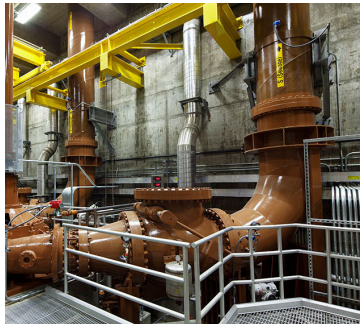
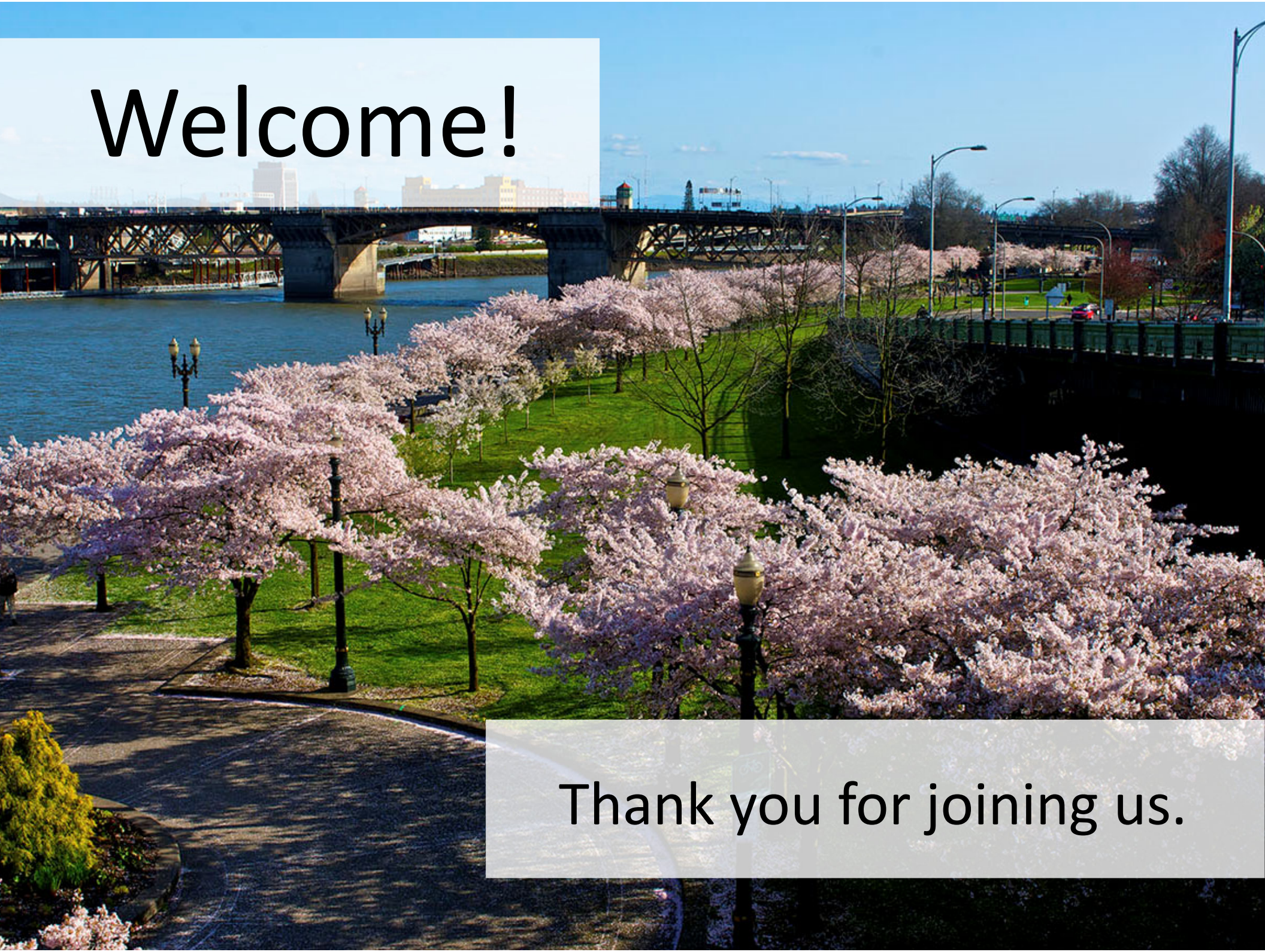
ENVIRONMENTAL SERVICES
CITY OF PORTLAND

Mingus Mapps, Commissioner • Dawn Uchiyama, Director

Rate Study
Technical Review and Discussion

March 2023




Welcome!
Thank you for joining us.

Meeting Goals

Share with you

- Who is Environmental Services, and what do we do?
- What is a rate study, and what is its purpose?
- What did we learn through the rate study?
- How do we propose changing the way we charge ratepayers based on what we learned?

Get your feedback on proposed changes to:

- Multi-family, commercial, industrial, and residential rate structures

How will we use your feedback?

- Collect your feedback, and consolidate it with others
  - Feedback may come from one-on-one meetings, presentations to community groups and organizations, and **these technical discussions**
- Use your feedback to refine our proposal
- Bring this refined policy package to City Council for a vote

To schedule a presentation or "office hours," Contact Aaron Abrams at Aaron.Abrams@portlandoregon.gov or 503-823-2827

Agenda and Ground Rules for Today

- **Introduction and Environmental Services Overview** (5 minutes)
- **The Rate Study and Recommendations** (20 minutes)
- **Questions** (15 minutes)
- **Breakout Session**
  (25 minutes each, 75 minutes total)
  - Commercial/Industrial/Multi-Family Rate Methodology
  - Single Family Residential Rate Methodology
  - Incentive Programs
- **Wrap up and Next Steps** (5 minutes)

Ground Rules

- Be respectful of each other.
- Approach different opinions with curiosity, seek to understand.
- Keep focus on topics relevant to the rate study; we'll note additional topics.
- "Share the air" – let others speak once before speaking twice.
- Feel free to use chat to log a question.
- Avoid distraction of side conversations in chat.
- Use the "raise hand" feature when in larger group.

