

EUGENE WATER & ELECTRIC BOARD  
WORK SESSION  
EWEB BOARD ROOM  
500 EAST 4<sup>TH</sup> AVENUE  
JANUARY 18, 2011  
5:30 P.M.

Commissioners Present: John Brown, President; Rich Cunningham, Bob Cassidy and Joann Ernst

Others Present: General Manager Roger Gray, Debra Smith, Sheila Crawford, Lance Robertson, Clay Norris, Mark Freeman, Tom Buckhouse, Patty Boyle, Steve Newcomb, Karl Morgenstern, Jason Heuser, Garilyn Johnston, Mike Logan, and Taryn Johnson of the EWEB staff; Ruth Atcherson, minutes recorder.

Commissioners Absent: John Simpson, Vice President

President Brown convened the work session of the Eugene Water & Electric Board (EWEB).

### **LCOG REGIONAL VOICE DISCUSSION**

Debra Smith, Customer & Shared Services Director, said this item was coming back before the Board.

Jason Heuser, Legislative Representative, stated that the Lane Council of Governments (LCOG) Regional Voice agenda had been tweaked since it had come before the Board in its original iteration. He recalled that originally there had been nothing in the Regional Voice document that EWEB would object to, but it had been felt that there was a risk of confusion and that things could potentially be misconstrued if a fairly specialized "niche" local government such as EWEB was to be weighing in on an agenda that was largely comprised of general government issues that were pertinent to cities and the county. He said that since then it had been revised.

Commissioner Cunningham related that at the last LCOG meeting no one had found a clear objective in the document to support. Instead, he said, they had found some items that no one opposed. He cited a tax on pre-paid cell phones that would be used to augment funding for 911 call centers as one he thought EWEB would be willing to support.

Commissioner Cassidy preferred to support the document over expressing no objection to it.

Ms. Smith conveyed staff's recommendation was not to adopt it because the issues were not germane enough to the charter role.

Commissioner Ernst did not see any reason why EWEB should endorse any of the issues raised.

President Brown ascertained that supporting the document would not mean that Mr. Heuser would spend any time advocating on behalf of the specific issues in the document. He preferred to abstain from the document.

Commissioner Cunningham said the only person who would be presenting the document would be the lobbyist for LCOG.

Commissioner Cassidy asked what the disadvantage would be to endorsing the document. Ms. Smith responded that this was not an action item. She explained that the Board had provided direction to staff and Commissioner Cunningham at the meeting in November regarding the Regional Voice document and since then it had been revised. Commissioner Cunningham had asked to have it brought back for reconsideration.

Mr. Heuser said unless the Board told staff differently, this would not involve staff time.

General Manager Gray observed that the original document had been very broad and now had been narrowed down. He thought a reasonable person might find a "sub-nexus" for the utility in the 911 center tax.

President Brown observed that one item was a recommendation regarding the property tax system. He asked who on the Board could knowledgeably state, as was stated in the document, that the current property tax system was "broken and inequitable." He did not think they were qualified to make that statement.

Commissioner Ernst reiterated her opposition to endorsing the document based upon its lack of relevance to EWEB. She suggested that they poll Vice President Simpson when he called in for the regular meeting.

President Brown suggested that they place it on an agenda for a vote in February.

Mr. Heuser provided some background information on the Board's day in Salem. He said generally the board members rotated meeting leadership, but if a Commissioner had a relationship with a particular legislator they should consider stepping forward to lead the meeting with that legislator.

## **WATER & ELECTRIC RATE STRUCTURE**

Ms. Smith noted that interest in exploring the rate structure had been expressed by board members. She said they were only looking for one thing at the present work session: a "head nod" on the path forward regarding water rates.

Patty Boyle, Fiscal Services Manager, reviewed the rate structure information with power points, hard copies of which were provided to everyone present. She noted that there would be no significant changes recommended to the electric structure until after the Automatic Metering Infrastructure had been installed. She noted that the levied power cost recovery charge that had been used to recoup costs after the energy crisis had been deployed from 2002 to 2004 and, while the structure for it still existed, there was no rate currently attached to it.

