



SAWS RATE ADVISORY COMMITTEE MINUTES  
SAWS Headquarters, 2800 U.S. Hwy 281 North, San Antonio, Texas 78212  
and via WebEx Video Conference  
Tuesday, March 29, 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  
Alfred Montoya, District 5  
Ramiro Cabrera, District 6  
James Smyle, District 7  
Patricia Wallace, District 8  
Joseph Yakubik, District 9  
Vaughn Caudill, District 10  
Steve Alaniz, Hispanic Chamber  
Tamara Benavides, Hotel & Lodging Association  
Mike Chapline, Outside City Limits  
Jeff Harris, Recycled Customer  
Stephen Lara, Balcones Heights  
Allyson McKay, San Antonio Apartment Association  
Steve Richmond, San Antonio Restaurant Association  
Preston Woolfolk, Northside Chamber of Commerce

Committee Members Absent:

Genevieve Trinidad, District 4  
Cacie Madrid, San Antonio Chamber of Commerce

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  
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  
Gavino Ramos, Vice President of Communications & External Affairs

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 29, 2022, at 6:03 p.m.

#### PUBLIC COMMENTS

No public signed up for the public comment period.

#### STANDARD MEETING INFORMATION

Chairperson Gonzalez reviewed the minutes from the committee meeting on February 15, 2022, and the committee meeting on March 8, 2022. There were no comments or edits requested on the February 15, 2022, committee meeting. For the March 8, 2022, committee minutes there were two edits requested.

First, Committee Member Joseph Yakubik requested an addition to the minutes for his question to Mr. Doug Evanson (Chief Financial Officer & Senior Vice President) noting that the 2015 recycled water study has not been completed.

Second, Committee Member James Smyle noted a revision to his comments regarding the capital recovery fee projection. Mr. Smyle requested the following language: 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.

Chairperson Gonzalez reviewed the minutes from the committee meeting on March 29, 2022. There was one edit requested.

Committee Member Joseph Yakubik expressed his dissatisfaction with the response to provide the analysis and charts associated with Item #35 from the Requests and Responses Matrix. He indicated that while the frequency curves were presented, they were incomplete. He stated that the charts, as provided and as presented, did not capture the majority of the usage in the different classes. He would prefer to have the bill frequency data provided in a spreadsheet.

Chairperson Gonzalez acknowledged the addition to the minutes and requests the data be added into the matrix for the full committee's viewing.

Chairperson Gonzalez then stated that the chat comments from the March 8, 2022, committee meeting were provided to the full committee at the end of last meeting and asked for any comments or questions.

Committee Member Joseph Yakubik inquired about the 2022 estimations listed on the graph on Item 24. He asked whether those were budget estimates or averages. Ms. Bailey responded that they are the budget estimates.

Chairperson Gonzalez reviewed the upcoming committee meeting schedule noting that the next meeting on April 26, 2022, will be a hybrid format offering in person and virtual attendance. Ms. Bailey noted that they were at maximum capacity in the SAWS Meeting Room; therefore, they need to continue with the hybrid format to maintain social distancing protocol.

#### FINALIZE PRICING OBJECTIVES

Ms. Jennifer Ivey, Carollo Engineers Project Manager, started the presentation covering the rankings of the pricing objectives submitted by the RAC members since the last committee meeting.

The point of exercise was to identify the committee's priorities for the rate structure. This is important because an infinite number of rate structures can be developed so we need a way to evaluate their ability to address the RAC's objectives. It is also important to balance the pricing objectives which can sometimes be conflicting. For example, a rate structure that strongly incentivizes conservation can negatively impact revenue stability.

The RAC's rankings this year were similar to those rankings in 2020 with affordability still ranked number one. The same top four priorities remained with small changes to overall rankings when compared to 2019. Conservation was swapped with Minimization of Customer Impacts/Rate Stability.

Chairwoman Gonzalez asked if all committee members submitted rankings. Ms. Bailey responded that most committee members submitted, with three committee members not submitting priorities.

