

## UTILITY ADVISORY COMMITTEE



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### Meeting Highlights -- Tuesday, March 24, 2009

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Committee members Present: Sharon Schilling, Sarah Velasquez, Laura Whitehouse, Deena Monteiro, and John McCubbin  
UAC Members Absent: Art Reker, Allan Schroeder

#### **1. Welcome**

Sharon Schilling, UAC Chair, opened the meeting and welcomed the group. Sarah Rubin, Center for Collaborative Policy (CCP) Facilitator reviewed the agenda.

#### **2. Review March 10<sup>th</sup>, 2009 Meeting Highlights**

Ms. Schilling asked the group to review the March 10 highlights, and announced that the highlights were still rough and that the group should wait until the polished version is ready before they distribute the meeting highlights to Council Members and/or the Mayor.

#### ***Recap of Action Items***

Christal Love, CCP, reviewed the status of the action items. Robert Andersen, City of Fresno, explained the purpose and background of the consultant financial information. Ann Kloose, City of Fresno, explained that Allan Schroeder had asked for residential water division customer information at the March 10 meeting and that that information was included in the packet. Mr. Andersen explained the 11x17 table included in the handouts was the March data output from the volunteer program. He explained the way rates are calculated. Mr. Andersen explained usage is lower in winter months compared to summer months so the March cost is expected to be lower than the yearly average.

#### ***Preview of April Agenda Items***

Mr. Andersen explained that in April the UAC would discuss the topics of impact fees and reserve Policy and hope to have consultant Tom Gaffney, Bartle Wells Associates, present information to the group on reserve policy.

#### **3. Drought Water Shortage Update**

Ms. Kloose presented an update on the drought water storage. She said that the Bureau of Reclamation released new water shortage numbers on March

20th. The City of Fresno will get 65% (rather than 25%) of their total Central Valley Project (CVP) allotment. She explained that the city is looking at a 14% shortfall of water overall. The Department of Public Utilities (DPU) plans to recommend a 20% voluntary reduction approach to the city council and mayor. Ms. Kloose explained that sometimes a water shortage is not created by a drought but contamination within the existing supply. She explained that the drought status is determined by considering water from all sources; the City of Fresno does not depend upon the drought determination of the Governor. She assured the group that she will continue to send out more drought water shortage information as it becomes available.

#### **4. Residential Metered Rate Recommendation**

##### ***Recap of discussion at 3/10/09 Meeting***

Ms. Rubin explained the discussion history of water meter rates, and walked the group through the two proposals from the March 10<sup>th</sup> meeting.

- The "one step" approach: Beginning January 1 2010, would include one change from the current flat rate structure to structure ultimately desired.
- The "two step" approach would start with a uniform rate structure January 1, 2010 and then transition to a multi-block structure (2 or 3 Tier) by January 1, 2013. A drought surcharge policy would begin January 1 2010 for both flat rate and metered residents, and the city collects data on metered residents beginning 1/1/2010.

##### ***Presentations from DPU staff and consultants***

Karen Bradley, City of Fresno Controllers Office, presented the City of Fresno Accounting Department perspective on residential metered rate structures. Ms. Bradley made the following key points:

- Water rates should be easy to understand.
- Need to make sure the rates are easy to set up, test, and implement.
- Want to give consideration for customers' ability to pay. Give them an opportunity to adjust.
- Want to maintain health and safety standards and give customers time to update their swamp coolers to air conditioners.
- Beginning with a uniform rate can eliminate the sense of fear and help people through the learning process.
- Want to do as much education as possible up front; through door hangers, public meetings, neighborhood groups.
- Want to allow enough time for the City to ensure they are getting good meter reads.
- By allowing the City the time to gather necessary data, the City will be able to ensure they are covering their costs and allow customers the opportunity to see how much they use so they can modify their behavior if necessary.

- For public safety reasons, the City can not always turn off water service if a customer does not pay their bill.

Mark Roberts, Shimbui, concurred with Ms. Bradley and added a few points:

- This is an opportunity to educate people about water conservation.
- The change causes stress, people want to learn quickly, but need to learn at the appropriate pace.
- There is a lot more going on behind the screens to convert from flat rate to metered structure. Making those transitions is hard.
- Switching from billing ahead from billing behind is hard, if done wrong city would not be able to maintain its revenue stream properly.

### **Questions of Clarification**

The UAC asked questions and made comments and were provided responses from DPU staff and consultant.

#### **BASELINE INFORMATION**

- A question was asked about why the Central Valley Project is listed as a stakeholder. Why does Fresno's approach to water meter rates matter to the CVP?

