

EMERALD PEOPLE'S UTILITY DISTRICT

Rate Committee Meeting

July 26, 2011

Minutes

- Convene Committee Chair Dallas Craig convened the meeting at 4:02 pm at the Emerald office, 33733 Seavey Loop Road in Eugene.
- Attendance Rate Committee: Marc Bass, Larry Bottemiller, Jim Bruvold, Alan Cook, Jerry Crabtree, Dallas Craig, John Perdue, Robert Russell (arrived at 4:10 pm), Tyler Schmunk, Cory Schrenk, and Nancy Schwoerer.
- Absent: Robert McKuhn, Connie Morton, and Pat Dodge.
- Staff: Brian Johnson, Kyle Roadman, Jim Theabolt, and Beth Matthews.
- Staff Action Items Roadman reviewed the Staff Action Items which were outlined in the packet of information previously mailed to the Committee members. These items included:
1. Develop a revised Inverted Block rate that addresses seasonal fluctuations and limits the impact to low-income customers.
  2. Develop an alternative Inverted Block rate design that charges a disproportionately higher rate in Block 3.
  3. Review Irrigation COSA data to determine if the three-phase category can be broken down by rate class or by horsepower.
  4. Review a variable basic charge for Irrigation customers <30 HP and analyze the effects of charging 75 cents per HP.
  5. Research what other regional utilities have done with regard to a New Large Load policy.
- Roadman guided the Committee through a review of each item. On the revised Inverted Block rate, staff has continued to analyze and refine the Inverted Block Rate based on Committee concerns, and the new proposal involves seasonal blocks (winter/summer). Roadman indicated that with this rate, only the heaviest users will see an effective rate increase. He reviewed the monthly bill comparisons for the current rate vs. the Inverted Block rate. In addition, Roadman displayed the analysis done on additional low-income assistance options if the Committee felt the revised Inverted Block rate does not go far enough.
- Bottemiller asked about average kWh usage levels. Theabolt responded that the mean kWh average over the year is 1320, with about 1700 as the mean kWh during the winter and about 1000 mean kWh during the summer.
- Theabolt commented about seasonal rate structures and potential cash flow issues. He also noted that in residential accounts you don't see people leaving and not having someone else move into the residence, which is less of an impact than with industrial customers who leave.
- Schmunk and Bottemiller both expressed support for the seasonal inverted block design and requested a vote. Roadman suggested waiting until the second action item was presented in order to consider the non-revenue neutral alternatives proposed at the last meeting by Russell.

Roadman then reviewed Item 2, the Alternative Inverted Block Rate. For this action item, staff considered two “non-revenue neutral” alternatives to a revised Inverted Block Rate:

--Alternative 1: Maintain Block 1 and 2 rates; raise Block 3 rate by some amount. This maintains a rate decrease for most, but collects more from heavy users.

--Alternative 2: Set Block 1 and 2 equal to current flat rate; maintain Block 3. This forgoes any rate decreases (neutral for most) and collects more from heavy users. Roadman reviewed the staff brainstorm of ideas for using the additional funding:

- Low income assistance to cover negative impact of Inverted Block design;
- Additional support to EPUD low-income programs;
- Increase Rate Stabilization Fund or bolster general cash reserves;
- Support the cost of Conservation / Renewable Resource investments;
- Support ongoing awareness and public outreach/PR programs/events.

With the Inverted Block Alternative 2, it sets Block 1 and 2 rates effectively equal to current rate levels while maintaining Block 3 at a premium level. Roadman said that this could generate approximately \$632,068 in new revenue annually.

Russell indicated support for the second Alternative inverted block design, and suggested that the higher revenue generated help fund conservation or low income. Schworer asked about possible rate increases in 2012 and beyond and whether this design would help lower the amount. Roadman and Theabolt responded that it could, depending on when the change was implemented. Perdue supported the idea of having smaller rate, more gradual rate increases if possible and said that he thought this rate design could help achieve that goal.

Roadman commented that Staff would need to perform additional analysis to develop a more formal rate design proposal for this Alternative 2. Right now, the recommendation could be conceptual pending further analysis.

*Motion*

Bottemiller/Russell moved to recommend adopting a rate design based on the Inverted Block Design Alternative 2. This design would use a seasonal inverted block approach, but would be structured so that no users will see a rate decrease and the heaviest users would pay a premium. The design would thus be non-revenue neutral. Staff would need to develop a specific proposal for the Board.

*Vote*

Unanimously approved.

*Motion*

Bottemiller/Crabtree moved to not earmark extra funds from the new rate design for a particular project, but instead, use them to help reduce future rate increases.

*Vote*

Unanimously approved.

Roadman inquired when the Committee felt this should be implemented and that timing on this will need to be discussed.

Roadman said that for Item 3, staff reviewed irrigation data, working with EES to break out 3-phase irrigation. He said that the results were not very revealing given the lack of meter data. The results were not materially different from a combined COSA analysis. Roadman said that to truly analyze this at a deeper level, it would require more consistent and regular meter data and possibly some direct cost allocations. He stated that metering data should be available going forward with Automated Meter Reading (AMR) as this will allow for monthly remote readings. Roadman said that the current plan is to have the AMR meters installed on all accounts by the end of the year. Currently, Roadman said there are AMR meters installed on 538 or 656 Poly-phase irrigation accounts. After the AMR meters are installed, Roadman indicated that it would be appropriate to re-assess the irrigation COSA in 1-2 years as it will take a season of usage before enough data is in place.

For the review of the Irrigation Basic Charge, the Committee's request was to examine a variable basic charge for < 30 HP. Staff indicated that it would be difficult to implement a charge based on HP given the extra administrative work involved. However, it may make sense instead to re-align all 3-phase Irrigation basic charges. Per the COSA, Roadman said that basic charges should actually be about equal. However, EPUD has historically used the basic charge for 3-phase Irrigation to partially recover demand costs given the lack of demand readings. He said that the Rate Committee could recommend re-aligning these basic charges to a common level or could also wait until the AMR data is available to keep a demand component in play.

*Motion* Russell/Schmunk moved to put the irrigation discussion on hold.

*Vote* Unanimously approved.

Roadman then presented the results of a staff survey for New Large Load policies throughout the region. In tackling the issue of New Large Load Policies, Roadman indicated that there are two general approaches depending on how existing customers are treated:

- set a relatively high threshold to protect the utility from the largest loads and include existing customers under this policy; or
- set a relatively low threshold and exempt your existing customers; however subsequent incremental growth could be charged at the higher rate.

Roadman said that after talking with other utilities, staff would recommend a "cost causer/cost payer" principle and establish a new class for loads > 1 MW of capacity. Staff also recommends not setting a specific rate, but reserving the right to set the rate based on a blended Tier 1 / 2 power cost. As Roadman pointed out, this protects the installed customer base from increases, but also gives flexibility to find an optimal rate for new large loads. Johnson said that in his research, he found that many utilities were concerned about treating existing customers differently than new customers.

Perdue expressed his belief that the Board should have some flexibility to negotiate if a large employer wanted to move into the District. Craig agreed with this, and mentioned his experience with Charter wanting to move in next to his store.

*Motion*

Russell/Schwoerer moved to adopt the staff proposal to establish a New Large Load policy with 1 MW threshold and apply to only new customers or those with incremental growth and to reassess at least annually to ensure costs are properly covered. The motion included that a clause be included to allow special rates or contracts with Board approval.

*Vote*

Unanimously approved.

*Adjournment*

The Rate Committee meeting was adjourned at 5:00 pm.

Minutes prepared by Beth Matthews, Executive Assistant.

*Beth Matthews*