Committee Vice Chair Patrick Garcia asked a question about the City of San Antonio's definition of equity: what metric is used to measure eliminating racial disproportionality. Is there a difference between different races not being able to pay their bills?

Ms. Bailey responded that that was the City of San Antonio's definition of equity — for low-income customers it is not so much the water infrastructure (not that the city neglects infrastructure) but rather how the rates directly impact them. We can't solve all equity concerns through a water bill.

Vice Chair Garcia asked if there was a question pertaining to the physical equal access to water. Ms. Bailey noted that that was a yes good point, but that that was outside of the rate structure scope.

Committee Member Vaughn Caudill stated his discontent with the water usage outlined in his flume report. Ms. Bailey noted that the SAWS staff sent an email to Mr. Caudill about how SAWS staff measures water that flows through customers' meters. Customers can be billed for the same exact amount each month because the last two digits in a water meter are ignored. Therefore, there can be up to 2 CCF or 1,500 gallons of differential water usage as water is billed in CCF (one hundred cubic feet). So, while the amount used can vary each month, the billed amount may be the same for consistent users. However, this billing method tends to underbill rather than overbill customers.

Chairwoman Gonzalez noted to hold Caudill's question for after the meeting to discuss billing methods. Ms. Bailey noted that SAWS is converting to electronic meters which will measure in gallons and will be able to provide the exact usage on any given date.

Committee Member Christine Drennon asked about affordability and equity. How can affordability be prioritized and measured? Ms. Bailey noted that they will have a more details on an affordability framework in the next section of the presentation.

Committee Member Vaughn Caudill compared water usage with his neighbor and noted how the pricing was probably more financially burdensome on his neighbor. Ms. Bailey noted the need for electronic metering to really understand how each individual uses water. Also, older meters slow down and register less water usage.

Committee Member Karen Burgard made a statement on the rankings. She noted that it was good that the rankings were similar between 2020 and 2022 (priorities remained similar).

## AFFORDABILITY FRAMEWORK

Ms. Ivey presented an overview on affordability frameworks that included how to define and measure affordability. Affordability frameworks are very difficult to address with rate structures. It can be challenging to identify customers that truly need assistance with bill. Affordability is top of mind the past few years and increasingly important to utilities and customers.

Many different metrics can measure affordability including median household income, household burden indicator, living wage, ALICE index (asset limited, income constrained, and employed), federal poverty level, and hours at minimum wage.

- The Median Household Income (MHI) is the Income level at which 50% of the sample population have an Income below that level and 50% have an income above it; therefore, if affordability is defined as a percentage of the MHI, 50% of customers would fall below this mark and the utility bill would be considered unaffordable for them. This metric is becoming less popular, especially when applied to a large area and population with significant variability, and the industry is looking for better methods to define affordability.
- Household Burden Indicator (HBI) looks at the 20<sup>th</sup> percentile household income. Studies show that anything above a 7% HBI creates a burden to the customer.
- Living wage is an MIT calculation of living expense — based by region and household size. For the San Antonio - New Braunfels area, the living wage is \$19.30 per hour for a household with one wage earner. The living wage increases to \$30.61 when there are two wage earners in the same household.
- ALICE (Asset Limited, Income Constrained, and Employed) — this measures the income required for a family to cover basic expenses (e.g., housing, food, clothing, childcare). A family of four would need to earn \$64,512 as of 2018. In Bexar County, 52% of households earn below ALICE.
- Ms. Ivey continued with the presentation explaining that the Federal Poverty Level (FPL) is \$27,750 — a level at which 15% of Bexar County residents fall below. The SAWS Uplift program eligibility begins at 125% FPL, or \$34,688.
- Hours at minimum wage — The number of hours that must be worked at minimum wage (\$7.25) to pay the utility bill.

Chairwoman Gonzalez asked a clarifying question pertaining to the data point stating that 52% of households are below ALICE as it had been highlighted in the San Antonio news recently.

Mr. Vaughn asked how many of the 52% of households below ALICE were military families. Ms. Ivey did not know the answer.

