it becomes more expensive – locating it and piping to and from the site. Plus backup power, what do you do with power outages?*

*Scott: Yea, that's a concern. Also, ozone was at \$60 million less than 2 years ago. Why is that not looked at more seriously if it is at 60% of the (UV) cost?*

*Dennis: We were looking at those 2 years ago.*

*Scott: The jump (of UV) to \$60 million was because of the clear well we were told and that put it in at a competitive price with ozone and I don't think ozone has gone up another 40%.*

*Dennis: We are going to look at all of these things. This (UV) is the one that is supposed to be the lowest cost. We want to go back and look at all of these things. Which one will be the lowest cost? This is just laying out the first proposal. So we have a year, year and a half, to look at the pluses and minuses, the up-sides and down-sides, of all of these things.*

*Unknown: In the slides you identified UV at Lusted Hill at \$103 million but in this report it's tagged at \$20.5 million on page 11. How do you reconcile this?*

*Dennis: This is just the first 5 years of the project. Look at page 5, only seeing a small part of treatment, the big costs are out beyond 5 years.*

*Loren: What's included for \$20 million? Planning and design?*

*Dennis: It's looking at configuration and effectiveness of the disinfection. It is different in every water system. Our water is pretty significantly different. At this stage there is no (UV) plant the size we are talking about in operation. It's a fairly new technology at this size of application. So there's figuring that all out. The first 3 years of this is looking at alternative concepts and probably the last 2 years is primarily design. And a lot of permitting too.*

*Loren: Are salaries a part of this or a combination of contracts?*

*Dennis: It's primarily consulting.*

*Charlie: Tell me why Lusted Hill is picked over headworks or Powell Butte.*

*Dennis: Powell Butte is a permitting issue, plus it is so far downstream that we would have to supply water back upstream to all our customers. Lusted Hill is the last place as far down and at a high point so it minimizes the amount of pumping you have to do. And it is at a point where we already have facilities to pump back. It is the terminus of our water treatment right now. It seems like a logical place. As you head downstream, you have to drop grade and at some point you will have to pump a lot more. And we have property there for treatment.*

*Charlie: But why not headworks?*

*Dennis: The headworks site is so constrained. If you do headworks, you will not be able to do clear wells and will have to move that downstream someplace separate. So this is tied to the combined storage, clear well and treatment all in the same spot.*

*Scott: Already have a UV test facility pilot in place?*

*Dennis: We have one on the groundwater system and we have been having trouble with it.*

*Scott: Is there a national facility somewhere?*

*Dennis: I'm not aware of that.*

*Scott: What has been the problem with it?*

*Dennis: The main problem is light bulb breakage. Then what do you do with the mercury in the water,*

*and the glass and debris, and the down time? That is the big problem they are having. If something happens, you need a place to put the water to deal with it - the by-product.*

Jordan said that Ann McLaughlin of OSD commented on the February 19, 2004 minutes about the City missing revenues from self-haulers. Anne stated that the City is not missing those revenues because the City cannot legally collect from self-haulers.

The February meeting minutes were approved as revised.

Marty changed the agenda by combining the Report on Open Reservoirs Citizen Panel with the Determine PURB Participation Open Reservoir Decision. Jay, Marty and Bob will distribute handouts during the meeting wrap-up.

### **Contract Negotiations Report**

Marty met with Comm. Saltzman who said that there was no problem with the PURB observing wholesale contract negotiation meetings. Charlie also met with the Commissioner, Eddie Campbell, and Mark Knudson. He said they shared a lot of information and confidential numbers. Wholesalers are looking for substantial reductions in their current rates, as much as half. Any reduction in wholesale will affect retail rates. Charlie stated that he has changed his stance on monitoring negotiations, it would be counter-productive. Marty said he was comfortable with that.

### **Water Discussion, Continued**

The discussion of Water's Financial Plan and CIP from the last meeting continued. It started with questions on the low income discount program. Dave H. said the discount was originally 30% of the average single family residential (SFR) bill. The discount increased to 35% a couple of years ago and is being increased to 40% in Water's FY 2004-05 Requested Budget. By raising the discount, the burden of the rate increase on low income households will not be as severe. Dave added that the once per year crisis voucher will also increase from \$75 to \$150. The \$150 is close to the average quarterly bill of the low income customers. The original goal of the program was 10,000 low income customers. Currently there are about 6,500 customers participating.

Dave said the Water Bureau's low income discount is one of the best utility assistance programs in the country. He published an article about the program in the AWWA Journal (copies will be provided for PURB members). All agreed that the low income discount program is a good policy.

Marty stated that the current Bull Run Dispatch, released today, listed the Water Bureau's Vision, Mission, & Values which are 180 degrees out of phase with the PURB's Vision, Mission & Goals. The bureau doesn't mention cost-effectiveness or affordability. Dave noted that the mission says "highest value to customers" which implies cost effectiveness. John asked why Water revised their statement. Dave said it originated around the measurement of performance to provide better service to customers. Loren asked if there was a conscious decision to do a business model. Dave said that government has objectives that are not business-like. The bureau can be more efficient and provide services in a business-like manner, but in a social model. Dave said that there were 2 objectives; 1) we can and should be more efficient over all, and 2) verify it. There are improvements to be had in most areas.

