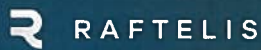


SAN ANTONIO WATER SYSTEM

Rate Advisory Committee – Meeting #1

September 24, 2019



Rate Advisory Committee (RAC) Agenda

1. Citizens To Be Heard
2. Call to Order - Chairperson
3. Opening Remarks and Introductions of Members, Staff and Consultant
4. Rate Study Process Overview, Consideration of Bylaws and Schedule
5. SAWS Overview
6. Presentation on Rate Study Basic Concepts
7. Closing Comments
8. Adjournment (Chairperson)



Citizens To Be Heard



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Call to Order



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Opening Remarks and Introductions



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RAC Members

Rate Advisory Committee Membership			
Frances Gonzalez – Committee Chair			
Council Nominations			
1	Alex Birnel	6	Ramiro Cabrera
2	Velma Willoughby-Kemp	7	James Smyle
3	Steven Wurgler	8	Patricia Wallace
4	Genevieve Trinidad	9	Joseph Yakubik
5	Daniel Meza	10	Raine Tanner
At Large Nominations			
Tamara Benavides	Hotel & Lodging Assn	Stephen Lara	Balcones Heights
Mike Chapline	Outside City Limits	Stephanie Reyes	SA Chamber
Andy Diaz	PACE NA	Steve Richmond	SA Restaurant Assn
Victoria Keeler	SA Apartment Assn	Vance Weynand	Recycled Customer
Patrick Garcia	SA Manufacturers Assn		

SAWS Overview 

SAWS Staff

Name	Position
Doug Evanson	Sr. Vice President/CFO
Mary Bailey	VP, Customer Experience & Strategic Initiatives
Cecilia Velasquez	Controller
Phyllis Garcia	Treasurer
Lou Lendman	Budget Manager
Benjamin Kidd	Sr. Financial Modeler
Rob Walker	Financial Analyst

SAWS Overview



Raftelis Team



Rick Giardina CPA
Project Director
Executive Vice President
(Raftelis)



Angie Flores
Project Manager
Manager (Raftelis)



Justin Rasor
Modeling Subject
Matter Expert
Senior Consultant (Raftelis)



Melissa Elliott APR
Public Relations /
Communication
Manager (Raftelis)



Bob Raucher PhD
Consumption Analysis
Director, Water Economics (Corona
Environmental Consulting)



Jim Henderson
Consumption Analysis
Senior Economist (Corona
Environmental Consulting)



Manny Teodoro PhD
Affordability
Principal (EJ Metrics)



Kelli Epp
Public Relations /
Communication
Owner (KLE Communications)



Janet Clements
Consumption Analysis
Senior Economist (Corona
Environmental Consulting)



Tim Williams
Staff Consultant
Associate Consultant
(Raftelis)

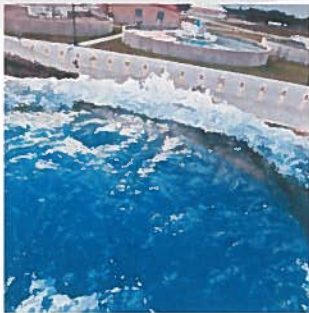


Rate Study Process Overview, Consideration of Bylaws and Schedule



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RAC is an Integral Part of a Multi-Utility Rate Study



Water



Recycled Water

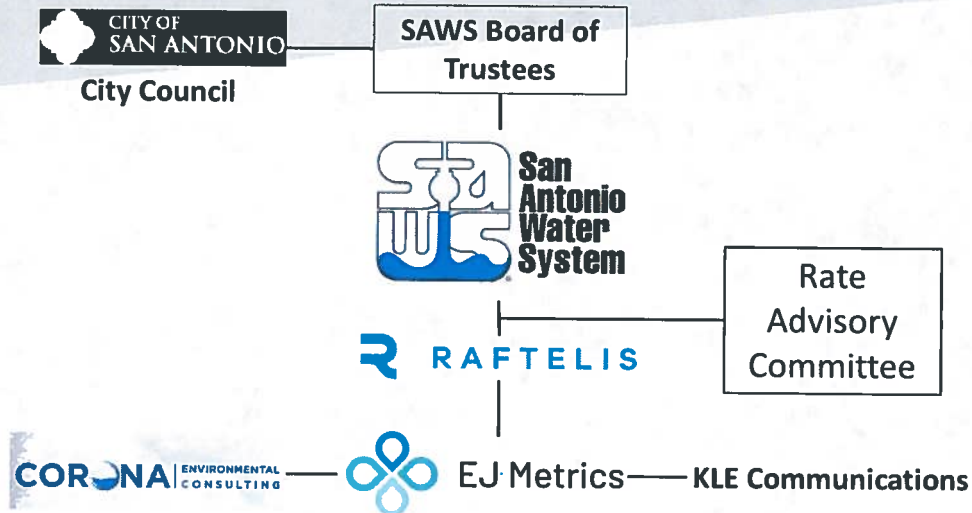


Sewer



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The RAC is Part of the Larger Study Team



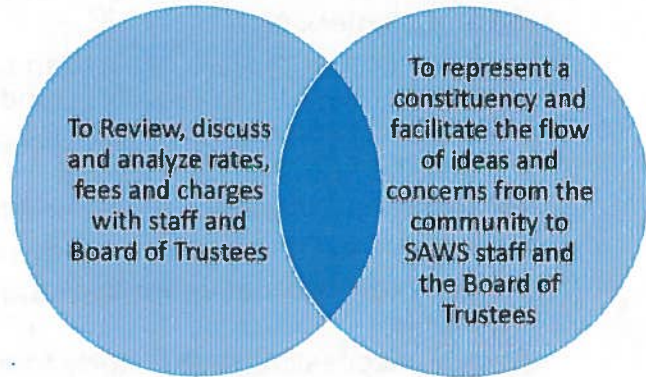
Mission Statement

The mission of the Rate Advisory Committee (RAC) is to assemble a diversity of perspectives that represent our community to evaluate and make recommendations on the water, sewer and recycled water rate structures

Committee Purpose

- SAWS periodically updates water, sewer and recycled water rates to ensure they are current and reflect community values.
- SAWS believes strongly that our community should have a voice in decisions that affect them.
- The RAC has the unique opportunity to help develop this rate study, leading to improvements that will have a positive impact on the community.

The RAC has two overarching purposes:



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Rate Study Purpose - Objective

Analyze and provide recommendations to SAWS about the rate structure for water delivery, water supply, recycled water, and wastewater operations.

