

EMERALD PEOPLE'S UTILITY DISTRICT

Rate Committee Meeting

June 16, 2011

Minutes

Convene The Rate Committee meeting was convened at 5:35 pm at the Emerald office, 33733 Seavey Loop Road in Eugene.

Attendance Rate Committee: Marc Bass, Jerry Crabtree, Dallas Craig, Robert McKuhn, Connie Morton, John Perdue, Robert Russell, Tyler Schmunk, Cory Schrenk, and Nancy Schwoerer.

 Absent: Larry Bottemiller, Jim Bruvold, Alan Cook, and Pat Dodge.

 Staff: Tiffany Collier, Brian Johnson, Frank Lambe, Kyle Roadman, Jim Theabolt, and Beth Matthews.

Overview of Roadman began the meeting explaining the definition of “revenue neutral” and COSA and Rate answering several clarifying questions from the Committee. He reviewed the Design power point presentation recapping upcoming BPA changes. Roadman explained that Emerald is currently a Full Requirements customer, where BPA provides all of EPUD’s power needs, providing for all load growth and all load variation. In October, Roadman explained that Emerald will enter a new 17-year contract with BPA. At this time, the utility will take responsibility for both load growth and load variation. Roadman explained that one of the drivers for this is that BPA is capping cost-based Tier 1 power for all its customers. Secondly, EPUD has elected a “Slice/Block” product vs. Load Following.

 Roadman talked about the cap on Tier 1 power and EPUD’s high water mark, and also discussed risk management and hedging. Theabolt explained to the committee that Emerald has hired a firm to balance the utility’s hourly needs with the load available, just as BPA does for EPUD currently. There was discussion about how power is bought and sold (liquid markets, through other utilities, etc.) and how there is need to study the market and weather and plan ahead. It was noted that Slice will make it easier to integrate renewables into our power supply and will give us more flexibility.

 McKuhn asked about the Power Sync project. Roadman responded that staff is still working to get data to see how it will work in a larger application. Only work with residential customers is currently being done, and it has been hard to get customers signed up. He said staff is currently taking baby steps on this project, but hope to bump this up if it’s showing success over time. Staff noted that the Northwest has just started this, whereas other regions of the country have been using demand side resource approaches for about 20 years.

 Roadman reviewed the customer usage block data, which was information provided by mail to the committee after the June 8 meeting. Russell asked how much the very heaviest users were using up in a given month. Roadman responded that it varies, but pointed to data showing that the top 10% of users can account for close to 25% of total kWh used in a month. Roadman also reviewed

possible rate structures for residential customers, other utilities' inverted block rates, and additional block data.

Committee
Discussion –
COSA Issue 1 –
Inter-Class Rate
Adjustments

Chair Craig took over the meeting and asked the committee for their ideas and suggestions, going back to the COSA information packet distributed at the June 8 meeting. The group decided to tackle each issue one at a time. The first issue of discussion was on Inter-Class Rate Adjustments.

The group discussed the results of the current COSA study as compared to prior COSA studies. Crabtree remarked that it was encouraging to see the results improving over time. Perdue said that he believed it would be appropriate to allow this natural adjustment to continue, but wanted Staff to assess the COSA more frequently, such as once per year. Craig remarked that even though General Service customers were due a decrease according to the COSA, he too thought it made more sense to allow things to play out naturally.

There was a suggestion to make no changes for industrial customers. In addition, there was a recommendation that the COSA be reviewed annually. Lambe said that the last COSA was completed in 2007, but that there were rate adjustments done in both 2009 and 2010.

McKuhn discussed the possibility of using the premium charged to industrial customers to establish an insurance fund. Roadman responded that this was being done implicitly by not changing the rates, but that staff could look at alternatives. Lambe commented that establishing a separate fund would require replacing the revenue from other customer classes.

Russell requested to see a finer breakdown of the Irrigation rate classes by horsepower, rather than just the single phase and three phase categories. Roadman and Theabolt explained that there are difficulties splitting the data at the individual rate class level, but Roadman offered to explore what might be possible. Roadman said that he will work with EES Consulting on this and report back prior to the next meeting.

Motion

Morton/Schwoerer moved to accept Option 3, to take no action to adjust rates and to let the COSA results ride at this point with the option to re-visit in the future. In addition, the committee would like to recommend that staff update the COSA more frequently, such as once per year.

Vote

Unanimously approved.

COSA Issue 2 –
Basic Charge
Adjustments

The group discussed the basic charge, which covers fixed costs and helps to ensure stability at the utility. It was noted that it was the staff recommendation to increase the basic charge \$2/per month for residential and graduate appropriately for other classes. Perdue asked how this number was calculated and Roadman responded that it was simply an incremental step in the right direction. The kWh usage charge would be lowered to keep these changes revenue neutral. The group asked about potential rate increases in 2012. Roadman noted that BPA is

proposing to raise rates an average of 8% in October. While this is not final, it is pretty firm and the final proposal is expected soon.

Perdue suggested charging 75 cents per horsepower on the basic charge for agricultural and irrigation or to raise a few percent each year. He said that he was not tied to the 75 cents but thought that conceptually doing this on a per-HP basis made sense to encourage conservation. Theabolt responded that he was not sure if Emerald had access to all of that information and there may be a need to find another way to capture the information. Roadman also indicated that staff can go back to pull more data on agriculture and irrigation customers for different size services as the COSA did not get to that level of detail. The committee said they would like to see a better breakdown/finer detail. Roadman explained that he was not sure if staff could get the same level of details, but could explore what is available. Lambe also noted that Emerald's load profile is changing, specifically in regard to industrial customers.