Who is Environmental Services

Our Mission

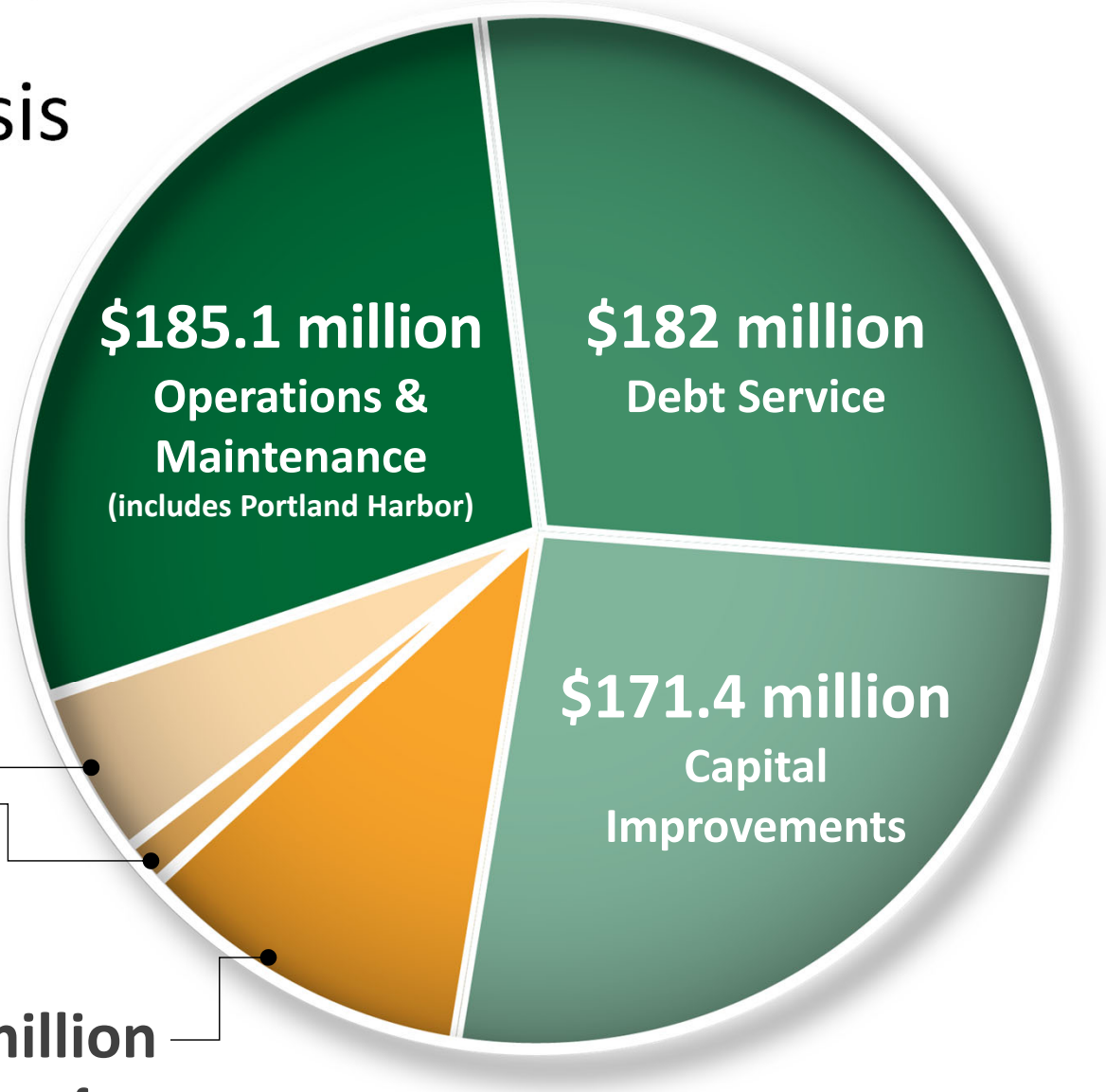
Environmental Services manages Portland's wastewater and stormwater infrastructure to protect public health and the environment.

How Do We Achieve Our Mission?

- Collect and treat sanitary sewage
- Manage stormwater

FY 2022-23 Adopted Budget

Our budget is the basis for collecting rates

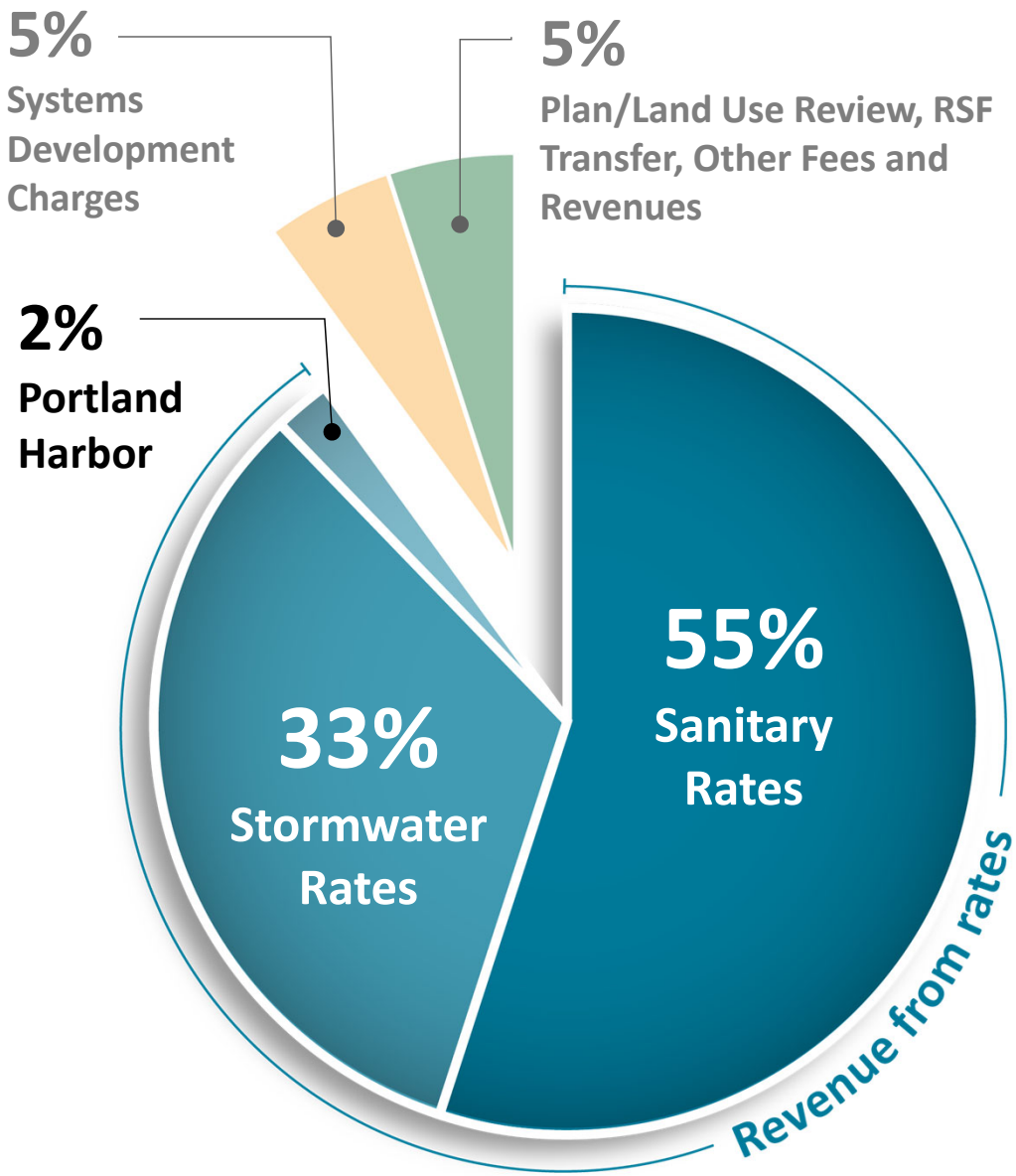


How Do We Fund Our Work?