- Determine the most appropriate structure for all rates
- Consider such principles (pricing objectives) as:

Conservation	Consumption Characteristics	Cost of Service
Fairness	Equity	Financial Stability
Customer Affordability	Economic Development	
- Develop recommendations that take into account the prioritization of principles as established by the SAWS Board of Trustees.



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Roles and Responsibilities

- RAC members will be expected to:
 - › Attend all meetings
 - If a member misses more than two meetings, they agree they will not let their feedback impede further recommendations
 - We will be available to discuss the items missed by the member, if schedules permit
 - › Be respectful of others' views and input
 - › Provide thoughtful input on study proposals
 - › Act as a representative for the study to fellow community members
 - › Remain accessible to the study team for follow-up as needed



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Roles and Responsibilities

- SAWS Staff and Consultants will be expected to:
 - › Promote open, honest discussion during meetings
 - › Provide current, accurate data
 - › Provide informative, useful study materials
 - › Provide accurate minutes of meeting discussions
 - › Be respectful of all views and input
 - › Remain accessible to committee members on questions related to the study



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RAC Time Commitment

- Volunteer and actively serve until the completion of the 2019 Cost of Service and Rate Design Study
- Remain accessible for follow-up until completion
- 8 – 10 regular meeting (approximately monthly; 2 in October)
- Meeting Length capped to 2 hours
- Review materials between meetings and engage members of the community



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Meeting Schedule



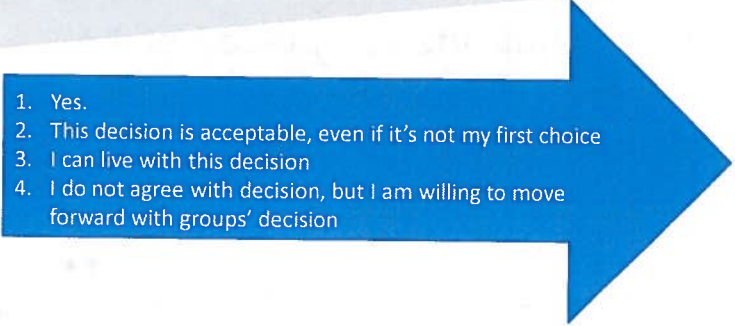
*Conflict exists with this date. Change may be necessary.



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Consensus-Based Decision Making

Consensus-based approach is an agreed upon method in decision-making.

- 
1. Yes.
 2. This decision is acceptable, even if it's not my first choice
 3. I can live with this decision
 4. I do not agree with decision, but I am willing to move forward with groups' decision

Consensus

An item will be considered to have consensus if all members have reached any of these decision levels.

Article IV, Section 6 of the Bylaws allows the Chairperson "to proceed with resolution of a given issue through a vote."



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What RAC Members Can Expect

- To offer your input and recommendations on a variety of rate-related items
- Examples of topics include:
 - › Reviewing and ranking rate structure pricing objectives
 - › Deciding which rate structures should be reviewed and/or updated
 - › Selecting rate structure alternatives that best meet the pricing objectives



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RAC Report

Scope and content of RAC discussion

Findings and conclusions on issues considered

Recommendations for further study and analysis



SAWS Overview



SAWS by the Numbers

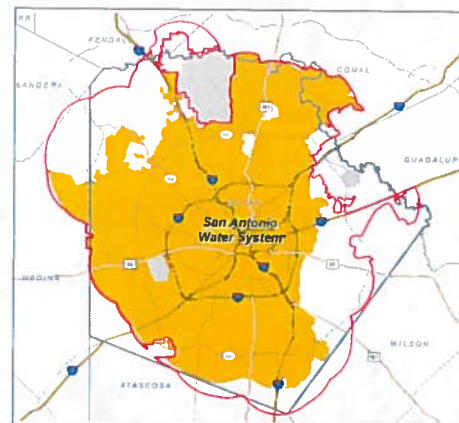
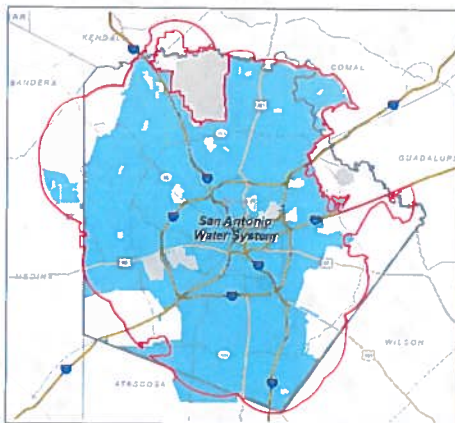
One of the nation's largest municipally owned utilities

- 1.8 million population
- 500,000+ water customers
- 450,000+ wastewater customers
- 12,500 miles of pipe (water & wastewater)
- 4 major treatment plants
- \$350 million O&M budget
- \$2.5 billion 5-year capital program
- 1,730 employees



SAWS Water & Sewer CCNs

941 Square Miles – Water CCN



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Regional Water Sources

15 water supply projects from 8 water sources

The map displays the following water sources and projects:

- Water Supply Diversification**
- Vista Ridge (2020)**
- Canyon Lake**
- Trinity Aquifer**
- CRWA Lake Dunlap**
- San Antonio**
- Edwards Aquifer**
- CRWA Wells Ranch**
- Regional Carrizo**
- Medina Surface Water**
- Recycled Water**
- Aquifer Storage & Recovery**
- Local Carrizo**
- Brackish Desal**


SAWS Overview 

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Nation's Largest Recycled Water System

The collage includes the following images and labels:

- landscaping**: Image of a stone building.
- golf courses**: Image of a golf course with people.
- cooling towers**: Image of industrial cooling towers.
- industrial processes**: Image of a blue pickup truck.
- Large industrial tank**: Image of a large red cylindrical tank at a facility.



