



SAWS RATE ADVISORY COMMITTEE MINUTES  
SAWS Headquarters, 2800 U.S. Hwy 281 North, San Antonio, Texas 78212  
and via WebEx Video Conference  
Tuesday, March 8, 2022  
6:00 p.m. to 8:00 p.m.

ATTENDANCE

Committee Members Present:

Frances Gonzalez, Committee Chair  
Patrick Garcia, Committee Vice Chair, San Antonio Manufacturers Association  
Christine Drennon, District 1  
Velma Willoughby-Kemp, District 2  
Karen Burgard, District 3  
Genevieve Trinidad, District 4  
Ramiro Cabrera, District 6  
James Smyle, District 7  
Patricia Wallace, District 8  
Joseph Yakubik, District 9  
Vaughn Caudill, District 10  
Jeff Harris, Recycled Customer  
Steve Richmond, San Antonio Restaurant Association  
Cacie Madrid, San Antonio Chamber of Commerce  
Mike Chapline, Outside City Limits  
Steve Alaniz, Hispanic Chamber  
Allyson McKay, San Antonio Apartment Association  
Preston Woolfolk, Northside Chamber of Commerce

Committee Members Absent:

Alfred Montoya, District 5  
Stephen Lara, Balcones Heights  
Tamara Benavides, Hotel & Lodging Association

San Antonio Water System Staff Present:

Robert Puente, CEO & President  
Doug Evanson, Chief Financial Officer & Senior Vice President  
Mary Bailey, Vice President of Customer Experience & Strategic Initiatives  
Nancy Belinsky, Vice President of Legal & General Counsel  
Gavino Ramos, Vice President of Communications & External Affairs  
Lisa Mireles, Board of Trustees Senior Executive Management Analyst  
Cecilia Velasquez, Senior Director of Financial Services/Controller  
Phyllis Garcia, Senior Director of Financial Services/Treasurer  
Lou Lendman, Budget Manager  
Keith Martin, Senior Corporate Counsel

Consultants Present:

Jennifer Ivey, Carollo Engineers, Project Manager  
Mark Panny, Carollo Engineers, Senior Analyst  
Bridget Hinze Weber, KGBTexas Communications, Public Affairs

CALL TO ORDER BY CHAIRPERSON

The meeting was called to order by Chair Frances Gonzalez on March 8, 2022, at 6:01 p.m.

CITIZENS TO BE HEARD

Chair Gonzalez started the Citizens to be Heard portion of the meeting. One citizen signed up to speak:

Dr. Meredith McGuire stated concern that 2018, 2019, and 2020 customer usage data was tainted due to COVID-19 and should not be used for the rate study. Dr. McGuire stated that the customer classes are dysfunctional, and the classes discourage heavy water users from conserving water because they do not pay a higher rate.

OPENING REMARKS AND INTRODUCTIONS

Chair Gonzalez reviewed the agenda for the meeting and welcomed two new committee members: Karen Burgard representing San Antonio City Council District 3 and Allyson McKay representing the San Antonio Apartment Association. Chair Gonzalez also reviewed the mission of the RAC, the committee decision-making process, and the full committee meeting schedule.

REVENUE REQUIREMENTS AND COST OF SERVICE OVERVIEW

Jennifer Ivey, Carollo Engineers Project Manager, provided an overview of the 2022 cost-of-service analysis approved by the SAWS Board on March 1, 2022. The cost-of-service analysis provides a qualitative and defensible basis for distributing the cost of the water and wastewater system to each customer class. Ms. Ivey presented the approved cost of service findings for 2022, which shows the amounts of rate revenue that should be recovered from each class.

Ms. Ivey explained, in detail, the full process of how the cost-of-service findings were calculated based on the SAWS 2022 budget. Ms. Ivey mentioned that the full report is available on the SAWS website. However, the goal for this committee meeting is to provide a high-level overview.

Ms. Ivey emphasized that there are no increases to the rate revenue for 2022; rather, that the rate study will be revenue neutral. This will be accomplished by modifying the rates of customer classes. The SAWS Board of Trustees has approved the cost-of-service analysis.

