

1984 - 2014



Citizens' Utility Board

30 Years and Counting

of Oregon

November 9, 2015

To: Members of the Portland Utility Board (PUB) utility discount subcommittee
Commissioner Nick Fish and utility bureau liaisons
Representatives of BES and PWB

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Re: Low Income Discount and Monthly Billing – Background, Concerns, Suggestions

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PICK YOUR HEADLINE

There are three types of headlines that reflect the educational and policy challenges regarding the utility discount program of Portland's public utilities.

#1 – Utility discount program excludes Portland's poorest – because they rent

#2 –Irresponsible City Council expands utility discount program without proof that renters will benefit

#3 – Utility oversight groups recommend discount program adjustments and urges City Council to take other actions to assist low income renters

Headline Number One is the only actual headline and it was the title of an *Oregonian* article published February 15, 2015. As we know headlines don't always convey important article details. This headline, however, conveys the inaccurate implication that poor Portlanders were excluded from the utility discount program solely because they were renters. This implication is irresponsible and misses two important points:

- The current utility discount program is only available to sewer, stormwater management, and water customers who receive the bill for these services.

- Most renters do not receive a Portland public utility bill since most rental units are in buildings with one master meter so these utility costs are included without itemization in the rent.^{1,2}

Headline Number Two would be an appropriate criticism of the Portland City Council if it expanded the utility discount program to low income renters without a mechanism to ensure that landlords don't just pocket the discount without passing on that financial benefit to renters. Obviously it is important to avoid this kind of headline, especially since other ratepayers would likely be covering the cost of an expanded discount program and would be justifiably displeased if landlords and not low income renters were benefiting.

Headline Number Three would indicate that though there are opportunities to improve and adjust Portland's utility discount program, this program cannot easily assist all low income renters. For this reason, the City Council must continue to explore other options to address our city's very real affordable housing challenges.

Earlier this year I was concerned that expanding the public utility low income discount to renters that don't receive that a water/sewer bill would be viewed as the only arrow in what should be a large quiver of options to assist low income renters in Portland. Such a single minded focus on the low income discount arrow might have resulted in a program expansion with inappropriately high administrative costs with relatively small impact compared to the other assistance options. I still have concerns about administrative costs, but am relieved that the recent housing emergency designation and related City Council actions are being taken since they likely have more potential for helping more renters than a change in the utility discount program. This doesn't mean that Portland's utility discount program can't be improved and adjusted. However, that discussion can now occur within the context of a much broader array of policy changes rather than inappropriately pinning all hopes on the challenging proposition of expanding the utility discount.

APPROPRIATE TO USE RATEPAYER DOLLARS FOR LOW INCOME ASSISTANCE

As is prevalent regarding private energy utilities, it is appropriate to use ratepayer dollars for water, stormwater, and sewer utility discounts. This memo also discusses the possible use of general fund dollars for low income assistance and this possibility should not be viewed as undermining the basic premise that ratepayer dollars can be used for this purpose. Supplementing ratepayer dollars with general fund support for low income discounts could be appropriate, for example, due to overall ratepayer impact. There are also challenges in assisting renters who do not receive a water/sewer bill due to residing in master metered multiunit buildings where the landlord includes those utility costs in the rent without itemization. Using ratepayer dollars to assist this category of renters is problematic due to the difficulty of ensuring the renter benefits rather than the landlord. Indeed, the receipt of EPA grants requires compliance with requirements that renters benefit from any water/sewer utility discount. Suggesting that general funds be used for this category of renters, however, is due to those kinds of restrictions or other reasons and should not be viewed as undermining the basic premise that low income discounts are appropriately paid for with ratepayer dollars.

¹ See Appendix 1 for a breakdown of owner-occupied and renter-occupied housing in Portland by the number of units in the structure. Note that 5.5% of owner-occupied homes are in buildings with 2 or more units or in mobile homes or some other type of structure. These structures are more likely to have one master meter so these homeowners likely do not receive a public utility bill for water, stormwater, or sewer services. Note that 13.5% of renter-occupied homes are not in multi-unit buildings. These renters are likely to receive Portland public utility bills.

