



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown

FROM: Lance Robertson, Public Affairs Manager; Erin Erben, Power Planning Manager and Interim Information Systems Manager; and Jeannine Parisi, Community and Local Government Outreach Coordinator

DATE: December 18, 2015

SUBJECT: Draft scope of work for Electric Retail Pricing Reform Advisory Group

OBJECTIVE: Board feedback on draft plan for committee creation prior to final approval Feb. 2

Issue

During the Board's Dec. 1 deliberations on the 2016 budget, revenue requirements and pricing design options, Commissioners approved a motion to create a citizen advisory group to discuss and make recommendations to the Board regarding appropriate design changes. This memo outlines a scope of work for that citizen group and offers options for group set up and operation. Management is asking for feedback from Commissioners so that it may refine the scope of work for final Board consideration at your Feb. 2 meeting.

Description/Scope of Work

This is an EWEB Commissioner-appointed advisory committee of electric utility customers selected to represent a diversity of interests, expertise and perspectives to study and deliberate, take public testimony, and provide recommendations to the Board on preferred pricing structures. Management would still be able to offer recommendations to the Board, independent of the committee's advice.

Objectives and focus areas:

The citizen advisory group will review and discuss the previous staff pricing re-design proposal in detail, consider alternative approaches that may help mitigate concerns raised by community members, provide advice about implementation timing, and help identify other longer-term pricing redesign trends and issues for future investigation and consideration.

Key focus areas for the task group may include:

- Background information and context
 - Rate-making principles 101
 - Why is pricing redesign important for customers and the utility?
 - What are the various design options and alternatives?

- What are other utilities doing, and how does EWEB compare with regional and national trends?
- In the context of the staff proposal, what is an acceptable “end state” for fixed-cost recovery, and what is an appropriate timeline to get there?
 - When determining allocation of costs, how are “fixed” costs defined? Is there an industry standard?
 - What factors/trends should be considered in determining the timing of fixed-cost recovery?
 - What is a residential demand charge and what are advantages or disadvantages of establishing one?
 - What technological barriers must be overcome to offer various pricing mechanisms, such as time-of-use pricing?
- Do customers see value in bill simplification?
 - What was the original impetus for tiered, usage-based pricing, and do those conditions still exist?
 - What pricing signals, if any, would encourage wise use of electricity?
 - Does the current tiered pricing “break point” truly encourage conservation?
- How do we best address concerns raised about higher basic charges?
 - What are the impacts of behavioral conservation choices and/or energy-efficiency investments?
 - How does the basic charge influence customer decisions regarding conservation?
 - Similarly, how has the basic charge influenced customer decisions to install PV systems?
 - What link, if any, is there to climate change mitigation strategies?
- How do we address issues of balance, fairness and equity?
 - How do we define fairness and equity?
 - What are the consumption patterns of low-income customers – any different than the customer base at large?
 - Is it fundamentally OK if higher-consumption customers subsidize the fixed costs of lower-consumption consumers?
 - What structures/alternatives could help mitigate impacts to low-income customers?
 - Are there other unintended consequences and how do we mitigate for them (EV charging, for example)
 - If there is a value based decision to support cross-subsidies, and should this be explicit on customer bills?

Proposed Advisory Group Set-up and Meeting Process Options

Meeting Structure: The meeting structure is based three primary assumptions: The authority of the group will be advisory in nature, will have a focused scope of work, and will meet and make recommendations to the Board within a six-month time frame, as follows:

- The group meets in work sessions outside normal Board meeting nights, bi-monthly or monthly.
- Meetings are open to public and will include time for public input.
- Summary minutes are taken and made publicly available.
- Robert’s Rules of Order apply, with majority-vote for decision-making, but minority opinions can be submitted for full accounting of the group perspective.
- A chair and co-chair will be elected to preside over meetings; they may be an EWEB Commissioner or citizen appointee, depending on committee make-up.

Group size and make-up: Ideally, the team should be large enough for a cross-representation of customers but small enough to ensure that each member can fully participate in discussions without holding marathon meetings. The ideal size is 7 to 9 members. Options for membership include:

- a. Five Board members and five community members – typical format for Budget Committees
- b. Seven community members and two Commissioners – more independent from Board, but Board appointees play liaison-role and may preside over meetings. Otherwise all members carry equal weight.
- c. Community members only (7) – most independent structure, but most challenging for Board to stay fully informed on discussions. Previous IERP and Riverfront Property citizen advisory committees used this format.

Given that the main charge is to deliberate on materials/issues the Board has already discussed and to identify alternatives for Board consideration that may be more acceptable from a customer perspective, option (b) or (c) may be most appropriate.