Revenue Sources

1. **Rates**
   Collected from sanitary and stormwater customers
2. **System Development Charges**
   Collected from certain permitted development projects
3. **Development Permit Fees**
   Collected from permitted development projects
4. **Grants**
   Awarded to the City and Environmental Services

* **Bond Sales** Long-term financing of capital investments. The principal and interest must be repaid with customer rate revenue.



The Rate Study and Recommendations

What Is a Rate Study?

- Looks at costs to the bureau and compares that with what it charges customers
  - Are the costs for ratepayers proportionate to their impact and use of the system?
- Utilities regularly evaluate their rate structure and is considered a best practice
- Environmental Services hired an independent consultant to conduct a technical analysis and deliver recommendations

What Are Our Desired Outcomes?

- Desired goals and outcomes from this rate study and engagement process are to create a rate structure that:
  - recovers costs in proportion to the demands various customer classes place on the system;
  - considers the impacts on all Portlanders;
  - reflects Environmental Services' values;
  - is administratively feasible to implement;
  - addresses and considers affordability concerns;
  - removes barriers to accessing services and incentive programs.
- **The process overall serves as a starting point for the larger conversations we need to have around affordability, equity, and ensuring that our revenues meet future needs**

What Was Included in the Analysis?

- Comparison to industry benchmarks and best practices
- Review of current methodology for collecting revenue
- Review of the Clean River Rewards discount program
- Options for potential revisions to our rate methodologies

What Wasn't Included in the Analysis?

- Change of mission or types of services offered
- Changes in our Capital Improvement Program
- Increases or decreases in total revenue
- Low Income Assistance and Other Affordability programs

Findings

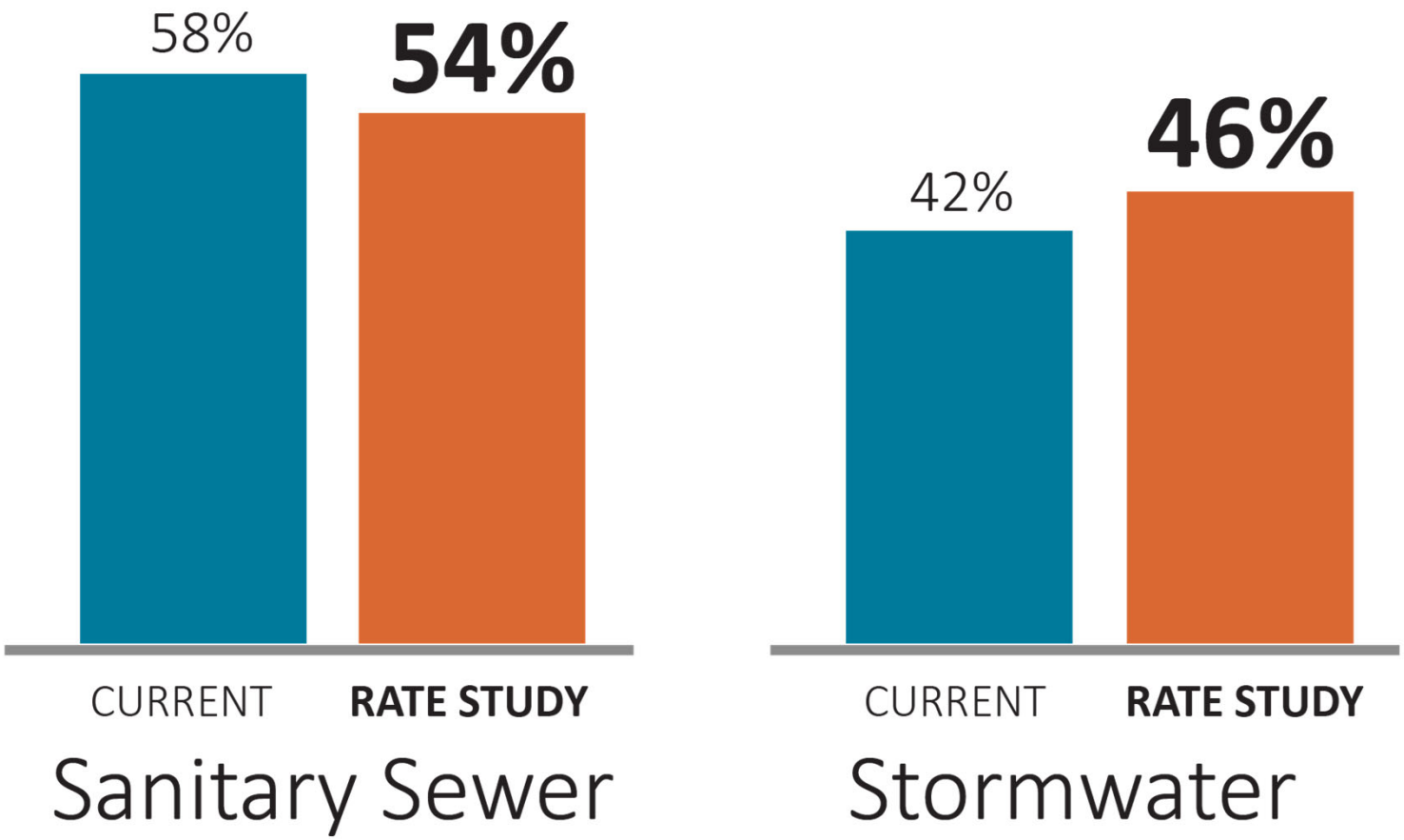
- Current bureau rates are among the highest surveyed, but rate increases of others surveyed are increasing faster
- Our processes for collecting revenue mostly meet or exceed industry standards and best practices
  - There are areas for improvement
- Our spending since we last conducted a rate study has changed dramatically (Big Pipe, STEP, Stormwater investments, etc.)
  - We need to adjust our stormwater and sanitary rates to match our spending in those areas.
- Some changes to our current methodology are warranted to achieve goals around fairness and affordability

