

Portland Utility Board

May 18, 1:00-3:00pm

Lovejoy Room, City Hall

Rate Ordinance Subcommittee Minutes

PUB Members:

Allan Warman
Cindy Dietz, ex officio
Janet Hawkins
Kendra Smith

Staff:

Cecelia Huynh (Director of Finance and Support Services, Water)
Jonas Biery (Business Services Manager, BES)
Claudio Campuzano (Principal Analyst, City Budget Office)
Ryan Kinsella (Senior Analyst, City Budget Office)

Public:

Janice Thompson (Citizen Utility Board)
Carol Cushman (League of Women Voters)

I. Call to Order, Introduction of Any Audience Members

Claudio provided a brief overview of the meeting and the impact of Council hearing the rate ordinance.

II. BES rates

Jonas then provided an overview of the BES' rates, beginning with a brief explanation of how rates are developed. Rates are based on a series of assumptions and budgetary needs in the financial plan. He then reviewed the sanitary sewer system user service charges.

Allan asked a clarifying question as to whether the subcommittee could discuss items outside the budget letter. Claudio clarified that the subcommittees' comments to Council were constrained by the budget letter, but that today's meeting was intended to be more informative and tee up PUB discussion about how to address rates going forward. Allan suggested that the subcommittee focus on finalizing the testimony to Council for the hearing before the bureau's presentations of how rates were developed.

Kendra asked why building plan review fees are proposed to increase by 150%. Janice explained that this increase is intended to have rates reach full cost recovery and was effectively a savings to ratepayers. Kendra pointed out that the developer community might have significant concerns about this increase.

Cecelia then provided a handout that illustrates the changes in the proposed rates – including both the percent change and dollar amount change.

Claudio asked if it would be possible to include the table that compares current rates to proposed rates as part of the rate ordinance. Jonas responded that he was unsure as to why this table was not previously included but that they consider the addition in future years.

Kendra suggested that it may be helpful to have a table that summarizes the fee increases. Cecelia explained that 92% of revenue is driven by retail rates, and so the bureau highlights this rate change in all communications. The breakdown of specific fees is created in order to be more transparent about changes.

There was general discussion about the value of seeing a Citywide impact of fees and charges on development – including BES and Water. Cindy noted that something along those lines for sample developments was available. Claudio will follow up with BDS to get this information.

Kendra then asked if the bureaus have reviewed how costs have been allocated into different cost buckets. Jonas responded that the bureaus have been encouraged to develop a fee schedule that accurately shifts costs to the appropriate customer and that retail rate customers do not bear an unfair portion of costs.

Janet suggested that PUB highlight how they differ from PURB in their testimony to Council. Cindy suggested that PUB iterate that they have an eye to the future. Kendra suggested that they note that current rate increases outpace inflation, and that this raises affordability concerns – especially over the long-term.

In response to the long-term affordability concerns, Jonas said that BES is aiming to develop stable – and possibly declining - rate increases over a 15 year period. The rate stabilization account allows the bureau to do this. The long-term rate increase averages about 3% per year, which is consistent with long-term inflationary costs. Jonas also noted that this average increase is lower than other jurisdictions across the country.

PUB then discussed the projected average annual rate increase and the compounded rate increase over the next five years. In general, the combined average annual rate increase is 5% and the compounded rate increase of just under 30% in five years. Cecelia noted that it is important to provide context when looking at the long-term rates. For instance, rate increases do not track only with inflation but the additional costs of reinvesting in the system.

To generalize this point for the testimony, Kendra suggested that include the following statement: “PUB will be looking at the long-term rate increases in the context of household affordability and relative to inflation.”

Janet suggested that it would be helpful to have a sense of long-term inflationary forecasts and changes to household income and other living costs.

Allan said that there is a difference between increasing rates in order to meet the requirements needed to reinvest in the system and rate increases borne by the customers.

Kendra asked if either bureau had ever surveyed customers on their willingness to increase rates relative to risk. It was noted that the Water Bureau's Asset Management group is currently developing a survey that asks some of these questions.

Janet suggested that PUB testimony include a mention of their work on the low income discount program.

Claudio suggested that in addition to primary talking points around affordability, infrastructure and long-term balance of rates and risk tolerance, that PUB discuss how they have already started working on these issues and how they will work on these issues in the future.

Janet suggested that the testimony begin with a quick recap of PUB's progress in terms of developing bylaws, electing chairs. Allan thought that the intro should also include a recap of the purpose of PUB.

III. **Public Comment**

Janice then provided a brief preview of CUB's testimony at the rate hearing.

The meeting adjourned at 2:30 PM.