² I have asked PWB if new multi-unit construction in Portland is more likely to have unit-specific water meters rather than master metering. The answer was "no" indicating that the prevailing trend of master metering in multi-unit housing continues.

RENTERS AND OWNERS – HOUSING COST BURDEN COMPARISON

The percentage of Multnomah County renter households with a housing cost burden (as defined by paying 30% or more of household income on housing costs including rent, utilities, mortgage payments, and insurance) problems is 49.15% while only 34.32% of owner households have that level of housing cost burden.³ Portland specific data indicates that 54% of renter households face a housing cost burden compared to a housing cost burden on 39% of owner households.⁴ This data indicates that though many homeowners face significant housing cost burdens, a significantly higher percentage of renters face this category of financial burden in Multnomah County and Portland. There is an equity factor as well with non-white households, owners and renters, having significantly higher levels of housing related cost burdens.⁵ Updated data will be available in December but all indications are that these general trends will be the same.

This information indicates a fundamental flaw in a low income utility discount program that cannot feasibly be made available to most renters due to the relative rarity of unit-specific water metering and receipt of Portland's public utility bill by the renter. That a utility discount program is primarily available to homeowners, though great for those low income customers, is fundamentally unfair to low income renters. Presumably this is why 32 of our country's 50 largest cities do not offer any water or sewer utility bill discount at all.

CUB is not suggesting ending the current public utility discount program, but it is important to recognize its inequity and to highlight again that a utility discount can't be the only action taken to assist low income Portlanders, especially renters. This recognition reinforces the need identified earlier to urge the City Council to take other actions to assist low income renters.

HOUSING COST BURDEN MEANS OUTREACH SHOULD BE ON BOTH UTILITY DISCOUNT AND MONTHLY BILLING OPTION

CUB supported the change enacted on November 25, 2014 to allow customers to request monthly rather than quarterly bills without having to also use e-billing. Meters are still read quarterly but instead of getting one bill, a customer can now request getting three monthly statements. This option was first available in February of 2014 but was initially linked to an e-billing requirement to mitigate the cost impact of preparing and mailing out 12 rather than 4 bills each year. The e-billing requirement, however, was a barrier to those customers facing digital divide challenges, many of which are likely to be customers who might particularly benefit from the household financial management benefit of monthly billing.

As of the end of September 2015, there were 18,153 monthly accounts which is 10.25% of the customers that could request this option. However, only 6,856 customers have requested this option since it was made available to all customers regardless of how they are billed in late November last year. The other 11,297 monthly billing accounts include 6,521 e-billing accounts and 4,776 customers who had been in a previous budget billing program.

³ Table 3 in Section Two of Portland Housing Bureau, 2011-2016 Consolidated Plan. Data is from the 2009-2011 Comprehensive Housing Affordability Strategy (CHAS) based on three year ACS.
<https://www.portlandoregon.gov/phb/51009>

⁴ Owner and Renter Households with a Housing Cost Burden, 2013, page 25 of Multnomah County Community Data Profile compiled by Federal Reserve Bank of San Francisco. Data source is ASC 09-13.

⁵ Table 3 in Section Two of Portland Housing Bureau, 2011-2016 Consolidated Plan. Data is from the 2009-2011 Comprehensive Housing Affordability Strategy (CHAS) based on three year ACS.
<https://www.portlandoregon.gov/phb/51009>

Not all Portland homeowners and renters facing housing cost burdens are likely to be eligible for the utility discount, but they may benefit from the monthly billing option. An informal assessment of the monthly billing option is that it seems to be particularly helpful for customers “on the bubble” in as much as they have adequate resources overall but find planning for the larger quarterly bill a challenge.

One indication that Portlanders haven’t heard about the monthly billing option, though, is that when I gave an informational presentation about CUB and our public utility advocacy at a meeting of the Cully Neighborhood Association, none of the 30 attendees had heard about monthly billing. This information deficit, however, is not the fault of the utility bureaus.