Our Recommendations

- Shift our rates to recover more revenue from stormwater rates and less from sanitary rates
- Move away from an on-site/off-site stormwater charge
  - Stormwater will have a “per unit” charge, with a supplemental rate based on impervious surface
- Tier charges for single-family residential properties rather than charge a flat rate
- Adjust special customer rates (overwater structures, drainage districts, water fountain rates)
- Expand eligibility for Clean River Rewards incentive

Our Recommendations

Shift our rates to match our costs



Percent of Total Revenue Requirements

Our Recommendations

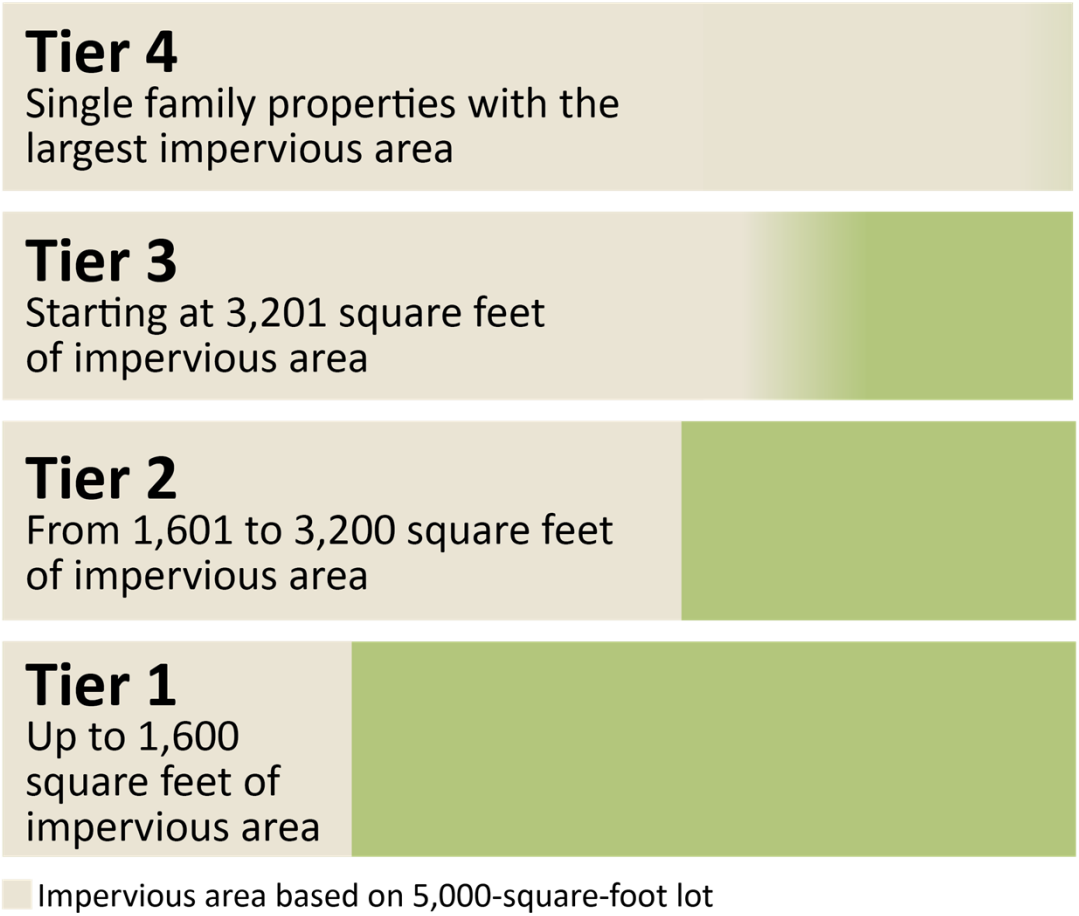
Modify Stormwater Charges

- Retire the on-site/off-site method
- Adopt a method that is closer to "industry standard"
  - Charge impervious area to cover costs of private impervious area impacts and a portions of common costs
  - Charge a "base rate" (an Equivalent Service Unit) for all customers to cover a portion of common costs

Our Recommendations

Tier Single-Family Residential Stormwater Charges

- Move from flat charge per single-family home to charge based on impervious area
- Tier single family residential rates into four tiers



