

**From:** [Janice Thompson](#)  
**To:** [Clerk General](#)  
**Cc:** [Kinard, Jessica](#); [Huynh, Cecelia](#); [Jordan, Michael](#); [Solmer, Gabriel](#)  
**Subject:** CUB comments to City Council for May 19 utility rate hearing  
**Date:** Monday, May 17, 2021 11:48:50 AM  
**Attachments:** [May 19 2021 CUB utility rate hearing comments.pdf](#)

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Hello - Distribution of the attached comments to City Council members regarding this Wednesday's utility rate hearing is appreciated.

CC's also provided to PWB, BES, and CBO staff.

Any updated timing of this hearing and zoom participation information is appreciated.

Thanks - Janice Thompson

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**Janice Thompson**  
Deputy Director

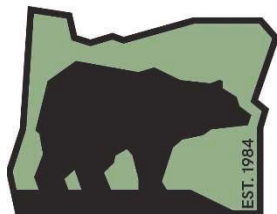
**C: 503-890-9227**

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# Oregon Citizens' Utility Board

610 SW Broadway, Suite 400  
Portland, OR 97205

(503) 227-1984  
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May 17, 2021

To: Portland City Council  
Cc: Jessica Kinard, City Budget Office  
Mike Jordan, Bureau of Environmental Services (BES)  
Gabriel Solmer, Portland Water Bureau (PWB)  
Public Utility Board c/o Eliza Lindsay  
From: Janice Thompson, Oregon Citizens' Utility Board (CUB)  
Re: Comments for May 19, 2021 Utility Rate Hearing

In 2014, CUB was invited to play an independent, outside oversight role regarding Portland City Council oversight of the two utility bureaus, PWB and BES. This was a benefit to both CUB and the City. As of June 30, 2021, however, CUB is withdrawing from playing this oversight role. This is due to internal restructuring at CUB, but the decision considered the following three points:

One is that management of PWB and BES are in solid hands and we thank bureau staff for their cooperative approach to CUB oversight efforts since 2014.

Two is that City Council oversight and public perception of the utility bureaus are in good shape, a dynamic for which Commissioner Nick Fish - who helped recruit CUB and was a valued partner for our oversight efforts - deserves major credit for his wise stewardship during the many years when he was commissioner-in-charge of both Bureaus and his continued leadership at BES until his untimely death.

Three is that the City's internal oversight body, the Public Utility Board or PUB, is effective and has taken particular leadership regarding public outreach and equity advocacy.

Though this will be my final appearance in this role, I want to take the same approach as in previous utility rate hearings which is to make targeted comments with a focus on major issues and future challenges.

Regarding PWB, three observations:

- Though expensive, CUB viewed the Bull Run Filtration plant as a better option than a lower cost alternative since that option was appropriately characterized at a summer 2018 hearing as a "one trick pony" by Dr. Paul Lewis, who was Multnomah County Health Officer at that time. In other words, the cheaper option was higher risk. Thus far cost projections for the filtration plant and related pipelines have been on track with expectations regarding this project. Kudos to the Bureau for its successful application for a Water Infrastructure Finance and Innovation Act (WIFIA) loan that helps mitigate rate impacts, though this is still an expensive project. Therefore, continued diligence tracking these costs is needed. The PWB makes annual reports and one is expected soon. But the Bureau must proactively alert the City Council on a more frequent basis if cost projections increase. It is important to note, though that this project is currently at a low-confidence cost estimate level. Another

informational point is that the PWB does not set its own confidence levels. Rather it uses the project estimate confidence level rating index approved by the City Council for major infrastructure construction projects built by any City of Portland bureau.

- Appropriately, the Bureau has been a leader on seismic resiliency, but these projects can also be expensive. Most recently CUB has been tracking the Willamette River Crossing whose cost confidence levels are increasing due to prudent data collection and planning. For example, a geoprobe was conducted, which was well worth the time required for its completion because it helped identify the appropriate drilling technology for the soil conditions and led to assessment of additional alignments of the pipe across the Willamette. An updated cost estimate is expected in June and the best-case scenario is that this careful planning will contribute to an updated estimate that is on par with original estimates. In general, as the Willamette River Crossing project continues, timely updates to the City Council are recommended.
- CUB's conversations with PWB about advanced metering infrastructure/automatic meter reading (AMI/AMR) date to February 2015 when I spent a rainy morning with a meter reader in a hilly southwest Portland neighborhood. While that walk demonstrated the value of assessing AMI/AMR in Portland, this technology is fairly expensive and needs to be assessed in comparison with other capital improvement priorities, particularly projects mandated by water quality or other regulations. Indeed, such assessments have meant that previous AMI/AMR discussions at PWB have not moved forward. CUB has also been concerned that the benefits to PWB and its customers are not as significant as the benefits of similar technology improvements that we have supported in the energy utility sector. I will be reviewing an AMR/AMI assessment study that is expected in June, with particular interest on customer benefits. Based on February briefing, though, it seems that the time may well be approaching for the Bureau to make this technology improvement a priority. That said, this is a topic that merits timely updates to the City Council since public perception of these kinds of technology projects are particularly vulnerable to complaints and misunderstandings. It also seems like there would AMI/AMR benefits to BES and if analysis indicates that this is the case, then BES financial support for this new technology merits consideration.