Vice Chair Garcia asked if they were to say that 50% of families in Bexar County were below poverty level, what income would that be? the FPL is \$ 15% fall below that line Ms. Ivey explained that the percentage is determined by the federal government, which classifies families that make below \$27,750, 15% fall below FPL.

Vice Chair Garcia asked if the committee was okay with the 15% figure. Ms. Bailey explained that the information is provided by the federal government. Ms. Ivey mentioned the SAWS affordability program offers assistance to customers up to 125% of the FPL. Ms. Bailey added the need of committee input on the affordability framework.

Committee Member Tamara Benavides asked what percentage of customers are in the affordability program. Ms. Bailey noted that there were approximately 34,000 affordability customers and about 525,000 residential customers; therefore, the percentage would be about 6%.

Committee Member Karen Burgard asked about the possibility of outreach for the SAWS affordability program (seeing how there would be individuals that would qualified but have not applied). Ms. Bailey noted that there is currently a strong outreach program, but improvements can always be made. Although, there may be individuals that live in apartments; therefore, they are not directly paying a water bill, as a result, they cannot directly benefit from an affordability rate structure. However, this committee's focus is the rate structure, not public outreach.

Ms. Ivey continued the presentation explaining how to apply the various frameworks to a typical bill under the current rates to view the different results.

Committee Member James Smyle asked if the figures shown include the pass-through fees that show 100% of what customer needs to pay or does it only pertain to water and wastewater. Ms. Bailey noted that it includes all the SAWS water and sewer related fees, but it does not include stormwater fee because that fee is charged by the City of San Antonio.

Committee Member James Smyle noted that we need to have the customers' perspective in mind that customers need to pay the stormwater fee as a portion of their SAWS bill. Ms. Bailey reiterated that that SAWS cannot do anything about the stormwater fee, which is about \$5 per month.

Based on the affordability framework, Ms. Bailey asked the committee for any feedback on the affordability framework percentages and if not, they would continue showing all of the affordability metrics.

Committee Member Tamara Benavides, noted that although the minimum wage is \$7.25, the reality is that individuals need anywhere from \$10 - \$12 an hour to be able to meet their basic necessities. Therefore, that needs to be kept in mind as the RAC discusses the various affordability frameworks.

Committee Member Steve Alaniz noted that the SAWS Uplift program works to keep individuals' bills under 4% of income. Mr. Alaniz reiterated the need to consider the gap between 125% of FPL and ALICE. Ms. Bailey mentioned that they could perhaps figure out a way to highlight in more detail this gap.

Chairwoman Gonzalez asked if there was data pertaining to the people's income that fall between the FPL and ALICE. Ms. Bailey noted that they do not have income data on customers unless they are already in the SAWS affordability program. SAWS can estimate based on the income data from San Antonio overall and subtract it from the number of individuals in the affordability program.

Committee Member Tamara Benavides asked if the SAWS assistance program comes from SAWS or a federal program. Ms. Bailey noted that it was not a federal program, it is funded by SAWS and if we expand the program, the additional assistance will need to be picked up by our other ratepayers.

#### RESIDENTIAL — CURRENT

Doug Evanson, SAWS Chief Financial Officer & Senior Vice President, presented the SAWS existing rate structure and how it compares to other large cities in Texas (Houston, Dallas, Austin, and Fort Worth). The residential class is the largest rate class in terms of overall usage and revenues generated.

Mr. Evanson provided context of 2021 residential usage compared to 2020 during the COVID-19 pandemic. The residential usage is continuing to decline over the 5-year average. In 2015, SAWS determined that the 5-average residential water usage was 7,092 gallons. In 2017, the average reduced to 6,275 and further to 5,784 in 2021.

The current water rate structure contains eight volumetric blocks for residential customers. Approximately one-third of bills fell into block number one usage and therefore billed within the lowest tier. The next two tiers include approximately one-third of bills. And the final third is above 6,000 gallons usage, with about 3% of bills exceeding 20,000 gallons of usage.

