

MINUTES
RATE ADVISORY COMMITTEE
SAWS Headquarters, 2800 U.S. Hwy 281 North, San Antonio, TX 78212
Customer Center Building (Tower II), Conference Room #145
Fourth Meeting, November 12, 2019
6:00 p.m.

RAC Members Present:

Frances Gonzalez – Chair
Steven Wurgler (District 3)
Ramiro Cabrera (District 6)
Patricia Wallace (District 8)
Mike Chapline
Patrick Garcia
Stephen Lara
Tamara Benavides
Steve Richmond

Velma Willoughby-Kemp (District 2)
Genevieve Trinidad (District 4)
James Smyle (District 7)
Joseph Yakubik (District 9)
Andy Diaz
Victoria Keeler
Vance Weynand
Stephanie Reyes

RAC Members Absent:

Alex Birnel (District 1)
Daniel Meza (District 5)
Raine Tanner (District 10)

Raftelis Consultants:

Rick Giardina
Angie Flores
Kelli Epp (KLE Communications)

SAWS Staff Present:

Robert Puente, President/CEO
Jaime Castillo, Chief of Staff
Doug Evanson, Sr. Vice President/CFO
Mike Frisbie, Sr. Vice President/COO
Mary Bailey, VP, Customer Experience
Donovan Burton, VP, Water Resources
Gavino Ramos, VP, Communications
Keith Martin, Corporate Counsel
Cecilia Velasquez, Controller
Phyllis Garcia, Treasurer
Karen Guz, Director, Conservation
Lou Lendman, Budget Manager
Michael Graef, Communications Manager
Benjamin Kidd, Sr. Financial Modeler
Ben Benzaquen, Sr. Financial Analyst
Patricia Arriola, Financial Analyst
Rob Walker, Financial Analyst
Vanessa Andrade, Financial Analyst

The Chair opened the meeting and invited citizens to be heard.

CITIZENS TO BE HEARD

Meredith McGuire – Dr. McGuire is with the Sierra Club of San Antonio. She provided a handout with suggestions for the committee to consider, including a new recommended rate structure. She expressed that equity should be the top priority pricing objective. She claimed that previous rate structures have been unfair to residential rate payers because the general class is not really a class. The current general class should be disaggregated into separate classes. The unfair rates for residential rate payers should be fixed in this process. Prioritizing equity would create a rate structure that would increase needed revenue from business that are profiting from using water. Cost of service is not the same as the cost of water. The water supply fee rates should be based on objective measures. The RAC should look at water for the public good. Industrial water use is entirely discretionary.

CALL TO ORDER BY CHAIRPERSON

MISSION STATEMENT AND GROUND RULES

The Chair reviewed the mission of the RAC and reviewed the ground rules.

A motion was made by Patrick Garcia and seconded by Victoria Keeler to approve the minutes from the third RAC meeting. The minutes were approved without any changes.

MEETING OBJECTIVES

The Chair reviewed the meeting objectives. She then asked consultant Rick Giardina to begin the discussion about pricing objectives.

PRICING OBJECTIVES

Giardina reviewed the purpose and process for defining the committee's pricing objectives. This work is at the concept level and the results are not set in stone. Once the committee ranks its priorities, the rate consultants will come back with rate structure alternatives that address the prioritized objectives for the committee to review. At that point, the committee can adjust its priorities. The committee is not asked to solve problems or to come up with specific answers. SAWS is looking for the committee's assessment of what is important, not for direction about how to achieve those objectives. At this meeting, the committee will discuss and define one pricing objective at a time and there will be time for comment and discussion until the RAC reaches consensus on a particular objective's definition. Subsequently, the committee will rank the defined pricing objectives.

Giardina started the discussion about each pricing objective. RAC members had been encouraged to email their thoughts and questions about proposed pricing objectives after the last RAC meeting and this input was included in the presentation.