Our Recommendations

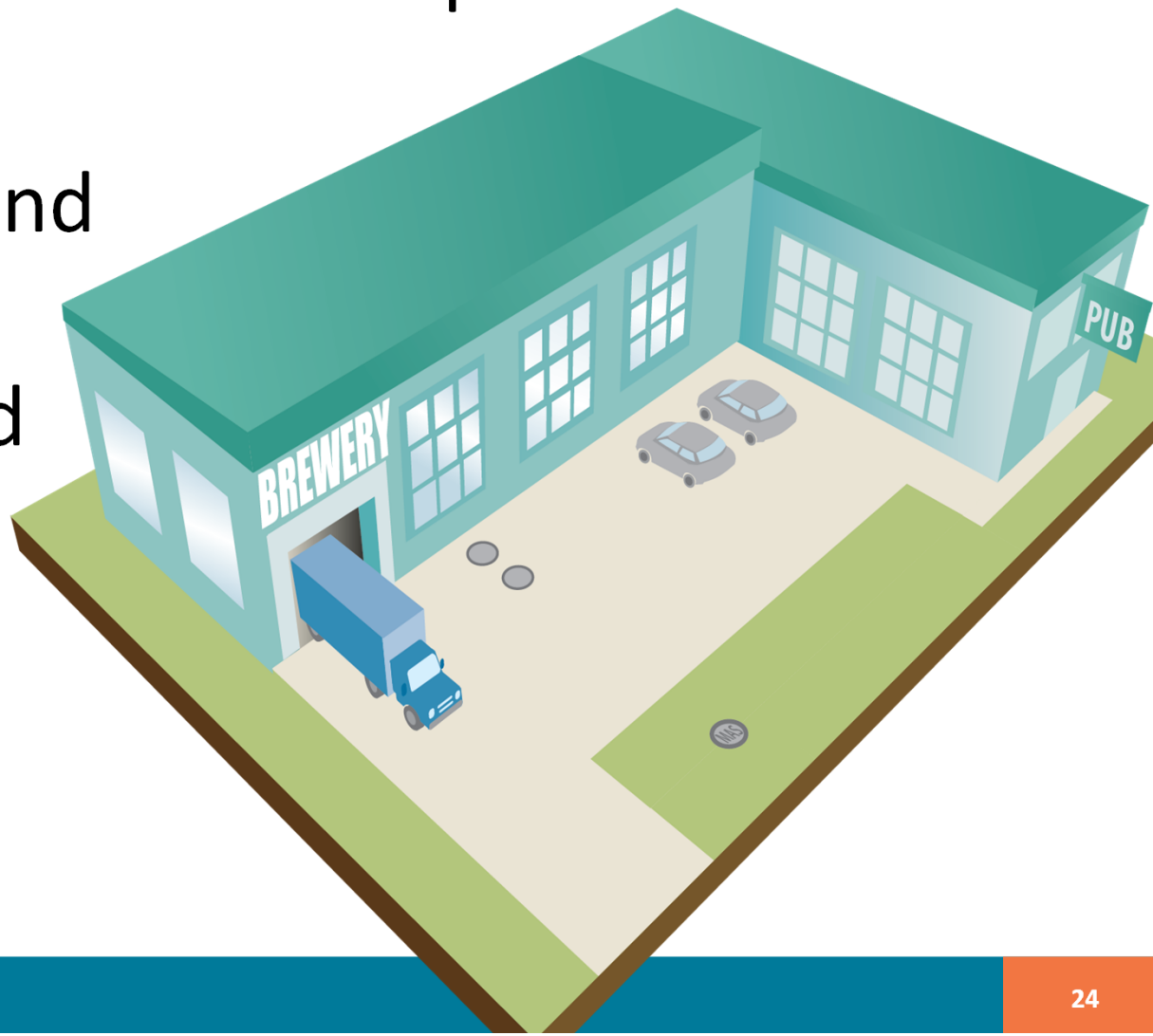
Adjust Special Customer Class Rates

- Some customers get special rates because of what they put into the system
  - Irrigation
  - Brewery
  - Restaurant
- Some customers get special rates because of where they are
  - Drainage districts
  - Overwater structures

Special Customer Rate Changes

Based on What They Do

- Cost to provide services to specific customers
- Extra strength and special meter charges reduced to match cost of providing service

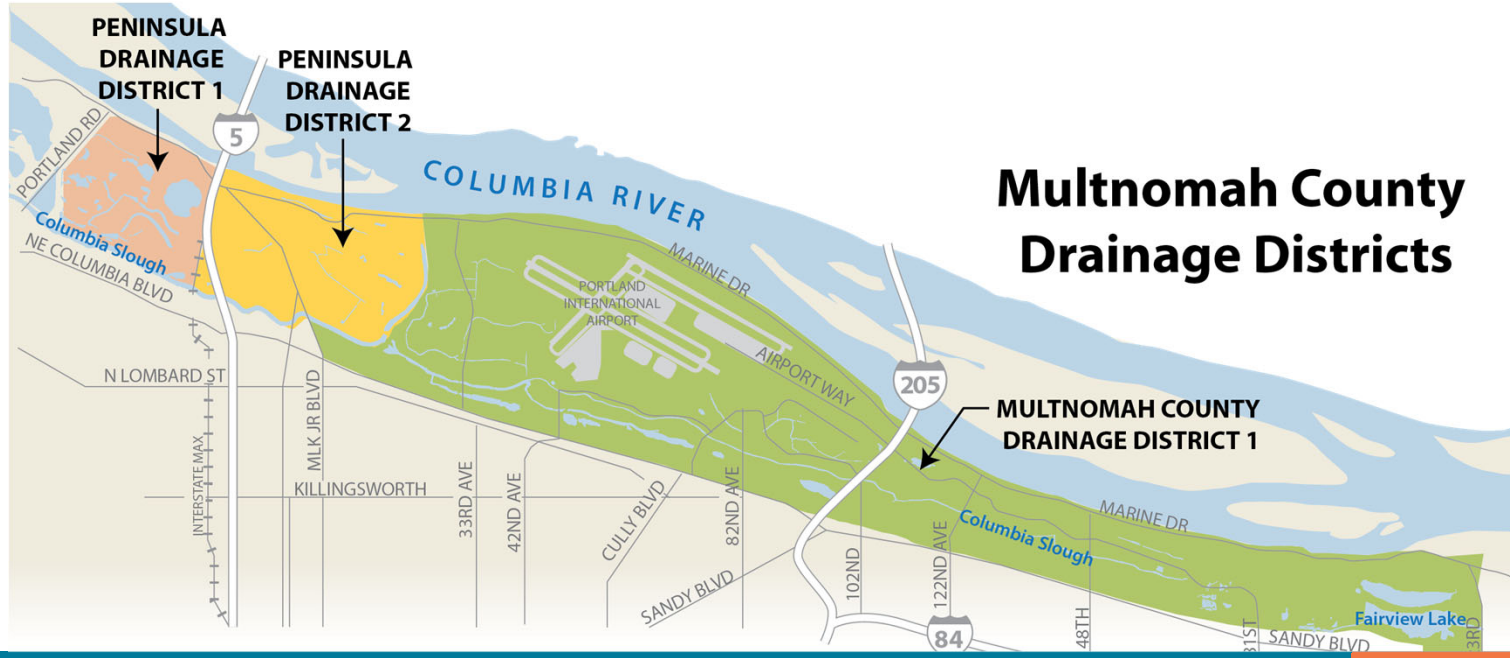


Special Customer Rate Changes
Drainage District

Current Rate:
35% less than non-drainage district rate

Recommendation:

- Rate based on cost of service
- 3.4% less than non-drainage district rates



Special Customer Rate Changes

Overwater Structures

Current Rate:

Not charged

Recommendation:

- Rate based on cost of service
- 12% less than non-overwater structure rates

Expand Eligibility for Clean River Rewards

Stormwater discount program for ratepayers (residential and commercial) who safely manage some or all of their stormwater on their properties.

Customers must register to receive the discount.

Current	Proposed
Overall Program	
35% of total stormwater fee is discount-eligible	35% of total stormwater fee is discount-eligible
No discount renewal required	Discount renewal **required every 5 years**
Accounts with outstanding balances denied	Accounts with outstanding balances **accepted**
Drainage District customers are not eligible for discount	Drainage District customers are **eligible** for discount
Direct dischargers automatically receive full credit	Direct dischargers credit based on outcome-based approach
Commercial Requirements	
Discount based on 3 equally weighted criteria: flow control, pollution reduction (water quality), discharge volume	Discount calculated based on an outcome-based approach tied to BES's Stormwater Management Manual
Residential Requirements	
7 discount tiers	**3** discount tiers

Summary of proposed changes

- Shifts cost recovery from wastewater to stormwater
- Shifts costs from residential to commercial
  - In stormwater, shift costs from single family to multifamily
- Customers who will generally see lower bills
  - High extra strength usage
  - Higher sewer flow
  - Tier 1 single family customers
- Customers who will generally see higher bills
  - Higher impervious area commercial customers
  - Dense multifamily customers
  - Tier 3 single family customers
  - Overwater structures and drainage district customers

Percent Change in Revenue by Customer Class Compared to Current

-0.71%	-1.73%	+1.39%
Single Family	Multifamily	Commercial/ Industrial

Questions?

