

## **CRC Summary Meeting Notes**

**Meeting:** Portland Water Conservation Rate Structure CRC  
**Meeting Date:** November 15, 2012  
**Meeting Time:** 2:00 pm  
**Location:** Chinook Conference Room, Portland Building  
**Attendees:** Hossein Parandvash, City of Portland  
Cecelia Huynh, City of Portland

### ***CRC Members***

John Davis (CRC Chairperson)  
Janis Adler  
Roger Cole  
Tom Foley

### ***Other Attendees***

Gary Fiske (Consultant)  
Trudy Cooper (Facilitation/Documentation)  
Jamison Cavallaro (Facilitation/Documentation)  
Ann Griffin (Facilitation/Documentation)  
Kent Craford (Public attendee)

The fifth Portland Water Conservation Rate Structure Study Citizen Review Committee (CRC) meeting was held on Thursday, November 15<sup>th</sup> at 2:00 p.m. in the Portland Building. The primary purpose of this fifth meeting was to give the CRC an opportunity to review the final illustrative rate options generated by staff and the consultant team. (NOTE: *Task Memos* are prepared by the consultant team.) The meeting agenda is attached. Other handouts provided prior to, during, and immediately after the meeting included:

- Technical Memo on Rate Structure Alternative Comparisons by Gary Fiske
- Instructional Cover Letter, Rate Alternatives Evaluation Matrix, and Evaluation Criteria Criteria Definitions by Gary Fiske
- Technical Memo (11/8/12): Water and Sewer Cost High Volume Customers by Gary Fiske
- Letter (from Large Volume Customers) by Portland Water Users Coalition, Kent Craford
- October 18, 2012 CRC Meeting #4 (Draft) Summary Notes by Jamison Cavallaro/PWB

### **Introduction and Housekeeping**

Hossein Parandvash opened the meeting at approximately 2:00 PM. Parandvash thanked the CRC and consultants for all their dedication. He announced that the scheduled completion of the study is on-track, but the sixth and final meeting (scheduled for 12/20/12) will require an extra hour instead of the CRC's customary two-hour meeting time allotment.

### **CRC DECISION**

- October 18, 2012 CRC Meeting #4 (Draft) Summary Notes approved without corrections.

I. STUDY Feedback // Key Points // Decisions Made

**A. Technical Memo E: Rate Structure Alternative Comparisons**

Gary Fiske presented the study's final list of seven rate structure design alternatives, and offered his analytical conclusions. (NOTE: All seven of the rate structures illustrated are designed to generate the actual revenues by customer class collected in FY2011-12.)

Mr. Fiske provided a PowerPoint presentation about the 7 alternatives described in the technical memorandum. The introduction to the memo reads as followed:

“This memorandum lays out a series of rate alternatives, noting their key features and how they compare to one another. The goal is to gain a common understanding of how different structures look, how they affect usage, and what is and isn't feasible.”

The first alternative is a simple seasonal rate with a moderate spread between the peak-season and off-peak season rate for all classes. This is followed by a series of block rates for single-family residential customers that build on this seasonal rate by maintaining this seasonal spread. (As previously discussed, block rates are only applied to the single family residential customers, due to lack of data availability for the other customer classes.) Each alternative is intended to illustrate a particular point. A few other alternatives that do not fit into this sequence are also included. Those shed light on other aspects of the rate structure analysis.

(NOTE: Mr. Fiske's memo and PowerPoint are located on the PWB's Water Conservation Rate Study web page, [www.portlandoregon.gov/water/59171](http://www.portlandoregon.gov/water/59171).)

Gary Fiske carefully walked the attendees through the illustrative examples to clarify and explain the final rate structure design alternatives. Ultimately, Mr. Fiske used his PowerPoint presentation to reinforce the key conclusions of the tech memo, which states:

- For single-family and multi-family customers, a simple seasonal rate with a moderate spread between the peak-season and off-peak season rates will result in a 1% sales reduction for each class.
- Seasonal rates will not appreciably affect CII sales.
- Adding a moderately-sloped block rate will somewhat improve single-family savings.
- Single-family savings can be increased significantly, while maintaining the relationship between the seasonal average rates, by making the block rates steeper.
- Increasing the fraction of revenues collected through fixed charges requires reduced commodity rates, which results in either reduced conservation savings or actual increases in usage.
- This can be mitigated for single-family and multi-family customers by increasing the seasonal rate spread, and/or for single-family, by steepening the block rates.
- A single-family block rate structure analogous to the previous PWB block rate design results in little savings.