SAWS Overview 


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Aquifer Storage & Recovery (ASR)

Largest Groundwater Based ASR in the Nation

- Edwards Aquifer → Carrizo Aquifer
- Planned capacity of 200,000 AF
 - Current volume of 176,000 AF
 - 72% of SAWS annual demand
- Key to navigating extended drought
- Resolution of regional water disputes

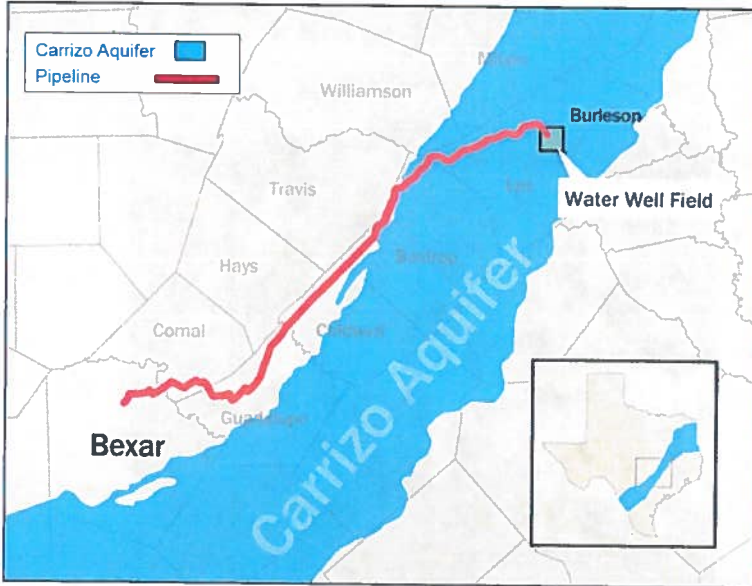
SAWS Overview 


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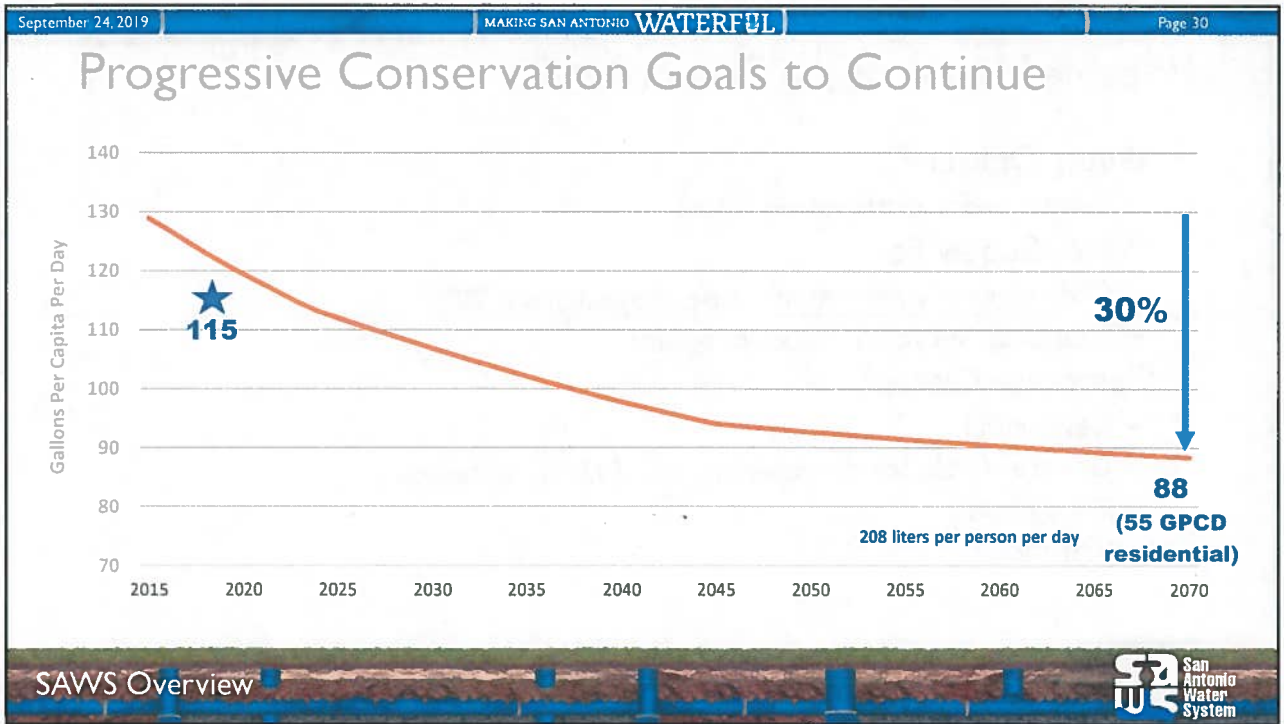
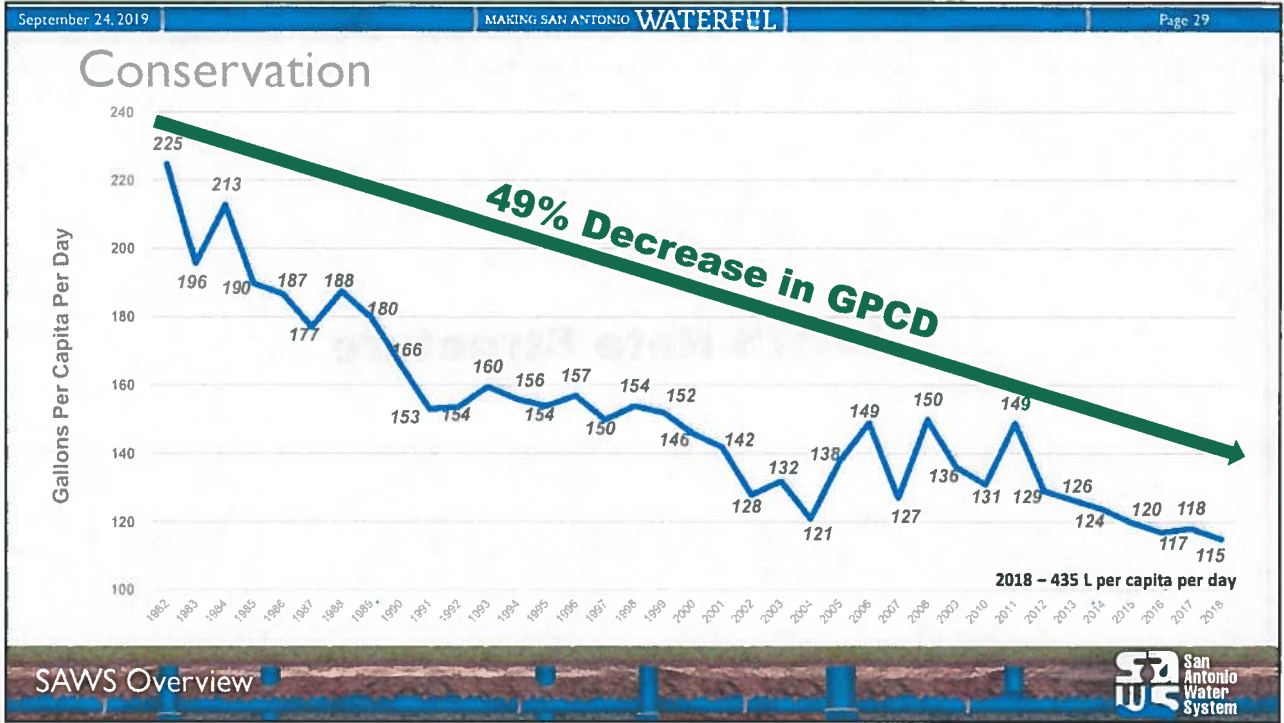
Vista Ridge Project

