

**MINUTES**  
**RATE ADVISORY COMMITTEE**  
**Thursday, February 19, 2009**  
**5:30 P.M.**

**RAC Members Present:**

Fred Arce	Gil Coronado
Kathie Estrada	Mike Harris
Keith Kindle	Steve Patmon
Joe Soules	Allen Townsend
Liz Tullis	

**RAC Members Absent:**

Rene Cortez	Paul Foster
Rachel Fuentes	Antonio Gallardo
Marcello Martinez	Ron Morales

**SAWS Board of Trustees Member Present**

Michael Lackey

**SAWS Staff Present:**

Robert R. Puente, President/CEO  
Doug Evanson, Senior Vice President/CFO  
Debra Nicholas, Assistant Vice President, Communications & External Relations  
Dan Crowley, Director, Financial Planning  
David Maxwell, Director, Engineering  
Stephen Turner, Senior Financial Modeler  
Lou Lendman, Senior Financial Analyst  
Pat Arriola, Financial Analyst  
Robert Walker, Financial Analyst  
Carlos Mendoza, Financial Analyst  
Keith Martin, Corporate Counsel  
Jenny Holmquist, Customer Service Department

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

Veronica Carrillo	Alfred Chang
Morris Harris	Marisela Vasquez

**Raftelis Financial Consultants, Inc. Staff Present:**

Harold Smith	Tom Beckley
Elaine Vastis	

**Citizens Present:**

Stephen Lazor	Jerry Morrissey
Bruce Reppert	

### **Agenda Item #1, Introduction of Committee Chairperson and New Committee Member**

Mr. Dan Crowley introduced Mr. Keith Kindle as the Chairperson of Rates Advisory Committee as selected by the SAWS Board of Trustees. He also introduced Mr. Fred Arce as a new member of the committee appointed by the SAWS Board. Both appointments were made on February 10, 2009.

Mr. Mike Lackey, a member of the SAWS Board of Trustees, Mr. Robert R. Puente, President/CEO, and Mr. Doug Evanson, Senior Vice President/CFO were introduced by Mr. Crowley. Mr. Lackey, Mr. Puente and Mr. Evanson each thanked the members of the committee for their service and welcomed them to the meeting.

Mr. Evanson also emphasized the fact that staff would not be making any rate structure recommendations until the RAC has provided input on its priorities.

### **Agenda Item #2, Call to Order by the Chairperson**

Mr. Kindle called the meeting to order.

### **Agenda Item #3, Staff Opening Remarks**

Mr. Crowley noted the importance of this meeting in that it provides an opportunity for the RAC to give guidance to the staff and consultants as to the committee's priorities in the structuring of rates. At the next meeting (March 12), the RAC will see the first conceptual rate design from the consultant that is intended to reflect the guidance of the RAC and staff.

### **Agenda Item #4, Discussion of Process for Selection of Committee Vice Chairperson at March 12 Meeting**

Mr. Kindle described to the RAC the process to be used to select the Vice-Chairperson of the committee. The selection of the Vice-Chairperson is the prerogative of the committee. He asked the members to consider whom to nominate for consideration at the March 12 RAC meeting.

### **Agenda Item #5, Pricing Objectives Workshop**

Mr. Harold Smith, Ms. Elaine Vastis and Mr. Tom Beckley presented the Financial and Pricing Objectives briefing given at Attachment 1.

- With respect to the pricing objectives concerning Financial Stability and Legality, several committee members felt that these objectives should be considered absolute givens, as opposed to being considered relative considerations in the design of rate structures. While staff and the consultants assured the committee

that any rate design that will be brought to the RAC will be legal and financially stable, there are potential risks in implementing certain types of rate structures geared toward meeting otherwise conflicting policy objectives. For example, a conservation-based rate structure that provides for much higher charges for higher levels of consumption may present a higher risk of more unpredictable revenues and, hence, be less financially stable. Additionally, an economic development-driven rate structure may increase the risk of legal challenge if it provides significantly lower rates to certain groups of users as incentives. The priority rankings requested by staff and the consultants are needed to gauge to degree to which the RAC is willing to consider rate structures with greater potential risks in order to achieve other, more desirable policy objectives.

- Staff was asked by Mr. Patmon whether SAWS was currently financially stable. Both Mr. Evanson and Mr. Crowley emphasized that SAWS was in a very financially viable state. Mr. Evanson stated that SAWS had hundreds of millions of dollars in cash on hand which, among other advantages, allows SAWS to cash-fund fully one-third of its Capital Improvements Program. Mr. Crowley also indicated that SAWS was required by City ordinance to set aside significant reserves on a periodic basis to ensure more than adequate coverage of its debt and operating obligations.

Mr. Louis Lendman then presented a briefing of the process to be used to complete the pricing objectives prioritization process (Attachment 2). Following this briefing, the results were presented to the committee (Attachment 3).

- Four separate amendments to the priorities list were presented by individual members of the committee. After discussion, none of the amendments were adopted.
- Following the discussion of the proposed amendments, the committee voted unanimously to accept the prioritization list. After the vote, Mr. Harris asked that the approved priorities list to be presented in comparison to the pricing objectives priorities approved during the 2003 Rate Study process. The 2003 list of pricing objectives priorities is also given at Attachment 3.

#### **Agenda Item #6, Presentation of Staff Issues for Consideration in Rate Process**

Mr. Crowley gave the presentation shown at Attachment 4 concerning issues raised by SAWS staff that require consideration during the current Rate Study Process.

#### **Agenda Item #7, Citizens to be Heard**

Mr. Jerry Morrissey, made a statement regarding the SAWS water supply rate. Mr. Morrissey reiterated his support for developing inverted tiers or blocks for the water supply rate similar to those in place for the current water delivery rates. He acknowledged that SAWS staff has also expressed support for this approach. As he has

stated previously, such a change will encourage conservation and decrease the water supply cost burden on consumers of lower amounts of water.

**Agenda Item #8, Adjournment**

There being no other business to conduct, the meeting was adjourned after Agenda Item #7. Mr. Kindle thanked the committee members and staff for their participation in the meeting.