Ms. Ivey explained the methods to define revenue requirements, including cash basis and utility basis. Cash basis is most often used by government-owned utilities and recovers the total cash basis revenue requirements. Utility basis is often used by regulated, investor-owned utilities. The SAWS budget is determined using the cash-basis method. However, the utility basis is used for allocation purposes. Ms. Ivey explained the revenue requirements for SAWS for water supply (including recycled water), water delivery, and wastewater services.

Committee member asked Ms. Ivey about the transfer amount to the City of San Antonio which is noted of up to 5% gross revenues. Doug Evanson, Chief Financial Officer & Senior Vice President, responded that the current transfer amount is 4% of the gross revenues – which includes operating and interest income.

Chair Gonzalez mentioned that the RAC webpage on the SAWS website contains a technical memorandum that explains the cost-of-service analysis in detail, and she encouraged the committee members to review it.

Ms. Ivey explained in detail the methodology of water allocation. All operating and capital costs are allocated to functional categories and then to cost components. The functional allocation process helps to develop a rate structure that is fair and equitable for each customer class.

Committee member Joseph Yakubik noted that the recycled water functional category is identified separately from other functional categories. Ms. Ivey responded that the SAWS team decided to show it separately in order to simplify water allocations. Additionally, Mr. Yakubik asked Mr. Evanson whether a follow-up recycled water study was conducted in 2015 as recommended by the City's Public Utilities Office report to the City Council on the 2015 Rate Study. Mr. Evanson stated that there was not a follow-up study completed after the 2015 Rate Study was approved. The current Rate Study will provide the necessary follow-up analysis.

Committee member James Smyle asked why the 2022 projection of the capital recovery fee (\$100 million recovered) is less than the actual in 2020. Mr. Evanson responded that SAWS budgets in a conservative manner for all budget projections.

The water main graphic in the presentation illustrates average day, peak day, and peak hour capacity. Customers that contribute to peak demands should pay for the incremental costs of the extra capacity.

Ms. Burgard asked about the water percentage that San Antonians use in the peak hour of any given day. Ms. Ivey answered that they do not have the information at a customer level, but they do have the data for the whole system. Many utilities are installing automated meters – this would allow for that data to be collected and analyzed. This would also allow SAWS to consider a rate structure that charges the individual customer based on their usage and peaking - but until the detailed information is available, SAWS will continue to use customer classes as the basis.

Committee member Karen Burgard asked: do we know the number of individual households that use the max day and hour demands? Ms. Ivey responded that no, historically we do not have that information at the individual level because meters are read once a month. We can review these max days and hours as a system though and we can also estimate the max day and max hour by customer classes. Automated meters would be needed to know the usage by individual customers in real time.

Committee member Vaughn Caudill asked do we know what percentage of customers have a Flume? Ms. Bailey responded that yes, we do know the customers that have a Flume device if they received a rebate that SAWS offers. A Flume device is a flow monitor that is placed on a meter and provides water usage by minute to customers so they can track their water usage in real time.

Committee member Vaughn Caudill asked what does the term conservation mean and encompass? Ms. Bailey responded that we will defer that question to the pricing objectives discussion. We do have conservation expenses at SAWS associated with conservation efforts but those are focused on long-term, permanent reduction of water usage.

Committee Vice Chair, Patrick Garcia, asked Ms. Bailey about the revenue generated based on the meter size that went towards conservation. Is this still occurring? Ms. Bailey responded that a portion of the meter fee, a dedicated amount city ordinance, is partially funding conservation budget/initiatives.

Mark Panny, Carollo Engineers Senior Analyst, introduced himself. Mr. Panny explained the cost-of-service assumptions for the rate study along with a table showing the 2022 units by customer class. The data provides the maximum day and maximum hour per customer classes. The data shows that the Irrigation customer class has the highest peaking factors. Residential peaking is higher than the general class (the general class includes multi-family, commercial and industrial).

