

Rate Study Objective Prioritization Process

Mary Bailey
Controller

May 6, 2014

Rate Advisory Committee



Comprehensive Rate Study

- SAWS is currently undergoing a study of its rates.
- Rates to be reviewed:
 - Water Delivery
 - Water Supply
 - Recycled Water
 - Wastewater
- Rate studies are done to develop pricing structures that reflect prioritized objectives.
 - *How are costs allocated and recovered from different types of customer classes?*

Comprehensive Rate Study

- SAWS rate study is conducted with the support of
 - Rate Advisory Committee (RAC)
 - Key roll is to provide input on community priorities
 - Rate Consultants (Black & Veatch)
- Three RAC meetings have been held
 - SAWS Issues Overview: February 4
 - Project Initiation with Black & Veatch: March 4
 - Rate Process Workshop: April 1

RAC Members

City Council Nominations

District 1- John Davis

Retired Accountant

District 2 – James McNamara

Retired School Teacher

District 3 – Roberto Anguiano

Retired – SAWS

District 4 – Mark Guerrero

City of San Antonio

District 5 – Hilario Garcia

Self-Employed – DSP

Customer

District 6 – Larry Underwood

Retired – Capitol Cement

District 7 – Mario Hune

Council District 10

District 8 – Ken Lawrence

Retired – U.S. Air Force

District 9 – Michael Moore

Land Developer

District 10 – Allison Cohen

Council District 10

RAC Members

At Large Appointments

Carroll Jackson*

Investment Consultant

Gerardo Noriega

Greater Edwards Aquifer
Alliance Nominee

Manuel Pelaez-Prada

Hispanic Chamber of
Commerce Nominee

Allyson McKay

San Antonio Apt. Assn.
Nominee

Jorge Garcia

Toyota – Recycled Water User

Mark Perry

Bexar County WCID #10
Nominee – Wholesale Customer

Howard Peak

Former Mayor City of San Antonio

* Chairman

Comprehensive Rate Study

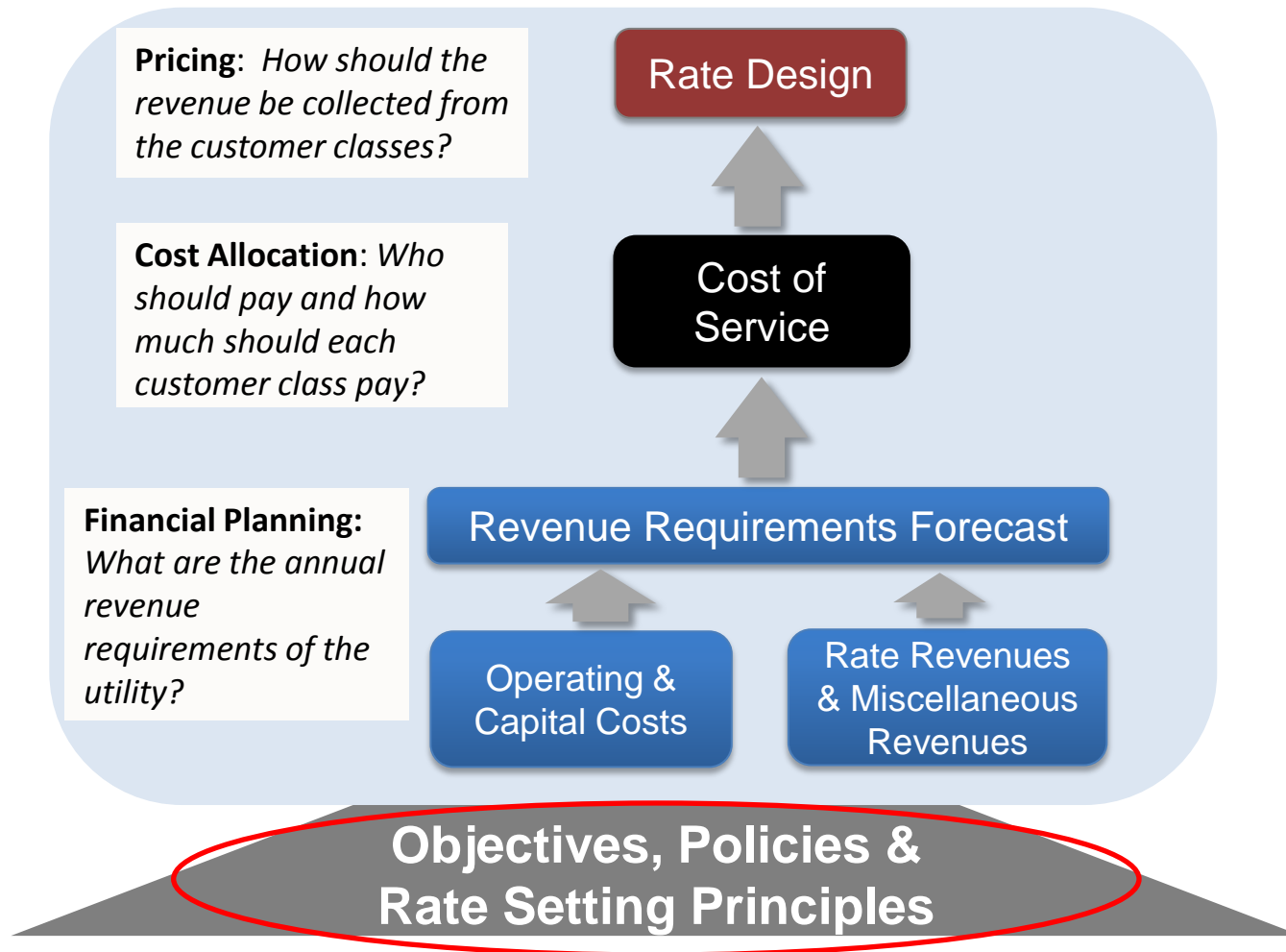
Major issues to be addressed

- SAWS and DSP rate integration
- Identify funding sources 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

Other Rate Study Issues

- Inside City Limits (ICL) vs. Outside City Limits (OCL) Rates
- Seasonal Rates
- Irrigation Rates
- Drought Surcharge & Drought Restrictions Revenue Sufficiency
- Recycled Water Rates
- Wholesale Water & Sewer Rates
- Sewer Winter Average & Unaveraged Residential Charge
- Industrial Sewer Surcharge
- Various special service and pass-through fees

RATE STUDY APPROACH



Rate Objectives

RATE OBJECTIVE	EXPLANATION	POSSIBLE RESULTS
Financial Sufficiency	Rates should be set to recover the full cost of operations and provide for capital projects	<ul style="list-style-type: none"> • Future rate adjustments
