

Leveraging Public Input to Make Difficult Choices for Low-Income Rates

Association of Metropolitan Water Agencies

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September 13, 2018

Tualatin Valley Water District



Delivering the Best Water  Service  Value

Overview

Overview of TVWD

- Supplies and customers
- Future challenges

Rate Advisory Committee Roadmap

- Process of informing the RAC

RAC Recommendations

- Building consensus
- Presenting recommendations

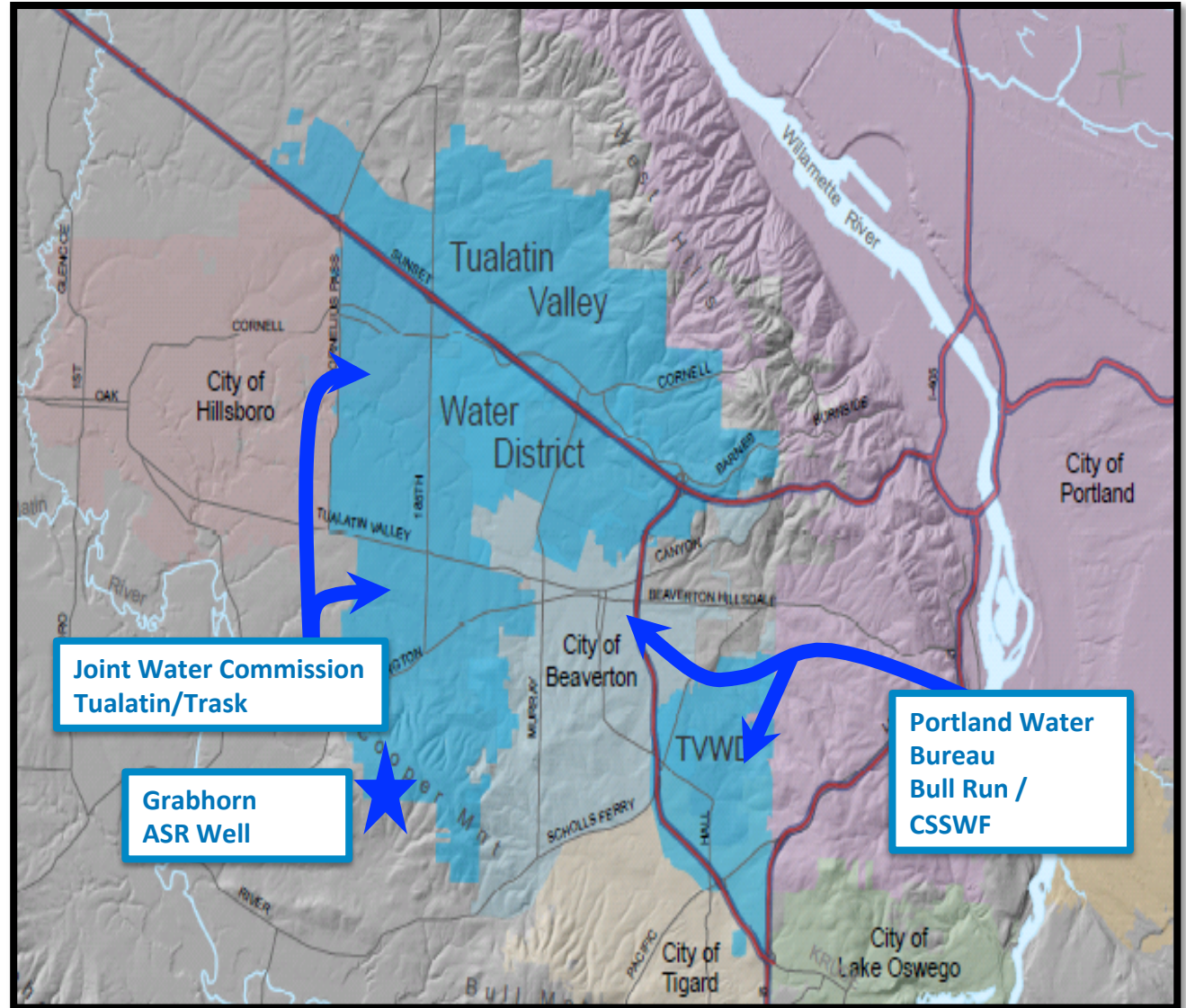
Tualatin Valley Water District

Service Area

- Unincorporated Washington County, Oregon
- Portions of Hillsboro, Beaverton & Tigard

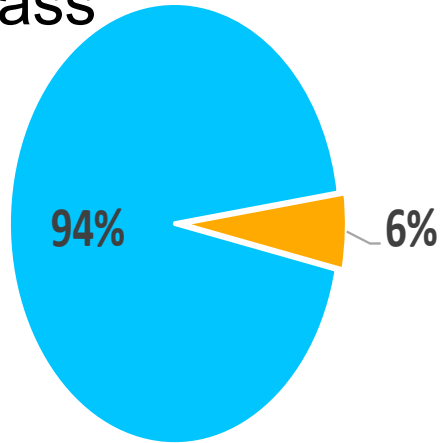
Sources

- Joint Water Commission
- Aquifer Storage and Recovery
- City of Portland



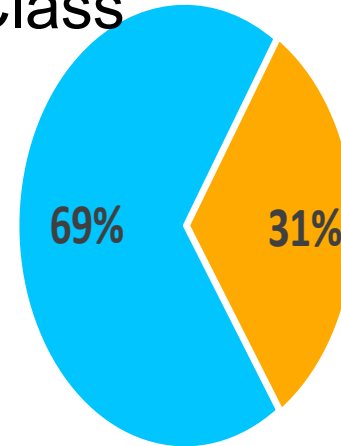
District Customer Base and Major Employers

