

CRC Summary Meeting Notes

Meeting: Portland Water Conservation Rate Structure CRC
Meeting Date: August 23, 2012
Meeting Time: 2:00 pm
Location: Falls Creek Conference Room, Portland Building
Attendees: Hossein Parandvash, City of Portland
Edward Campbell, City of Portland
Cecelia Huynh, City of Portland
Lorna Stickel, City of Portland

CRC Members

John Davis (CRC Chairperson)
Roger Cole
Ann Widmer
Janis Adler

Other Attendees

Gary Fiske (Consultant)
Tom Chesnutt (Consultant)
Trudy Cooper (Facilitation/Documentation)
Jamison Cavallaro (Facilitation/Documentation)
Neelam Jain (WebEx)

The second Portland Water Conservation Rate Structure Study Citizen Review Committee (CRC) meeting was held on Thursday, August 23 at 2:00 p.m. in the Portland Building. The primary purpose of this second meeting was to solicit feedback from the CRC on *Task A Technical Memorandum* as well as clarify concepts and considerations on *Tasks B and D*. (NOTE: *Task Memos* are prepared by the consultant team.) The meeting agenda is attached. Other handouts provided prior to and during the meeting included:

- “Oregon Administrative Rule (OAR) Division 86” overview memo by Lorna Stickel
- Task A Memo: Preliminary Review of Current and Prior Rate Structures by Gary Fiske
- July 19, 2012 CRC Meeting #1 (Draft) Summary Notes by Jamison Cavallaro

Introduction and Housekeeping

Hossein Parandvash opened the meeting at approximately 2:00 PM. Everyone was asked to introduce themselves during the opening discussion. Parandvash announced that CRC member Shelley LaBarre had stepped down, and has been replaced by Janis Adler. The CRC members and attendees welcomed Adler.

Hossein Parandvash gave a brief hands-on presentation to showcase the functionality and features of the Portland Water Bureau’s new Water Conservation Rate Study web page located at www.portlandoregon.gov/water/59171. The CRC and others can utilize this link to access

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relevant documents like the Task Memos, PowerPoints, summary meeting notes, and other documents associated with the work of the CRC.

CRC DECISION

- o July 19, 2012 CRC Meeting (Draft) Summary Notes approved without corrections.

I. CRC Process // Decisions Made**A. Public Input**

During the first CRC Meeting on July 19th, the CRC was asked to consider its function with regards to whether the CRC would provide a process for public input during the meetings or in some other manner. Due to time constraints consideration of public input was tabled for a continuation at the next meeting. Today, the CRC completed its discussion. Below, are the key points within the CRC's decisions. However, they also stressed for each the importance of flexibility, and their willingness to modify these general rules as needed. Edward Campbell confirmed that information for the public would be available on the Portland Water Bureau website. All in all, the CRC developed and agreed to institute the following:

CRC DECISION

- o Given the 2-hour meeting format, encourage the public to submit written comments prior to all future CRC meetings,
- o Allow in-person comments during the meetings,
- o As a general rule, dedicate 15 minutes per meeting for public input, and
- o Consider a contingency option of one (1) additional meeting dedicated to public input.

II. STUDY Feedback // Key Points // Decisions Made**A. Evaluation Criteria**

Tom Chesnutt gave a PowerPoint presentation about the evaluation criteria for the study. He affirmed the usefulness of the additional criteria list identified by the CRC at the July 19th meeting. Gary Fiske and Tom Chesnutt reinforced that their role as consultants is to illuminate trade-offs between criteria, define (but not recommend) specific rate structures, and evaluate a set of potential rate structures against a set of evaluation criteria. Furthermore, Fiske and Chesnutt explained that an evaluation algorithm is beyond the scope of the study (see Key Points, below).

The CRC discussed ideas and asked questions about the real or perceived ways in which water rates can effectively reduce customers' water use. Staff and consultants explained that water utility rate structures have the ability to encourage water savings (i.e. water conservation). However, they also noted that it is difficult to attribute a specific amount of per-capita or annual savings with any specific rate structure. There was a general understanding that this study is designed to help provide more insight into the relationship between conservation and different water utility rate structures such as: uniform, tiered, and seasonal while simultaneously evaluating the attributes of potential criterion trade-offs. Moving forward, discussion ensued regarding the Portland Water Bureau's conservation plans and related future May 25, 2015 WMCP benchmarks.

CRC DECISION

- None.

