

Management and Finance Issues

Mary Bailey
Controller

February 4, 2014

Rate Advisory Committee



Objectives of a Rate Design

Standard Industry Practice

- Allow utility to meet its revenue requirements
- Recover the portion of the costs attributable to each category of customers
- Fair pricing – not unduly favoring certain customers/categories over others
- Efficient pricing – providing customers proper price signals

Rates

Cost of Service Based Structures

- Rates are based on Cost of Service
 - By customer class
 - Matches rates to the cost to serve each group
 - Each group “pays its own way”; no subsidies
- Basic rate structure
 - Flat monthly service availability charge (meter charge)
 - Volumetric charge based on usage

SAWS Rate Structures

- Water Delivery Rates & Water Supply Fee Rates
 - Residential
 - General Class (Commercial, Industrial, Multi-Family)
 - Wholesale
 - Irrigation
- Wastewater
 - Residential
 - General Class
 - Wholesale
- Recycled Water Rates

DSP Rate Structures

- Water Delivery Rates & Water Supply Fee Rates
 - Residential
 - Commercial

Rate Study Major Issues

- Meet Revenue Requirements
- SAWS and DSP Rate Integration
- Funding for Major Initiatives
 - Water Management Plan
 - Sanitary Sewer Overflow (SSO) Reduction
 - Conservation Program
- Possible New Multi-Family / Apartment Class
- Improve affordability programs for fixed income and economically disadvantaged customers

Meet Revenue Requirements

- SAWS uses the Cash-Needs Approach to determine revenue requirements
- Rates are structured to recover specific cash requirements for operations & maintenance (O&M) and capital projects
- Bond covenants are predicated on cash needs
- Consistent with governmental budget practices
- Generally used by government-related utilities

SAWS and DSP Rate Integration

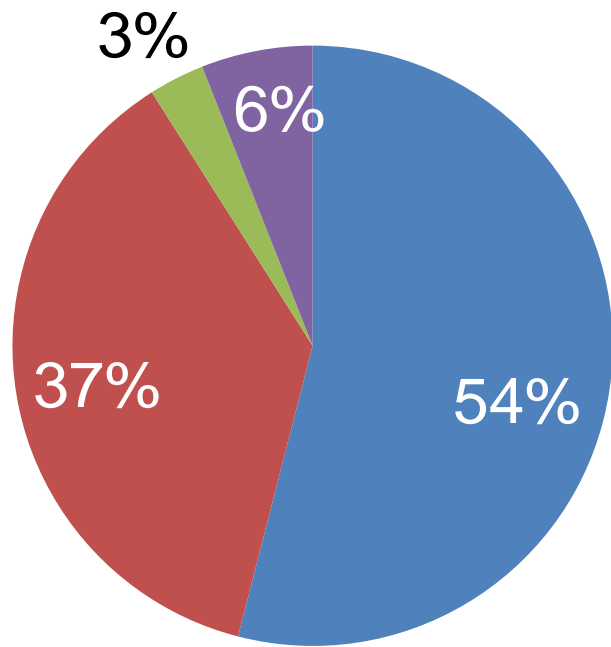
Challenges

- State law authorizing assumption of BexarMet by SAWS requires rate integration by 2017
- DSP rates have not been changed since SAWS assumption of BexarMet in 2012
- While equity in residential monthly charges will be close by 2017, much higher DSP rates for commercial customers make integration by 2017 more challenging
- City Council also expects rate integration to not adversely increase costs to SAWS customers

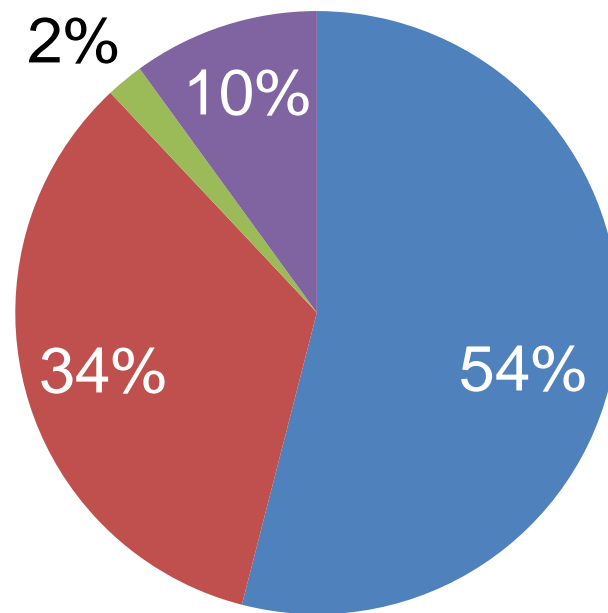
2012 Potable Water Sales Statistics - SAWS