Customers By Class



■ Residential/Multifamily ■ Commercial/Industrial

Water Consumption by Class



■ Residential/Multifamily ■ Commercial/Industrial



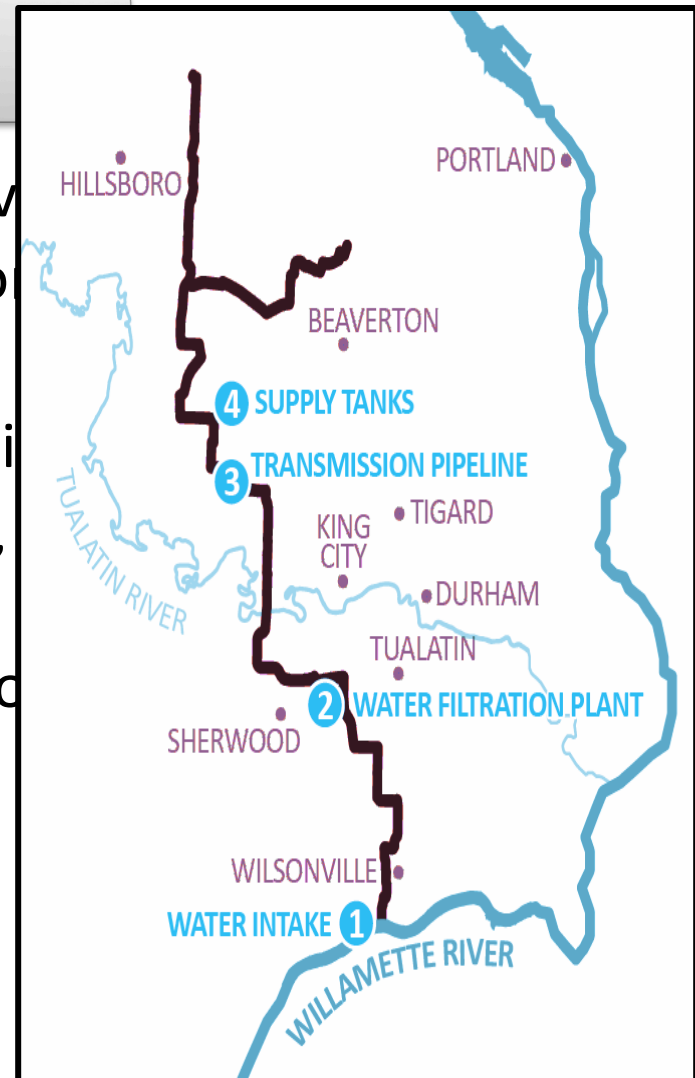
Intel Oregon
Maxim Integrated Products
Nike World Headquarters
Columbia Sportswear
Reser's Fine Foods
Beaverton Foods