Affordability – Ramiro Cabrera asked how “economically disadvantaged” is defined. Giardina explained that the term is defined broadly as persons who have trouble paying their bill. Patrick Garcia made three points: 1) Why limit the definition to disadvantaged? 2) Can we provide a distinction between an affordability definition and a discussion about who are and who are not served by affordability programs? 3) Is there a fixed target in the SAWS budget for affordability? Giardina explained that assistance programs need to identify those in need of assistance. Frances Gonzalez asked about the amount of water needed for basic subsistence and what happens to anyone who runs into a situation that prevents them from paying their water bill. Such persons may not necessarily be economically disadvantaged. SAWS has the ability to react to those situations. Does the definition of affordability address both of those situations? Giardina’s answer was yes, that the definition can address both situations. Victoria Keeler said that as a representative of the San Antonio Apartment Association, she has a different perspective on affordability. Disadvantaged customers living in apartments cannot be helped by SAWS because there is no sub-metering of water use in individual apartment units. Joseph Yakubik asked why we would define affordability by the level of income of the recipient. Instead, he stated that the basic level of water needed for essential services should be set at an affordable level. This would eliminate economically disadvantaged customers. Stephanie Reyes asked if we are talking about a financial hardship. Giardina said, yes, the definition under discussion addresses financial hardship which can be addressed through rates or a targeted discount program. Patricia Wallace said that we are confusing economically disadvantaged with affordability. There are customer assistance programs to help customers in need. The question is should SAWS do more through rates and should the assistance be broader. Mike Chapline stated that it is not likely that SAWS collects economically disadvantaged data. He said that economically disadvantaged customers should not have a place in this rate structure. Patrick Garcia suggested examining the differences between the various volumetric rate tiers as a possible approach to using rates as opposed to discounts. Frances Gonzalez said the RAC should take into account that the San Antonio community is highly segregated economically. The RAC needs to think about recommending affordable levels of essential water use and then, in consideration of equity, that there is a significant portion of the community that cannot afford water. James Smyle said we should consider essential use, but also consider the impact to the general class and small business. He said we need to have a breakdown of general class customers, and talk about how rates will be set considering the customer diversity in the class. Victoria Keeler asked if we had a definition of the number of gallons for essential use. Giardina stated yes, that there are metrics. Tamara Benavides suggested that the committee remove “economically disadvantaged” from the definition and focus on all customers. Tamara Benavides asked if SAWS collects the number of people per household. Mary Bailey stated that SAWS does not collect this information, but that other utilities have ways to estimate that information.

Conservation – Patrick Garcia suggested that the committee consider that there are currently a sufficient number of residential rate tiers in place to address conservation. Giardina stated that history is a consideration, but the pricing objectives look at what is a value to you today going forward. James Smyle said that reduced consumption and improved efficiency are not necessarily the same thing. Joseph Yakubik said that this objective is a carrot but should there be a stick to discourage wasteful consumption. Giardina said that the rate structure is a tool to do that. Mike Chapline said he agreed that we should consider a structure that causes pain for wasteful water use. Stephen Lara said that there has to be a baseline set to implement a

conservation structure and help people to understand the consequences of wasteful use. Vance Weynand said that SAWS has already done a lot to permanently reduce overall usage, but that here we are talking about limiting how much people use on a discretionary basis. Karen Guz said that there are more efficiencies to be gained in use of water – for example addressing leaks that go undetected. Joseph Yakubik asked if SAWS will address this priority by looking at other conservation programs that operate outside of the rate structure.

Cost of Service – Giardina explained that this is about equity: customers should pay for the service they demand. Joseph Yakubik said that cost of service is a process and not an objective and that it doesn't have to be a direct alignment. Mike Chapline said that the classes should not be in the definition. Joseph Yakubik said customer is broadly defined here.

Drought Management – Giardina said this objective asks if there is opportunity to use the rate structure to provide pricing signals during a drought. Patrick Garcia said that drought management should be its own program. Victoria Keeler said we already have policing measures in place to deal with people using too much water in a drought. Joseph Yakubik said this is about water scarcity under any circumstances, not just weather related, and asked whether drought management is an extreme form of conservation. Robert Puente explained the difference between conservation, which is everyday water use reduction, and drought management, which is strictly weather related. He said the other, non-weather issues related to water scarcity do not have a place in the rate structure. Mike Chapline said there are already City ordinances that address drought issues, so additional emphasis is unnecessary. James Smyle said that using market-based solutions instead of ordinances is more effective. Ramiro Cabrera said there could be a different rate structure during a drought. Steven Wurgler asked why the SAWS service area does not just stay in heightened drought stage restrictions all the time.

Ease of Implementation – Giardina explained that this objective is about having a new rate structure that can actually be implemented with minimal impact on customers and SAWS. It has to be reasonable for staff and customers to implement. James Smyle suggested substituting the word “Ease” with “Practicality” because “Easy” appears to set too low a threshold for achievement. The committee agreed to this change.

Economic Development – Andy Diaz said there has only been one use of it in the last 10 years, so why is it a consideration. James Smyle said the definition should be clearer, it is too broad. Water rates are not an effective tool for economic development. Stephanie Reyes suggested clarifying what we mean by economic development. James Smyle said it is not an effective tool. Mike Chapline said this isn't really an objective. Tamara Benavides said the problem is if setting rates for economic development purposes is already a tool of the City Council, then economic development should not be a pricing objective considered by the RAC. The committee conducted an informal poll of those who wanted to remove it from the pricing objectives list, and 10 members, who represented a majority of those present, voted in favor of removal. This pricing objective is no longer on the list of objectives under consideration.

Minimize Customer Impacts – Joseph Yakubik asked how this objective is different from rate stability. Giardina responded that rate stabilization allows you to implement changes easily with more opportunities to recover expense. Patrick Garcia said he does not think that this fits in the

objectives. Frances Gonzalez asked that this discussion be held until the committee discusses rates stability.

