

**Date:** May 12, 2006  
**To:** Portland City Council, interested parties  
**From:** Portland Utility Review Board (PURB)  
**Subject:** Removing unrelated charges from utility rates, and listing all charges on customer billing statements.

The Portland Utility Review Board (PURB) was created to advise the City Council, on behalf of Portland citizens, on the fairness and equity of rates for utility services provided by the City: water, sewer, stormwater and the management of solid waste and recycling services.

As a guide for fulfilling that function, the PURB has adopted the cost-of-service principle as a rational gauge of the fairness of utility rates. Cost-of-service simply means that utility customers should only be charged for services that are a central and integral part of providing the utility services.

In using this gauge to evaluate the City's proposed utility rates for water, sewer and stormwater services, the PURB has identified costs imbedded in these rates that we believe do not meet these criteria. For example, costs that are for services not central and integral to providing utility services. Therefore, the PURB believes these costs should not be a component of the City's utility rates. These costs are:

1. System Development Charge waivers for builders of low-income housing.
2. Voter-Owned Elections.
3. The Low-income discount program.
4. The Portland Harbor Superfund program.
5. Renovation of historic cabins in the Bull Run watershed.
6. Waiver of impervious storm water charges for transportation.
7. Operation of the City's decorative fountains.
8. Outreach costs for the earned-income tax credit program.

For reasons outlined in the appendices to this report, we believe that the costs of these programs should be removed from utility rates. We recognize that it would be difficult to immediately remove these charges, and that there are different important justifications for each of them. However, we also believe that some alternative funding mechanisms need to be developed.

Furthermore, the PURB recommends that the City develop a utility billing statement that clearly details the costs of all the individual programs that customers are paying for. In addition to listing the costs of the programs mentioned above, the PURB believes that customer bills should list the costs of the utility license fee, debt service costs, and the costs of any other non-utility programs that may be a component of utility charges.

The PURB believes the City should set the goal of implementing this new utility bill within one year. A billing statement such as this would clarify for customers exactly what they are paying for in their utility bill, and would make the City's billing statements

consistent with other utility providers - such as electricity, natural gas, telephone and cable – where all charges are detailed on the monthly billing statement.

The PURB would appreciate the opportunity to be involved in these efforts, and we stand ready to assist the City Council and the Bureaus in implementing both of these initiatives that we are proposing.

## **Appendix 1:**

Portland water, sewer and stormwater customers are being charged for programs that are not related to the provision of utility services.

1. System Development Charge waivers for builders of low-income housing: The City grants these waivers from the normal SDC that is charged to developers to pay for the cost of providing water, sewer and stormwater infrastructure. Since the infrastructure is still required, it is utility customers who make up the difference in cost, in-effect subsidizing new development through their payments to the City for their utility charges. This subsidy is not a cost of providing utility services to Portland customers.
2. Voter-owned elections: The Bureau of Environmental Services and the Portland Water Bureau pay for the City's Voter-Owned Elections program through interfund charges. These charges are ultimately funded by water, sewer and stormwater rates. Voter-Owned Elections are not a cost of providing utility services to Portland customers.
3. Low-income discount program: Portland has a progressive program that provides long-term continuous utility bill discounts to customers who qualify based on income level and size of household. The low-income discount program can be considered a social-welfare program, and although a worthy and needed program, it is not a necessary cost of providing utility services to Portland customers.
4. The Portland Harbor Superfund Program: The City of Portland is legally liable for the assessment and cleanup costs of a portion of the pollution that exists in Portland Harbor. Some of this toxic pollution was probably conveyed there by the City's sewer system that overflows into the Willamette River. Much of the pollution that exists in Portland Harbor was NOT conveyed there by the sewer system. In fact, the City is liable for the cleanup regardless of whether or not they continue to operate a sewer utility. The cleanup costs are a general liability of the City, and are unfairly being assessed to the current sewer customers – who weren't the polluters of the Portland Harbor. These charges are not a cost of providing utility services to Portland customers.
5. Renovation of historic cabins in the Bull Run watershed: A handful of historic structures exist in the Bull Run watershed. The proposed budget appropriates funds to begin restoration of some of these structures. Preservation of historic structures, that are not integral to providing water service are costs that should not be charged to Portland's water customers.
6. Waiver of impervious stormwater charges for transportation: Stormwater charges are not assessed to the City's streets and roadways. As a result, the cost of conveying and disposing of stormwater from the City's streets and roadways is borne by homeowners and businesses. The cost of stormwater management for

streets is not a cost of providing stormwater management services to residents and businesses, and should not be charged to those customers.

7. Operating costs for decorative fountains: The City's many decorative fountains are not an infrastructure component for providing water service to Portland's residents and businesses, and therefore should not be paid for by water customers.
8. Outreach program for the Earned Income Tax Credit: Outreach for the Stormwater Discount Program includes assisting customers in qualifying for the federal low-income tax credit program. PURB feels that assisting taxpayers with their federal tax filing is not an activity that should be funded by water and sewer customers.