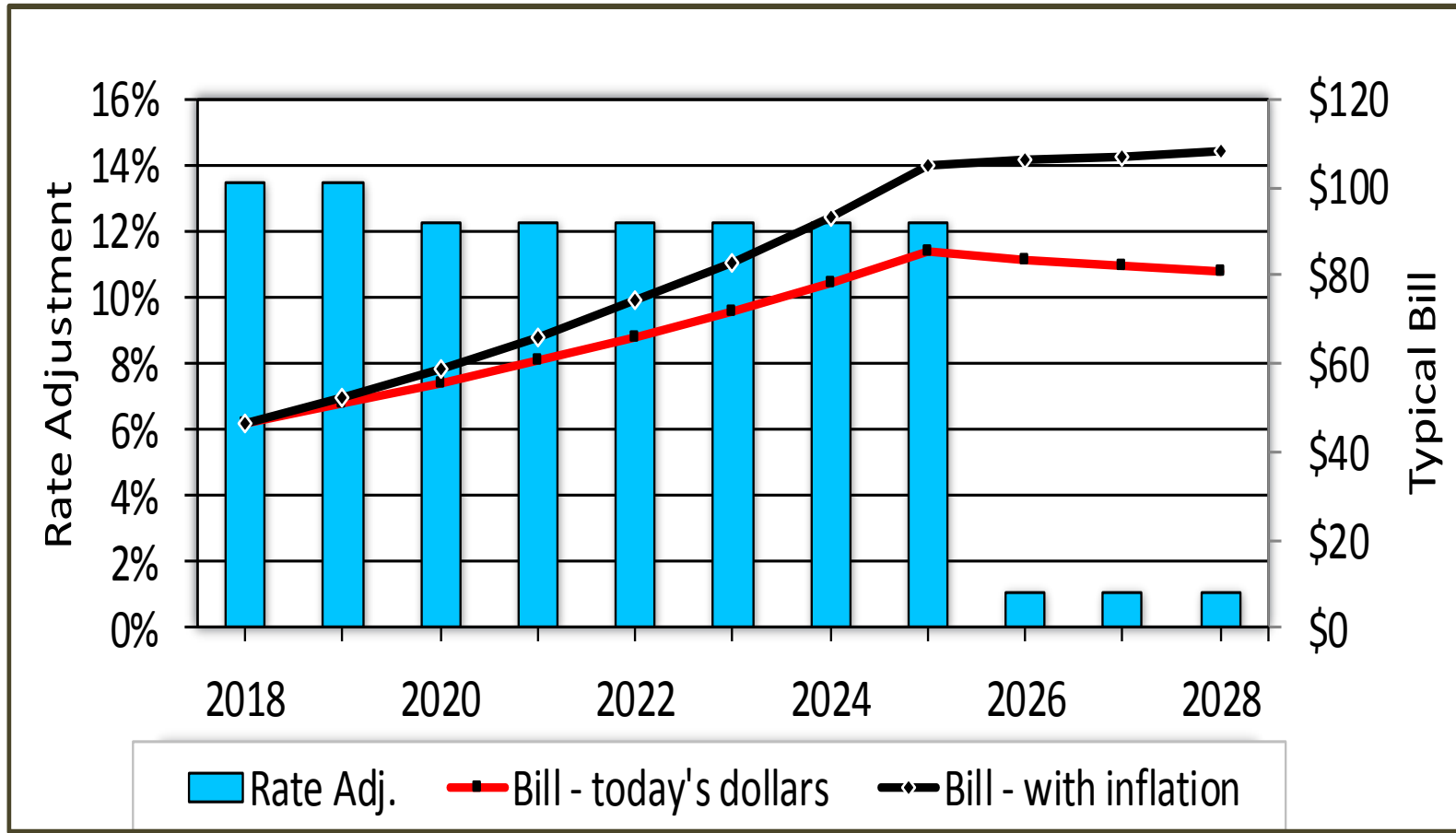
The Willamette Water Supply System

A new regional water supply

- 150 MGD intake on Willamette River
- Raw water pumping & transmission
- 120 MGD water treatment plant
- Finished water pumping & transmission
- 30+ miles of seismically hardened, large-diameter pipelines
- 2 - 15 MG terminal storage reservoirs
- \$1.2 billion capital investment
- In service by June 2026
- Partnership with Hillsboro; 60/40 shares