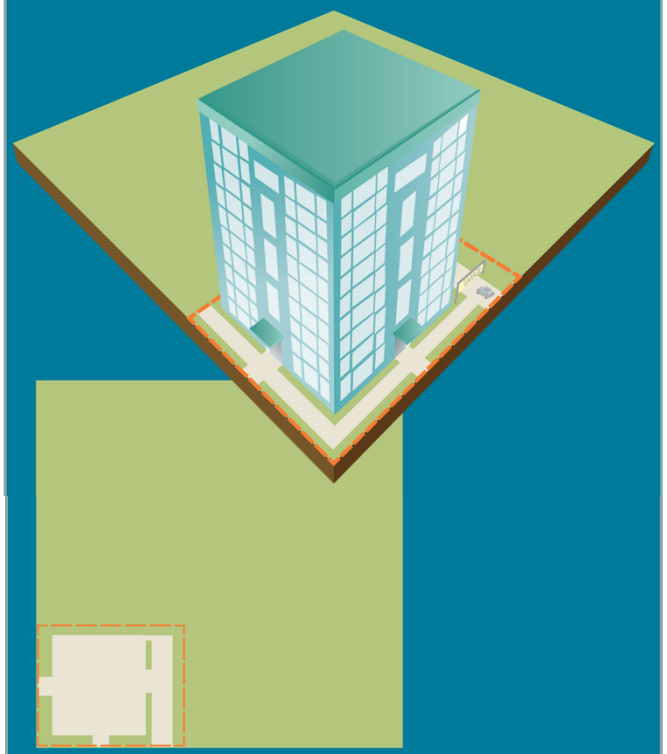
Breakout Session

Multifamily, Commercial, and Industrial Customers

MULTIFAMILY RESIDENTIAL

High Density

About 50 units, parking garage



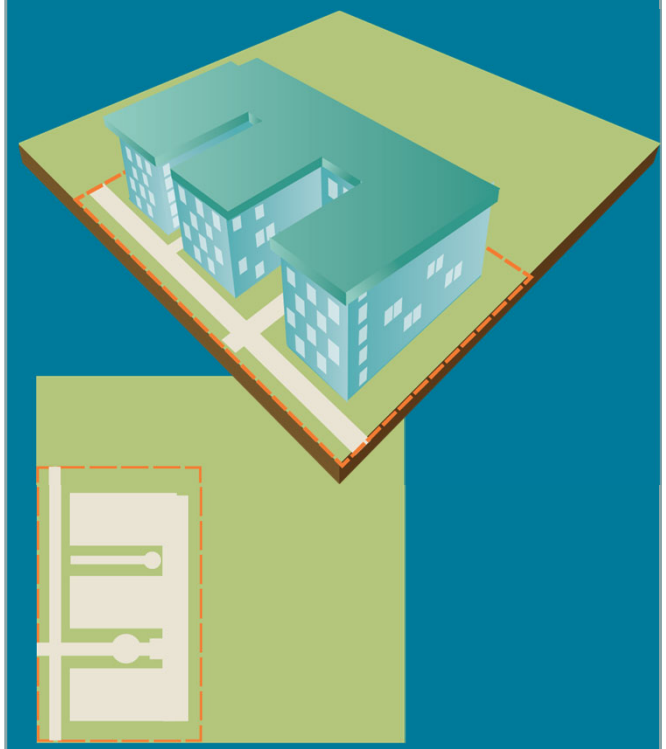
Impervious area

Property line

This customer might pay 1% (about $20) more than today.

Medium Density

About 50 units, no parking



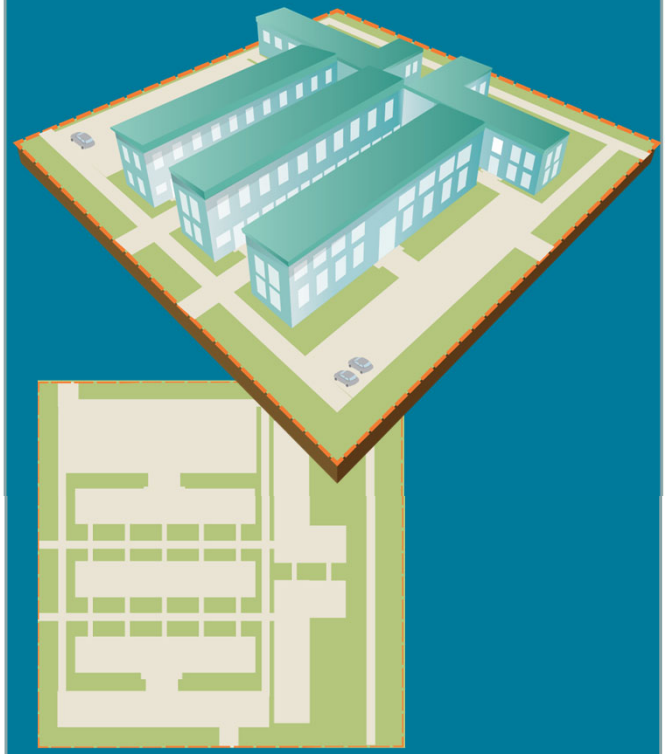
Impervious area

Property line

This customer might pay 1% (about $25) less than today.

Low Density

About 50 units, surface parking



Impervious area

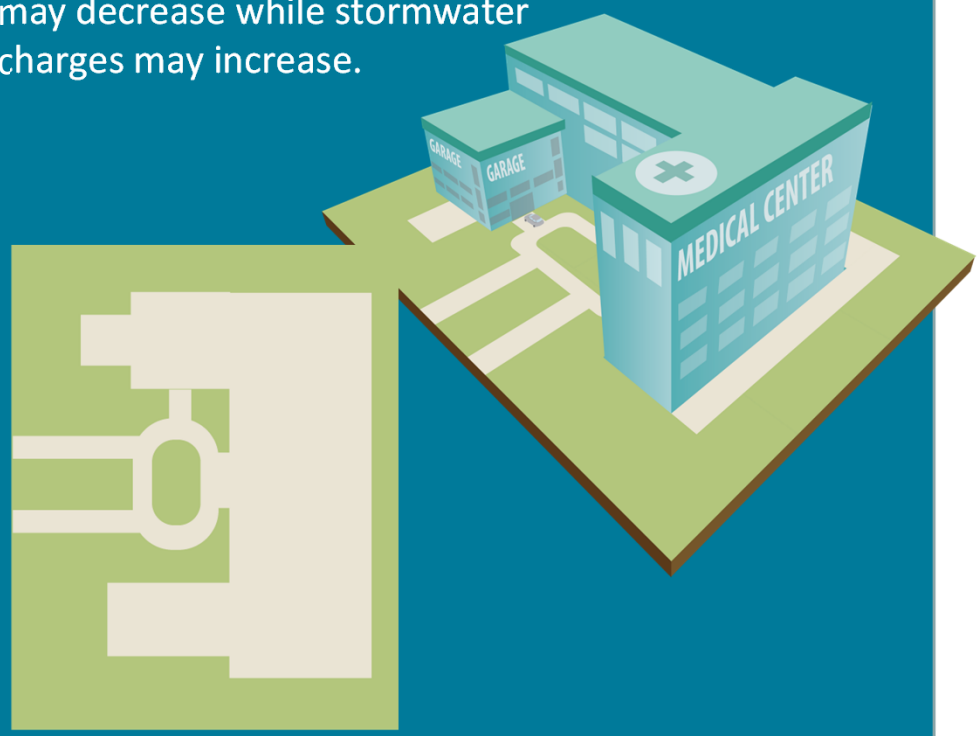
Property line

This customer might pay 4% (about $130) less than today.