*Answer: DPU staff explained that the CVP wants to see if the city is complying with regulations. If Fresno is not in compliance, the Bureau of Reclamation would not provide Fresno with their water allocation. This is why the City's primary goal is to comply with regulations to ensure the City of Fresno does not jeopardize, in any way, their allocation of water (and underlying water rights).*

- How do utility bills come out?  
*Answer: Every two months.*

#### **EDUCATION**

- The education component (of the switch to water meters and the volumetric rate) is extremely important.
- Over the course of the transition period (2010 to 2013) it is key to educate residents on the future conservation rate that will be implemented.
- Perception matters.
- People don't understand multi-tier rates (like PG and E has)
- DPU will be misleading (the public) if there is an implication the bill comes directly from water use.
- For Report: Could the residential bill charge them for the uniform rate, but also show a calculation of what their use would have cost if they were billed at a conservation rate (so they could compare)?

*Answer: It is possible to do this, but cost prohibitive. But, an alternate is possible. The bill can list use within three tiers, but the same uniform rate would be charged for the use in all tiers. This way, for example, a*

*resident could see how much water they are using in the over 10 CCU category this summer in order to try and make plans for reducing usage in the future.*

#### REVENUE STABILITY

- This adjustment (in the way billing is done) may increase revenue in the long run.
- Change in the way revenue will come in is a big consideration.

#### LONG TERM/ BIG PICTURE

- Computer programming can be put in place to have three tiers in the system.

#### **Break**

The group took a 10 minute break

#### ***Test for Consensus***

Ms. Rubin asked the UAC members to agree or disagree with the following statement: *The ultimate goal is for the City to move to a multi tier rate structure.*

☞ There was consensus from all members present.

#### ***Drought Surcharge***

Tom Gould presented information to the group on drought surcharges as a follow up to the presentation he made to the UAC on March 10th. He said the drought stages are described in the Urban Water Management Plan (UWMP). He explained that water customers typically have different reactions to price; but that water is an inelastic good. Outdoor watering is the first thing a person will cut back on as the price of water increases. He explained that for residential customers, he could calculate a flat dollar surcharge for the different drought levels.

The UAC members discussed the drought surcharge options, and Ms. Rubin asked them if they wanted to make a recommendation for a flat rate drought surcharge initially (during the time the meters are being installed).

☞ Every UAC member agreed.

Mr. Gould pointed out that the group could recommend adopting the flat rate drought surcharge as a conceptual model, and a future UAC could revisit the issue in 2012.

Ms. Rubin asked tested consensus on the following concept:

*Beginning in 2013, the City of Fresno would go to a tiered drought surcharges*

☞ Every UAC Member agreed to the above mentioned concept for residential customers.

In discussing what type of drought surcharge could be applied city wide (residential and non-residential) equitably Mr. Gould explained that commercial customers are already driven for efficient water use and are already billed on a metered basis. Henry McGlaflin, City of Fresno, explained that the largest water users in Fresno are chicken farms that are required to use a certain amount of water to meet health and safety regulations.

Ms. Rubin asked tested consensus on the following concept:

*From 2010 through 2013 all consumers should receive the same fixed drought surcharge*

☞ Every UAC member agreed with the exception of Deena Monteiro, who felt that California needs to adopt friendlier business practices.

Mr. McCubbin presented a water rate graph he created and the rational behind his calculations to the group.

## **6. Public Comment**

Lauran Harding, a member of the general public, made the following remarks.

- He thought the last utility rate hike was illegal.
- That California is in a drought but has enough water; any increased water rates will be resisted.
- The City wants to take the population of Fresno and double it.
- The City wants to strangulate everyone with increased water rates to enrich the builders.

Ernesto Diaz, a member of the general public, asked what for clarification about flat, uniform and tiered water rates while looking at the volunteer program data output.

Mr. Andersen answered Mr. Diaz's questions; and said what they were looking at consisted of 70 volunteer properties and their water usage in March 2009. He said he took the uniform rate and applied it to the water usage amounts; making the assumption that everyone had a 1 inch pipe. Mr. Andersen explained that the average residential household estimate was calculated using the known amount of water the entire town uses, subtracting the known amount of water used in commercial systems. He said there is also a variable 10-15% loss in the system.

Mr. Andersen then reminded the group that the UAC is supposed to make a recommendation on the high level water rate structure, not the exact rate amounts.

Ms. Rubin asked tested consensus on the following concept:

*Beginning 1/1/2010 the City of Fresno is required to implement, for those residents with water meters, a volumetric water meter rate structure. The*

*UAC recommends implementing a uniform rate structure 1/1/2010. After all residents are on water meters the City of Fresno should then implement a conservation rate structure.*

Two UAC members voted yes, the other three members voted yes with a contingency that they wanted to see the recommendation reworded by Mr. McCubbin.

**Other Attendees**

Mark Roberts, Shimbui  
Kim Jackson, City of Fresno  
Karen Bradley, City of Fresno  
Brian Webster, City of Fresno  
Brian Reems, City of Fresno  
Sara Pamar, City of Fresno  
Henry McGlaflin, City of Fresno  
Jackie Grazier, JSA  
Robert Andersen, City of Fresno  
Ann Kloose, City of Fresno  
John Watkins, City of Fresno  
Sarah Rubin, CCP  
Christal Love, CCP  
Ernesto Diaz, General Public  
Lauren Harding, General Public