TVWD's Affordability Challenge

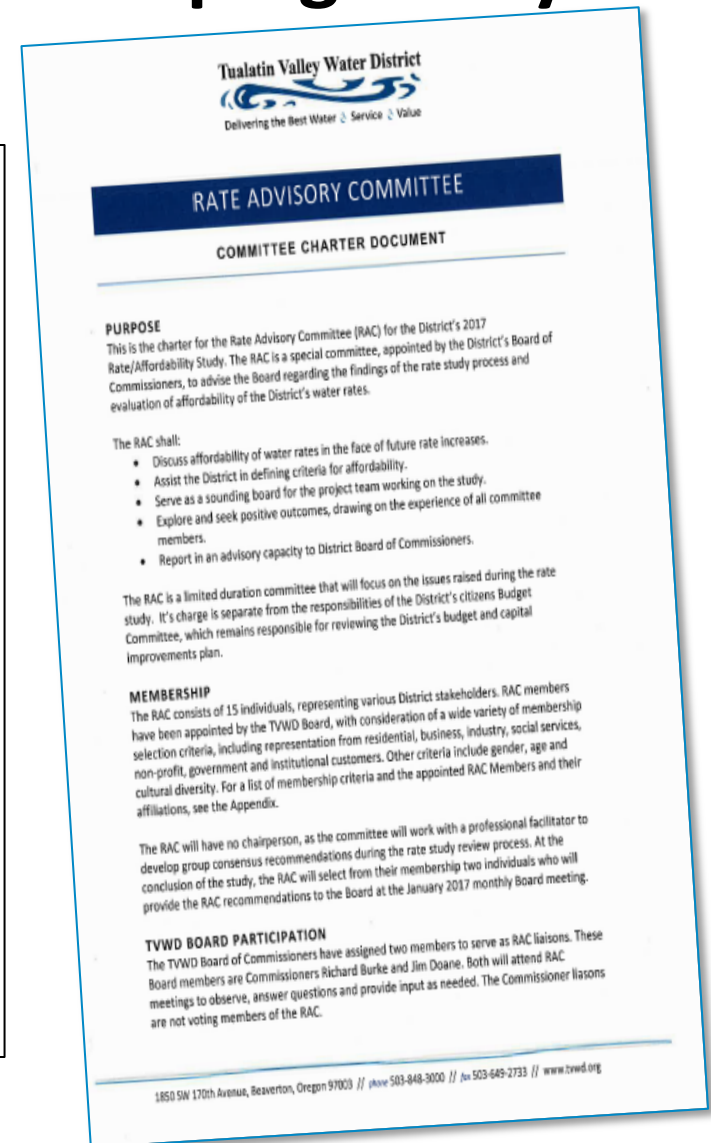


Projected rate increases in 2017 30-year Financial Plan

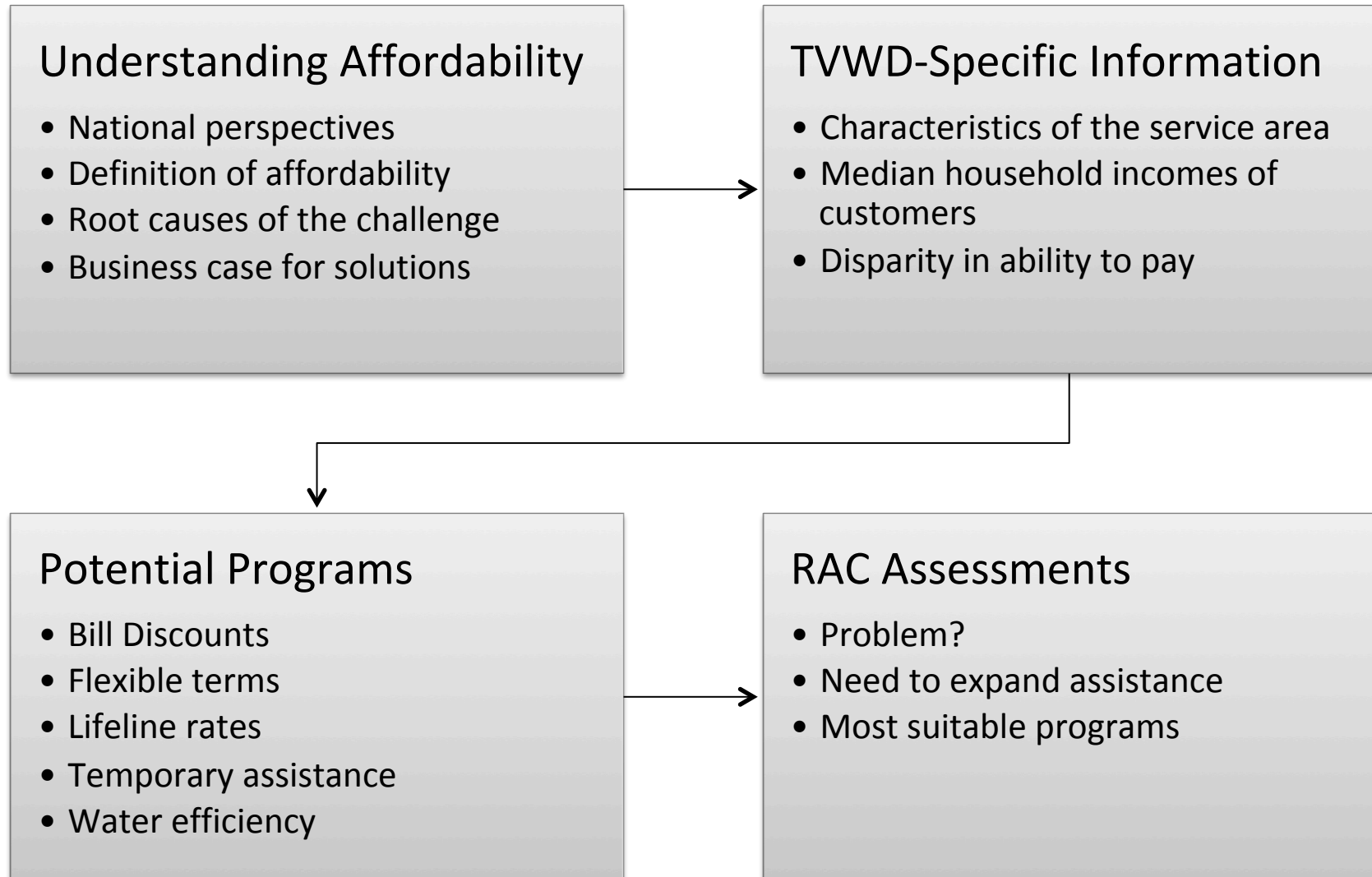
A Proactive Approach to Developing Policy Options

Rate Advisory Committee

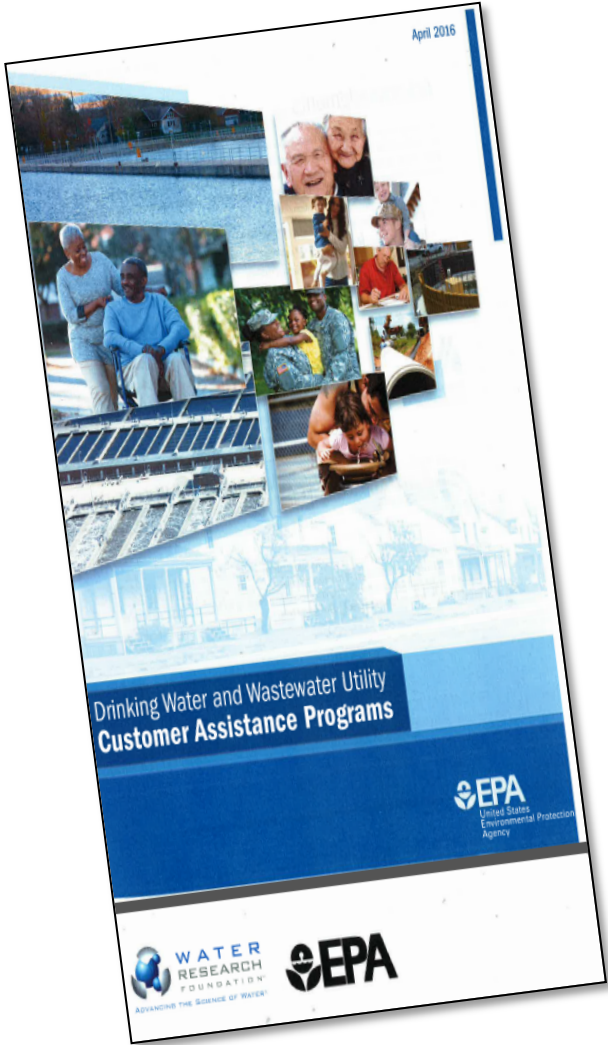
- Broad spectrum of volunteers representing a variety of interests
- Included customers, advocates, businesses, and others
- Fixed charter with limited duration
- Met monthly for 5 months with executives of the District, professional facilitator, and technical consultant
- Guided adventure of presenting policy issues and options to the RAC
- Brought recommendations to the Board



RAC Affordability Roadmap



Key Resources for Potential Programs



National Perspective of Affordability

- U.S. Census – In 2014, 46.7 million (14.8%) live in poverty
- Nationally, utilities find that 1% of their customers are unable to pay their bill at any particular time
 - 1% seems small, but nationally, about 15% of residential customers in low-income households are constantly at risk of payment problems
- Reviewed our industry’s attempts to define “affordability”
 - Median household income (MHI)
 - Challenges of data and timeliness of data
 - Noted that Rating Agencies consider affordability and MHI
 - Discussed the strengths and weaknesses of these measures