On Line by April 2020

- 18 Wells
- 140 Miles
- 3 Pump Stations
- Treatment
- ~ \$925 Million Capital Cost paid by Project Company



SAWS Overview 





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MAKING SAN ANTONIO WATERFUL

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SAWS Rate Structure

SAWS Overview



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MAKING SAN ANTONIO WATERFUL

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Potable Water Rate Structure

- Water Delivery
 - Pumps, wells, distribution mains
- Water Supply Fee
 - Cost of new water supplies developed since 2001
 - Supports Recycled Water program
- Customer Classes
 - Residential
 - General (includes commercial, multi-family, industrial)
 - Wholesale
 - Irrigation


SAWS Overview




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Potable Water Rate Structure

- Fixed and Variable rates
- Conservation Rates
 - Inclining block structure
 - Price signal for discretionary/peaking usage
- Lifeline rate (residential)
- Inside vs Outside city limit rates
- Affordability discounts for qualifying low-income


SAWS Overview  San Antonio Water System




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Wastewater Rate Structure

- Fixed and Variable rates
- Lifeline rate (residential)
- Inside vs Outside city limit rates
- Affordability discounts for qualifying low-income

SAWS Overview  San Antonio Water System

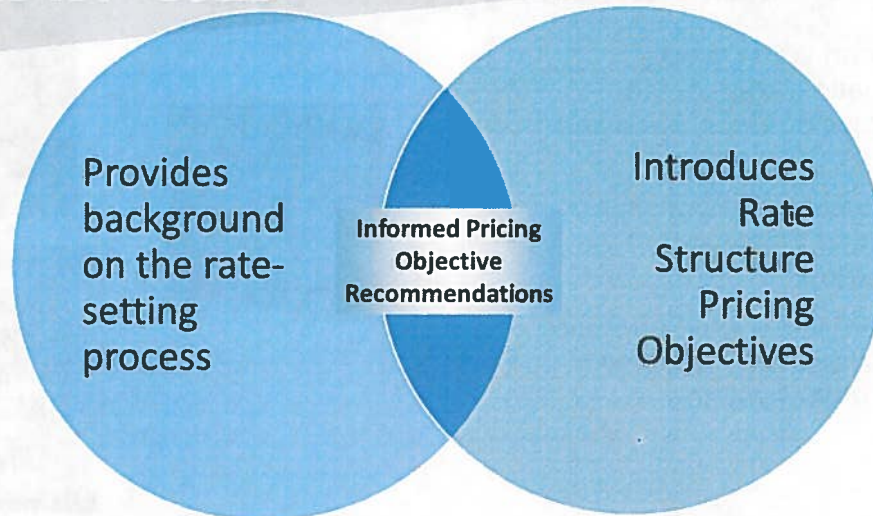


Recycled Water Rate Structure

- Contracted volumes
 - Landscaping
 - Golf courses
 - Manufacturing
 - Cooling towers
 - CPSE
- Fixed and Variable rates
- Edwards exchange vs Non-Edwards exchange
- Seasonal rates

Rate Study Basic Concepts

Rates 101 - Goals



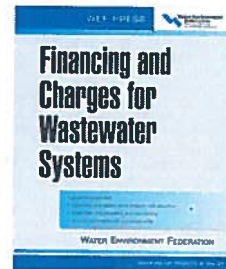
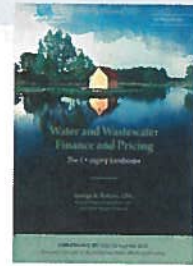
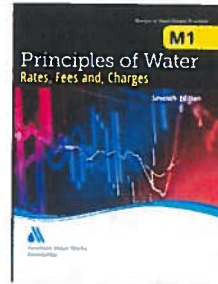
Why are rate studies important?

- Aligns equity between customer classes and within a customer class – those who cause the cost, pay the cost
- Determines the prices that will recover utility costs
- Provides documentation for rate study decision-making
- Properly designed rates will stand up against a legal challenge
- SAWS has broad latitude to implement rate design



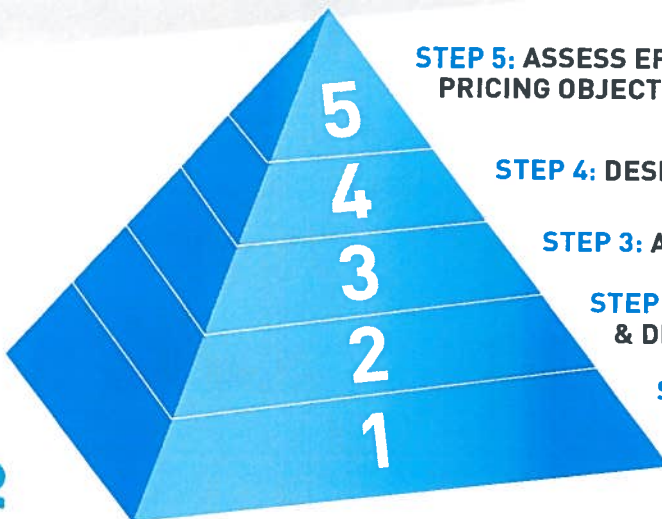
Rate Structure Industry Publications

- American Water Works Association, Manual M-1, Principles of Rates, Fees and Charges
- Raftelis Financial Consultants, Water and Wastewater Finance and Pricing
- Water Environment Federation, Financing and Charges for Wastewater Systems



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Key Steps in the Rate Study Process



STEP 5: ASSESS EFFECTIVENESS IN ADDRESSING PRICING OBJECTIVES

STEP 4: DESIGN RATE STRUCTURE

STEP 3: ALLOCATE COSTS

STEP 2: IDENTIFY REVENUE REQUIREMENTS & DEMAND PROJECTIONS

STEP 1: IDENTIFY FINANCIAL & PRICING OBJECTIVES



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Step 1:
Identify
Pricing
Objectives

What do we want
to accomplish
through our rates?

