

**AMENDED MINUTES  
RATE ADVISORY COMMITTEE  
Thursday, June 4, 2009  
5:30 P.M.**

**RAC Members Present:**

Gil Coronado	Kathie Estrada
Antonio Gallardo	Mike Harris
Ron Morales	Joe Soules
Allen Townsend	Liz Tullis

**RAC Member Absent:**

Fred Arce	Paul Foster (resigned effective 06/04/09)
Keith Kindle	Steve Patmon

**SAWS Staff Present:**

Robert Puente, President/CEO  
Douglas Evanson, Senior Vice President/CFO  
Stacey Isenberg, Vice President, Customer Service  
Charles Ahrens, Vice President, Water Resources/Conservation  
Dan Crowley, Director, Financial Planning  
Karen Guz, Director, Conservation  
Emma Bridges, Director, Customer Service  
David Maxwell, Director, Engineering  
Stephen Turner, Senior Financial Modeler  
Lou Lendman, Senior Financial Analyst  
Keith Martin, Corporate Counsel  
Jennifer Holmquist, Executive Management Analyst, Public Affairs

**City of San Antonio Public Utilities Office Staff Present:**

Alfred Chang	Morris Harris
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**Raftelis Financial Consultants, Inc. Staff Present**

Peiffer Brandt	Elaine Vastis
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**Citizens Present:**

Stephen Lazor	Jerry Morrisey
Bruce Reppert	

### **Agenda Item #1, Call to Order by the Chairperson**

With the absence of Mr. Kindle, Mr. Morales, the committee vice-chairperson, served as acting chairperson for the meeting. Mr. Morales called the meeting to order.

### **Agenda Item #5, Citizens to be Heard**

Following the call to order, Mr. Morales asked if the committee wished to make permanent the action approved by the committee at the May 7 meeting to move the Citizens-to-be Heard agenda item to the beginning of all committee meetings. The committee approved this action unanimously.

Two individuals were signed up to speak.

Mr. Jerry Morrissey spoke first. He expressed his support for a tiered water supply rate, as well as for a cost-of-service basis for development of new rate structures. Mr. Morrissey also pointed out that the costs for providing service to General Class customers have been lower than the Residential Class, which has translated to lower General Class rates on average. Additionally, he encouraged a conservation focus to the committee's deliberations and he expressed support for the conclusions of the consultant's General Class Analysis to be presented later in the meeting.

Mr. Stephen Lazor spoke next. His comments are summarized in the presentation shown in Attachment 1.

### **Agenda Item #2, Staff Opening Remarks**

Mr. Crowley welcomed the committee and attendees. He stated that the meeting's purpose was to finalize the Conceptual Rate Design and to give direction to the consultants to proceed with the development of preliminary rates. To accomplish these objectives, he noted that staff and the consultant would be presenting information providing perspective on how SAWS' rate structures compare to other large Texas cities and responding to the committee's concerns expressed at the May 7 meeting with respect to the General Class. Mr. Crowley added that with committee approval on the Conceptual Design, staff would be directing the consultants to provide preliminary new rates at the committee meeting scheduled for June 25.

Additionally, Mr. Puente and Mr. Evanson both welcomed the committee and expressed appreciation to the continuing participation and questions of the members.

Mr. Coronado asked staff for information comparing staffing levels for water and wastewater services provided in San Antonio and Los Angeles, respectively. He stated that he had information that indicated that Los Angeles had twice as many customer accounts, but that SAWS had twice as many positions (full-time equivalents). Mr. Evanson stated that staff would be glad to provide a comparison for the committee. He

added that the two cities have different organizational structures for providing these services that are not necessarily directly comparable. Additionally, Mr. Ahrens indicated that SAWS performs planning and development regulation functions related to water and wastewater services that typically are performed by a municipal government and not by a utility per se. These factors might explain, in part, the reasons for the differences in staffing levels noted by Mr. Coronado.

### **Agenda Item #3, Presentation in Response to May 7 Committee Meeting Issues**

Mr. Lendman made the presentation entitled “Rate Structures Comparison” given at Attachment 2. The overall objective of the presentation was to give the committee a sense of other water rate structures used among large cities in Texas. Specifically, the presentation was intended to show (1) that SAWS’ residential water delivery rate structures are not much different from most other major Texas cities, and (2) that SAWS’ General Class rate structure is more conservation-oriented than many of those used elsewhere in Texas.