COMMERCIAL

Medical Center

A typical medical center has a high sewer flow and large amount of impervious area. For this customer, sewer charges may decrease while stormwater charges may increase.

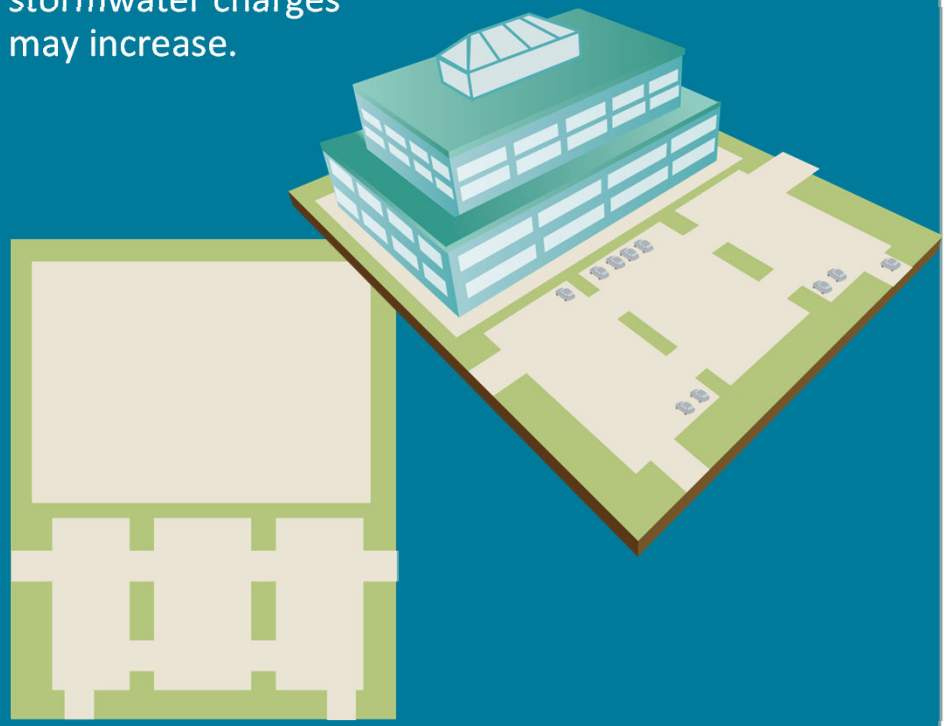


Impervious area

This customer might pay 1% (about $4,500) less than today.

Office Campus

A typical office campus has a moderate sewer flow and large amount of impervious area. For this customer, sewer charges may decrease while stormwater charges may increase.



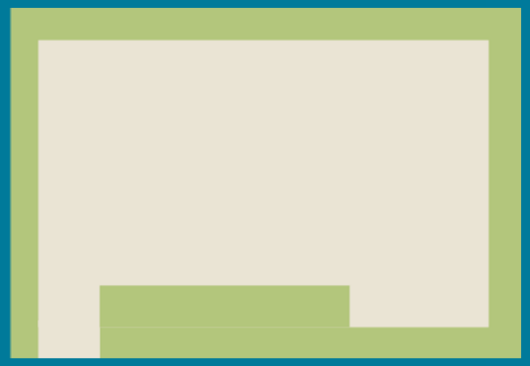
Impervious area

This customer might pay 5% (about $1,000) more than today.

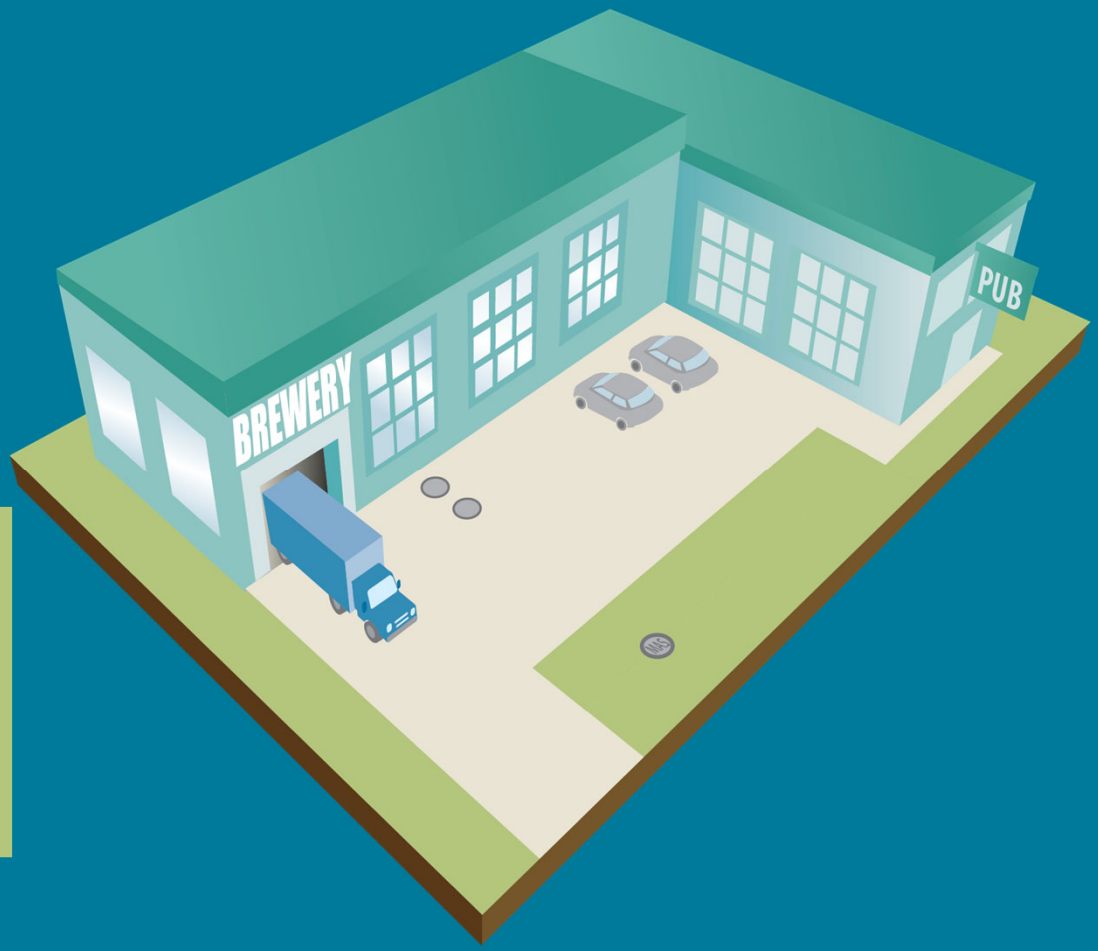
INDUSTRIAL

Brewery

A typical brewery pays extra-strength charges because of its highly concentrated wastewater. With new rate structure, this customer may see a large decrease in sewer charges.



