

EMERALD PEOPLE'S UTILITY DISTRICT  
Board of Directors' / Rate Committee Meeting  
July 26, 2011  
Minutes

- Convene                    The joint Board of Directors' / Rate Committee meeting was convened by Vice President Tanner at 5:30 pm in the Emerald office, 33733 Seavey Loop Road in Eugene.
- Attendance                Board of Directors: Penny Jordan, Bruce Pilling, and Bill Tanner. Patti Chappel participated by telephone. Katherine Schacht was absent, attending the APPA meeting in Washington DC.
- Rate Committee: Larry Bottemiller (who left the meeting at 5:55 pm), Jim Bruvold, Jerry Crabtree, Dallas Craig, John Perdue, Robert Russell, Cory Schrenk, and Nancy Schwoerer.
- Absent: Marc Bass, Alan Cook, Pat Dodge, Robert McKuhn, Connie Morton, and Tyler Schmunk.
- Staff: Tiffany Collier (arrived at 6:30 pm), Jaime Cranmer, Ron Dubbs, Brian Johnson, Frank Lambe, Hillary McBride, Kyle Roadman, Jim Theabolt, and Beth Matthews.
- Guests: Sue Palmer and Brian Davies, Register-Guard; Nils Holst, Eugene Weekly; Bonnie Craig, Pam Hewitt, ratepayers.
- Introductions            The Board of Directors, Rate Committee, staff, and guests introduced themselves. Tanner indicated that there would not be time for public comment at the meeting. He said that the August 9 Board meeting would be the next opportunity for public comment. Tanner also noted that there would be no decisions made at this meeting, as it was the time that the Rate Committee would be giving their report to the Board.
- Overview of Rate  
Committee  
Meetings/Process  
Information                Roadman and Craig briefly covered the review and recommendation process used by the Rate Committee and staff. Roadman reviewed a variety of material, including the COSA and Rate Design issues and the updated COSA results.
- Discussion /  
Recommendations      Roadman reviewed the inter-class rate adjustment options and recommendations from EPUD staff. The EPUD staff recommendation is to make no inter-class rate adjustments at this time and to just monitor and adjust only if results do not continue to improve. Craig presented the Rate Committee's recommendation, which is to take no action to adjust rates and let the COSA results ride at this point. Then, they recommend setting up a process to update COSA more frequently, such as once per year.
- Roadman indicated that the Rate Committee would like to reassess irrigation customers at a later point once the AMR meters are installed more completely.

Roadman continued the presentation to speak to the background of Basic Charge adjustments, current Residential Basic Charges, the COSA findings on the Basic Charge, and advantages and disadvantages of the four options presented. Roadman indicated that the EPUD staff recommendation is to increase the basic charge by 20% for all customer classes with a corresponding decrease in the kWh usage rate, an action which Roadman pointed out is revenue neutral.

Craig presented the Rate Committee's recommendation, which is to increase the basic charge by 20% for all customer classes without a corresponding decrease in the kWh usage rate. This action would not be revenue neutral and would result in approximately \$44,000 per month in additional funding to EPUD. Craig stated that the Rate Committee would like to use this additional revenue to offset the size of a future rate increase. The Rate Committee would also recommend attempting to establish a variable basic charge for Irrigation customers (i.e., 75 cents per HP) to encourage conservation.

Roadman continued with the next COSA issue – Demand Charge Adjustments, giving the background and findings of the COSA. He said the EPUD staff recommendations were: Increase the demand charge as follows:

- Large General Service (>50 kW): from \$3.88 kW-mo. to \$4.50 kW-mo.
- Industrial: from \$3.95 to \$4.86 (Oct), \$4.25 to \$5.23 (Nov-Jan), \$3.32 to \$4.08 (Feb-Jun), and \$3.91 to \$4.81 (Jul-Sep).
- Include a corresponding decrease in the kWh usage rate to keep revenue neutral.

The Rate Committee recommendation presented by Craig was to increase the demand charge to \$5.00 kW-mo. across the board for both Large General Service (>50 kW) and Industrial customers and to include a corresponding decrease in the kWh usage rate to keep revenue neutral. Craig explained that the Rate Committee believes this would help simplify the demand charge for EPUD customers.