The City Council requested the monthly option regardless of billing method on a timeline that did not allow for adding funds to the current PWB budget for outreach and for additional bill preparation and mailing costs that would result from such outreach. There was a media push about the availability of monthly billing in early 2015, but other than that there has been minimal outreach about monthly billing option and its availability without e-billing.

CUB will be recommending that the PWB (that manages billing through its Customer Service department for both PWB and BES) develop a monthly billing outreach proposal for inclusion in the fiscal year 2016-17 budget. That budget should also include estimated increased costs for bill preparation and mailing. In consultation with Commissioner Fish’s office, CUB is also suggesting a brainstorming session that would include Liam Frost, PWB public engagement and customer service staff members as well as representatives from the Office of Equity and Human Relations and the Office of Neighborhood Involvement. A major purpose of those offices is to assist other bureaus on best practices related to outreach and engagement of historically disenfranchised Portlanders including disabled residents. This expertise would be helpful in this discussion, particularly given the equity emphasis in program and budget development requested by City Council. A PUB member would also be welcome to attend this brainstorming session.

The PWB already does outreach about the utility discount including distribution of information in English, Spanish, Russian, and Vietnamese. The brainstorming session will begin with an overview of these existing outreach efforts. In general, possible outreach improvements for both the utility discount program and the monthly billing option will be sought in the brainstorming meeting.

Obviously monthly billing does not reduce the payment amount, but it merits an outreach effort and coordination with outreach for the utility discount. That outreach does need to be nuanced since it may make sense for low income customers to continue as quarterly accounts since monthly bills could possibly increase the number of late payments and related fines. These dynamics are why customer service staff members should be key players in development of a monthly billing outreach effort and any possible changes in outreach regarding the utility discount program.

UTILITY DISCOUNT PROGRAM COSTS AND COMPARISONS

As indicated in the report from the utility discount work group, BES and PWB budget for a combined total of \$5 million in foregone revenue. But what does the cost of the utility discount program mean for other residential public utility customers?

In Portland “just over \$1 per month on an average bill goes to support low income assistance.”⁶ By comparison the low income assistance program supported by Portland General Electric and Pacific Power customers is raised by a specific charge on all customers. That charge is approximately .85 per

⁶ <https://www.portlandoregon.gov/bes/55059>

month charge per residential meter.⁷ A low income assistance program is also supported by NW Natural customers and it impacts residential customers through a .42 per month charge on an average monthly bill.

Obviously there are substantial differences between electric, gas, and water and sewer services. First, there are year round needs for water and sewer service while energy assistance for low income customers in regard to heating has more of a seasonal dynamic. Second, the number of Portland General Electric and NW Natural customers are larger than the residential customer base of Portland's public utilities. Third, given that more rental units are directly metered for electricity and natural gas so that renters get those bills, the number of low income customers eligible for assistance are presumably greater for Portland General Electric and NW Natural compared to BES and PWB. All these differences make it challenging to make comparisons between these private and public utilities. Nevertheless, the rate impacts of any possible expansion of the current low income public utility discount in Portland must be examined very carefully and consider this broader utility context.

COMPLIANCE WITH BEST PRACTICES

A review of two reports on best practices in water and sewer utilities customer assistance programs by the National Consumer Law Center and the Water Research Foundation indicates that Portland's low income assistance efforts are consistent with these recommendations. One factor that isn't readily applicable to Portland relates to conservation as is discussed in Appendix 2. A monthly billing option and outreach is recommended in these reports and as noted on page 3 CUB is recommending more outreach with an emphasis on historically disenfranchised Portlanders. That Portland has a robust low income assistance program, however, is a key information point to underscore in this discussion on how to improve the program.

