Tuesday, 7 P.M. December 8, 1998

# UTILITY RATE REVIEW COMMITTEE
# MINUTES

**Public Safety Building** **Newberg, Oregon**

**Members Present:**

Paula Fowler, Chair
Myrna Miller
Matson Haug
Kelli Highley

**Members Absent:**

Rebecka Radcliffe
Barry Babin

**Others Present:**

Mike Soderquist, Community Development Director
Randy Naef, Utilities Manager
Katherine Tri, Finance Director
Bob Tomlinson, CH2M HILL Consultant

## 1. Call to Order

The meeting was called to order at 7:02 p.m. by Chair Paula Fowler.

## 2. Roll Call

Roll call was noted by Kathy Tri.

## 3. Approval of Minutes

Haug/Miller moved to approve the minutes of the October 27 and November 17, 1998 meetings. Motion passed unanimously.

## 4. Water System Development Charges (SDC's) Discussion

Myrna Miller stated that Randy Naef's paper explaining the CIP splits was much easier to understand and a big help. Mat Haug agreed that it captured the split arguments in an understandable way. He felt that the well split may need further discussion by the City Council.

Bob Tomlinson then reviewed the ENR Construction cost index handout. It included a 10 year history, 5 and 10 year averages and weighted averages. After reviewing the index, he reduced the inflation on the SDC tables to 3.5% which changed a few of the projected project costs. He increased the inflation rate for pipeline from 3% to 3.5%. Kelli Highley added that in a good market construction costs actually increase and in a bad market they go down. Mr. Tomlinson indicated that these changes increased the SDC slightly.

Paula Fowler asked which scenario committee members preferred. Mat Haug suggested that growth should pay for itself. He asked to be ensured that the analysis show that growth paid for itself. He was not sure if he could explain it to a rate payer. He asked for more information. Bob Tomlinson said he would prepare a 20 year projection on the first four scenarios.

Kelli Highley asked about the water conservation program. She wanted to know how many EDUs will it take to use up the capacity being created by the projects listed in the current CIP. Randy Naef explained that each project adds a different capacity to the system. Bob Tomlinson calculated that over 20 years 4,264 EDUs are projected to be added to the system and that from these EDUs the City could collect $12,791,000. Kathy Tri added that this dollar amount would be sufficient to recover principal and interest costs on the bonds.

Committee members then opined which scenario they preferred. Several agreed that Original Cost was the best scenario. It was consistent with the sewer SDC choice, was defensible and would raise enough money. Bob Tomlinson added that Net Book Value and Original Cost are the two most popular scenarios, and that Net Replacement Costs New Less Depreciation is being used more. Mat Haug agreed contingent on receiving supplemental information that ensured him sufficient revenues would be raised over the 20 year period.

The committee generally agreed to recommend Original Cost contingent on receiving additional analysis on the top four choices and a flow chart on debt service.

## 5. Water Rate Discussion

Bob Tomlinson began reviewing the cost of service rate making steps. He indicated the committee will begin with reviewing user characteristics and classes, cost centers (supply, treatment, distribution, meter maintenance, billing and administration), cost allocation methods and rate design. The committee will look at average flows, peak flows, meter cost and billing. Mat Haug asked about seasonal differences. Bob Tomlinson said that is where peaking factors will come into play. He indicated that industrial customers tend to be uniform users and that residential customers have the highest peaking factors.

Kathy Tri reviewed a list of water rate assumptions and a list of assumptions Mat Haug had sent. Paula Fowler suggested calling the list "Principles". The Committee will review the list again at the next meeting.

The committee agreed that the next agenda should include information on user characteristics, costs, cost allocation and rate design, and revised principles. It was agreed that the principles will be included in the rate report.

Myrna Miller asked a question on the conservation discussion in Duane Cole's memo. Randy Naef indicated that of the $225,000 mentioned, $100,000 is for replacing leaking lines, $100,000 is for meter replacement and $25,000 is for a water conservation program which includes belonging to the Columbia-Willamette Water Conservation Coalition and educational materials. There was some discussion about outside users. Bob Tomlinson stated that he would bring a "white paper" on outside users to the next meeting.

## 6. Adjournment

The meeting was adjourned at approximately 8:44 p.m. until the next meeting on December 15, 1998 at the Public Safety Building.

Approved by the Utility Rate Review Committee on this 15 day of December, 1998.

ATTEST:

Kelli Highley, Secretary

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