The facilitators and PWB staff checked-in with the CRC members to ensure that all pertinent questions related to the final list of seven illustrative rates had been raised before Mr. Fiske concluded his question and answer portion of the meeting. Moving forward, the CRC and the

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PWB staff mentioned that the consulting team's list of rate alternatives was very well organized and understandable. Attendees appear confident that final list and conclusions within the Tech Memo would be understandable to interested parties, especially the City Council and PWB customers.

**CRC DECISION**

- o Approval of the final set of illustrative rate design alternatives. Revisions are not needed.

**KEY POINTS**

- o Increased fixed charges reduce annual revenue variability.
- o The Water Research Foundation's price elasticity assumptions have been adopted by this study.
- o In the tech memo, the word "sales" is a synonym for "water use" of retail customers.
- o Rate design structures using more than three blocks will not be analyzed in this study.
- o Only fixed charges equal to or greater than SF: 34% MF: 11% CII: 16% were analyzed.

**B. Rate Alternatives Evaluation Matrix**

Hossein Parandvash distributed two handouts: a newly created spreadsheet entitled *Rate Alternatives Evaluation Matrix*, and a list entitled *Evaluation Criteria Definition*. (NOTE: The definitions list was approved by the CRC during CRC Meeting #3.)

Mr. Parandvash and Gary Fiske instructed the CRC members to review the matrix and rank the final list of seven rate structures against certain criteria using a 5-point scale. The scoring process gives each CRC member an opportunity to express his/her perspective, but also provides a means for the consulting team to note a "range of consensus" among members.

Regarding the Rate Alternatives Evaluation Matrix itself, certain criteria within the matrix like #1 – *Conservation Impact* have already been ranked/evaluated and populated by Mr. Fiske based exclusively on the quantitative results of his illustrative rate design work. Others will be evaluated by the Technical Committee of City staff. Consequently, the CRC will provide input for certain evaluation criteria, but not all ten criteria. Specifically, the CRC will focus on ranking/evaluating each of the seven final rate design alternatives against the following criteria:

- o Intra-class equity
- o Public understanding
- o Public acceptance
- o Sustainable growth

In addition to providing 5-point scale ranking for the above four evaluation criteria, the CRC members were instructed to write substantive comments. Due to the qualitative nature of this aspect of the criteria evaluation process, the PWB staff and consulting team explained a clear purpose for written comments. The CRC's written comments would be used to help illuminate the general rationale behind each of the CRC members' scoring selections.

(NOTE: Please see instructional cover letter, matrix, and definitions list for more detailed information.)

**CRC DECISION**

- o CRC members will email their rankings and evaluation comments to PWB by 11/26/12.

**C. City Council’s Request to Consider Discount Rate for the CII customers**

This discussion is a continuation from the previous CRC meeting. Based on a technical memo prepared by Gary Fiske (dated 11/8/12), Parandvash and Fiske reminded the attendees that this topic of discussion has been promulgated by the City Council’s interest in exploring the possibility of a discount rate for high volume commercial, industrial, and institutional (CII) customers. Additionally, the Portland Water Users Coalition’s Director, Kent Craford, distributed an open letter. Hossein Parandvash indicated that the letter will be discussed in the next CRC meeting. This will give the CRC members to have time to review the letter.

(NOTE: Please see the associated technical memo prepared by Mr. Fiske for more information about the City Council’s request, CII customer class water and sewer data, and conclusions.)

**CRC DECISION**

- o N/A.

**Next Steps and Next Meeting Date**

Hossein Parandvash summed up the meeting results and next steps. All in all, Mr. Parandvash reinforced that the consultant team’s forthcoming final report for the study will compare the advantages and disadvantages of different rate structures and point out tradeoffs. He also reminded the attendees that the CRC’s final meeting would need to start an hour early. The attendees favored 1pm-4pm time slot.

The next CRC meeting will be held on Thursday, December 20 at 1:00 p.m., Chinook Room, 14<sup>th</sup> floor, Portland Building.

**Issue Date**      November 21, 2012                      **Prepared for PWB by**      Jamison Cavallaro

**Final Date**      December 3, 2012                      **Final Version by**      PWB Staff