Remembering Statistics

Mean

- Average
- Susceptible to outliers

Median

- Sort and order
- Middle. 50th Percentile

Mode

- Count
- Most frequent

3, 7, 10, 8, 31, 10, 2

$$\text{Mean (avg)} = \frac{3 + 7 + 10 + 8 + 31 + 10 + 2}{7} = \frac{71}{7}$$

↓
10.14

7 numbers

$$\text{Median} = 2, 3, 7, 8, 10, 10, 31$$

↓
8

↑
middle

Mode

3, 7, (10), 8, 31, (10), 2

↓
10

Typical Root Causes of Affordability Issues

- Crisis (e.g. illness, job loss, family issues)
- Affordability or money management issues
- Older housing with inefficient plumbing
- Elderly or disabled customer limitations

Customer assistance programs are not always “after-the-fact” assistance programs

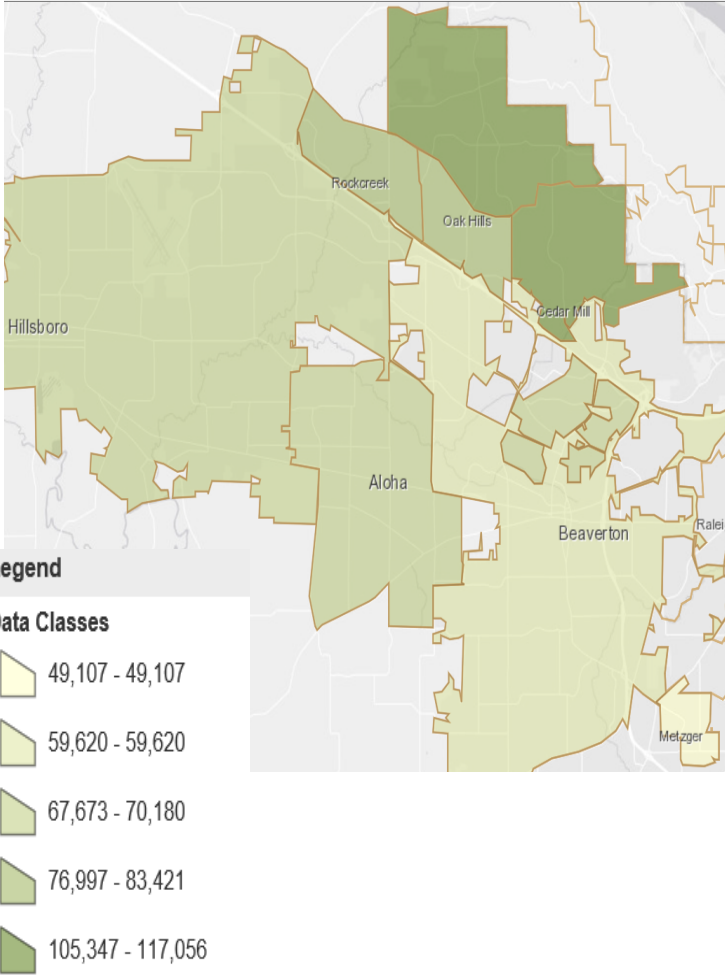
- Prevention before-the-fact
- Intervention after-the-fact
- Crisis assistance programs
- Deferred payment programs
- Programs to minimize recurrences

Business Case – Water Research Foundation

- Issue: Should the utility simply resolve issues of non-payment or attempt to solve the endemic problem of non-payment?
 - A proactive approach is a more effective business strategy than simply waiting for accounts to be past due
 - Challenge of reaching families in need can be mitigated by working with social service providers in the community
- Different solution oriented strategies available to provide direct assistance (e.g., crisis assistance, bill discounts, debt forgiveness, etc.) constituting a cross-subsidy

