



CITY OF

**PORTLAND, OREGON**

**OFFICE OF THE CITY AUDITOR**  
Gary Blackmer, City Auditor

**Office of the Ombudsman**

**Michael Mills, Ombudsman**

1221 SW 4<sup>th</sup> Ave, Room 140

Portland, Oregon 97204-1987

Phone: (503) 823-0144 Fax: (503) 823-3530

E-Mail: [ombudsman@ci.portland.or.us](mailto:ombudsman@ci.portland.or.us)

[www.portlandonline.com/auditor/ombudsman](http://www.portlandonline.com/auditor/ombudsman)

**MEMORANDUM**

December 18, 2007

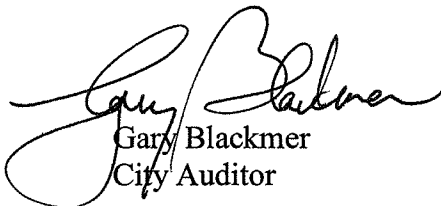
To: Mayor Tom Potter  
Commissioner Sam Adams  
Commissioner Randy Leonard  
Commissioner Dan Saltzman  
Commissioner Erik Sten


Ref: Final Investigation Case #2007-J-0053, Well Accounts

Please find attached the Ombudsman's Investigation Report regarding sewer-only well accounts.

The complaint is about whether a sewer-only well account should incur higher service charges although no additional service is provided. The Water Bureau agreed to change the billing period from monthly back to quarterly in order to avoid higher service charges in the future. However, The Office of the Ombudsman also recommended that the sewer-only well accounts should be credited the difference in service charges between July 1, 2007 and the time the accounts were changed back to quarterly billing. The Water Bureau declined the recommendation to credit accounts.

The Water Bureau was provided an opportunity to review and comment during the drafting of this report. Many of their comments have been incorporated. We would like to thank the Water Bureau for their cooperation and providing information during the investigation and drafting of this report.

  
Gary Blackmer  
City Auditor

  
Michael Mills  
Ombudsman

cc: David Shaff, Administrator, Portland Water Bureau

**Case Number: 2007-J-0053**

**Complaint:**

The Office of the Ombudsman (Ombudsman) received a complaint from a sewer-only customer (he has a private well). He was concerned because he was switched from quarterly billing to monthly billing without any explanation. His complaint focused on the difference in base charges assessed to accounts. Because of the switch, he said he ends up paying approximately \$150 more annually but does not receive any service for the increased fee.

**Investigation:**

**Base Charges**

2007-2008 water rates were adopted through Ordinance No. 181008. Ordinance No. 181008 states that each meter shall be charged a base charge. The base charge covers the cost of reading and inspecting meters, servicing customer accounts, and billing. It is based on a cost per day, reflecting the number of days in the service period.

(A) A monthly, bi-monthly or quarterly base charge, based on a 365 day year, shall be levied on water and/or sewer services connected directly to the City system. A base charge per meter will be levied on sewer special submeters. The base charge shall be in addition to the volume or extra strength rates charged for water and sewer as follows:

Daily charge per meter for a quarterly billed account;	<b>\$ 0.2155</b>
Daily charge per meter for a bi-monthly billed account;	<b>\$ 0.3232</b>
Daily charge per meter for a monthly billed account;	<b>\$ 0.6464</b>

(B) The base charge shall apply to any unused water service when the owner, other city, water district or water company desires the service be retained for future use. Failure to pay the charge within sixty (60) days of the billed charge shall be sufficient cause for the service to be disconnected from the main. The Administrator of the Portland Water Bureau may direct a waiver of the charge because of a special need to retain the service when the public health or welfare or the convenience of the Bureau is served.

Portland City Code Titles 17 and 21 both refer to monthly, bi-monthly and quarterly billing, but they do not define which accounts must be billed in any of these respective frequencies. The Water Bureau has said that identifying accounts billed at the monthly, bi-monthly and quarterly frequencies is a business practice designed to fit the needs of the Bureau and, in the case of sewer-only accounts, the needs of the customer's water provider.

The Ombudsman found that since there is no water provider, there is no reason that sewer-only well accounts could not be switched back to a quarterly billing cycle instead of a monthly billing cycle. The Water Bureau stated that if these accounts were billed

four times a year their total service charge would have been \$77.56. If these same accounts were billed twelve times a year their total service charge would have been \$232.68, or a difference of \$155.12. The Water Bureau agreed to change all sewer-only well accounts back to quarterly billing.

