

Mayor's Questions on Water Bureau Requested Budget (from 4/4/12)

1. To get monthly billing costs down, what would be the savings/costs from and have you considered:
 - a. Charging private entities for bill stuffers? What do other utilities do?

Answer: It is very rare for utilities to allow private entities to include bill stuffers in utility bills, regardless of the potential for revenue generation. Like other utilities, the Water Bureau and the Bureau of Environmental Services want their customers to pay attention to the information they are distributing (conservation, low income assistance, etc.) and not be distracted by extraneous information. Secondly, we do not want to add to the customer service call volumes with calls about private sector goods and services. Additional staff to handle more calls would likely offset much or all of the additional revenue. Thirdly, we do not promote private sector vendors or their products. There are potential liability concerns about doing so. For example, if a company advertises service line replacement insurance, rate payers would legitimately conclude that the Water Bureau supports such a product, which it does not. Finally, the extra postage to add additional bill stuffers to the billings could be recovered from the vendors, but would dampen their possible interest in advertising in this manner.

- b. Charge a surcharge/fee for paper payments and/or don't charge a surcharge/fee (give a discount) for electronic payments?

Answer: This approach could be taken, but it has certain policy implications that might be very problematic. The foremost of those is that customers who are most vulnerable and least affluent would generally be charged the most. Many low income customers do not own computers and therefore could not escape the surcharge, or could not avail themselves of a discount. Similarly, many senior citizens are mistrustful of technology, not technically competent on computers, and wouldn't be able to receive or pay an electronic bill in order to avoid the surcharge or receive a discount. Also, any discount would have to be recovered by higher rates to all users because system costs would not be materially changed to offset the revenue loss, and the bureau is required by law to have a balanced budget.

- c. Do a marketing campaign to increase the number of electronic payments?

Answer: We plan to do this in conjunction with the new electronic distribution option. We are in the process of writing an RFP for the e-distribution functionality (which is different from our current e-bills) and plan to do a campaign with its roll out.

- d. Include debit card payments as well as credit card payments.

Answer: We already take credit cards, debit cards and checking account numbers both on line and over the phone. We will soon have IVR functionality that will allow a customer to pay by card over the phone without talking to a live representative. In short, we do this and more.

- e. Some banks have copies of bills that customers can access and pay electronically. Have you considered this option? Is there a cost?

Answer: We currently have e-billing and e-banking functionality that allows customers to access and pay their bills online. We are expanding our functionality this summer to enable a customer to sign up with their bank to be notified when their Water Bill has been submitted for payment, allowing the customer to make all their payments easily with just a click of a mouse button.

2. A previous Hydroelectric Power bond issue included dollars that were used for PCPA. Can this bond (or a new one) be re-upped and provide extra dollars for something outside of the bureau?

Answer:

Previous Hydropower bond money use situation

- Between 1979 and 1980, the City had issued \$55,000,000 in tax-exempt revenue bonds to finance the construction of the Portland Hydroelectric Project (PHP). As a part of the Power Sales Agreement (PSA) between the City and PGE for the PHP, PGE is responsible for paying the City an amount needed to pay the annual debt service on those outstanding bonds.
- When construction of the PHP was finally completed in 1982, there was an amount of approximately \$7,300,000 that was still left in the Hydropower Construction Fund. If not used for any other purpose, the bond documents indicated that the left over money should be used to call outstanding Hydropower Bonds as soon as they could be called at par, thereby reducing the amount of debt service that needed to be paid by PGE.
- In 1984, the Council was looking for ways to fund the rest of the Portland Center for Performing Arts construction costs. After much negotiating, the City and PGE then agreed that the City could use up to \$2,361,194.56 (the maximum amount allowed for these tax-exempt bonds) of the surplus PHP construction money for uses other than the PHP if it reimbursed PGE for the annual debt service that it would be paying on that money for the next 25 years.
- In December of 1985, the sum of \$2,361,194.56 was transferred from the Hydropower Surplus Fund to the City's General Fund. Hydropower then gave PGE annual credits against the annual power sales revenue due from PGE to the City with the final credit being given for the PHP's Contract Year 2009-10.

- In October of 1990, the remainder of the surplus construction money was used to call outstanding bonds.

Potential for issuing new Hydropower Bonds for purposes other than the PHP

- In 2006, all of the then outstanding Hydropower Bonds were refunded by means of a new taxable bond issue that is insured by the AMBAC Assurance Corporation. The term of that bond issue is the same as the remaining term of our PHP Power Sales Agreement with PGE. Both the PSA and the 2006 Bonds will be concluded in 2017. The associated PHP revenue stream and reserve accounts are all either pledged to the 2006 Bondholders or are otherwise tied up by the PSA.
- It would be extremely unlikely that AMBAC would agree to any sort of new PHP associated bond issuance that would potentially water down the current pledges in support of the payment of the 2006 bonds.
- For the next five years, we have an annual profit payment from PGE to the City which will be in the \$220,000 to \$280,000 range. Other than that, there is no additional pot of surplus PHP money that the City has sole control over.