CHALLENGES OF MASTER METERED BUILDINGS COLUMBUS, OHIO PROGRAM

The utility discount work group report thoroughly discussed the very significant challenges of extending the low income discount to eligible residents who do not receive public utility bills because they live in buildings with one master meter. The Department of Public Utilities in Columbus, Ohio seems to have developed the only program around for this category of buildings whose residences meet low income eligibility requirements.⁸ Annual applications are required and must include:

- Documentation of the low income eligibility of residents
- Copy of tenant lease
- Roster of current tenant names and address of unit each tenant is leasing
- Copy of a current water/sewer bill that is billed to a tenant, along with copy of tenant's payment for bill
- If water/sewer billing is handled by a third party, a copy of current contract with the third party must also be submitted

If renters are billed for water/sewer utilities as part of their rent, then participation in this Columbus program is not an option. This means that significant numbers of rental buildings, even if residents meet low income eligibility requirements cannot participate in the Columbus program.

⁷ The base charge for Portland General Electric customers for low income assistance is .50 per month per residential charge. This amount has been raised to .85 per month per residential meter for approximately another year to ensure meeting a program funding goal set by state statute.

⁸ <http://columbus.gov/WorkArea/DownloadAsset.aspx?id=54674>

Only 1,400 rental complexes participate in the Columbus low income discount program for master metered buildings. Many more buildings are presumably eligible but the application burden is on the landlord and it is significant. Evidently most participating buildings/landlords consistently apply every year because they have mastered the application process. Typically when an application comes in that is incomplete or has some other problem, corrective action is not taken and second application attempts are not made.⁹

There is no absolute guarantee that participating landlords are passing onto renters the 20% discount they receive on their water/sewer bill as participation in this Columbus program.

So far as the customer service manager in Columbus knew, there has been no discussion of the possible need for a waiver nor has a waiver application been made to the EPA to ensure compliance with requirements linked to having received federal grants. Conversations with BES staff would be required to assess if a Columbus style program could pass muster with their understanding of EPA requirement for a pass-through mechanism to ensure that low income discounts directly benefit the tenant. (See the discussion in the utility discount work group on pages 12 and 13 for more information on the challenges of gaining federal approval.)

CUB VIEWS ON UTILITY DISCOUNT WORK GROUP OBJECTIVES and OPTIONS IDENTIFIED BY PUB LOW INCOME SUBCOMMITTEE

Objective #1

CUB is inclined to support the first objective regarding ensuring that everyone who is currently eligible (that is customers that meet the low income eligibility requirement and receive a municipal utility bill in their name) with a focus on outreach that particularly targets historically disenfranchised communities and in coordination with monthly billing outreach as discussed on page 3.

However, a “let’s take a step back and consider how would we design this program if starting today” type of discussion may be prudent and one that CUB would be interested in discussing with the PUB low income discount subcommittee if there is interest. A particular point in that discussion would be whether the equity and fairness concerns discussed on page 2 and 3 merit consideration of a new approach. At the same time the administrative work in expanding the low income discount program could be such that revisiting the fundamental design of such a program could be difficult.

Objective #2

The feasibility of meeting the second objective to expand the discount program to low income residents of multi-family buildings without their own meter at a reasonable administrative cost is a significant concern to CUB. The additional foregone revenue from such a program expansion and possible impact on ratepayers is also a major concern.

The challenges described above on page 5 about the Columbus master metered rental building program and described in the report of the utility discount work group regarding meeting this second objective are significant. Reading Appendix D of the utility discount work group report, especially its final section, is recommended to get a sense of the administrative complexities. These challenges contribute to the following suggestions from CUB.

1. Acknowledge and report to the City Council that it is not feasible to extend the discount program to eligible low income residents of market rate master metered rental buildings who

⁹ Phone conversation with Cyndi Estep, customer service manager at Columbus Department of Public Utilities

do not receive a public utility bill and whose water and sewer costs are part of their rent without itemization. This group is estimated in the low income utility discount report to include about 30,000 customers. These are the low income renters that, barring some future policy change or technological advance, cannot be assisted by a utility discount program. This group also seems to be the focus of Option 3 in the matrix prepared by CBO staff for the November 3rd PUB meeting.