The committee further discussed future overall rate increases. Overall, the committee was supportive of periodic, small increases rather than a big increase all at once.

Committee members expressed support for increasing the basic charge for all customers without an offsetting decrease in the kWh usage charge. Members wished to implement this type of small rate increase in 2011 in order to avoid a larger increase in 2012. Staff explained that although a general increase is expected in 2012, we do not yet know the exact size.

Motion

Schmunk/Russell moved to bring the basic charge up to the level proposed by staff and with no offsetting decrease in the kWh usage charge at this time. Included in the motion was the proposal that irrigators up to 30 horsepower would pay 75 cents per horsepower with a floor of \$12.50.

Vote

Unanimously approved.

**COSA Issue 3 –
Demand Charge
Adjustments**

Roadman noted that the COSA shows the demand charge for Industrial and large General Service customers should be raised. Committee members referred to the staff proposal, which included an offsetting drop in the kWh usage charge. This was designed to keep the changes revenue neutral in 2011. Roadman noted that increasing the demand charge could provide some additional stability for EPUD, and that a demand charge better fits how EPUD builds its system to handle peak demand.

Schwoerer questioned where the current charges came from, particularly the seasonal Industrial charges. Theabolt explained that this was originally driven by how BPA charged EPUD. Staff also noted that these BPA demand charges will change under the new contract. Perdue expressed a desire to simplify the structure if it could be done without adversely affecting the utility.

Motion

Perdue/Schwoerer moved to increase the demand charge to \$5 across the board for General Service (>50 kW) and Industrial customers.

Vote Unanimously approved.

Rate Design Issue 1 – Overall Rate Design Changes Roadman again reviewed the possible rate design options, including proposed scenarios from staff and EES. He explained that the numbers are designed to be revenue neutral. He said that the proposed structures are not set in stone and that staff can put some more polish on this if the Committee is looking at a particular design.

A number of committee members expressed support for the Inverted Block rate design. Schmunk expressed that this would be the best design to help encourage conservation and deal with higher power costs in the future. McKuhn and Crabtree were concerned about the effect of this design on low income customers that may have large or older homes. Lambe explained the current low-income assistance and conservation programs funded by EPUD and how low-income customers might be affected by an Inverted Block design. Roadman noted that it's a valid concern and that it will be hard to design a perfect system.

The committee also addressed the monthly usage disparities presented by staff and agreed that it made sense to try to flatten out the charges each month rather than having large swings in the winter and summer. McKuhn noted that this would be especially hard for low-income customers with electric heat.

Russell made a suggestion to price the residential power so that it is revenue neutral through the first two blocks and use a higher marginal rate for the third block. He suggested using the surcharge on that third block for something creative, such as conservation. Roadman said that Staff could work on this idea and come back with an alternative proposal for the next meeting.

Motion Bass/Crabtree moved to have staff continue to research an Inverted Block design and to come back with updated recommendations at the next meeting.

Vote Yes: Bass, Crabtree, Craig, Morton, Perdue, Russell, Schmunk, Schrenk, Schwoerer.
Abstain: McKuhn

Rate Design Issue 2 – New Large Load Policy Roadman reviewed the issue of a new large customer moving into EPUD's service territory, and the fact that the Board would need to decide how the higher power cost would be allocated to customers. Roadman explained that this is a relatively new issue driven by the changes at BPA and that most utilities in the region are dealing with it.

The committee discussed the idea of economic incentives and the tradeoffs that need to be made. Perdue expressed that he does not believe providing incentives works out in the long run, and mentioned the Hynix plant as an example. Craig explained that he has seen the other side as well, after Charter purchased a building in Pleasant Hill but abandoned the project after not feeling welcome.

Bass remarked that it would be nice to see what other utilities have done in this area before making a decision. Schwoerer agreed that this would be helpful.

Motion Bass/Russell moved to direct staff to poll other utilities to find out what their policies are on this issue and to report back at the next meeting.

Vote Unanimously approved.

Staff will provide additional information to the committee to help them reach a decision.

Rate Design Issue 3 – Late Payment Fee Adjustment Roadman explained that the current assessment is not a timely way to collect late fees and it also creates headaches in Customer Service. Staff is suggesting collecting the late fee when an account is in arrears, rather than after two months.

Russell remarked that he does not understand why the \$25 threshold is in place, as he believes the late fee should apply to all balances. Theabolt explained that it was thought to be a relatively small amount.

Motion Schmunk/Bass moved to adopt the staff proposal, adding that the late fee should apply across the board, including to accounts with balances under \$25.

Vote Unanimously approved.

Next Meeting As the committee reached conclusions on many of the issues already, a third meeting will not be scheduled independently of meeting with the Board. It was suggested instead that the committee meet as a group to receive additional information from the staff on the same date as a Board of Directors meeting, prior to the committee meeting with the Board to present their recommendations. A day and time for this joint meeting will be scheduled at a later date and committee members will be contacted.

Adjournment The Rate Committee meeting was adjourned at 8:35 pm.

Minutes prepared by Beth Matthews, Board Secretary.

Beth Matthews