**Remaining Issue:**

The Ombudsman recommended that sewer-only well accounts receive a credit for the difference in base charges between the quarterly and monthly billed accounts for the time period of July 1, 2007 until the time the accounts were changed back to quarterly billing. The accounts were changed back to quarterly billing October 22, 2007. There are 205 such accounts that would be eligible for this credit. The difference in service charges incurred between July 1, 2007 and October 22, 2007 is \$48.93 per account. (114 days at the monthly rate = \$73.69 and 114 days at the quarterly rate = \$24.76 so the difference is \$48.93 per account.)

The Ombudsman determined that the difference in base charges (or service charges) is significant, especially given the fact that these accounts do not receive any other service other than receiving a bill more frequently. The Water Bureau confirmed that well account rates have always been based on class average. (The Water Bureau does not go out and read a meter.)

The Water Bureau declined the Ombudsman's recommendation. Kathy Koch, the Water Bureau's Customer Services Director, explained:

As far as refunding the difference, as you know the bureau is quite committed and responsive to refund any overage when an error is made on an account. Well accounts getting billed monthly was not an error. It was a business decision that was in line with where the bureau would like to go for the benefit of its customers – monthly billing. Customers have been asking for this for years and we are researching different ways to get there. A good majority of our customers would very much appreciate a monthly bill. We had an opportunity to get a group of accounts there and we did that. We have considered your recommendation to change the billing frequency and we did that but given that the accounts were billing accurately as designed – a refund seems inappropriate for our entire rate payer group.

While the Ombudsman certainly appreciates the convenience monthly billing would provide many customers, we do not believe this convenience should come at a price of \$150 more per year. This is especially true for sewer-only well accounts where a meter is not even read.

The Ombudsman looked at comparable jurisdictions and the service charges they issue to see how Portland's charges compare. As shown in the following table, Portland's service charges for monthly billed accounts are higher than service charges levied by other comparable jurisdictions.

## Annual Combined Water/Sewer Billing Charges

### Estimated Charges per Year

Jurisdiction	Quarterly	Bimonthly	Monthly
Charlotte	N/A	N/A	\$43.20
Denver	N/A	\$35.88	\$46.44
Kansas City <sup>1</sup>	N/A	\$139.50	\$202.68
Seattle <sup>2</sup>	N/A	N/A	\$186.00
Portland <sup>3</sup>	\$77.58	\$116.35	\$232.70

<sup>1</sup> Kansas City rates are based on the size of the meter. The Kansas City rates are based on a 5/8" meter size.

<sup>2</sup> Seattle rates are based on the size of the meter. The Seattle rates are based on a meter size of 3/4" or smaller. Seattle service charges for sewer are \$7.45/mo per CCF. One CCF is the minimum charge per month and so \$7.45/mo was used in the above calculations for sewer service charges.

<sup>3</sup> Portland rates were calculated at:

Quarterly – 90 days (.2155) x 4 billing periods

Bimonthly – 60 days (.3232) x 6 billing periods

Monthly – 30 days (.6464) x 12 billing periods

Other utilities including both Seattle and Northwest Natural provide budget billing or average billing in which the estimated annual usage is divided into 11 monthly installments and the final bill refunds the customer if their usage falls below the estimated amount or bills the customer if their usage exceeds the estimated amount. This is a customer service provided without additional charge.

### Recommendations

While the Ombudsman cannot say what a fair service charge is for monthly or quarterly accounts, it is clear that an account that is billed more frequently *but does not receive any other additional service* should not be charged an additional \$150 for that "convenience."

1. The Ombudsman recommends that the Water Bureau credit sewer-only well accounts the difference in base charges between the quarterly and monthly billed accounts for the time period of July 1, 2007 until October 22, 2007, the time the accounts were changed back to quarterly billing.
2. The Water Bureau should go further to balance the convenience of more frequent billing and the cost that is passed on to customers. The Water Bureau reports that they offer budget/equalized billing for free. If this alternative exists, then it is hard to justify switching accounts to monthly billing at an added cost of \$150 per year.
3. The City Council should look closely at the difference in base charges between quarterly, bi-monthly, and monthly accounts before adopting the next rate ordinance to ensure Portland Water Bureau Customers are being charged fairly for the services they receive.