Ms. Boyle stated that water was a fixed base cost system and there were not many variable costs. She stressed the water utility's dependence on summer irrigation. She reminded them that the water utility's reserve funds were tenuous, particularly the operating reserve. Staff was trying to balance a goal between revenue stability and the impact to low consumption consumers. She reviewed the proposed rate structure change that was under consideration, which would not have an impact to most users in most months.

Commissioner Ernst supported the change. She felt that if people conserved water they would not feel the impact of the new rate structure because the base fee would cover the cost of getting the water to people's houses.

Ms. Boyle said if the Board was generally receptive to hearing more about a possible change in the rate structure in March or April, staff would go through a full rate design process to bring back to them.

Commissioner Cunningham wanted to ensure that people would not be unfairly penalized. Ms. Boyle responded that over the course of a year people used 9 KGal per month on average, though most months they used 4.5 KGal.

Commissioner Cunningham asked if mobile home park owners were able to charge what they wanted for water. Ms. Boyle replied that park residents did call on occasion to determine if their landlords were charging the same rates as EWEB and they were. She noted that all of EWEB's rates were posted.

Commissioner Cassidy supported further rate design work. He said it was a good idea to encourage conservation.

In response to a question from President Brown, Ms. Boyle stated that water ratepayers would be charged a greater proportion of the fixed cost of water service.

President Brown asked what the change would do to the large customers such as the school district and the city. Ms. Boyle replied that it would not really change for them.

Ms. Smith related that she and Ms. Boyle had talked about the 7 percent rate increase they were looking to enact in the spring and that it felt like making this change was consistent with part of what was driving it, which was to create greater rate stability. She said in the next year, the long-term financial plan included a potential 2 percent increase as revenue stabilized.

Ms. Boyle said she hoped to have access to the data prior to March on how many households used less than 2,000 gallons per month.

Ms. Smith noted that customer services policies prohibited redistributing EWEB water and power at any price other than the actual cost of service.

Commissioner Cunningham asked how EWEB would know if a landlord was complying with that policy. Ms. Smith responded that they would know if the renter called and so far no one had called that was paying more than the allocation of costs.

Commissioner Ernst considered the key term in the proposal was rate stability. She thought the change would help the problems the water utility had with maintaining reserve funds.

General Manager Gray said creating stability was the best strategy.

President Brown commented that the rate structure would be balanced "on the backs" of either the low end consumer or the high end consumer. He asked how much work it would be to balance the rate structure on the high end consumer. Ms. Smith responded that this would be the next step and it would do a good thing, but it did not do the same thing as the structure proposed. She said it would generate revenue but it would not create stability.

General Manager Gray thought there could be a bigger differentiation established between the second and third tier as a possibility.

Ms. Boyle stated that the cost of a rate and the size of the actual tier helped promote conservation. She noted that the first tier went to 8 kgals and then the next tier included the next 22 kgals, which collected a lot of irrigation money. She thought they could look at the consumption patterns in the second tier and then lower it so that the second tier encompassed everything but irrigation and the third tier encompassed irrigation.

Commissioner Ernst hoped that part of the plan would be to ensure that the people who lived at higher elevations were definitely paying their share. Ms. Boyle responded that the elevation charges, as currently based, included the cost of power to get the water to those elevations. She said it did not include other costs. She noted that there had not been much interest expressed in the past to incorporate other costs into the elevation charge.

Commissioner Ernst thought it should "go along with this whole new rate structure."

President Brown was not opposed to at least looking at it. He ascertained that there were at least three board members who would support directing staff to further develop the new rate structure design.

Ms. Smith did not think staff would be able to narrow the second tier and limit the third tier to those customers who employed irrigation by March. She said they would schedule time with the Board later in the year, based on the input, so that they could spend enough time getting clear about what the Board wanted to do.

Ms. Boyle said Commissioners were welcome to call her if they wanted more information.

President Brown adjourned the Work Session at 6:19 p.m.

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Assistant Secretary

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President