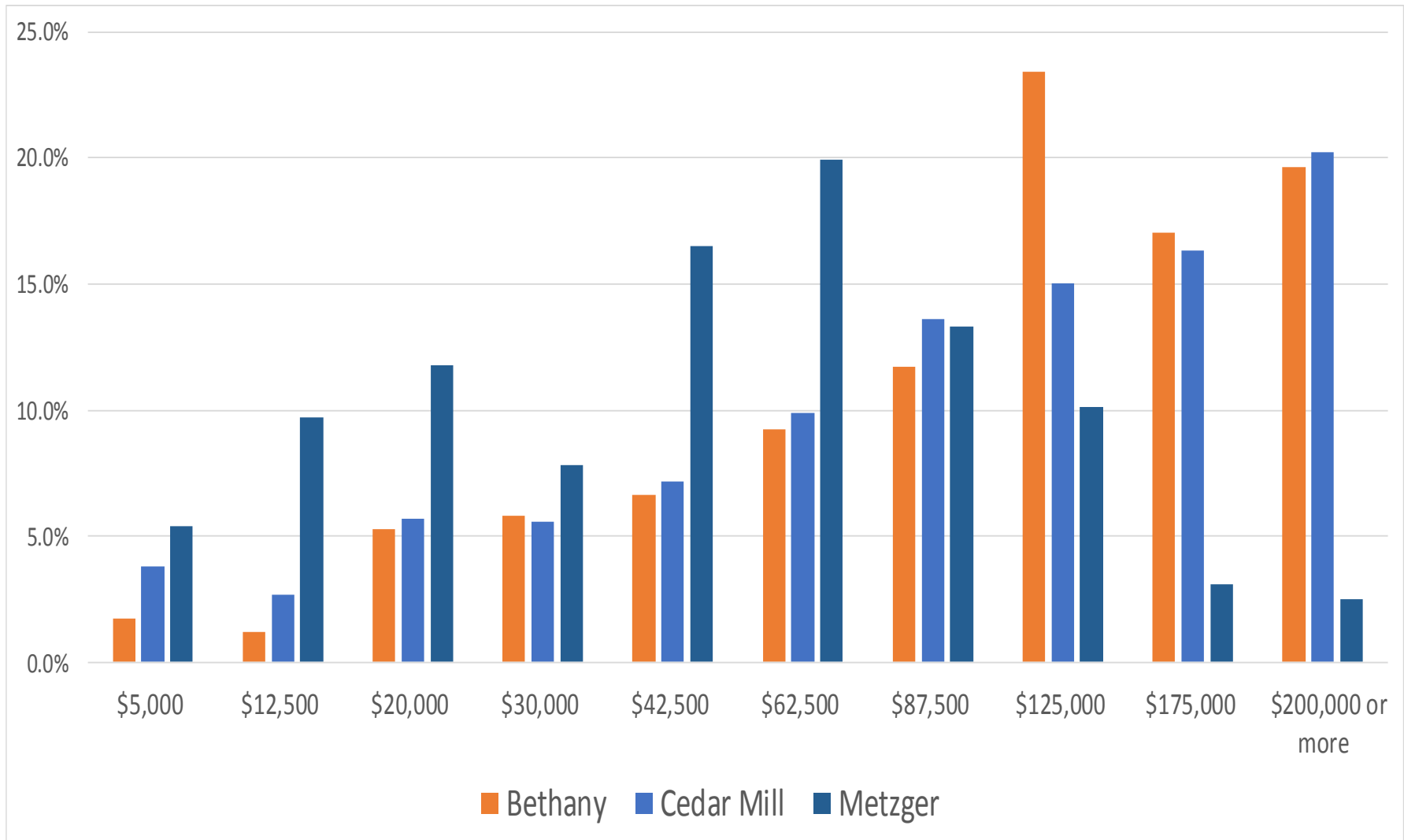
Diversity of Median Household Income at TVWD

Community	Median Household Income	
	2016	2012
Aloha	\$67,673	\$60,297
Beaverton	\$59,620	\$55,115
Bethany	\$117,056	
Cedar Hills	\$70,153	\$68,793
Cedar Mill	\$105,347	\$106,429
Hillsboro	\$70,180	\$64,197
Metzger	\$49,107	
Oak Hills	\$83,421	
Rockcreek	\$76,997	
Garden Home	\$79,771	
Tigard	\$65,505	

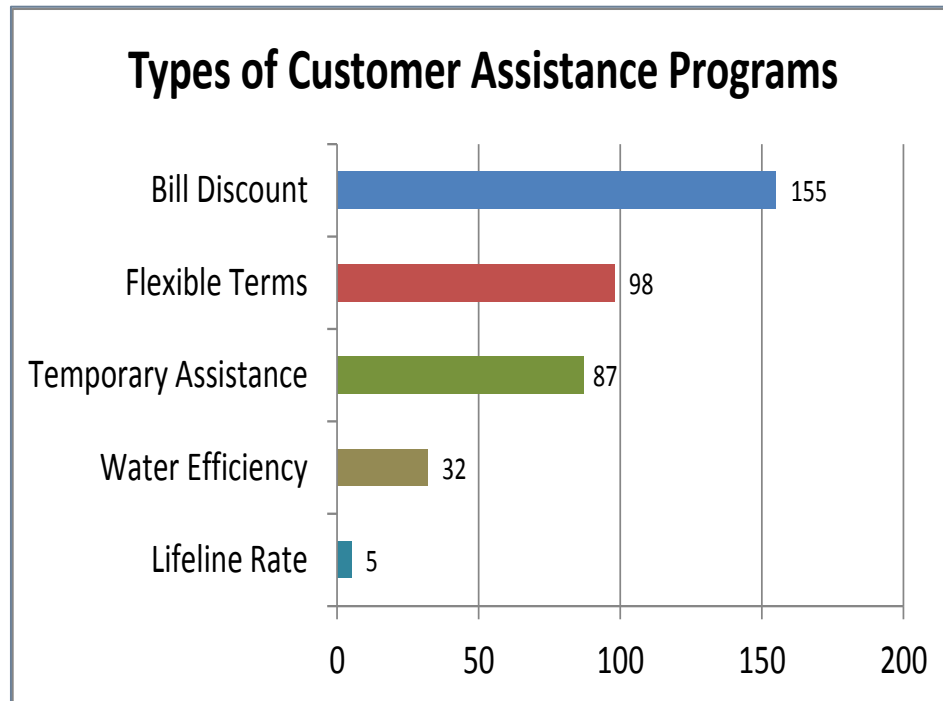


Source: American Community Survey

Distribution of Household Income



RAC Considered Various Assistance Programs



Source: U.S. EPA, Drinking Water and Wastewater Utility Customer Assistance Programs, p. 7

- **Bill Discount:** Reduction in bill, usually long-term; applied to rate structure
- **Flexible Terms:** Arrearage forgiveness, bill timing adjustment, moving from bi-monthly to monthly billing, etc.
- **Temporary Assistance:** Assistance provided on a short-term or one-time basis
- **Water Efficiency:** Utilities subsidize water efficiency measures (conservation)
- **Lifeline Rates:** A subsidized rate for a fixed amount of water (essential needs)

Example of Process Used to Review Each Area

1. Bill Discount: Low-Income Rate

Bill Discount – Low-Income Rate	
<i>Discounted rate for a qualifying customer.</i>	
<i>TVWD Specific – TVWD would establish a separate and distinct rate for a low-income qualifying customer. A criteria and mechanism to qualify customers would need to be determined and established.</i>	
<p>Opportunities –</p> <ul style="list-style-type: none">• “Shrinks the bill” on a continuous basis.• Creates a “true” discounted and more affordable bill. <p>Challenges –</p> <ul style="list-style-type: none">• Administering and qualifying customers.• Cost of the program.	<p>Considerations –</p> <ul style="list-style-type: none">• Need to determine qualification criteria and method to screen and qualify applicants.• Level of discount to be provided (rate components and level of discount).• Billing system issues should be minimal.

