

EMERALD PEOPLE'S UTILITY DISTRICT

Rate Committee Meeting

June 8, 2011

Minutes

- Convene                    General Manager Frank Lambe convened the meeting at 5:35 pm at the Emerald office, 33733 Seavey Loop Road in Eugene.
- Attendance                Rate Committee: Larry Bottemiller, Jim Bruvold, Jerry Crabtree, Dallas Craig, Robert McKuhn, Connie Morton, John Perdue, Tyler Schmunk, Cory Schrenk, and Nancy Schwoerer.
- Absent: Marc Bass, Alan Cook, Pat Dodge, and Robert Russell.
- Guest: Anne Falcon, EES Consulting
- Staff: Tiffany Collier, Ron Dubbs, Brian Johnson, Frank Lambe, Kyle Roadman, Jim Theabolt, and Beth Matthews.
- Director: Bruce Pilling.
- Introductions and        Lambe introduced the Rate Committee review process. He said he expected there Process                    would be at least one more meeting, followed by a meeting with the Board/Public Information                Hearing. The Board has asked that this process be followed with all of the Citizens Advisory Committees.
- Introductions of the Committee, staff, and guests were made. Anne Falcon with EES Consulting was on hand to present information on the Cost of Service Analysis (COSA) and Rate Design. Falcon covered an overview of the rate setting process as outlined in her Power point presentation. Falcon also did an overview of revenue requirements, including the components, as well as a forecast using the COSA results. Roadman noted that the forecasted amount for 2011 largely matches the 2011 budget.
- Falcon went on to discuss the impacts of BPA changes on revenue requirements and the overall rate setting process. She spoke about the policy decisions needed before completing the COSA under the Tiered Rate Methodology (TRM). She explained that EPUD is moving into being a Slice customer with half their power as a Block purchase and the other half Slice. She explained that the Block purchase is flat with the same capacity amount for all hours, whereas Slice is variable and allows more control of the power supply. Falcon indicated that everyone in the Northwest has a choice on their power supply. Emerald will need to manage its load on an hour-to-hour basis and will need to have cash reserves to go to the market and buy power. She said that the more EPUD can stay with vintage Bonneville power, the better as that will be our cheapest source. Roadman indicated that current pricing for Tier 1 power is around \$30 per megawatt hour, while Tier 2 power is typically in the \$50-\$60 range.
- Falcon explained transmission and distribution and said that policy decisions are needed before completing the COSA under TRM. Falcon talked about the growth issue, saying that internally there is need to address how growth is viewed and

how new customers pay their fair share. Roadman indicated it is likely Emerald will need to do a rate adjustment/increase in 2012.

Falcon explained traditional rate setting principles and the practical goals of rate design. There was discussion on who pays for growth, with options and considerations reviewed. Falcon also reviewed income redistribution and economic development goals.

Falcon reviewed retail rate design options to include flat energy charge, inverted block energy charge, declining block energy charge, time-of-day energy rates, seasonal energy rates, and time-of-use energy rates. She said the inverted block is being used by utilities which are encouraging conservation—the more you use, the more it costs. Theabolt noted that EWEB and Pacific Power are both using an inverted rate structure. He said that Pacific Power has a declining block for commercial customers but an inverted rate for residential customers. Falcon said it would be important to be smart about your design.

Roadman said that additional considerations for the rate design issues and analysis will be BPA tiered rates, the BPA Slice contract, load loss, and future revenue requirements. Additional review was covered about how new large single loads (NLSL) under the BPA tiered rates will be treated. There is also a question about where the line should be drawn with respect to sharing the incremental costs associated with serving NLSL with utilities' other retail customers.

Roadman talked about inter-class rate adjustments, giving a bit of background on this first COSA issue. He said the COSA shows some rate imbalances among customer classes. Emerald has seen COSA imbalances throughout its history. Theabolt said that general service is sometimes looked at as a catch-all. Roadman reviewed options for dealing with the inter-class rate adjustments, as well as the advantages/disadvantages of each.

Roadman said that some of the results seem to have self-adjusted naturally since the last COSA. He also noted that we are down to seven industrial customers from ten. Two have dropped back to commercial and one has closed. Two of the current industrial customers are using less load and probably will drop down to commercial by the next COSA.

The second COSA issue deals with basic charge adjustments. Roadman presented a background on this along with options and advantages/disadvantages for each. The third COSA issue deals with demand charge adjustments. Again, Roadman presented a background on this along with options and advantages/disadvantages.

Roadman continued the discussion with a background on rate structure changes, noting that Emerald has historically relied upon a flat rate structure. The flat rate structure does not necessarily reflect the actual energy or distribution costs that EPUD is incurring. Again, the two new issues to be dealt with are BPA tiered rates and the BPA Slice contract. At the time the 2007 in-depth study of EPUD's rate design occurred, there were no changes recommended.

As previously mentioned, the New Large Load Policy will need to be discussed to determine how a new large customer would be charged if they move into Emerald's service district. This is a question that is being debated at all Northwest public utilities. Roadman discussed options, again listing advantages/disadvantages for each.

Roadman presented information on the Late Payment Fee, including background information. He talked about the current practice and the new proposal, including suggested policy language. He also included information on late fee practices at other utilities in comparison to Emerald as part of his presentation.

Roadman encouraged the Rate Committee members to read their packets prior to the next meeting. Several of the members asked for some additional information be made available prior to the next meeting. McKuhn and Bruvold both requested detail usage level data in 100 kWh increments. Roadman responded that they would put Staff could put this together for the next meeting.

The next meeting date was set for Thursday, June 16 with dinner at 5:00 pm and the meeting beginning at 5:30 pm. Roadman encouraged the Committee to come prepared with recommendations and ready for discussion. Bottemiller indicated that he would be unavailable to attend the June 16 meeting and gave his recommendation. He said that he prefers incremental raises rather than large ones at once. He said he supports the staff recommendation to raise the basic rate to \$12 for residential customers. Bottemiller also said he does not recommend borrowing.

Roadman will have additional, requested data available at the next meeting.

Selection of  
Committee Chair

There was unanimous agreement by the Committee to appoint Dallas Craig to the Committee Chair. He will help drive the decision making process at the meeting on June 16.

Adjournment

The Rate Committee meeting was adjourned at 7:50 pm.

Minutes prepared by Beth Matthews, Board Secretary.

*Beth Matthews*