

Tualatin Valley Water District



BOARD OF COMMISSIONERS
1850 SW 170th AVENUE
BEAVERTON, OR 97006
WORK SESSION
OCTOBER 11, 2011
6:00 PM

Present: Commissioners: President Dick Schmidt, Jim Duggan, and Marilyn McWilliams
(Commissioners Jim Doane and Richard Burke were absent)

Management

Staff: Greg DiLoreto, Patty Rupp, Todd Heidgerken, Bernice Bagnall, Brenda Lennox,
Mark Knudson

Staff: Tod Burton

Citizens: Kevin Riper

President Schmidt called the Work Session to order at 6:02 p.m.

2011 WATER RATE STUDY WORK SESSION #1

CEO, DiLoreto provided opening comments and a brief history of past water rate studies. A consultant has been hired to conduct the 2011 rate study. This work session presentation is meant to summarize details with the Board in terms of expectations from the study and to solicit input from the Board as to their desired outcomes and/or issues they would like to explore in the course of the study.

Chief Financial Officer, Bernice Bagnall indicated that the last comprehensive rate study was performed in 2004-05. One of the critical Board goals considered at that time was conservation in terms of peak day and peak season usage. Other critical goals included customer control over their bill, financial stability and keeping it simple in order to maintain customer acceptance.

History:

At that time, significant changes were made:

- ❖ Block thresholds were decreased
- ❖ Fixed charges were decreased
- ❖ Fireline fixed charge discount was discontinued
- ❖ Production users were put on excess use schedule
- ❖ Irrigation users were put on excess use schedule

Commissioner Duggan asked Ms. Bagnall if TVWD's decrease in consumption is similar to what other water utilities are experiencing. Ms. Bagnall pointed out that the District seems to be consistent when looking at national statistics.

Commissioner McWilliams indicated that she has noticed that production and irrigation customers typically do not conserve as much and seem to be more inflexible. They also do not seem to be as concerned with the conservation program. She asked if the income percentage from production and irrigation increased. Ms. Bagnall explained that income has increased slightly, however this is due to a decrease in residential income.

CEO, DiLoreto pointed out for Commissioner McWilliams, that production and irrigation users are working with our conservation staff as part of the District's Business, Industry and Government (BIG) program. He explained that they and are taking a hard look at conservation, due to costs.

2011 Study Purpose

Align Rate Structure Objectives:

- ❖ Communicate the value of water (Build incentives for water stewardship)
- ❖ Maintain access to capital (Invest in water infrastructure)

Periodic Update is Good Business Practice:

- ❖ Hired HDR Engineering, Inc. to perform the 2011 study
- ❖ Verify block thresholds (are they still valid given current usage patterns)
- ❖ Verify Fireline fixed charges to be sure they are equitable
- ❖ Verify treatment and irrigation users to assure they are equitable and recovers costs

What We Hope to Accomplish:

- ❖ Financial stability
- ❖ Preserve the conservation message
- ❖ Keep rate structure simple and understandable
- ❖ Maintain customer satisfaction
- ❖ Obtain a new revenue module that can be used for financial forecasting scenarios

Financial Stability: (The New Normal)

- ❖ Loss in water sales (Conservation, Joint Billing, Economic Cycle, and Water-efficient appliances)
- ❖ Declines in other revenue (System Development Charges, Interest earnings)
- ❖ Increasing Costs (Future source requirements, regulatory requirements, environmental investments, growing replacement costs)

Water Consumption Trends:

- ❖ Graph of declining gallons per capita per day and overall consumption

Water Utility Cost Structure:

- ❖ Fixed (Does not vary with sales; salaries, debt service, etc.)
- ❖ Variable (Varies with water sales, power, chemicals, etc.)
- ❖ Fixed costs are high (80-90% of total annual costs)
- ❖ Variable costs are low (5 to 20 % of total annual costs)

Rate Study Process:

- ❖ Revenue Requirements
- ❖ Cost Allocations
- ❖ Unit Costs
- ❖ Customer Impacts
- ❖ Rate Design

2011 Study Schedule Timeline:

- ❖ Consultant has been selected and data request is underway
- ❖ Staff will be working with HDR on revenue requirements and rate design in October
- ❖ Schedule a Board briefing in early November
- ❖ Draft final report schedule for early December

A general discussion took place regarding the information presented. A follow up Work Session was scheduled for November 8, at 6 PM. A draft report should be available in December 2011.

ADJOURNMENT

Without objection, President Schmidt adjourned the meeting at 6:35 p.m.

BOARD OF COMMISSIONERS
TUALATIN VALLEY WATER DISTRICT

BY: _____
Dick Schmidt, President

BY: _____
Jim Duggan, Secretary

Date Approved: November 16, 2011