Impervious area



This customer might pay 9% (about $400) less than today.

Multi-Family, Commercial, and Industrial Customers

Discussion Questions

- What are your thoughts on what you heard?
- Do you have any comments or questions about specific changes to special customers like the drainage districts, overwater structures, restaurants, etc.?

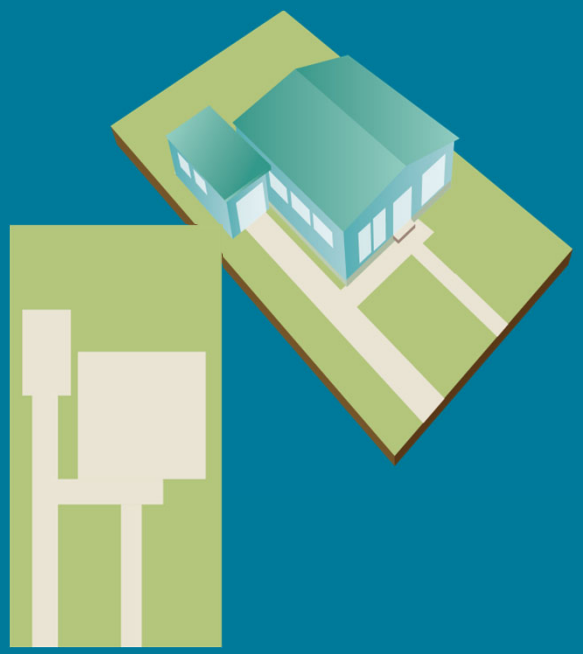
Breakout Session

Single Family Residential Customers

SINGLE FAMILY RESIDENTIAL TIERS

Tier 1 Single Family

This customer has a modestly sized single dwelling unit (impervious area no greater than 1,600 SF) with average sewer flow.

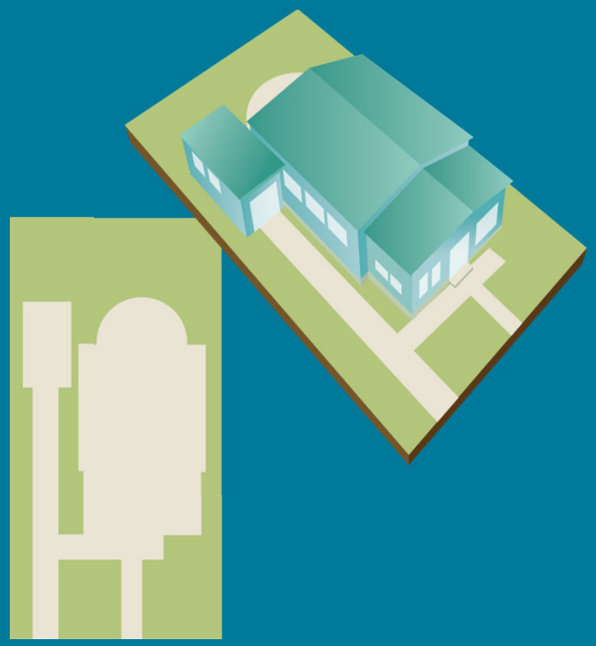


Impervious area

This customer might pay 18% (about $15) less than today.

Tier 2 Single Family

This customer has an average sized single dwelling unit (impervious area greater than 1,600 SF but less than 3,200 SF) with average sewer flow.

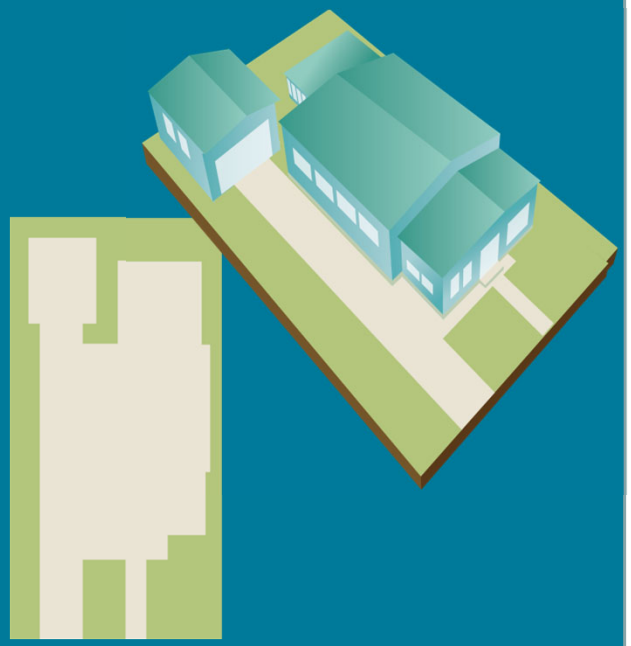


Impervious area

This customer might pay 1% (about $1) less than today.

Tier 3 Single Family

This customer has large sized single dwelling unit (impervious area greater than 3,200 SF) with average sewer flow.



Impervious area

This customer might pay 16% (about $13) more than today.

Single Family Residential Properties

Discussion Question

- What are your thoughts on moving to a tiered rate for single family residential (SFR) properties instead of a flat rate?

Breakout Session

Clean River Rewards

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Clean River Rewards

Discussion Question

- How would you lower barriers to participation for customers in our incentive programs?
- How can we keep participants accountable without potentially raising those barriers?

Other Opportunities to Participate

Website: Visit the project webpage at: ***Portland.gov/Bes/RateStudy***

Project Updates: Sign up on the webpage for project email and text updates

Community presentations: Environmental Services will offer informational presentations in the spring and early summer of 2023

"Office hours": One-on-one conversations with Environmental Services staff.

Contact Aaron Abrams at Aaron.Abrams@portlandoregon.gov
or call 503-823-2827 to schedule

Council Adoption: Changes are planned to go into effect starting in July 2024. Proposals will be voted on by City Council in the first half of 2024.

Thank you!