

San Antonio Water System

Instructions for Classification/Ranking of Pricing Objectives

Attached are two items regarding the pricing objectives for the San Antonio Water System ("SAWS"). Attachment A lists twelve (12) potential pricing objectives and provides a description of each objective. As you will notice, one of the pricing objectives, conservation/demand management, has six sub-objectives. We are asking each of you to use Attachment B to help you prioritize the pricing objectives.

Attachment B, "Classification Worksheet", has two sections. In Section I, you should classify, by marking the appropriate box, each of the twelve objectives as one of the following: "Essential", "Very Important", "Important", or "Least Important". In recognition of the fact that it would not provide for appropriate prioritization if all of the objectives are classified as Essential or Very Important, you may only classify three objectives each as Essential or Very Important. You may classify as many objectives as you wish as Important or Least Important. Note that the sheet has three blank rows where you can insert additional pricing objectives that you believe should be considered.

In Section II, you should rank, in order of importance, the six sub-objectives of Conservation/Demand Management. Use "1" to indicate the most important sub-objective and "6" for the least important sub-objective.

It should be recognized that this worksheet is only an exercise to help facilitate discussions regarding the prioritization of pricing objectives, and will by no means be the only form of input that you will have in determining the pricing objectives that will guide the rate setting process.

Please note that you have the option of identifying yourself on the worksheet or remaining anonymous. We plan to discuss the results of this exercise during the Rates Advisory Committee meeting on February 19. Therefore, please complete the Classification Worksheet prior to the meeting such that they may be collected at the beginning of the meeting.

Description of Potential Pricing Objectives for SAWS

Pricing Objective	Description
Financial Sufficiency	The rate structure should not only adequately recover the costs associated with providing service, but also ensure that enough revenues are generated to meet bond coverage requirements.
Cost of Service Based Allocations	The rate structure should ensure that each customer class is contributing equitably towards revenue requirements based upon the costs of providing service to each customer class.
Minimization of Customer Impacts	The rate structure should be developed such that adverse rate impacts on each customer class is minimized.
Equitable Contributions from New Customers	New customers should be responsible for the incremental operating and capital costs associated with providing them service.
Economic Development	The rate structure should incorporate a preferential rate that may be used to attract economic development to the San Antonio area.
Rate Stability	The rate structure should minimize dramatic rate increases or decreases over the planning period.
Affordability to Disadvantaged Customers	The rate structure should incorporate practices or procedures that help ensure that economically disadvantaged customers can afford water and wastewater service.
Simple to Understand and Update	The rate structure should be easy for SAWS customers to understand, utilizing a moderate level of educational tools. In addition, the rate structure should be able to be effectively maintained by SAWS staff in future years.
Ease of Implementation	The rate structure should be compatible with SAWS' billing system. In addition, the rate structure should allow for the continuation of existing management and system reports.
Legality	The rate structure should be consistent with the rate setting methodologies provided by AWWA and applicable laws, in order to ensure that rates are defensible if challenged in court.
Revenue Stability	The rate structure should provide for a steady and predictable stream of revenues to the utility such that the utility is capable of meeting its current financial requirements.
Conservation/Demand Management <i>Sub-Objectives</i>	<p>The rate structure should encourage water conservation as well as assist in managing system demand.</p> <ul style="list-style-type: none"> • Reduce Peak Consumption • Reduce Seasonal Consumption • Reduce Total Consumption • Reward Economically Efficient Water Users • Surcharge Nonessential and Non-efficient Water Use • Communicate Conservation Consciousness