Each Customer Category Pays Proportionate Share of Costs

% of Annual Sales in Gallons by Category



% of Annual Revenue by Category

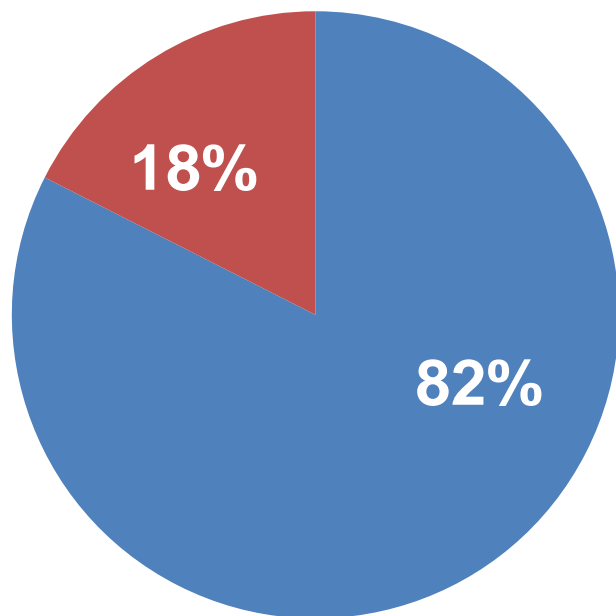


Residential General Wholesale Irrigation

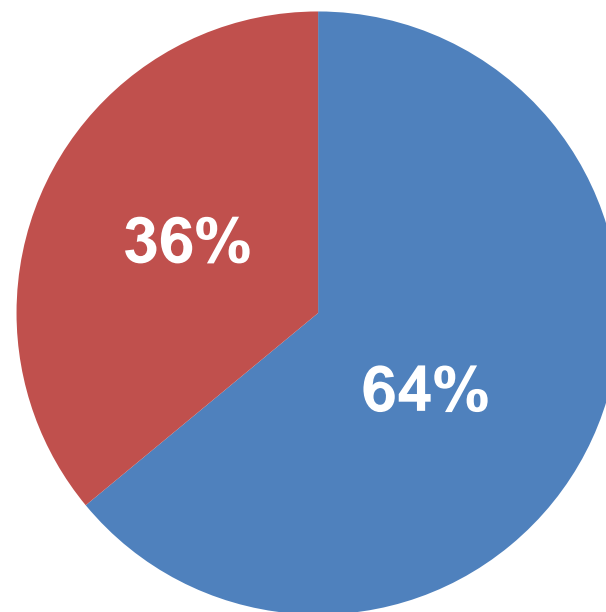
2013 Potable Water Sales Statistics - DSP

