Monday, 7 P.M. **March 25, 2002**

UTILITY RATE REVIEW COMMITTEE MINUTES

City Hall **Newberg, Oregon**

Members Present:

Ernie Amundson Barry Babin Matson Haug
David Maben Dan Schutter

Members Absent: Rebecca Ratcliffe

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 7:05 p.m. by Chair Dan Schutter.

2. Roll Call

Roll call was noted by Kathy Tri.

3. Continued Business

The meeting was turned over to Debbie Galardi who presented the following information.

Slide 3 Debbie Galardi showed revised projected rate increases. The changes were due to revised multi-family dwelling units data and using systems development charge revenue for debt service.

Slide 4 This slide showed the system cost allocation factors between functions and service/user characteristics. Mike Sodequist explained the sewerage system.

Slide 5 & 6 These slides spread the O&M and capital costs among functions. Mat Haug questioned the weighted average. Ms. Galardi stated that it might more appropriately be labeled "weighted functional cost."

Slide 7 This slide allocated service chararteristics among functions. O&M is 50% of average flow and capital was also 50% of average flow. Ms. Galardi explained that these are typical.

Slide 8 This slide showed that the allocation to customer classes is based on average winter flows (December through March), BOD and suspended solids and billing statistics.

Slide 9 Ms. Galardi discussed inflow and infiltration (I&I) which is not a consequence of a measured demand. Every customer has to share the costs to treat I & I. The two most common methods are based on the number of connections/class or based on flow (larger the pipe, the more surface there is for more cracks).

Slide 11 Ms. Galardi indicated that the staff has been reviewing information on non-residential users. This slide showed the existing classification and a proposed classification based on industrial standards on strength. She recommended changing to three commercial classes: Commercial 1 with strength similar to residential users; Commercial 2 with moderate strength and Commercial 3 which would be a combination of the City's current extra strength levels 2 and 3. Debbie Galardi discussed three studies of strength: Corvallis, State of California and Portland. George Fox, Friendsview and nursing homes would fall into Commercial 1. The committee also discuss mortuaries.

Slide 12 Ms. Galardi stated that flow assumptions are reasonable. The concentrations at the plant are within normal ranges. However, Newberg's suspended solids are higher than BOD for residential customers. Concentration has similar affects on rates as peaking factors have on the water side. Higher strengths mean higher charges per unit.

Slide 13 -14 This slide presented four scenarios for rate structure. The committee discussed the various options.

The next slides showed the impact of the different scenarios. The committee discussed various policy options, including cost allocation, basis for I & I, revenue stability, conservation and defensibility. Mat Haug liked the consistency with water rates and cost of service. He felt that debt should be allocated to all functional categories. Ernie Amundson agreed. Dan Schutter supported scenarios 3 and 4. David Maben agreed.

Mat Haug stated that volume leakage area shouldn't all be on the number of connections. It should be allocated to volume as well as. The committee should decide the percentage split. Debbie Galardi reiterated that I & I should be born by all. She added that the age of the pipes is the main problem. Scenario #4 shares the cost by user. David Maben said he favored #4. Mat Haug said he favored #4 because we can't pinpoint where the leakage comes from. (Note: Scenario #4 puts 100% of I & I costs on customers along with billing costs. Volume rates would include average flow, BOD and TSS).

The meeting was adjourned at approximately 9:25 p.m. until the next meeting April 8, 2002.

Approved by the Utility Rate Review Committee on this 22nd day of April, 2002.