Attempting this type of expansion, however, would likely result in the troubling Headline Number Two on page 2. These renters, then, merit particular targeting for assistance programs supported with general funds. Specific program design, however, is the bailiwick of the Portland Housing Bureau and affordable housing advocates. Also as noted on page 2, that general funds are used to assist these low income renters is due to practical and legal restrictions, not because it is generally inappropriate to use ratepayer dollars for utility discounts.

2. The low income utility discount work group did suggest additional exploration of expanding the current discount program to the estimated 13,000 customers that are renters who do not receive a public utility bill in their name, but reside in buildings that receive some form of rent assistance. It is this customer group that is the focus of Option 2 and 3 in the matrix prepared by CBO staff for the November 3rd PUB meeting. CUB has the following suggestions and observations regarding this group:

- a. Request that BES review the approach taken in the Columbus master metered building low income program in terms of compliance with EPA requirements linked to receipt of federal grants. If the Columbus program meets EPA requirements this option could be considered in regard to this group of 13,000 customers. However, it does seem likely that participation would be limited due to the time and documentation that must be provided by landlords in the annual application process. But the administrative burden on the utility bureaus is relatively low.
- b. Request that PWB develop administrative cost estimates for the targeted approaches deemed worthy of further consideration in the utility discount work group report to address the needs of approximately 13,000 renters who are in subsidized housing units even though they do not receive water/sewer bills. Developing more definitive administrative cost estimates is key to deciding if the extent of those costs is reasonable. This approach is recommended rather than a pilot project since all the reprogramming work required in the billing system for a pilot project are essentially the same work that would be required for an ongoing expansion of the low income discount program.
- c. In terms of different funding approaches¹⁰ outlined in Option 1 compared to Option 2, CUB is concerned that a rate increase for a discount program expansion would be an undue burden on those customers for whom public utility rates are a financial challenge even though they are not eligible for the low income discount. In other words, Option 1 raises the possibility that more people might be hurt compared to the numbers of those who benefit. The Option 2 "thinning the soup approach" is troubling given the financial assistance need. It must be considered, however, especially given the broader

¹⁰ Option 1 would expand the discount program through a rate increase while Option 2 would maintain the current level of foregone revenue for low income discounts and expand the program by reducing the discount amount for all program participants.

context of how much typical residential customers are paying for low income assistance programs of private energy utilities as reviewed on page 4. This “thinning the soup” concern could be mitigated by Option 4 as discussed below.

- Regarding Option 4 in the matrix prepared by CBO staff for the November 3rd PUB meeting, CUB would support some sort of donation program to supplement revenue required for any income assistance program expansion, but only if administrative costs are reasonable. We also see the increased fundraising potential of an opt out approach where a customer would have to proactively indicate they do not want to make a donation to assist low income public utility customers. Public outcry about this approach would seem significant and justified, so CUB would recommend taking the opt in approach.

At the same time it should be recognized that such a voluntary donation program would bring in money but seems unlikely to be a major revenue source. For example, the EWEB voluntary donation program has garnered \$1 million in revenue over 20 years, though preliminary research indicates that HEAT Oregon collects about \$1 million per year on a voluntary basis to supplement energy related assistance programs.

Appendix 1

Tenure By Units in Structure for Portland: 2014

Total	257,267	
Owner-Occupied Housing Units	132,248	51.4%
1, Detached or Attached	118,139	45.9%
2 to 9 Units	3,325	1.3%
10 or More Units	7,684	3.0%
Mobile Home and All Other Types of Units	3,100	1.2%
Renter-Occupied Housing Units	125,019	48.6%
1, Detached or Attached	34,602	13.5%
2 to 9 Units	38,917	15.1%
10 or More Units	50,542	19.7%
Mobile Home and All Other Types of Units	958	0.4%

Source: 2014 ACS 1 yr. Estimate
 Thanks to Portland Housing Bureau staff for
 Identifying this information for CUB

Appendix 2 Water Conservation in Portland

Conservation is not advantageous for PWB since so many of its system costs are fixed and must be paid for even if revenues dip due to reduced water use. However, conservation can be beneficial for individual customers especially given the upward trend in water rates so responding to conservation information requests by PWB is appropriate.