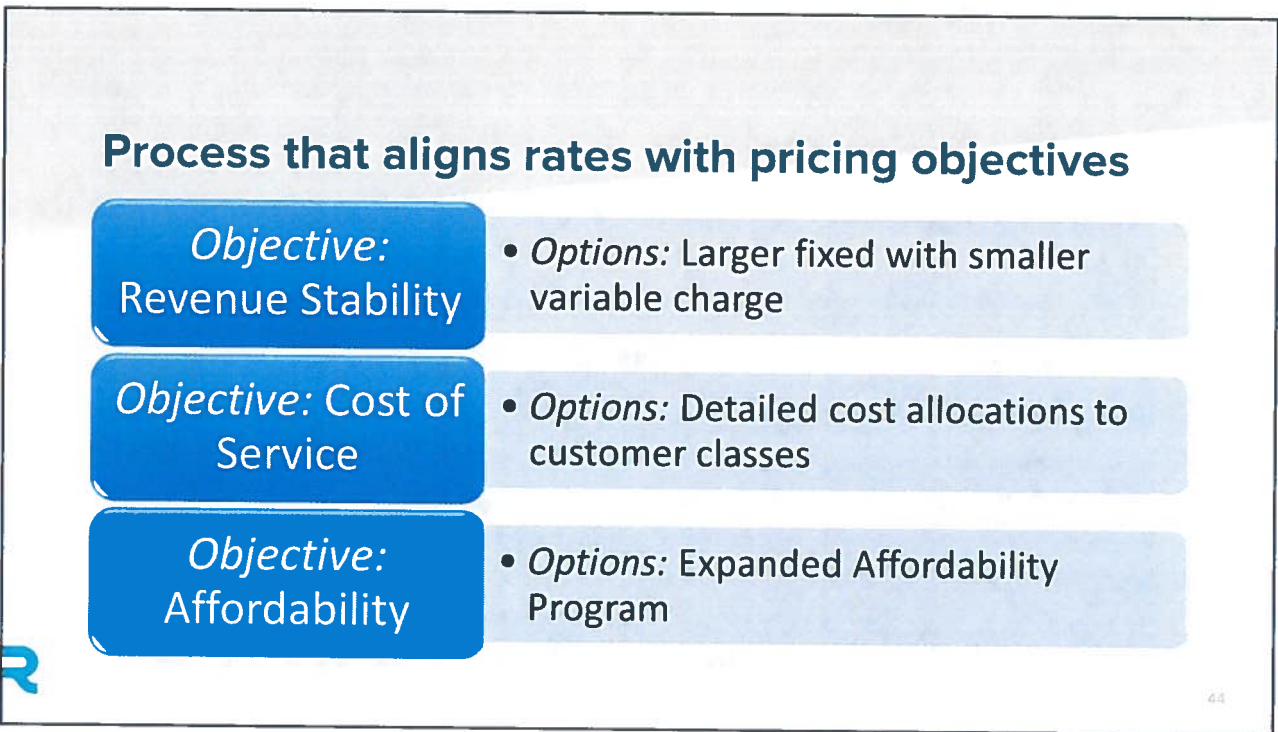
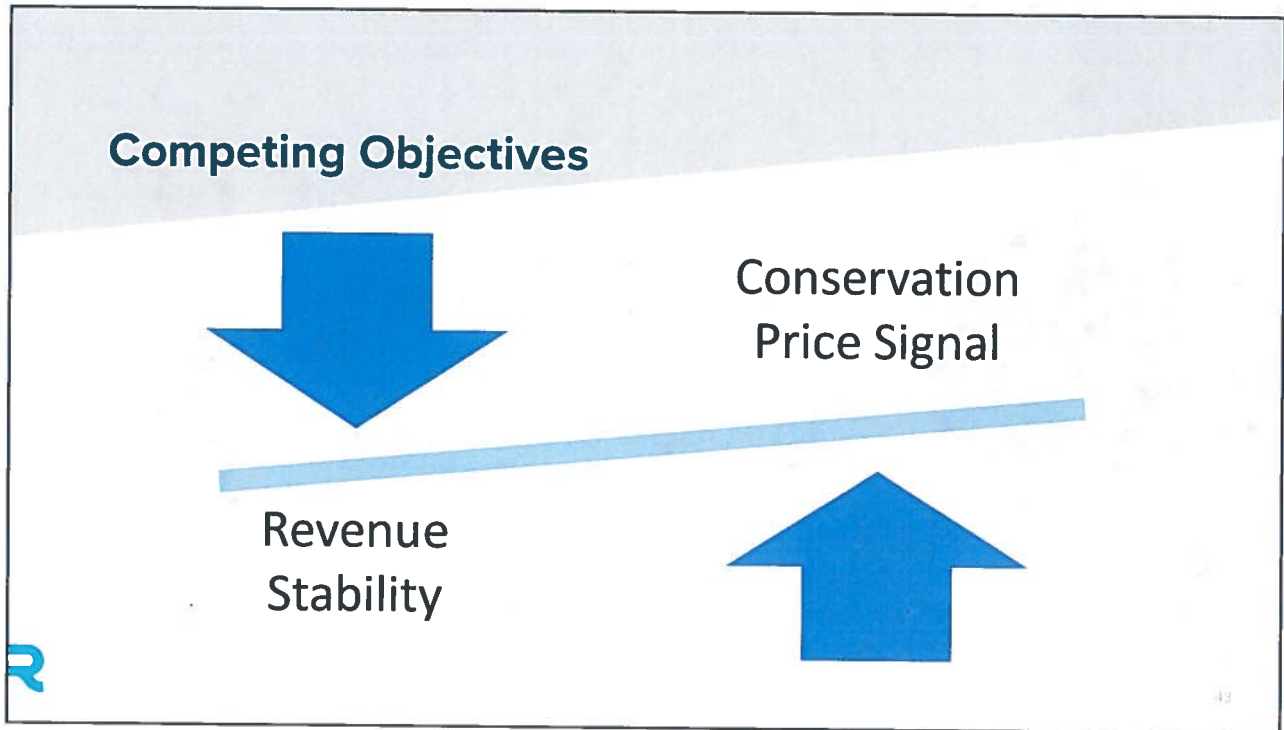


