

**MINUTES**  
**RATE ADVISORY COMMITTEE**  
**Thursday, March 12, 2009**  
**5:30 P.M.**

**RAC Members Present:**

Gil Coronado	Kathie Estrada
Mike Harris	Keith Kindle
Ron Morales	Allen Townsend

**RAC Members Absent:**

Fred Arce	Rene Cortez
Paul Foster	Rachel Fuentes
Antonio Gallardo	Steve Patmon
Joe Soules	Liz Tullis

**SAWS Board of Trustees Member Present**

Michael Lackey

**SAWS Staff Present:**

Robert R. Puente, President/CEO  
Doug Evanson, Senior Vice President/CFO  
Kelley Neumann, Senior Vice President, Strategic Resources  
Stacey Isenberg, Vice President, Customer Service  
Debra Nicholas, Assistant Vice President, Communications & External Relations  
Stephanie Bocanegra, Chief of Staff  
Dan Crowley, Director, Financial Planning  
Karen Guz, Director, Conservation  
Emma Bridges, Director, Customer Service  
Gary Guy, Manager, Engineering, Water Resources  
Lou Lendman, Senior Financial Analyst  
Pat Arriola, Financial Analyst  
Carlos Mendoza, Financial Analyst  
Laura Raffaniello, Financial Analyst  
Robert Walker, Financial Analyst  
Larry Zermeno, Financial Analyst  
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

**Citizens Present:**

Stephen Lazor

Jerry Morrissey

Bruce Reppert

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

Mr. Kindle, committee chairperson, called the meeting to order. Mr. Kindle announced the resignation of committee member Marcello Martinez. With Mr. Martinez' resignation, the number of members of the committee is reduced from 15 to 14. The committee by-laws require that more than half of the currently appointed membership be present to constitute a quorum. With the membership at 14, the required quorum for the committee is eight members. Only six members were present for this meeting. The by-laws do allow for the committee to continue meeting without a quorum, but no action can be taken.

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

Mr. Puente and Mr. Crowley welcomed the committee and attendees.

**Agenda Item #3, Discussion and Selection of Committee Vice Chairperson**

Mr. Kindle stated that since a quorum of the committee was not present, this agenda item will be postponed until a subsequent meeting

**Agenda Item #4, Water Resource Task Force Presentation and Discussion**

Ms. Kelley Neumann briefed the Attachment 1 presentation entitled "2009 Proposed Water Management Plan".

- Mr. Harris asked how other municipalities not served by SAWS, but in the San Antonio area would be treated under the plan. Ms. Neumann stated that SAWS is prepared to partner with any other entities in the area wishing to participate in the implementation of the plan, but she noted that SAWS would not put its own ratepayers' resources at risk without financial commitments from the other entities.
- Mr. Townsend asked about emergency situations where other cities in the area have either failed to plan or are caught in an emergency water situation. Ms. Neumann stated that SAWS would not allow such cities to be without water and would sell water to entities at the established interconnect rate in emergency situations.
- Mr. Kindle asked if the contemplated reduction in planning area scope would ultimately result in reduced rates to SAWS customers. Ms. Neumann and Mr.

Evanson both responded that previously projected increases in rates in the future years would likely not be as high as anticipated. Rates themselves would not likely decrease because of the need to support local growth and development in the future.

- Mr. Harris asked if the plans for a joint water supply project with the Lower Colorado River Authority (LCRA) have now been taken out of SAWS long range plan. Mr. Puente stated that no decision has been made, but added that SAWS has the option to decide not to proceed and, consequently, to recover from LCRA a significant part of SAWS' investment made in prior years in studying the project.
- Mr. Harris also asked when Region L would be briefed on the updated plan. Mr. Puente stated that Region L would be briefed next week, and that he has received favorable response so far from some Region L members who are familiar with the plan.

#### **Agenda Item #5, Discussion of Possible Rate Structure Changes**

Mr. Harold Smith of Raftelis Financial Consultants briefed the Attachment 2 presentation entitled "Discussion of Possible Rate Structure Changes".

- With respect to the possible review of charges related to Fats, Oil and Grease (FOG) mitigation, Mr. Kindle asked whether potentially affected customers, such as restaurants, are not already required to employ measures such as grease traps. Mr. Crowley stated that the focus of the review will be to develop financial incentives to encourage such customers to reduce further the occurrence of FOG in effluent.
- Ms. Estrada asked about the impact of changes in lift station maintenance fees on disadvantaged customers. Mr. Crowley stated that the lift station maintenance fees are assessed to developers only in the form of a one-time fee that covers maintenance for 10 years only. SAWS must pick up full maintenance after 10 years. Any modified fees would be designed to encourage developers to use more efficient means of connecting subdivisions to the sewer system, other than reliance on lift stations.
- Mr. Coronado asked for clarification on the possibility of a separate rate for energy costs. Mr. Crowley stated that the study would focus on the possibility of establishing a fee that would pass through to customers the costs of energy needed to operate SAWS water and wastewater systems. Such a fee would theoretically make water/wastewater rates more stable.
- In connection with the review of the interconnect rate, Mr. Kindle stated his desire that such a rate be designed to dissuade sufficiently other entities from regular reliance on SAWS as a source to meet their peak-time water needs
- Mr. Harris asked if the reduced scope of the new Water Management Plan meant a similarly reduced scope for future wastewater service. Mr. Crowley stated that the nature of SAWS collection system made extension of service to areas well away from

existing wastewater mains very expensive to developers. The wastewater system is, therefore, self-limiting in this respect.

- Ms. Estrada asked for clarification of irrigation rates. Mr. Crowley stated that most irrigation customers by far are commercial. Very few residences find it cost effective to have both a regular water meter and an irrigation meter.
- Mr. Townsend asked why special rates for customers over the Edwards Recharge Zone would be difficult to implement. Mr. Smith stated that special rates for smaller, separate areas would inevitably create more frequent inequities over time between areas requiring more frequent, detailed and expensive rate reviews. Mr. Evanson stated that that the only readily apparent cost difference for service over the Edwards Recharge Zone would be the higher costs needed to clean more frequently the sewer collection lines in the zone, as required by law.
- Mr. Kindle asked if there are any other issues that need to be considered in the Rate Study that would help SAWS maintain its superior bond ratings. Mr. Smith stated that the rating agencies need to be assured that revenue stability is maintained in any rate design. Too much emphasis on rate structures, for example, that significantly tend to deter water usage to the detriment of stable, predictable revenues creates a potential concern for rating agencies.

#### **Agenda Item #6, Citizens to be Heard**

Mr. Stephen Lazor made a statement to the committee and provided a written summary of his remarks given at Attachment 3.

#### **Agenda Item #7, Adjournment**

There being no other business to conduct, Mr. Kindle adjourned the committee after Agenda Item #6.