Regarding BES, four observations:

- At the May 2018 utility rate hearing, I highlighted the need to protect Portland versus Lake Oswego interests in a Tyron Creek Wastewater Treatment Plant design project. The Tryon Creek Plant is owned and operated by BES but serves customers in Portland and Lake Oswego with financial support from both cities. The design project was underway due to a many needed upgrades at this plant. A new development three years ago, however, was Lake Oswego's interest in a potential new plant design with a smaller footprint that could provide previously unanticipated development opportunities for that city. My point at the May 2018 hearing was that development interests in Lake Oswego should not inappropriately increase risks or costs to BES and its Portland customers. Since then, BES has provided CUB periodic updates on this situation which have been appreciated. Work is continuing, but there is cautious optimism that a mutually beneficial arrangement with equivalent cost benefits to both Cities is possible along with environmental benefits that would help secure regulatory approval from the Oregon Department of Environmental Quality. To be clear, a deal will not occur unless the firm cost benefits for Portland that have been set by BES are met, but this is another important topic for Council monitoring.
- Due to regulatory drivers, BES is working on a Secondary Treatment Expansion Program (STEP) at the Columbia Boulevard Wastewater Treatment Plant (CBWTP). BES heeded

previous CUB recommendations for improved planning and clear delineation between investments that are directly related to meeting regulatory mandates and investments for ancillary CBWTP projects. We were also heartened to learn that value engineering was a particular priority. Therefore, it was great to learn this winter that value engineering is bearing fruit with \$17 million in savings realized thus far out of a possible savings estimate of \$40 million. Given the overall expense of this project, continued diligence by BES to achieve all possible cost savings is essential and the STEP project continues to merit attention by the City Council.

- A cornerstone of sewer and stormwater management rates are cost allocation and rate methodology studies. In 2016, I discussed with BES that its reports on these topics were done in 1999, 2000, and 2005 and my interest in identifying optimal timing for a rate study to serve as a new cornerstone for updating rates. One factor in identifying optimal timing is ensuring that BES stormwater system planning had progressed to the point where a critical mass of data had been gathered and analyzed. Otherwise, the effectiveness of a rate study would have been undermined by inadequate data. As noted in CUB's testimony at the May 2018 utility rate hearing, I agreed with the inclusion by BES for funding to begin planning for a rate study in its FY 2018-2019 budget. Work has continued since then, though it slowed in the last year due to the pandemic. CUB appreciates the periodic briefings by BES on this work that will affect sewer and stormwater rate design considerations. CUB is pleased by the Bureau's progress on its rate study and its particular emphasis on equity and a commitment by BES for involvement of PUB and extensive public outreach. Along the way briefings to the City Council are recommended.
- Portland Harbor is a citywide issue but, appropriately, BES played a critical role in the process that resulted in a Record of Decision by EPA and its efforts have contributed to an emphasis on identifying responsible polluters. At this time almost all of the 10 miles of this Superfund site are at the remedial design phase and cost allocation decisions are expected within the next 2 to 3 years. BES, some other city Bureaus, and the general fund will be facing clean up costs. At this point the five year forecast by BES reflects its anticipated costs but our main point at this hearing is highlighting the overall Portland Harbor cost impacts for the City.

Regarding both PWB and BES:

- Both PWB and BES provide financial support for bill payment assistance programs for low-income customers of both bureaus. In 2014, my research indicated that the City of Portland was a national leader with notably robust low-income assistance options. CUB has been pleased to support improvements to these programs that are more important due to the COVID-19 pandemic. Continued improvements are a priority for PWB and BES and CUB is glad to anticipate full support from the City Council. Resuming collection of unpaid bills is a challenge for the Customer Service team that, though, housed at PWB also handles billing for BES. The Customer Service team's approach has been measured and they have appreciated discussion with the PUB on different options to deal with this challenge. An informational point is that the Oregon Public Utility Commission (PUC) is currently considering a recommendation from its staff to end a disconnection moratorium agreement the PUC and Oregon's regulated energy industries this summer. Obviously, what is decided by the PUC may not be appropriate for the City of Portland, but the analysis and debate leading up to that decision may be useful.