General Class subsidizes the Residential Class

% of Billed Usage by Category



% of Annual Revenue by Category

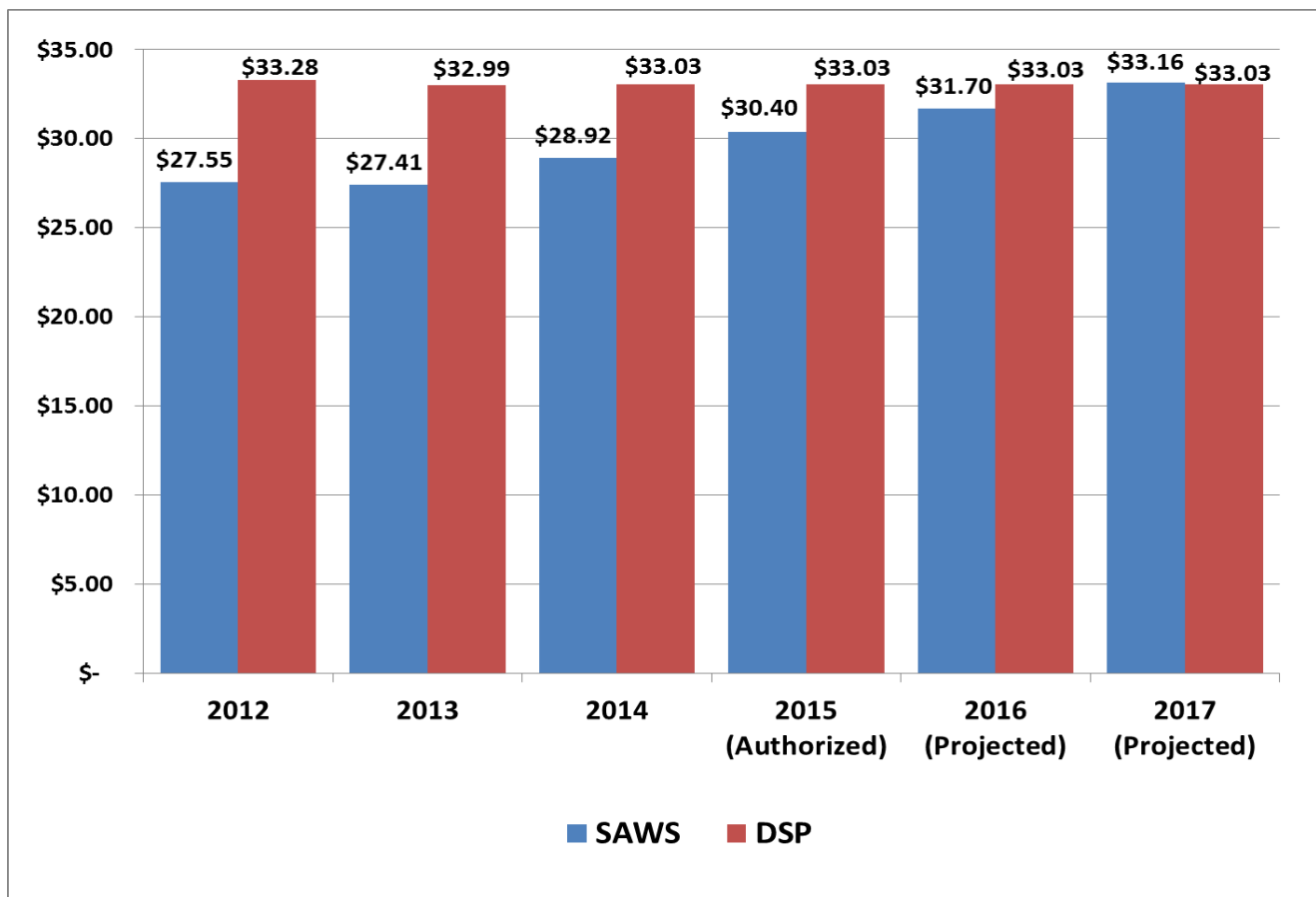


■ Residential

■ General

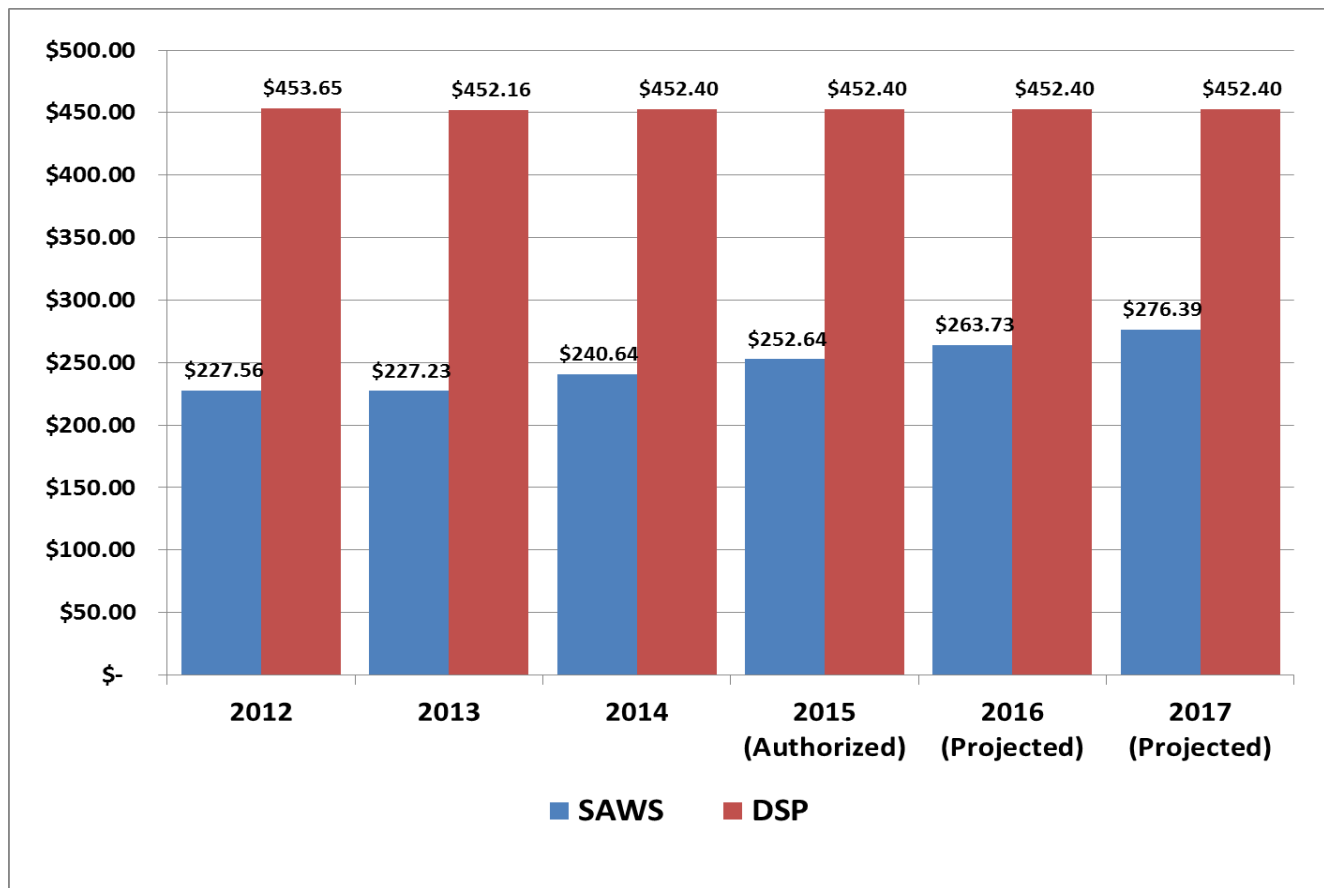
SAWS and DSP Monthly Water Charges

Residential: 7,788 gallons per month, 5/8" meter



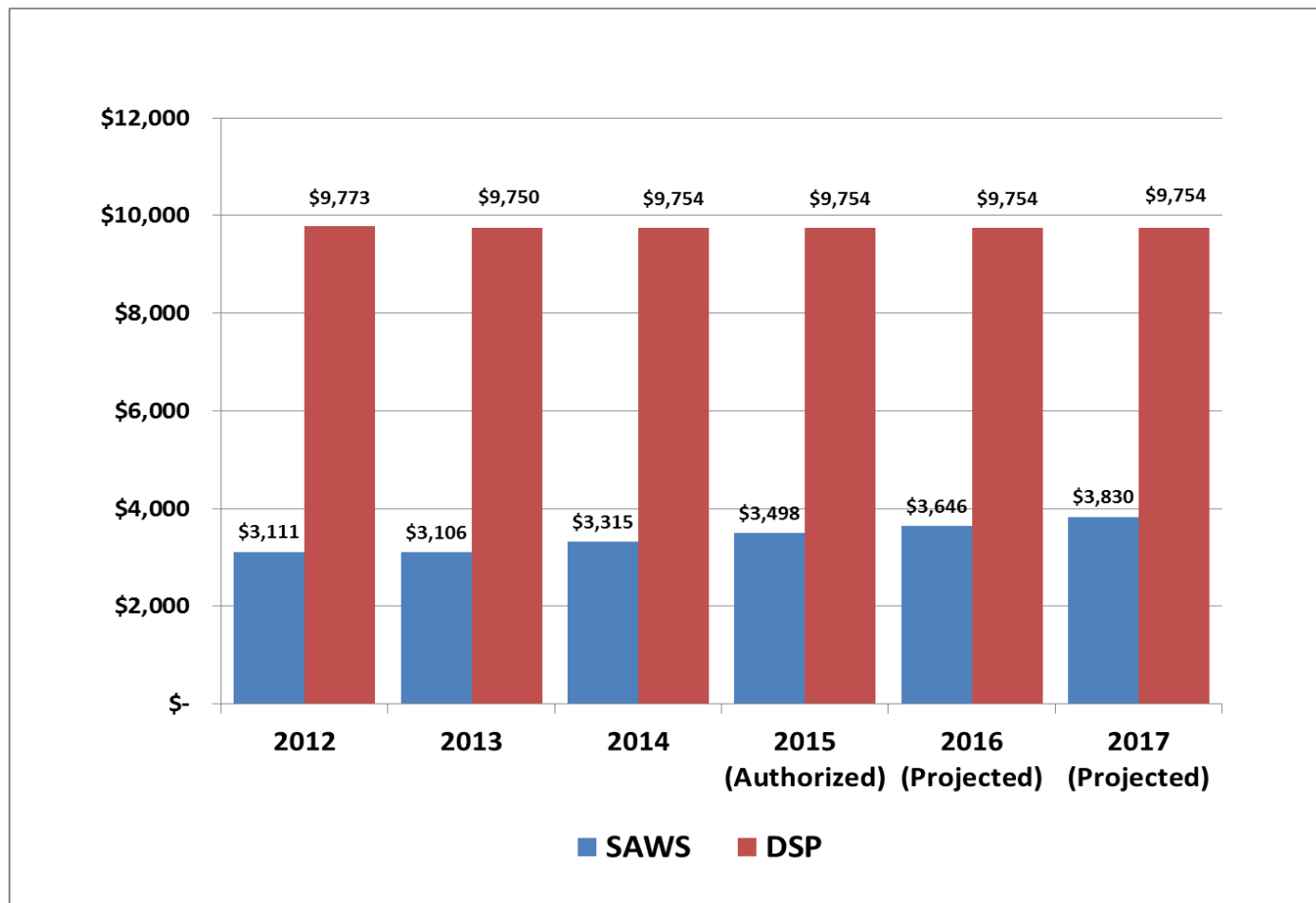
SAWS and DSP Monthly Water Charges

Commercial: 50,000 gallons per month, 2" meter



SAWS and DSP Monthly Water Charges

Commercial: 850,000 gallons per month, 6" meter



Funding for Major Initiatives

- Water Management Plan
 - Should cost be borne by all customer classes equally?
- Sanitary Sewer Overflow (SSO) Reduction
 - Should this be recovered through a special one-time fee or through wastewater rates?
- Conservation Program
 - Currently paid primarily by general class and irrigation use

Possible Multi-Family / Apartment Class