1. Bill Discount: Low-Income Rate (cont.)

Bill Discount – Low-Income Rate

Discounted rate for a qualifying customer.

Administrative Considerations

- Qualification screening can be provided internally or externally; use an existing qualification standard (e.g. show proof of low-income rate qualification from another utility).
- Addition of a new rate schedule.

Estimated Program Cost

- Administration (if internal qualification) – Estimated at \$10/customer or \$30,000
- Subsidy/Discount – Estimated annual cost \approx \$220,000; \$0.30/month impact to all District customers^[1]

Targeted Group

- Qualifying low-income customers (estimated – 5% of residential customers \approx 2,900 customers)
- Other? Disabled – Estimated number of qualifying customers is unknown, but likely minimal.

Other Considerations

- Provides direct assistance to low-income customers, but all qualified customers may not apply for assistance.

Policy Decisions Needed for a Low-Income Rate

Nature of the Assistance

- Separate rate or a discount on an existing rate

Key policy decisions

- Qualification criteria
- Administration/Screening
- Other qualified customers (e.g. disabled)
- Rate structure
- Level of the discount
- Administrative and subsidy costs

**The RAC Reviewed
Each of These Policy
Questions in Detail
via RAC Meeting
Discussions and RAC
Surveys**

Example of the Level of Review/Discussion

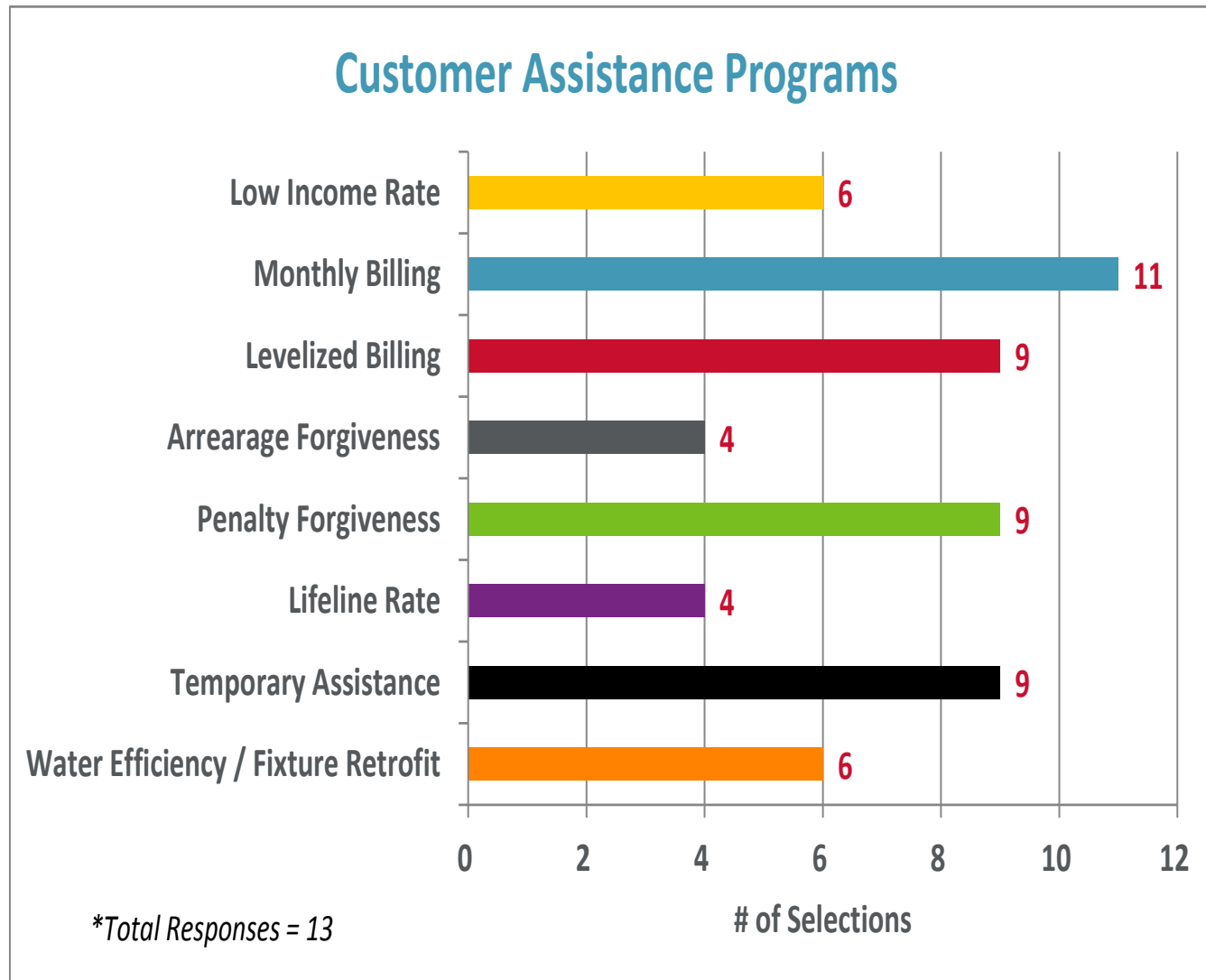
Low-Income Rate: *Level of the Discount*