Mr. Evanson compared the rate structure to Austin, Dallas, Fort Worth, and Houston noting that most water utilities in Texas have some form of fixed charge. Some utilities have a tiered fixed charge; for example, Austin has a four-tier fixed charge structure.

Chairwoman Gonzalez asked how long the tiered fixed charge has been in place in Austin. Mr. Evanson noted that it has been in place since their last rate study (first introduced in 2010).

The rate differential, dividing the highest tier rate by the lowest tier rate, is about 5 times for Austin, 6 times for Dallas, 2 times for Fort Worth, 13 times for Houston (Houston has low introductory tier, but once you go over 3,000 gallons, it jumps significantly), and 6.5 times for SAWS.

Existing residential water rate structure for SAWS includes:

- Lifeline rate of 2,992 gallons
- Small increments of about 1,500 gallons for first four tiers
- 8 tiers in total

The bill amounts shown starting on slide 23 are for inside city limits customers and include pass through fees (EAA and TCEQ).

Committee Member Joseph Yakubik asked if the slope referenced by Doug Evanson is what is known as a price signal. Mr. Evanson answered yes. Ms. Bailey added that the price signals jump gradually.

Mr. Evanson continued his presentation providing an overview of the moderate to high usage customers. Austin has a sizable price signal at 6,000 gallons and the highest at 15,000 gallons by significant amount. Houston is next highest. SAWS has the highest volumetric rate. The new Houston volumetric rate will be the highest, once it is implemented on April 1.

SAWS is competitive at low level usage compared with other utilities in Texas. For customers with high water usage, SAWS is the most expensive.

Committee Member James Smyle asked if the high-volume usage in the affordability program is due to leaky plumbing. Mr. Evanson answered that SAWS would not be able to determine this until they have the automated metering infrastructure and more regular reads across the system.

Committee Member Steve Alaniz inquired about affordability customers who were reaching block 8. Mr. Evanson mentioned that we would have historically disrupted service if an affordability customer reached block 8. We try to make contact through Karen Guz's Conservation group to help with leaking infrastructure. Ms. Bailey said that even though we reach out we may not get any response. She mentioned that most of the usage in block 8 are catastrophic leaks, which were prevalent during the pandemic. Since there were no service disruptions, a lot of customers weren't opening their bills and didn't see that they had a very high bill. As a result, SAWS has expanded its leak adjustment program to cover leaks up to 100% credit if they get those leaks fixed.

Committee Member Joseph Yakubik noted the absence of 2022 data. The 2022 budget should be included on slide 19. Mr. Evanson stated that there was an increase in residential connections. Ms. Bailey noted that they we can get that information for 2022 forecasts and the purpose of slide was to show actuals.

#### RESIDENTIAL — OPTION 1

Ms. Ivey reviewed residential rate design Option 1 that reflects changes to make the residential rate structure better able to achieve the pricing objectives. The objectives for the first option include:

- adjust to the 2022 cost of service for water and wastewater,
- reduce fixed charge,
- reduce the number of rate blocks, and
- increase usage within rate blocks.

Option 1 reduces the number of tiers – from eight to six. The rate structure will recover the residential cost of service with the assumed customer and usage units. 41% of users would be billed at the lowest rate. 15% of users would be billed at the second-tier rate. Option 1 provides breakpoints at thousand-gallon increments and adds 9% of users billed at tier 1. For wastewater, 16% of wastewater volume is included in the fixed charge under the current rate structure.

Ms. Bailey noted that the figures are not shown with pass through fees. Discounts are offered for customers that stay below 2,992 gallons usage, but not reflected in the presentation table.

Committee Member Joseph Yakubik asked if the team would explain how and why the changes were made? Why the wastewater fees increased for everyone with a one-inch meter? Can the committee be provided a traditional bill and usage analysis for 2022 budget with these points on it?

Ms. Ivey noted that SAWS can provide more information about the percentages. Ms. Ivey noted that there are two ways to look at fixed charges. The cost increases with larger meters due to the cost associated with the meter itself and the capacity of the meter.

Committee Member Joe Yakubik inquired why there would be a \$27 increase for a two-inch meter. Ms. Bailey noted that 85% of meters are 5/8-inch meters.

