

Monday, 7 P.M.

February 11, 2002

**UTILITY RATE REVIEW COMMITTEE
MINUTES**

City Hall

Newberg, Oregon

Members Present:

Ernie Amundson
David Maben

Matson Haug
Myrna Miller

Rebecka Ratcliffe
Dan Schutter

Members Absent: Barry Babin Bobbi Johnson

Others Present: Mike Soderquist, Community Development Director
Katherine Tri, Finance Director
Debbie Galardi, Consultant

1. Call to Order

The meeting was called to order at 7:02 p.m. by Chair Dan Schutter.

2. Roll Call

Roll call was noted by Kathy Tri.

3. Minutes

Miller/Ratcliffe moved to approve the January 14, 2002 minutes. Passed by those present.

4. Old Business

The meeting was turned over to Debbie Galardi.

Slide 3 Ms. Galardi reviewed the growth vs existing revenue requirements. This slide showed that \$2.269 million of the revenue requirements is related to growth. This amount equals about 50% of the revenue gap. Ms. Galardi added that while the system development charges are included, not all revenue is collected by the time the projects are built. The system development charges help to mitigate user charge requirements, thus rate increases are higher "up front" but lower down the road.

Slide 4 This slide reviewed the cost of service rate development process.

Slide 5 This slide reviewed the cost of service principles: determination of cost allocation factors based on system design and operation; group customer characteristics; and allocation of costs to customer classes proportionately to system demands. Ms. Galardi indicated that this study did not include any changes to the customer classes. She did state that the study updated the characteristics, i.e., water usage.

- Slide 6 This slide listed the system allocation factors between functions (supply, treatment, transmission, distribution, meters, billing and general) and user characteristics (average demand, peak day demand, meter size).
- Slide 7 This slide showed the allocation of functions with budgetary divisions.
- Slide 8 Ms. Galardi indicated that Slides 7 and 8 are key to rate design. This slide allocated the capital program to functions.
- Slide 9 This slide summarized Slides 7 and 8. It showed that one third of the operating and maintenance costs are related to treatment, 7% to meter services, 5% to billing. Future capital costs are distributed fairly evenly between treatment, storage and distribution/transmission.
- Slide 10 This slide classified the function by usage demands. Treatment and supply are primarily based on average base flow while transmission and distribution are based on max day flow. Dan Schutter asked if the distribution was the same as in the last study. Ms. Galardi indicated that it was except for administration.
- Slide 11 This slide showed the classification summary. Over half of the operating costs are related to average base flow and about one third are related to max day demand. About 60% of the capital costs are related to average base flow and about 40% are related to max day demand.
- Slide 12 This slide broke down the customer classes by average base flow and max day demand. This chart drives the water volume charge. Residential customers were about half of the average base flow and max day demand. Barry Babin noted that if peaking triggers water conservation, water conservation could alter the peaking factor.
- Slide 13 This slide showed the change in revenue responsibility between customer classes. Each class showed slight changes.

The next set of slides related to rate design.

- Slide 14 This slide showed graphically the change in the fixed charges between existing and proposed rates.
- Slide 15 This slide showed graphically the change in the volume charges between existing and proposed rates.
- Slide 16 This slide detailed the actual fixed charges by customer class and meter charge.
- Slide 17 This slide detailed the actual volume charges by customer class.
- Slide 18 This slide outlined the revised rate implications: revenue recovery shifted to volume rates and revenue responsibility shifted to industrial, irrigation and

university accounts.

Slide 19 These slides provided sample bills for the different customer classes.

Slide 20 Ms. Galardi indicated that while the tables showed a five year picture, the committee was only looking at a two year picture. She added that the City is facing major capital improvements which need an influx of cash now. Mike Soderquist pointed out that the change in volume will mean that the average customer will have more control over their bill and this could have a positive affect on conservation.

Committee members expressed concern over the increase in the university's bills. Ms. Galardi pointed out that there was an increase in peaking factors. This fact plus high volume and large meters all contribute to their costs. Dan Schutter indicated that according to his charts there had not been that much change in the university's usage. Because there are so few meters in the university classification, it skews the calculation.

Myrna Miller expressed concern over the impact a 15% rate increase this year and 25% rate increase next year would have. Kathy Tri pointed out that the major reason the rates increase so much next year will be due to the bond sale necessary to pay for the new reservoir and transmission line. The first payments on the bonds will be next fiscal year. Ms. Miller asked if the committee could smooth out the rate increase. Ms. Galardi responded stating that there is a need for cash and the City would have to find another resource to cover the costs. Kathy Tri pointed out that this will be the first rate increase in over 10 years. The last rate review created a new class which shifted the rates and residential rates actually decreased slightly. Ms. Miller stated that we should make sure that citizens know this.

Staff agreed to review the university accounts and review the impacts that smoothing would have. Staff pointed out that the water system development charge review will have to wait until the Homebuilders' suit is settled.

The meeting was adjourned at approximately 8:30 p.m. until the next meeting February 25th, 2002.

Approved by the Utility Rate Review Committee on this 11th day of February, 2002.

ATTEST:

Barry Babin, Secretary