- General Class includes multi-family and apartment customers as well as commercial and industrial customers
- Commercial / Industrial water consumption patterns may not be consistent with multi-family and apartment water consumption patterns
 - Allocation of cost may not be proportionate
- Multi-Family / Apartment structures may also be disproportionate sources of SSO's
 - Allocation of SAWS SSO reduction program costs to various customer classes needs to be re-examined
 - New class for Multi-Family / Apartment sewer customers may be warranted

Affordability Discount Program

Increase 2014 funding by 15% to \$2.5 million

Poverty Level	2013 Bill Discount	2014 Bill Discount	2014 Bill Discount
50%	\$ 12.97	\$ 13.63	24%
75%	\$ 9.07	\$ 9.53	17%
100%	\$ 6.49	\$ 6.82	12%
125%	\$ 5.17	\$ 5.43	10%

Based on 7,788 gallons water/6,178 gallons sewer usage

Affordability Program Improvement

- Major City Council issue
- Challenges include:
 - Outreach to increase participation
 - Process for qualifying participants
 - Accurate update of data on existing participants
 - Possible extension of discounts to deserving customers beyond use of income-based qualifications alone (e.g. senior citizens, disabled citizens)

Other Rate Study Issues

- Inside City Limits (ICL) vs. Outside City Limits (OCL) Rates
- Seasonal Rates
- Compound Meter Rates
- Subsidy of Water Supply Fund by Water Delivery
- Irrigation Rates
- Drought Surcharge & Drought Restrictions Revenue Sufficiency
- Recycled Water Rates
- Wholesale Water & Sewer Rates
- Raw Water Rates
- Sewer Winter Average & Unaveraged Residential Charge
- Industrial Sewer Surcharge
- Emergency interconnect rates
- Various special service and pass-through fees

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