Revenue and Rate Stability – Joseph Yakubik said that revenue stability and rate stability are somewhat related, but they are separate concepts and should be viewed individually. The committee agreed to separate the concepts into two pricing objectives. Patrick Garcia said that SAWS needs a rate structure that provides the needed revenue. Joseph Yakubik said the rate structure should provide revenue for essential utility services. James Smyle said that he thought that this objective should be considered a “must have” and it should drop off the objectives list. He added that there should be a list of “must have” objectives prefacing the prioritized objectives list. Consequently, the committee agreed that the two concepts were dissimilar enough to warrant splitting them into separate objectives. The RAC agreed to make “rate stability” a part of the “Minimize Customer Impacts” objective.

The committee then agreed to stay another 30 minutes to complete the pricing objectives definition discussion.

Minimize Customer Impacts/Rate Stability – The committee agreed that this newly defined pricing objective is to set rates that help mitigate future large changes to customer bills and that rates should be predictable and stable.

Simple to Understand and Update – Giardina explained that this objective is related to a customer’s understanding of a new rate structure and staff’s ability to easily explain a new rate structure. There should not have to be a major effort to update the rates year after year until a future rate study is needed. Frances Gonzalez asked for clarification about an extensive study. The committee concluded that the “Update” part of the objective was not as important as the “Understand” part and agreed that the words “and Update” be removed altogether from the name of the objective.

Equity – Stephanie Reyes said she believes equity is important. Before the discussion could continue, a few of the members had to leave the meeting. Giardina said that the revised pricing objective ranking forms and pricing objective definitions will be e-mailed to the RAC members after the meeting.

James Smyle said that based on the experience from the last rate study’s recommendations, the cost of service and equity objectives do not necessarily coincide. If cost of service and equity objectives are joined together as part of the current study then the same conceptual incongruity issues may result. The committee considered the City of San Antonio’s definition of equity. Frances Gonzalez said that this definition in many ways speaks to the affordability issues that were discussed previously. Tamara Benavides said she does not think the city’s equity definition applies. To her, equity is about paying for what you use. Joseph Yakubik said that the cost of service objective assumes that everyone has the ability to pay. The committee ultimately agreed to define the equity pricing objective as a rate structure that incorporates the City’s definition of equity.

Below are the agreed upon pricing objectives and definitions by the RAC:

Affordability

- Customers are able to afford the essential water and sewer services provided by the Utility.

Conservation

- A pricing structure that encourages reductions in discretionary water usage and efficient use of water.

Cost of Service Based Allocations

- Costs are fairly and equitably recovered from customers in proportion to the cost of providing service.

Drought Management

- Strong price signals sent to customers to achieve water use reductions during drought stages
- Shift demand to desired periods of the day, week, month, or year
- May be limited to specific customer classes
- May focus on discretionary use

Equity

- A rate structure that incorporates COSA's definition of equity

Minimize Customer Impacts/Rate Stability

- Avoid large changes to customers' bills
- Rates are predictable and stable

Practicality of Implementation

- The implementation of a rate structure that is compatible with the existing billing system
- Consideration given to the administrative cost to implement and adjust rates without extensive study and analysis
- Consideration of data needs to implement and adjust rates

Revenue Stability

- Revenue is predictable and stable to avoid volatile swings in revenues

Simple to Understand

- Rate structure should be simple for customer to understand
- Promote easy communication with customers and stakeholders

The committee then discussed any remaining concerns regarding the other comments and questions submitted by RAC members prior to this meeting. Mike Chapline asked if the inside/outside city limits question addressed the concerns of the citizen from Shavano Park who

attended and expressed concerns. Giardina said it does not because the Shavano Park issue involves wholesale water rates.

The committee will receive the new definitions and ranking sheets the day after this meeting (November 13) by e-mail. The members will be asked to return their completed ranking forms to RAC@saws.org by noon on Friday, November 15.

The Chair then asked committee members if there was any interest in starting the next meeting at 5:30 for dinner and deliberation (no presentation) for the committee members to have informal discussions. The meeting and presentation would begin at 6, but the open meeting portion would begin at 5:30.

Mike Chapline suggested that on December 10 at 5:30 they discuss the pricing objectives and turn in the ranking sheets at 6 pm. The RAC discussed this alternative and decided to complete their ranking sheets and return them via email by noon on November 15, as requested. The committee agreed that on December 10 at 5:30 the RAC would convene for dinner and informal discussion. At 6 pm, the meeting would begin with the pricing objective ranking results and would continue with the agenda item that did not get covered at this meeting, Revenue Requirements.

Mary Bailey stated that two additional RAC meeting dates needed to be added to the schedule, February 4, 2020 and April 7, 2020. These additional meetings are necessary to help keep the rate study process on schedule. Stephen Lara pointed out that the scheduled March 10 meeting falls within spring break week.

The Chair adjourned the meeting at 8:43 p.m.