In regard to the Rate Design Issue 1 – Rate Structure Changes, Roadman provided background information, saying that EPUD has historically relied upon a Flat rate structure, which does not necessarily reflect the actual energy or distribution costs that EPUD is incurring. He said that two new issues also need to be considered:

- BPA tiered rates (higher marginal cost of power in the future); and
- BPA Slice contract (risk of paying higher market prices during peak hours).

Roadman also noted that the last in-depth study of EPUD's rate design occurred in 2007. Roadman briefly discussed the advantages and disadvantages of five different Rate Design options. Roadman indicated that both staff and the Rate Committee discussed all of these options and how they might affect EPUD. Staff initially recommended a simple Inverted Block structure for residential customers after also considering seasonal and time of use structures.

Roadman mentioned that the Rate Committee discussed the pros and cons of all options and ultimately also expressed interest in the Inverted Block structure to encourage conservation. Roadman noted, however, that the Rate Committee had two issues with the staff Inverted Block proposal: how it could negatively impact

low-income customers and how the impact on customers could fluctuate from month to month. Staff then spent several weeks revising the Inverted Block structure to address these areas.

Roadman explained that staff had then revised its recommendation to support an Inverted Block rate design with seasonal blocks for Residential customers only. The seasonal blocks were included to address the Committee's concerns. Staff also recommended taking some additional time (3-6 months minimum) to study the effects on usage and price elasticity. They recommend not making rate design changes to other customer classes at this time.

Chair Craig presented the Rate Committee recommendations which were to adopt a modified staff proposal with a non-revenue neutral approach. This would include using an Inverted Block approach with seasonal blocks, but ensuring that no users will see a rate decrease and heaviest users will still pay a premium. They also recommended using the extra revenues to offset future rate increases. Jordan questioned how users might be able to budget for this, while Pilling asked what effect this type of rate design has had at other utilities. Roadman responded that it is a bit of an unknown how users will respond but that there are several utilities out there to whom we could look to for models/guides.

Roadman discussed the background on the New Large Load Policy issue, and noted that this revised recommendation had been developed in tandem with the Rate Committee. The Committee asked staff to survey other northwest utilities to understand what others are doing on this issue. Roadman presented these findings and noted that there seem to be two approaches to this issue depending on how existing customers are treated.

He presented examples and talked about other utilities' policies. Roadman said that after reviewing these other policies, staff developed a revised recommendation for the Rate Committee to consider. The staff recommendation on the New Large Load Policy was to establish a rate class for new loads greater than 1 MW of capacity and to apply to incremental load of existing customers if capacity expands > 1 MW. In addition, staff said they would recommend reserving the right to set this rate based on a blended Tier 1/Tier 2 power cost (with a maximum of our full marginal Tier 2 rate). They would also want to re-assess this rate at least once per year, incorporating current power costs as well as any Tier 1 headroom.

Craig presented the Rate Committee's recommendation, which is to adopt the revised staff proposal to establish policy with a 1 MW threshold and to apply only to new customers or those with incremental growth. They also recommended assessing the melded rate at least annually to ensure costs are covered properly and to include a clause to allow special rates or contracts with Board approval.

The final Rate Design Issue to be addressed was the Late Payment Fee. Roadman gave some background on this and explained what the current process is. EPUD staff recommends changing the policy for balances greater than \$25 to charge the customer a \$5.00 late fee if an arrearage exists at the next billing date. They also

recommend maintaining current policy for balances greater than \$500 (1% charge if arrears exists at next billing date) and for balances less than \$25 (no late fee assessed).

Craig presented the Rate Committee's recommendation: Change policy for all balances under \$500 (including those under \$25) to charge customer a \$5.00 late fee if an arrears exists at the next billing date. They also recommend maintaining the current policy for balances greater than \$500. Roadman explained that staff needed to perform additional research to understand what kind of additional workload might be involved if the late fee was assessed for balances under \$25.

Conclusion

Roadman noted that the recommendations presented had been developed at a fairly high level, and that staff will next seek directional input from the Board, followed by additional input by the public at a public hearing.

Tanner complimented Roadman on his presentation. Chappel said she appreciated the Rate Committee's work and thanked them as well. Pilling said he appreciated the excellent recommendations and gave kudos to the Rate Committee. Jordan thanked the Rate Committee members present for their thoroughness and participation in the meetings.

Adjournment

The Joint Board of Directors' and Rate Committee meeting was adjourned at 6:40 pm.

Minutes prepared by Beth Matthews, Executive Assistant.

*Beth Matthews*