



January 5, 2015

To: Mike Stuhr and Cecelia Huynh, Portland Water Bureau
Liam Frost, Office of Commissioner Nick Fish
Members of the Portland Utility Board (PUB) and PUB analyst Melissa Merrell
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Re: CUB Input on Portland Water Bureau (PWB) FY 2016-17 Budget Development

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INTRODUCTION

This memo summarizes CUB's initial recommendations regarding development of the FY 2016-17 PWB budget. We will provide additional input after review of the requested PWB budget when it is released in February. But we wanted to provide these thoughts now to inform the budget development process by PWB and Commissioner-in-Charge Nick Fish. We will also be sharing this memo, however, with staff at the City Budget Office (CBO) and the Public Utility Board (PUB) and it includes background information that they may find particularly helpful.

MONTHLY BILLING OUTREACH

CUB recommends that the PWB include resources for monthly billing outreach in its proposed FY 2016-17 budget. This budget request should also include dollars for the estimated increased costs for bill preparation and mailing that are likely to result from more public outreach about the opportunity for quarterly customers to request monthly statements.

Background

CUB advocated for 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 only if the customer also switched to e-billing which mitigated 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 advantage of monthly billing. An informal assessment of the monthly billing option by PWB Customer Services is that it seems to be particularly helpful for customers “on the bubble” since they have adequate financial resources but find planning for the larger quarterly bill a challenge.

As of the end of December 2015, there were 19,855 monthly accounts which are 11.21% of the customers that could request this option. However, only 8,558 customers, 4.83% of those eligible, have requested this option since it was made available to all customers regardless of how they are billed in late November 2014. The other 11,297 monthly billing accounts include 6,521 e-billing accounts who opted in prior to November 2014, and 4,776 customers who had been in a previous budget billing program.

One indication that Portlanders haven’t heard about the monthly billing option is that when I gave an informational presentation about CUB at a neighborhood association meeting, 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 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. The limited outreach effort to date is understandable, but CUB wants PWB to have the resources for a more extensive public education effort about the availability of monthly billing.

Multiple Goals

Another priority for CUB is for the PWB to embrace Portland’s diversity and the equity goals of the City Council in its development of a monthly billing outreach effort. In consultation with Commissioner Fish’s office, CUB organized a brainstorming session on equity related outreach ideas that included Liam Frost, PWB public engagement and customer service staff members as well as representatives from the Office of Neighborhood Involvement¹. CUB is heartened by PWB’s interest in learning about best practices related to outreach and engagement of historically disenfranchised Portlanders including disabled residents their commitment to developing a robust and culturally sensitive monthly billing outreach effort. Developing this monthly billing outreach effort will be complementary to bolstering low income discount outreach efforts and fits into the PWB’s development of a comprehensive communications and public engagement plan.

Evaluation

The appropriate evaluation of a monthly billing outreach effort is demonstration that a robust outreach effort has been developed and implemented. It is not appropriate to set a numerical goal such as a certain percentage of current quarterly billing customers will change to monthly billing. Indeed, increases in PWB billing expenses will be moderated if customers who are happy with quarterly billing continue with that option. Indeed, how many customers switch to monthly billing will inform future discussions about whether or not to purchase expensive automated technology to enable monthly meter reading. If after a robust monthly billing option outreach program there are still significant numbers of customers who have retained quarterly billing perhaps the major expenditure required to switch to monthly meter reading isn’t warranted. But getting an accurate sense of how many quarterly

¹ A PUB member with particular interest in equity and income issues facing so many Portlanders was also invited but was unable to attend.

customers really would prefer monthly billing will only be achieved after a monthly billing outreach effort that includes careful documentation of steps taken to ensure development of a comprehensive outreach plan that has been diligently implemented.

STAFFING

CUB will review the decision packages related to staffing in the requested PWB budget. Two initial observations, however, are provided at this time.

One is that increased community engagement capacity is a valid goal but one that must be informed by development of a comprehensive communications and public involvement strategy. Hiring added staff for this work should also factor in needs identified through development of the monthly billing outreach program and other steps getting underway to ensure that PWB outreach and engagement efforts respond to the interests and needs of Portlanders who are not members of the dominant culture.

CUB also supports ending the previous practice of contracting Cryptosporidium testing out to accredited labs located outside of Oregon and bringing this testing capacity in-house. The testing regime is rigorous and mailing samples across the country has contributed to the challenge of meeting testing requirements. There are also a shrinking number of labs that conduct this testing. CUB understands the importance of Cryptosporidium testing in maintaining the LT2 variance and supports this staffing level increase, especially since after initial training and purchase of lab equipment the ongoing cost of this critically important testing may end up being lower than using outside labs for this purpose.