- On slide 4 of the presentation, Mr. Lendman acknowledged that a correction was needed to the residential monthly charge shown for Houston for 50,000 gallons per month. Instead of \$296.64, the amount should be \$239.69 with the percentage difference between the charges for 5,000 gallons and 50,000 gallons per month being 1,165%, not 1,465%. Mr. Lendman stated, however, that the error did not adversely impact in a material way the information in the presentation regarding the relative differences in charges among Texas cities for consumptions between 5,000 gallons and 50,000 gallons a month.
- Mr. Soules asked for information comparing different meter fees among the Texas cities compared. Additionally, he asked that, in the future, staff make the comparisons shown in the presentation based on SAWS rates that blend seasonal as well as non-seasonal rates. He also asked that future comparisons with other cities include more of a variety of different levels of consumption among residential, commercial and industrial usages.
- Ms. Tullis requested that future comparisons also show rates and charges for cities from other cities outside of Texas.

Mr. Peiffer Brandt and Ms. Elaine Vastis followed with the presentation entitled “General Class Analysis” given at Attachment 3. This presentation was specifically designed to respond to a committee request from the May 7, 2009 meeting for staff to “investigate and identify businesses whose water consumption patterns are similar to residences and determine whether or not the Conceptual Design’s residential discretionary/non-discretionary protocol can be applied to those businesses.”

- With respect to slide 5 in the presentation, Mr. Soules asked why SAWS is unable to ensure the consistency of the minimal customer characteristic information contained in its billing system. Mr. Crowley responded that the current system

was implemented in the 1980's and was not designed to capture data deemed to be unnecessary to the current billing process. He added that it is certainly the committee's option to recommend that the new billing system under development be designed to accommodate more detailed customer characteristic information to facilitate future rate studies.

- Mr. Morales asked about the ability of other cities to analyze in more detail their customers' usage characteristics. Mr. Brandt stated that in his experience he has not seen much subdivision of General Class-like customers into more detail other than into industrial, commercial or apartment sub-classes.
- Mr. Coronado expressed concern that the Residential Class was subsidizing the cost of providing water service to the General Class. Mr. Brandt said that the Rate Study is designed to specifically isolate the costs of providing service by the different rate classes and then to design rates that would ensure customers within each class would only pay for the services within their respective classes.
- Mr. Soules also expressed his concern over the fact that the original Water Supply rate was intended to be a single volumetric rate applied to all levels of consumption. Specifically he stated his "concern regarding plans to break faith with SAWS customers on this fee". Mr. Soules referenced the "SAWS web site regarding the water supply rate fee and the approach to get this fee approved in the first place". He quoted the web site as follows: "This fee directly funds the acquisition of new water supplies to reduce San Antonio dependence on the Edwards Aquifer. The rate is the same for all customers and all types of users." Mr. Soules stated that he "would not support bait and switch on the water supply fee" and that "SAWS consumers, specifically homeowners are entitled to a SAWS/City promise made being a SAWS/City promise kept." Additionally, he stated "that if the rate needed to be increased to acquire more water resources and all stake holders were treated the same I could support that." Mr. Lendman stated that any such change would have to be approved specifically by the Board of Trustees and the City Council.
- Ms. Estrada asked that the committee receive a presentation on the Recycled Water system. A consensus of the committee agreed to this request. Mr. Crowley agreed to arrange for such a presentation for the committee that would show the plans for future Recycled Water service.

#### **Agenda Item #4, Continued Conceptual Rate Design Discussion and Consideration**

At the conclusion of the presentations in Agenda Item #3, the committee was asked to consider agreement with directing the consultant to move forward from the Conceptual Rate Design stage and to begin the preparation of preliminary rates. Mr. Lendman stated that consideration of the preliminary rates would likely require more than just one committee meeting. He added that full discussion of the preliminary rates by the committee would be encouraged over multiple meetings, if necessary. Mr. Soules made

a motion in agreement which was seconded by Mr. Harris. The committee then agreed unanimously to the preparation by the consultant of preliminary rates.

Mr. Crowley then directed the consultant to develop preliminary rates strictly on the basis of the recovery of the cost of services within each customer class. He emphasized that this direction applied to the development of wholesale rates and to recycle rates as well.

**Agenda Item #6, Adjournment**

There being no other business to conduct, Mr. Morales adjourned the committee after Agenda Item #4.