Committee member James Smyle asked for clarification on why the numbers in this presentation differ from the SAWS 2020 comprehensive financial report. Mr. Evanson responded that the 2020 and the 2022 figures are both based on budget as opposed to actuals. Ms. Bailey also noted that the customer growth has been 6.2% in residential, so it was not only the pandemic that shifted usage patterns to increase residential usage. 2020 was also a very dry year with limited rain which was the largest driver for increased usage. Mr. Smyle noted that the issue was that the difference between SAWS' estimate and actuals would result in ratepayers having to pay that difference. The \$100 million estimate is already 20% below the 2020 actual and the continued high rates of growth are likely to only increase that percentage, and thus the amount to be paid by the ratepayers.

Committee member Karen Burgard asked Committee member Joseph Yakubik about the significance of his noting the recycled water does not appear in the reallocation. Mr. Yakubik responded that recycled water has the largest portion of the reallocation of the customer classes.

Ms. Ivey explained the methodology of wastewater allocation, which is the same general process for allocating costs as water. Operating and capital costs are allocated to functional categories. For wastewater allocation, the process also includes treatment at the process level. The functionalized costs are allocated to cost components – looking at flow (volume) of wastewater being contributed to the system, as well as the strength of the wastewater. Finally, the costs are allocated to customer classes using the unit costs by cost component.

Committee member Patricia Wallace asked: How many residential homes fall in the residential class? Can we have a breakdown of the general class? Chair Gonzalez responded that SAWS staff will work to find an answer to the question. Mr. Evanson also noted that that information can be seen in the presentation on slide #45.

Committee member Steve Alaniz asked about residential costs being below budget and if that is due again to the conservative nature of budget estimates. Ms. Ivey responded that this is a revenue neutral study so the overall revenue collected will not be increased, but instead shifts may occur between customer classes.

Chair Gonzalez posed the question: How many accounts does SAWS have outside city limits? Mary Bailey answered that approximately 20% of SAWS customer accounts are outside city limits. SAWS staff noted that outside city limits customers are paying 1.3 times more for water delivery and 1.2 times more for wastewater.

Committee Vice Chair, Patrick Garcia, asked if there is a matrix built in to adjust year to year for outside city limit customers? Ms. Ivey responded that yes, the model does incorporate these adjustments and could be tested each year. Ms. Bailey added that we don't want to change this from year to year though for consistency. Because Carollo's analysis indicates the current rate differentials are reasonable, SAWS staff has recommended to the Board of Trustee to keep the differentials in place. This will continue to be reviewed during future rate studies.

Committee Vice Chair, Patrick Garcia, asked if there have been any qualification changes for low-income customers since COVID-19? Ms. Bailey responded that SAWS has not made any changes to the eligibility requirements for the affordability discount program. SAWS has offered many programs for all customers struggling to pay their SAWS bills as a result of the pandemic.

#### FINALIZE PRICING OBJECTIVES

Due to time constraints, the pricing objectives were not discussed and will be finalized at the next committee meeting on March 29. Chair Gonzalez recommended moving the finalization of pricing objectives to top of the

agenda for the next meeting. Chair Gonzalez requested all committee members send their rankings to staff to be compiled in advance of the next meeting.

#### NEXT STEPS

- Finalize pricing objectives.
- Introduction to rate design.
- Discuss preliminary rate design options for residential.

#### CLOSING COMMENTS

There were no closing comments by the committee members or SAWS staff members.

Chair Gonzalez noted that the virtual chat activity will be downloaded and sent to the committee members so all members can see the comments and asked that any questions be sent to SAWS staff in advance of the next meeting. Chair Gonzalez also requested that committee members that plan to attend in person should let the SAWS team know.

#### ADJOURNMENT

Chair Gonzalez adjourned the meeting at 8:00 p.m.

#### MEETING RECORDING

A recording of this meeting is located at [www.saws.org/rac](http://www.saws.org/rac)

#### NEXT MEETING

The next meeting of the RAC will be held on March 29, 2022, at 6:00 p.m. and will be a hybrid meeting offering attendance virtually and in person.