Comparison of Different Methods for Providing Discounted Rates			
Discount Approach	Amount of Discount	Revised Typical Monthly Bill	% Bill Discount
Discount of Fixed Charge ^[1]			
0%	\$0.00/Month	\$40.71	0%
50%	6.15/Month	34.56	15%
100%	12.29/Month	28.42	30%
Discount 1st Pricing Block ^[2]			
20%	\$0.81/CCF = \$5.67/month	\$35.04	14%
30%	1.22/CCF = \$8.54/month	32.17	21%
40%	1.62/CCF = \$11.34/month	29.37	28%
Discount Both Pricing Blocks ^[2]			
20%	\$0.81/CCF = \$5.67/month	\$35.04	14%
30%	1.22/CCF = \$8.54/month	32.17	21%
40%	1.62/CCF = \$11.34/month	29.37	28%
Fixed % Discount on Bill			
10%	\$4.07/month	\$36.64	10%
20%	8.14/month	32.57	20%
30%	12.21/month	28.50	30%

[1] – Assumes a 5/8” meter; 2017 bi-monthly rate of \$24.58/bi-month or \$12.29/month

[2] – Calculation of savings on a typical monthly bill assumes a 5/8” meter and 7 CCF/month of usage

Garnering Feedback from RAC



- Augmented discussions during meeting with whitepapers and online polls
- Some RAC members were more comfortable responding to online polls
- Included open-ended feedback questions

Bringing Forward Findings

Providing Recommendations

- RAC selected representatives to present recommendations to the Board of Commissioners
- Staff and consultants assisted in the development of presentation materials
- RAC provided both oral and written recommendations

Tualatin Valley Water District
Delivering the Best Water • Service • Value

RATE ADVISORY COMMITTEE

Summary Recommendations to the Board of Commissioners

INTRODUCTION
Tualatin Valley Water District (TVWD or the "District") is in the process of conducting the 2017 comprehensive rate study. As a part of the review process, TVWD formed a Rate Advisory Committee (RAC) to review specific rate-related policy issues. This paper summarizes the:

- Process used by the RAC to review the various policy issues the committee was tasked with, and
- RAC's recommendations to the District's Board of Commissioners (Board).

OVERVIEW OF THE RAC
The RAC consists of fifteen individuals, representing various District stakeholders. RAC members were appointed by the TVWD Board, with consideration of a wide variety of representation from residential, business, industry, social services, non-profit, government, and institutional customers. The Board also assigned two Board members (Commissioners Richard Burke and Jim Doane, P.E.) to serve as non-voting RAC liaisons.

COMMITTEE CHARGE
In July 2016, the Board adopted a charter that tasked the RAC with reviewing the following topics:

1. **Affordability and Rate Design** – The RAC would consider the following questions regarding water rate design and affordability:
 - a. Should the District address affordability within its rate structure?
 - b. If the District addresses affordability, what are the options for doing so?
 - c. What are the other policy considerations (e.g., who will qualify individuals for affordability programs, how will lost revenue be recovered)?
2. **Common Service Consolidation** – The District charges non single-family residential customers for water use using the District's excess-use rate structure where a higher block rate is charged for water exceeding 140% of the average annual consumption for each account. An institutional customer proposed the aggregation of consumption for multiple accounts when determining the average annual consumption for rate design. This aggregation would lower the customers' total water bill. The RAC would consider this proposal.
3. **Duplex Billing** – Currently, the District follows the definition of residential customers within the American Water Works Association (AWWA) M1 Manual that includes duplexes as residential customers. As such, the District bills duplex customers using a block rate structure with two fixed blocks. A proposal has been made to bill duplex customers with a shared meter in the same manner as the District does with multifamily residential customers, using a two-block excess-use rate structure in which the first block is based on the customer's rolling 12-month average use. The RAC would consider this proposal.
4. **Hydrant Meter Calculations** – The RAC would review and make recommendations on ways in which the District can meter and recover costs for temporary, non-emergency use of water through a fire hydrant. This included a review of the associated deposits, fees, and flow charges.

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RAC Affordability Policy Recommendations

Monthly Billing

- Move from bi-monthly to monthly billing

Levelized Billing

- Offer levelized billing as an option for residential customers

Emergency Assistance

- Continue current Customer Emergency Assistance Program (CEAP)
- Provide additional customer outreach and education
- Increase the ability and opportunity to contribute to program

Penalty Forgiveness

- Develop policies to allow for reduction or waiver of rate-related fees (e.g., shut-off fees)

RAC Affordability Policy Recommendations (cont.)

Low-Income Rate

- General direction is to offer some form of low-income rate
- Some RAC members were concerned with a subsidized rate
- To qualify customers, use an existing qualification criteria (e.g. LIHEAP, etc.)
- To screen and qualify customers, use an outside organization
- Only low-income customers should qualify
- Low-income rate should be a separate and distinct rate (rate schedule)

RAC Affordability Policy Recommendations (cont.)

Low-Income Rate (cont.)

- Board should determine the best approach (discount the fixed charge, variable charge, etc.)
- The level of the discount should be based on either an amount of discount to be provided or structured to be within the District's funding limits.
- District's management and Board should determine the best approach to recover the revenues to fund the low-income rate

Questions and Answers

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