Cost of Service Based Allocations	Costs are recovered from customers and customer classes in proportion to the cost of providing service	<ul style="list-style-type: none"> • Different rates by class • Tiered rate structures
Revenue/Rate Stability	Revenues and rates are predictable and stable	<ul style="list-style-type: none"> • Emphasis on fixed rate components • Flat rate structures
Conservation	Pricing structure encourages permanent reductions in water usage through more efficient use of water	<ul style="list-style-type: none"> • Emphasis on variable rate components • Increasing tiered rates
Drought Management	Strong price signals sent to encourage demand reductions during drought stages, targets discretionary use	<ul style="list-style-type: none"> • Emphasis on variable rate components • Increasing tiered rates with adjustments at various drought stages • Drought surcharge

Rate Objectives – Continued

RATE OBJECTIVE	EXPLANATION	POSSIBLE RESULTS
Minimize Customer Impact	Avoid large changes in customers' bills	<ul style="list-style-type: none"> • Limited or phased rate structure changes
Economic Development	Special rates developed to incentivize economic development	<ul style="list-style-type: none"> • Potential deviation from cost of service principles • Subsidized rates
Affordability	Economically disadvantaged customers should be able afford essential water and sewer services	<ul style="list-style-type: none"> • Potential deviation from cost of service principles • Discounts tied to personal income levels • Lower or tiered fixed fees • Lifeline rates
Simple to Understand/Update	Rate structure is simple for customers to understand	<ul style="list-style-type: none"> • Less complex rate structure • Emphasis on fixed rate components
Ease of Implementation	Rate structure is very similar to existing structure or very simple	<ul style="list-style-type: none"> • Limited ability to change rate structure • Less complex rate structure • Emphasis on fixed rate components

Potentially Conflicting Objectives

Revenue Stability	VS	Conservation / Drought Management
Cost of Service	VS	Economic Development / Affordability Discounts
Drought Management	VS	Simple to Understand / Implement
Financial Sufficiency	VS	Minimize Customer Impact

Finalizing Rate Objectives

April 21	Board of Trustees – Rate Objective Survey
May 6	RAC Public Hearing – Community Input
May 7	City Council “B” Session – Rate Objective Survey
May 13	RAC Objective Setting Workshop
June 3	Board of Trustees – Follow up Report

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