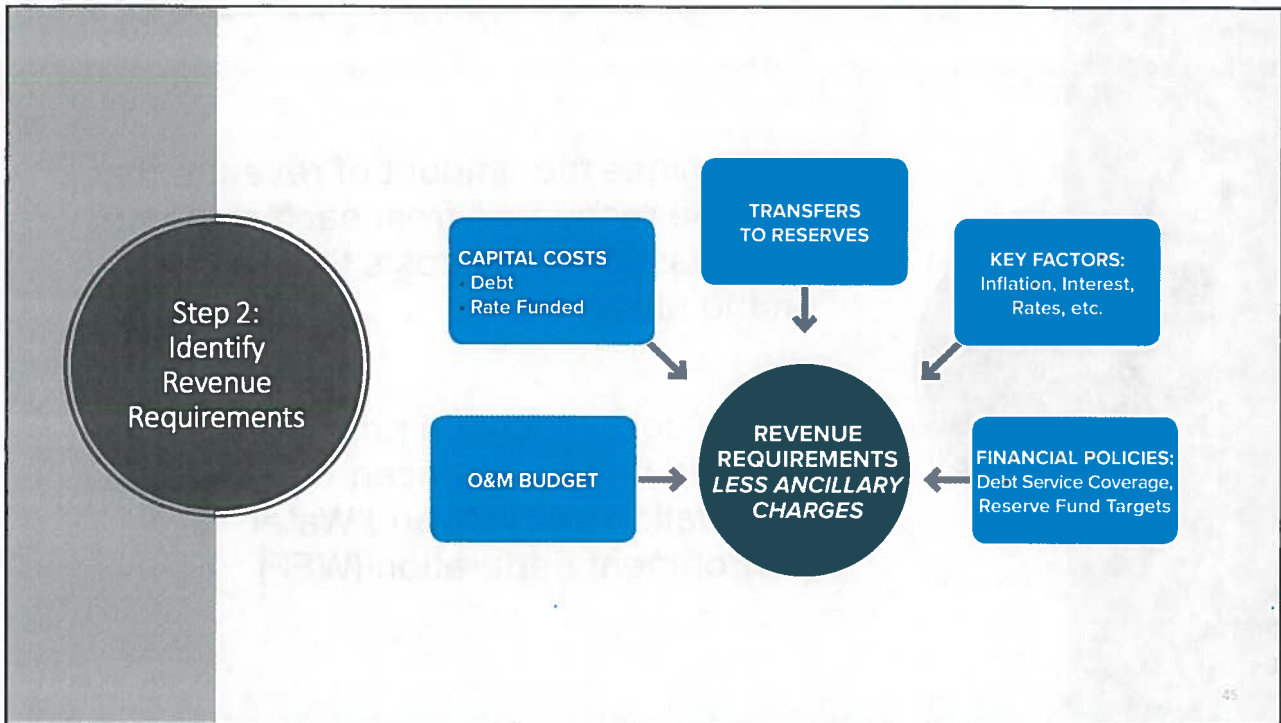
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Example Pricing Objectives

Cost of Service Based Allocations	Financial Sufficiency	Simple to Understand and Update
Ease of Implementation	Defensibility	Conservation / Demand Management
Rate Stability	Minimal Customer Impacts	Economic Development
Revenue Stability	Affordability to Disadvantaged Customers	Equitable Contributions from New Customers

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Financial Sustainability

- Importance of Comprehensive Demand and Revenue Forecasting
 - › Modeling demand and revenue volatility under multiple weather and economic growth change scenarios
 - › When does the decline in consumption due to high efficiency fixtures plateau?
 - › Estimates of price elasticity response

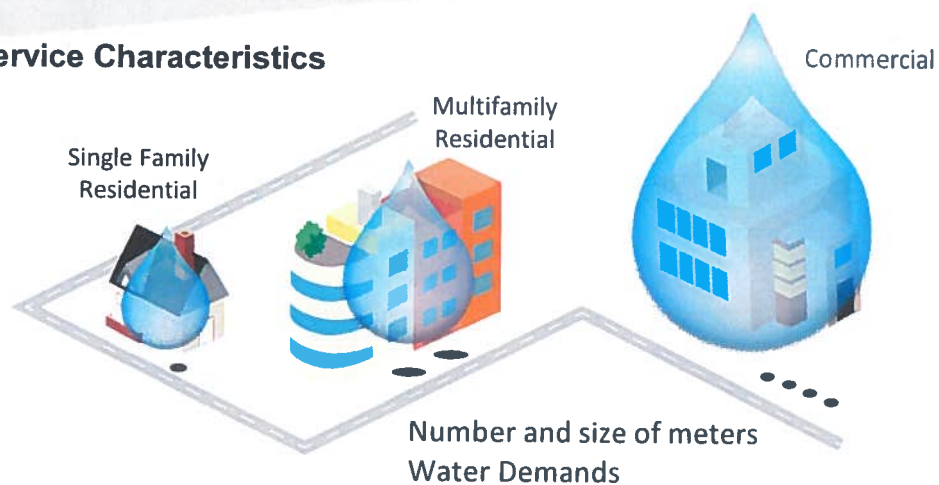
Step 3: Cost Allocation Process

- Determines the amount of revenue that must be recovered from each customer class based on the costs they impose on the utility
- Follow cost allocation principles as adopted by the American Water Works Association (AWWA) and Water Environment Federation (WEF)

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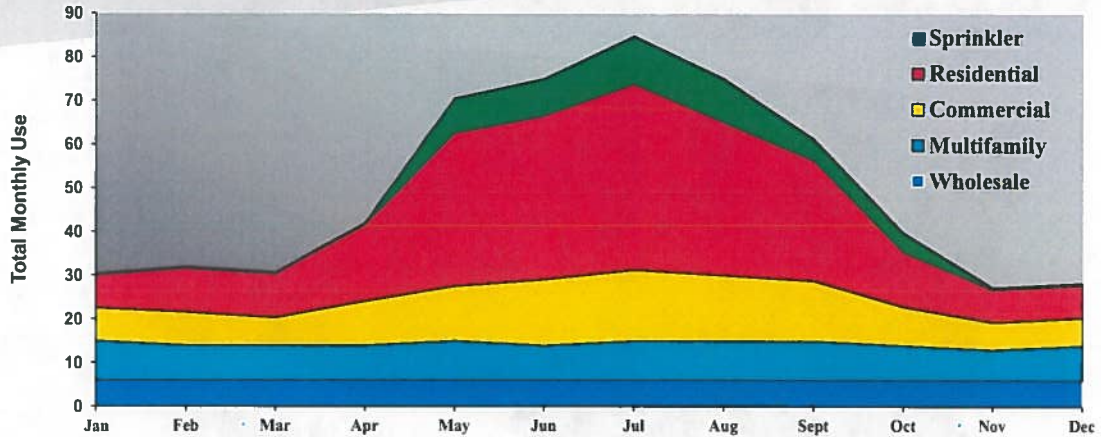
Water Cost of Service