CAPITAL IMPROVEMENT PLANNING

CUB reviewed the CIP projects that are entering the five year CIP plan for the first time in FY 2016-17 and none of them raised concerns. The rationale for this emphasis is that reviewing these new proposals provide the best opportunity to identify projects that perhaps should be delayed, modified in scope, or even eliminated. Once a project is several years into the CIP process the level of spending is such that a dramatic change in project direction is probably no longer feasible.

CUB has also been tracking the two major projects with CIP impacts, Willamette River Crossing and Washington Park Reservoir, to add seismic resiliency to Portland's water system with an emphasis on the needs of west side residents and businesses in the event of a major earthquake. CUB commends the emphasis on transparency and public outreach given the cost of these projects and urges continued emphasis on proactive information sharing and public education.

One item currently in the CIP plan on a placeholder basis, is renovation of an administrative building at the Headworks in the Bull Run Watershed. CUB will be requesting a visit to this site and suggests early involvement of the PUB in reviewing the need for this renovation and providing input on its scope and timing.

RATE STABILIZATION ACCOUNT

The PWB has made effective use of its Rate Stabilization Account (RSA), strategically building it up and then using it to smooth changes in rates. For a variety of reasons the RSA is at a higher level than originally anticipated which presents opportunities for updating plans for strategic use of this account to mitigate rate increases. CUB urges such an update and will be suggesting to the PUB that they request a briefing from both utility bureaus on the importance of these stabilization funds.

\$4 MILLION MT. TABOR COMMITMENT

The agreement between PWB and the Mt. Tabor Neighborhood Association was a commendable achievement. CUB appreciates the PWB's negotiation about how many dollars will be spent on Mt. Tabor reservoir improvements and understands the rationale for not specifying the source of funds for the agreed upon expenditure of \$4 million over 4 years.²

Since this City Council decision was made outside of the normal budget process, however, it presents a budgeting challenge for PWB. Does PWB's financial planning regarding this spending assume that ratepayer dollars are to be used or will general funds be allocated to the PWB for this spending? It is fiscally prudent for PWB to assume use of ratepayer dollars to ensure conservative financial planning so we understand why the PWB requested budget is expected to include a \$750,000 expenditure as an initial installment of the City Council's \$4 million commitment.

However, CUB will urge the City Council to allocate general fund dollars to cover these PWB costs. The work is appropriately done by PWB, but their expenses should be covered by the general fund.

Since the Mt. Tabor reservoirs are not connected, CUB does not view them as essential elements of the water system and the work identified in the PWB/Mt. Tabor Neighborhood Association is not needed for water system operation. For this reason, use of ratepayer dollars to honor the City Council's \$4 million commitment does not seem appropriate.

One question we considered in developing this position is what would PWB do if the Mt. Tabor reservoirs were damaged in an earthquake? This question is particularly pertinent since severe damage to those seismically vulnerable reservoirs would occur during an earthquake significantly less intense than the Cascade Subduction zone quake. In other words it won't take "the big one" to turn the Mt. Tabor reservoirs into rubble. In that or any similar circumstance the PWB would not and should not repair or replace them. This is in contrast to a quake or other event damaging a functioning and needed water pipe or other feature of the water system which would then be repaired, retired sooner than otherwise planned, or replaced. All this reinforces CUB's view that the disconnected Mt. Tabor reservoirs are not an essential component of the water system and the repairs under discussion are not appropriate ratepayer expenditures. CUB is open to hearing rationales for use of ratepayer dollars but is unlikely to support significant use of those resources to honor this City Council commitment.

² The PWB/Mt. Tabor Neighborhood Association agreement is at this link:

<http://www.portlandonline.com/auditor/index.cfm?a=539861&c=28123>

This agreement also included a commitment to request another \$1.5 million for reservoir improvements during the upcoming budget process, but did not commit the City Council to that spending. The request must be made, however, and CUB assumes that will take the form of its inclusion in a future PWB budget request. The rationale that the PWB used for not supporting City Council commitment for this \$1.5 million expenditure in its agreement with Mt. Tabor Neighborhood Association was that it would be used to replace lighting and other features in good working condition. CUB agrees with the PWB rationale and will oppose that \$1.5 million expenditure request whenever it is presented to the City Council.