Requirements and Recruitment Process: Eligibility requirements for selection:

- Applicants must be a current EWEB electric customer, and
- Applicants cannot be an EWEB employee or spouse.

Advertisements would be placed in print media, as well as publicized through social media, traditional media and EWEB’s web site. Personal outreach to community groups (Neighborhood groups, Rotary, Chamber of Commerce, school or city budget committees, etc.) by Board members and staff is also recommended.

An application form will be drafted for Board review to help inform applicants of the expectations as well as to support the selection process. The form will include check boxes and a few questions to help ensure a diversity of perspectives, but also to help create an advisory team that can function efficiently, given the scope and timeline. Simplicity in the application and selection of members will streamline this process.

Proposed questions: Why are you interested? What is your relevant experience? Please describe your participation in other advisory groups. What experience have you had with budget-setting and/or development of fees for a private business, non-profit or government agency?

Check boxes to help support diversity of perspectives and experience may include:

- City Council Ward/Upriver resident?
- Age?
- Own or rent home?
- Previous participant in bill-pay or other limited-income assistance programs?
- Participated in EWEB energy conservation programs in past five years?
- Greenpower customer or have installed solar PV?
- Electric or natural gas as primary heating source?

Selection Process and Timeline: The selection process may be very time-intensive depending on how the Board elects to fill the committee and the number of applications received. For reference, staff received about 50 applications for the IERP (this was a staff-selected team); the Board selected members of the CAT after interviewing 16 finalists from a much larger pool of applicants. The latter selection process took approximately two months.

For a short-term advisory group, a hybrid of these two processes is suggested as follows:

1. Applications are received by EWEB staff and validated for customer and non-employee status.
2. Board members receive all applications for review. Each commissioner nominates one person, preferably from his respective ward, and an alternate candidate. Board members can decide to contact prospective applicants by phone or meet in person individually if desired as part of the selection process. Each board member shares his top two selections with the General Manager.
3. Based on the preliminary make-up of the group as submitted to the GM, staff will recommend other applicants for Board consideration with an eye toward ensuring balanced and diverse representation.
4. The Board will be asked to approve the slate of candidates as recommended by commissioners, and to fill out the remainder of the advisory team (if necessary), based on staff recommendations.

If the Board prefers to manage the entire selection process itself, it can set aside time at a meeting to select each Commissioner's first or alternate nominee, and then vote to select the remaining open seats (if any) from the list of alternates or if necessary, the entire candidate pool.

More time will be needed if the Board prefers to interview each finalist as a group (based on the list of nominees and alternates from individual commissioners) in advance of team selection.

Draft Timeline:

- Feedback solicited from board on the scope of work and process contained in this memo – Jan. 5 to Jan. 15. Staff revises scope of work, process and timeline prior to Feb. 2 meeting.
- Approve final scope of work, structure/process and application form – Feb. 2 board meeting
- Candidate recruitment and selection (February); Board selection March 1
- Hire consultants and develop high level meeting agendas/outcomes (February/March)
- Prepare background material and hold first meeting (April)

- Continued information share, discussion and deliberation (May – September)
- Panel develops and submits recommendations directly to EWEB Board – Oct. 4

Staff and Consultant Roles

- Staff from Finance, Power Planning and Public Affairs would serve as subject matter experts to develop background materials, give presentations and answer questions from advisory group members (and if the Board concurs, select the facilitator).
- An outside facilitator is recommended to work with staff to develop agendas, review meeting materials, and support the team Chair/Co-Chairs in managing the meeting process in support of the Board-developed objectives.
- Additional outside industry expertise can be sought to provide meaningful presentations to the group on utility pricing structures/alternatives and trends, and/or to review staff memos for thoroughness and neutrality if desired.

Estimated Resource Requirements: Cost estimates cannot be refined until the final scope of work is adopted by the Board. However, very rough estimates of costs are outlined as follows:

- Minutes and refreshments – Approximately \$2,000 (more if meals are provided)
- EWEB staff support – 1,000 to 2,000 hours of staff time (dependent on scope and timeline)
- Consultants – \$20,000 to \$30,000, depending on role of facilitator, timeline, scope
- Advertising and printing – Approximately \$3,000

Total cost, not including staff time: \$25,000 to \$35,000

Recommendation and Requested Board Action

Initially, staff requests feedback at your Jan. 5 meeting on proposed objectives, scope of work, advisory group makeup and application process, timeline and cost estimates. Additional feedback accepted until Jan. 15. Final Board approval of revised action plan will be presented as an action item at the Feb. 2 regular meeting.

If you have any questions prior to the Jan. 5 Board meeting, please contact Lance Robertson at 541-685-7371 or at lance.robertson@eweb.org.