Another dynamic, however, is that Portlanders are following a national trend in reduced use of water. Passive conservation is occurring as water conserving toilets and appliances are routinely what are available on the market. Portlanders have adjusted to dry summers and know that brown lawns will turn back to green when rains return in the fall. There are conservation planning requirements from the Oregon Water Resources Department. These regulatory requirements must be met and customer interest in conservation must receive a meaningful response. Paying for more than these reactive conservation efforts will be carefully assessed by CUB, however, since it doesn't seem to make sense for PWB. This is counter intuitive given the conservation ethic found in Portland. This stance is also atypical for CUB since our advocacy for energy residential ratepayers emphasizes conservation since that is such a cost effective strategy in that sector. That just isn't the case in regard to Portland's water system.

This dynamic is also why smart meters and other technology appropriate in the energy arena don't make sense for PWB. Energy conservation is typically linked to trying to end energy production from an environmentally problematic source and/or to delay the need for capital intensive new energy production capacity. Encouraging conservation by charging lower rates during off peak usage windows contribute to the use of smart electrical meters. Appropriately, PWB's rate structure is simple and the cost benefit analysis of smart water meters doesn't pencil out in Portland.

The reduction in water use is most prevalent in single family residences but is significant for residential multifamily and the commercial/industrial/institutional components of retail demand. This is illustrated in the attached chart on the next page. Key facts, however, are that total retail water usage dropped by 16.43% between July 2006 and June 2014 while customer numbers in that time frame only increased by 1.61%. This trend began earlier than 2006 but data broken down by retail classes is more accessible beginning year since that was when the new billing system that facilitates this kind of analysis was put into operation.

A critical finding from a February 2015 PWB analysis of 2006-2014 trends of retail consumption by customer groups is also pertinent: "the rate of decline in per capita per day consumption metrics more than offsets the expected increase in consumption due to population growth."

COMPILATION BY CUB OF PORTLAND WATER BUREAU DATA

	PWB water use in CCF by classes FY 2006-07 to FY 2013-14 (July 1, 2006 -June 30, 2014)										water use change % change July 2006 June 2014
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14			
Residential Single Family	12,132,715	11,492,565	11,471,207	10,932,917	\$10,301,840	10,245,145	10,560,189	10,040,593			-20.84%
Residential Multifamily	4,840,700	4,707,172	4,667,997	4,560,972	\$4,471,975	4,423,546	4,399,514	4,318,931			-12.08%
Commercial, Industrial, & Institutional	11,889,461	11,560,719	11,258,783	11,123,401	\$10,569,434	10,700,098	10,611,309	10,431,060			-13.98%
TOTAL RETAIL USAGE	28,862,876	27,760,456	27,397,987	26,617,290	\$25,343,249	25,368,789	25,571,012	24,790,584			-16.43%
PWB customer numbers by classes FY 2006-07 to FY 2013-14 (July 1, 2006 -June 30, 2014)											customer #s change % change July 2006 June 2014
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14			
Residential Single Family	150,400	152,100	152,700	153,500	\$150,700	150,700	152,700	152,800			1.57%
Residential Multifamily	10,400	10,550	10,600	10,600	\$10,600	10,500	10,650	10,700			2.80%
Commercial, Industrial, & Institutional	19,400	19,800	20,000	20,200	\$19,900	19,400	19,550	19,650			1.27%
TOTAL RETAIL CUSTOMERS	180,200	182,450	183,300	184,300	\$181,200	180,600	182,900	183,150			1.61%

PWB refined the reporting on the number of active services during FY 2010-11 which resulted in fewer services reported.

The change was related to counting accounts vs meters. There are accounts with multiple meters.

So, most of the reduction seen between FY 2009-10 and FY 2010-11 is not related to fewer customers.