KEY POINTS

- This study will neither assign numerical values upon the criteria list nor develop an evaluation algorithm to quantify various trade-offs for decision-making purposes.
- This study relates to the Water Bureau's requirement to evaluate conservation rate structures as one of the 5-year benchmarks in the approved Water Management and Conservation Plan (WMCP) for 2015-20.

B. Task A Technical Memorandum

Gary Fiske gave a PowerPoint presentation about *Task A* Technical Memorandum: Preliminary Review of Current and Prior (Portland Water Bureau) Rate Structures. The introduction of *Task A* Memo reads as followed:

“Since the 2006-07 fiscal year, the City of Portland has had a uniform volumetric retail water rate for all customer classes, which has increased in nominal and real terms each year. Prior to that, between 1995 and April 2006, PWB had a 3-tier increasing block rate structure. This memorandum presents a primarily qualitative discussion of how the two rate structures compare in terms of: *

- The degree to which they encourage water conservation by customers;
- Their compliance with OAR Division 86 (WMCP) requirements; and
- Their relative administrative costs.

* Note by G. Fiske within body text of *Task A* Memo: There may be other benefits and costs of each rate structure that are beyond the purview of this memorandum.”

Using graphs and charts from the memo within the Powerpoint presentation, Fiske explained that water consumption is down, and marginal and average prices are higher now than in 2005-06. Fiske also referred to a quote included within his memo on page four by Robert Stavins. He suggested that there should be an important caveat to Stavins’ quote, “...analysis indicates that increasing-block prices, per se, have no impact on the quantity of water demanded, controlling for price levels.” Specifically, Fiske suggested that perhaps researchers have not been able to identify the impact of rate structure controlling for price levels, because typical municipal block pricing rate structures do not offer a robust price steepness. Discussion transpired about the relative steepness of alternative block rate structures, price elasticity of demand, and the way in which water saving inducements can likely occur by orders in magnitude through price signal steepness. Parandvash and others commented about plausible customer behavior related to price response to total water bill (*see Key Point, below*). However, it was noted again that it is difficult to detect or measure the response to price within each block. Other issues addressed related to bill design (e.g. year-in-review and comparison of a typical customer within the customer service area), understanding of one’s bill, and billing frequency.

In terms of comparing the current rates to that of 2005-06 with regards to conservation incentives, Cecelia Huynh explained that the revenue generation stayed the same when the Portland Water Bureau changed from increasing block rates to uniform block rates in 2005-06. Tom Chesnutt led

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a discussion with the members of the CRC and staff about the pre-2006 rate and the current 2011-12 rate in terms of the comparing water conservation pricing. Hossein Parandvash and staff finished the discussion by clarifying that the purpose of comprehensive municipal water demand management planning (i.e. a water provider's overall water conservation strategy) is to avoid and/or delay long-term costs due to facilities expansion. All in all, the attendees understood that the ideas expressed would be explored further and meaningfully addressed within the study's time horizon.

CRC DECISION

- o None.

KEY POINTS

- o Fiske will make a few minor corrections on Table 1 of the *Task A* memo in regards to quarterly base charge (\$8.96 will be changed to \$18.26 and \$10.05 changed to \$20.48) and average rate (\$2.45 changed to \$2.98).
- o Comment by Parandvash and other: Perhaps regardless of any type of water rate structure, customers are likely to be price sensitive to the total charge of their utility bill rather than sensitive to a particular price of any given rate within a structure.
- o Comment by all: Steepness (e.g. more tiers... 2ccf, 6, etc.) and/or robustness of the price signal curve (e.g. a higher jump in price between tiers) could have an impact on behavior.

C. Overview of Upcoming Work: Tasks B and D Technical Memoranda

The consultants, Fiske and Chesnutt, provided PowerPoints to overview their upcoming Technical Memos. *Task B* focuses on modeling of various "what ifs" such as bundling weather and the economy or customer ethic/behavior and weather or land use and price, etc. The modeling will analyze various bundles in an attempt to identify customer behavior patterns and/or correlate water consumption drivers with water use data. In preview of *Task D* Memo, the consultants are comparing water utility demand trends of seven cities in the Western United States (Portland, Tacoma, San Francisco, Seattle, Denver, Mesa, and Tucson). The memos have yet to be completed.

CRC DECISION

- o None.

Next Meeting Date

Hossein Parandvash summarized the ideas, comments, other key points, and decisions made during the meeting. The next CRC meeting will be held on Thursday, September 20 at 2:00 p.m., Chinook Conference Room, 14th floor, Portland Building.

Issue Date August 27, 2012**Prepared for PWB by** Jamison Cavallaro