Dennis distributed a handout to review questions from the last meeting. Scott asked how the bureau will interpret language when LT2 is issued later. Dennis said the language has been agreed to, within a

year LT@ will be resolved. Scott said endemic is not an issue anymore, there is a cure now. If the city could save \$2.0 million from not doing treatment studies, rates can be reduced. In Inc. magazine, Portland is #8 on the worst places to do business list.

Jay asked if the bureau was negotiating with the Forest Service over Bull Run road maintenance. Dennis said it would cost about \$1.9 million to decommission the Bull Run roads not being used. Loren said that was not a big number. Frank said that if roads are causing turbidity, wouldn't it make sense to decommission them. Jay asked what was the tradeoff between road maintenance costs and the \$1.9 million to decommission roads. Dennis said that the roads that would be decommissioned are not being maintained. Jay said decommissioning roads may not be the biggest bang for the buck as far as turbidity is concerned. Paulette said to make this a PURB topic for after the budget season.

### **BES Capital Improvement Plan**

Lee Klinger presented a summary of the BES CIP. It was noted that not a lot has changed since the last CIP. The CSO Project is still on schedule and within budget. Some things have cost more but there have been savings on other projects to offset them. Lee said that the original cost estimate for CSO was \$1.2 billion but that number was rounded to \$1.0 billion.

### **BES Financial Plan**

Jim Hagerman presented a summary of the BES 5-year Financial Plan. He noted that next year's forecast will include over \$1.0 billion in outstanding debt. Jim noted that upcoming concerns are the Portland Harbor Superfund Site where the city is responsible for 25% of the Lower Willamette Group costs, and stormwater charges. BES will discuss the stormwater charge issue at a later PURB meeting.

### **Report on Open Reservoirs Citizen Panel**

Frank said the panel has met 3 times and the next meeting will be an Open House this Saturday. To date, the panel has collected information and they will start deliberations after the open house. He urged all PURB members to attend the Open House.

### **Determine PURB Participation Open Reservoir Decision**

Marty stated that the open reservoir issue is a hot topic and very political. He asked how PURB should approach the issue:

Loren: PURB has a responsibility to act, however the panel is also working on the issue. PURB is vastly under-informed. If this is high on our agenda, we open up to aggressive lobbying. It is a distraction to other PURB business at hand.

John: Agrees with Loren. PURB should act after the panel's decision. PURB is secondary to the panel as far as process is concerned.

Paulette: PURB should review the panel's decision in relationship to PURB's values.

Charlie: It is PURB's responsibility to weigh on the issue. It has a big impact on rates.

Marty: PURB should review what the panel does.

Frank: PURB needs to have an opinion. Independent Review Panel is constrained by the 5 options they

are looking at and the fact that the panel is supposed to come to a consensus.

Jay: PURB should speak directly to Council and not limit itself to speaking to just the panel. It is within PURB's purview. Jay said he is "*extremely disappointed that representatives from all commissioners' and the Mayor's offices are not at all the PURB meetings or are leaving the meetings early.*" He said that the PURB recommendation on treatment was more refined than the citizen panel's recommendation. Comm. Saltzman has taken on the PURB recommendation for treatment.

Peter: PURB needs to comment.

Scott: PURB needs to review both sides of the issue.

Marty summarized the PURB position on open reservoirs as:

- It is a PURB issue that needs to be reviewed.
- PURB will report to Council.
- PURB will review and comment on (refine) the Independent Review Panel's decision.
- PURB will give voice to anyone who wants to come before us.

John asked if the PURB can go to the IRP or only give advice to Council. Marty said that PURB, as a group, goes to Council but individual PURB members can go to the IRP. Charlie said the IRP does not have the same concerns as PURB. Eddie said cost is a serious issue for some of the citizen panel members. He added that any consensus input from the PURB to the IRP should be done before the end of the IRP in mid-May.

### **Public Comment**

Jim Abrahamson said he was drawn to the PURB meeting by the Oregonian article on the CSO. As late as 2002, the CSO was \$1.0 billion dollars but now it is up to \$1.2 billion dollars. He said he was appalled at the 20% increase in the CSO Project and the 80% increase in the Water UV Treatment Project.

### **Wrap Up**

Marty distributed a draft template for PURB reports. John said to add the information received on the subject to the template. Paulette said she does not support "white papers". It should be majority and minority reports. She said doing this all the way through an issue is good. John said it should be a position paper.

Jay distributed an Ombudsman report on Water bill complaints. He said PURB has a role in this and it should be a PURBG topic after the current budget season.

Bob distributed the BES and Water Requested budgets and the FPD reviews of the Requested Budgets.

Scott asked that the Friends of the Reservoirs be given 40 minutes at the next PURB meeting to make a presentation. Frank made a motion to allow 40 minutes for the Friends of the Reservoir at the March 25<sup>th</sup> PURB meeting. Scott seconded the motion. Jay said the meeting agenda was full and he would not stay beyond 7:00 pm. Paulette asked why the next meeting and not a meeting in April. Scott said it was a time sensitive issue. The motion carried unanimously. Jay will work with Marty and Bob to revise

the next meeting agenda.

**Adjournment**

The meeting was adjourned at 7:15 pm.

**Next Meeting**

The next PURB meeting will be at 4:30 pm on Thursday, March 25, 2004 in the Lovejoy Room on the second floor of City Hall, 1221 SW Fourth Avenue.

Minutes respectfully submitted by the Financial Planning Division, Office of Management & Finance.