Differing Service Characteristics



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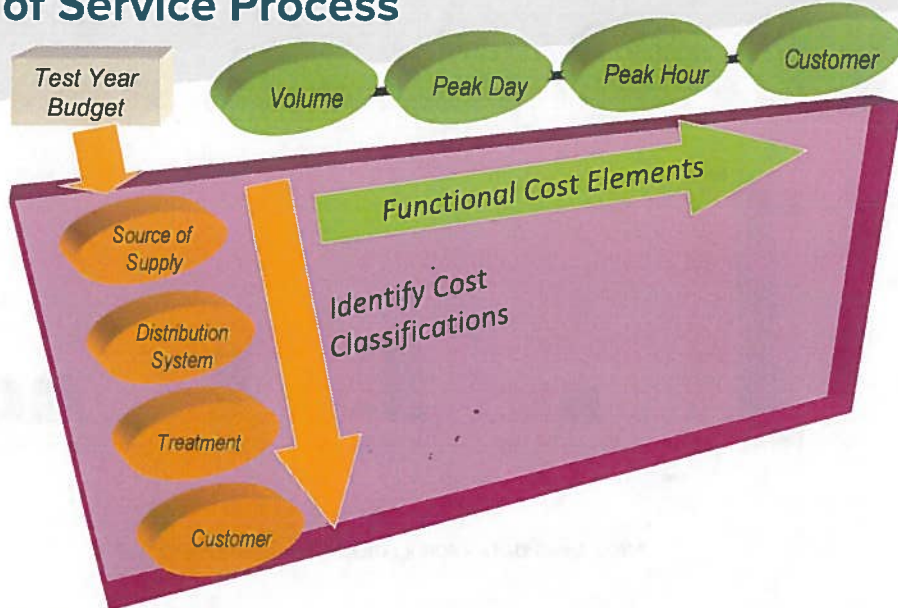
Typical Customer Usage Characteristics*



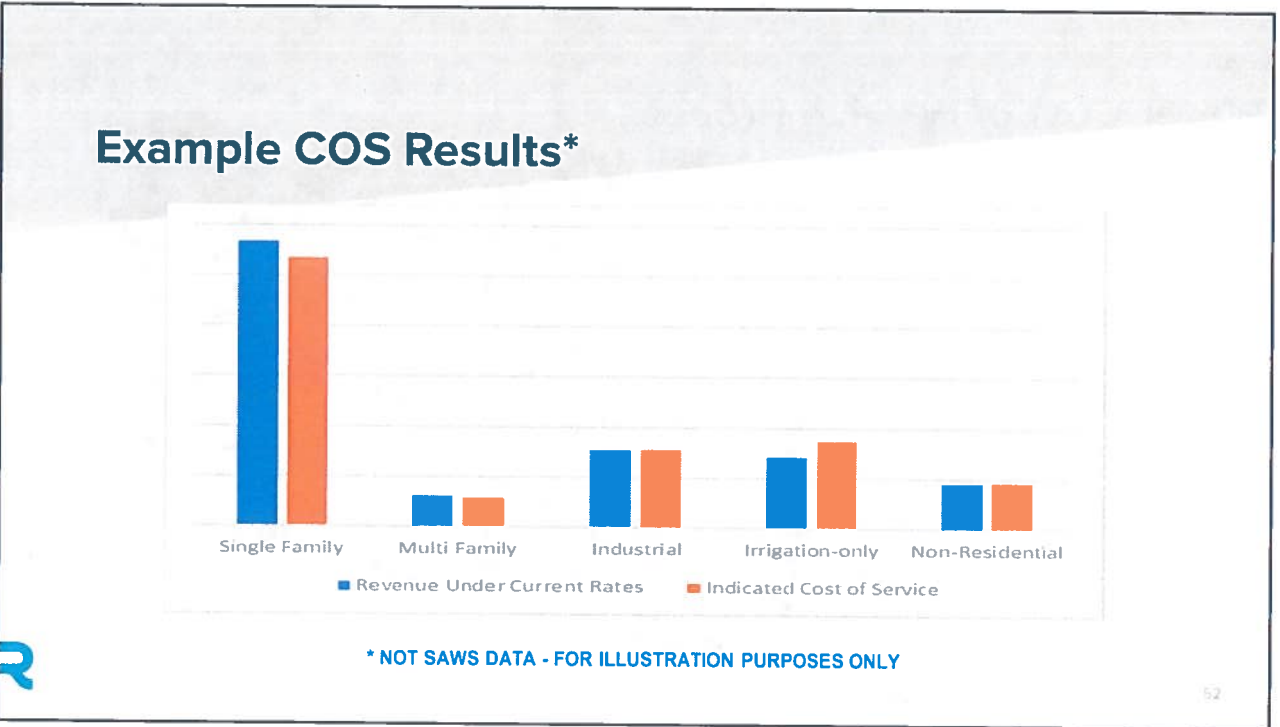
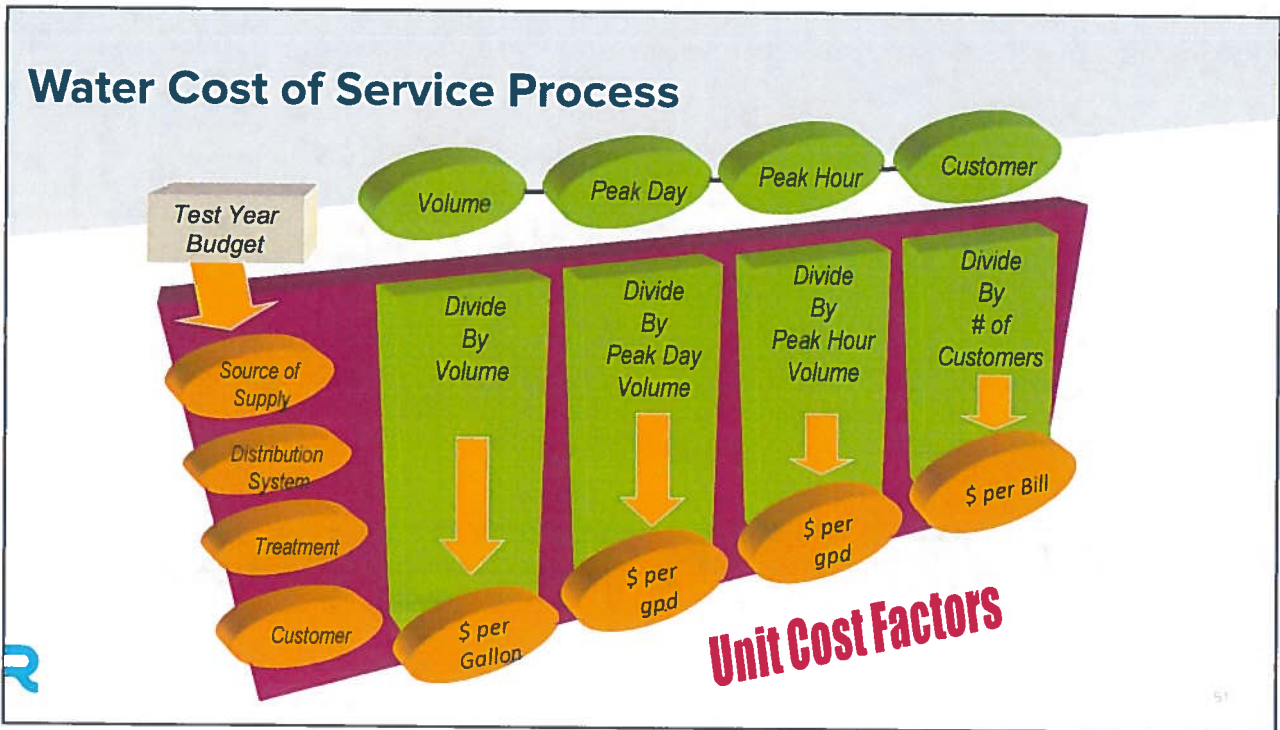
* NOT SAWS DATA - FOR ILLUSTRATION PURPOSES ONLY