Chairwoman Gonzalez asked what the percentage change was between the existing \$12.82 fixed charge and the proposed \$9.50 fixed charge. Ms. Bailey answered 26% reduction in the fixed charge for water along with 31% reduction on sewer rate fixed charge.

Vice Chair Garcia asked for the percentage of customers that have 5/8-inch meters. Also, is there a meter that measures wastewater? Ms. Bailey answered the sewer system measures capacity based on the size of the customers' water meters. SAWS staff will find the percentage of customers that have 5/8-inch meter sizes and send the information to the committee.

Ms. Ivey explained the impact of Option 1 rate structure to bills noting that most customers will see a reduction in costs for low usage. At the 2,000-gallon mark, it will go up by 1%. For moderate to high usage - 12,500 gallons - Option 1 becomes higher than current rates. The highest volume users will pay more under Option 1. The wastewater bill comparison has a smoother slope. The affordability matrix notes all bills coming down, which reflects a positive change under all of the affordability metrics. The same is true for Uplift customers — all charges being reduced so the change positively impacts customers with a smaller percentage of monthly income.

Ms. Ivey explained how Option 1 measures up to the priorities of the committee. Option 1 checks the boxes of affordability, conservation, equity, simpler to understand, practical to implement. There is not an impact to rate stability, but any increased volume in the higher tiers creates more risk in the revenue. Ms. Bailey added that if San Antonio has a wet year, this would be a concern for revenue under the Option 1 rate structure.

Committee Member Vaughn Caudill noted that it is not simple to understand. Ms. Ivey concurred yes; the rate structure is still complex but less complicated than the current rate structure.

Committee Member Joseph Yakubik asked if the charts assume equal use and that SAWS is not doing away with winter average. Ms. Ivey confirmed.

Committee Member Tamara Benavides inquired about the 2022 budget forecast. How did the staff calculate the rates shown for each tier? Ms. Ivey responded that they used a model to test different configurations that still produce the 2022 cost of service forecast.

Committee Member Tamara Benavides noted that consistent customers will be penalized when they should be rewarded for conservation, especially those at 2,000 gallons. She requested an option that would keep the current tier one rate. Ms. Bailey mentioned that there are different configurations that can be calculated and considered. SAWS staff will bring one or two additional options back to the next meeting for the committee's consideration.

Committee Member Joseph Yakubik noted the committee could revise the cost of service if an increase to recycled water rates is recommended and approved by the Board of Trustees. Ms. Bailey agreed and noted that recycled water will be discussed at the next meeting.

Committee Member Christine Drennon explained that affordability should be addressed first. This would include determining who, where and how many larger meters are in the system. Ms. Bailey noted that they can map out the larger meters.

Committee Member Steve Alaniz noted that affordability is our number one priority. The committee can cross reference the geographical location of the larger meters and the city's data on household income.

The committee decided to reduce the number of tiers to six. Ms. Bailey noted Committee Member Mike Chapline requested an option with four tiers. Chairwoman Gonzalez asked that this option also be provided.

Chairwoman Gonzalez noted that she would like to see 150% of FPL shown on the Uplift bill impacts table. Ms. Bailey noted that they can show the average bill for 150% of FPL.

Vice Chair Garcia asked if they would jeopardize cost of service? Ms. Bailey answered that ultimately, no, but we will be risking revenue stability.

Ms. Bailey reiterated that the rates can be modified but overall, the cost of service still needs to be recovered. SAWS staff will develop other options for the rate structure before the next committee meeting.

#### NEXT STEPS

Ms. Bailey invited the committee members to the Rain to Drain Tour on April 23, 2022.

At the committee meeting on April 26, 2022, the committee will review additional residential class rate design options and preview preliminary rate design options for general class, irrigation, and recycled water customers.

#### CLOSING COMMENTS

There were no closing comments.

#### ADJOURNMENT

Chair adjourned the meeting at 8:20 p.m.

#### NEXT MEETING

The next committee meeting will be held on April 26, 2022.