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Water Cost of Service Process



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Step 4: Rate Design

WHY IS RATE DESIGN IMPORTANT?

- The revenue requirement for each customer class is determined using AWWA cost allocation principles
- Rate design allows the utility to recover the revenue requirement from each customer class to achieve specific policy objectives
- Utilities have a broad latitude to implement their desired rate designs

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Challenges in Rate Design

- Water resource challenge
 - › Who should pay for future water supply cost?
 - Growth?
 - Inefficient water users?
- Increased volatility of water supply and demand
 - › Normal vs rainy or drought conditions
- Era of replacement – Capital projects are shifting from serving growth to replacing the system
- Competing resource needs

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Example: Conservation versus Efficiency

WATER CONSERVATION

- Reducing water usage
- Restricting water use
- Lifestyle adjustments

WATER EFFICIENCY

- Reducing water waste
- Appropriate water use
- No change in lifestyle

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User Charges – 2 Parts

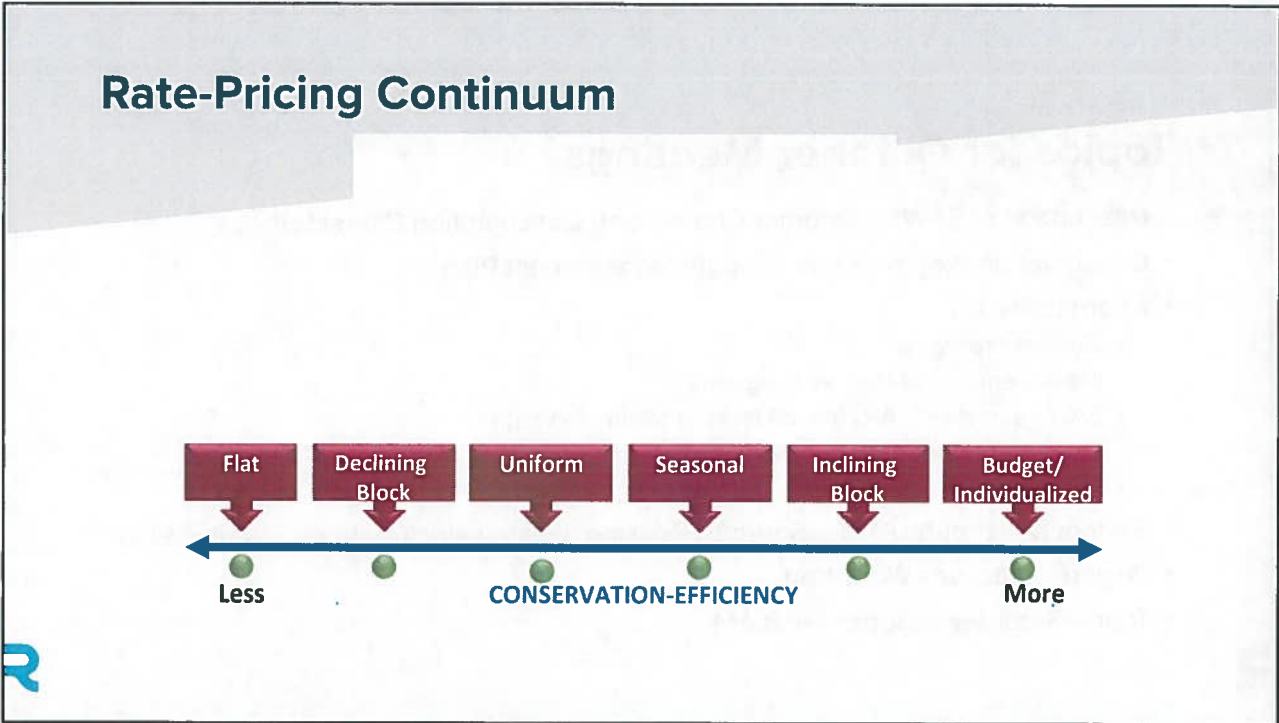
1. Service/Base Charge per account per month

- Meter maintenance and reading, customer service, billing/collection, direct fire protection and service availability

2. Volume Rate per 100 gallons

- Plant operations for production/treatment
- Energy and equipment to move water
- Maintaining water mains
- Storage facilities
- Source of Supply

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Questions?

Topics for October Meetings

- Description of SAWS Customer Classes and Consumption Characteristics
- Conservation Programs and Drought Management Plan
- Affordability 101
 - › Current Programs
 - › Measurements of Current Programs
 - › SAWS statistics – AR20 and Hours at Minimum Wage
 - › Relationship between price and usage
 - › Program Funding
- System Description (Water Sources, Peaking, Wastewater Treatment, Capital Plan)
- Pricing Objectives Workshop
- Tour – Saturday October 26, 8 AM



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Thank you!



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**MUNICIPAL
ADVISOR**

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However, except in circumstances where Raftelis expressly agrees otherwise in writing, Raftelis is not acting as a Municipal Advisor, and the opinions or views contained herein are not intended to be, and do not constitute "advice" within the meaning of the Municipal Advisor Rule.

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