



SAWS RATE ADVISORY COMMITTEE MINUTES
SAWS Headquarters, 2800 U.S. Hwy 281 North, San Antonio, Texas 78212
and via WebEx Video Conference
Tuesday, April 26, 2022
6:00 p.m. to 8:00 p.m.

ATTENDANCE

Committee Members Present:

Frances Gonzalez, Committee Chairperson
Patrick Garcia, Committee Vice Chairperson, San Antonio Manufacturers Association
Christine Drennon, District 1
Karen Burgard, District 3
Alfred Montoya, District 5
Ramiro Cabrera, District 6
Joseph Yakubik, District 9
Vaughn Caudill, District 10
Jeff Harris, Recycled Customer
Steve Richmond, San Antonio Restaurant Association
Mike Chapline, Outside City Limits
Steve Alaniz, Hispanic Chamber
Preston Woolfolk, Northside Chamber of Commerce
Cacie Madrid, San Antonio Chamber of Commerce
Tamara Benavides, Hotel & Lodging Association
Stephen Lara, Balcones Heights
Allyson McKay, San Antonio Apartment Association

Committee Members Absent:

Velma Willoughby-Kemp, District 2
Genevieve Trinidad, District 4
James Smyle, District 7
Patricia Wallace, District 8

San Antonio Water System Staff Present:

Robert Puente, President & CEO
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
Lou Lendman, Budget Manager
Keith Martin, Senior Corporate Counsel

Consultants Present:

Jennifer Ivey, Carollo Engineers, Project Manager
Bridget Hinze Weber, KGBTexas Communications, Public Affairs

CALL TO ORDER BY CHAIRPERSON

The meeting was called to order by Chairperson Frances Gonzalez on April 26, 2022, at 6:01 p.m.

CITIZENS TO BE HEARD

Chairperson Gonzalez started the Citizens to be Heard portion of the meeting. No citizens were signed up to speak.

OPENING REMARKS AND INTRODUCTIONS

Chairperson Gonzalez reviewed the mission of the RAC, the committee decision-making process, and the full committee meeting schedule.

Chairperson Gonzalez stated the next meeting on May 17, 2022, will be a hybrid meeting offering attendance virtually and in person.

STANDARD MEETING INFORMATION

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.

UNIFORM RATE STRUCTURE

Jennifer Ivey, Carollo Engineers Project Manager, started the presentation addressing a question from the previous meeting about a uniform rate structure.

The presentation slides compared existing vs. uniform rate structures with a 20% fixed charge and a 30% fixed charge. The existing fixed charge generates 29% of the water rate revenue. If we were to set a goal to recover 20% of the revenue from the fixed charges, the fixed charge would be \$10.99 per month for a 5/8" meter and the volumetric rate per 1,000 gallons would be \$5.767. If the RAC were to set a goal to recover 30% of the revenue from the fixed charges, the fixed charge would be \$16.07 per month for a 5/8" meter and the volumetric rate per 1,000 gallons would be \$5.061.

The impact on the different customer classes under either uniform water rate structure would result in an increase to the amount of revenue recovered from residential customers. This means that residential customers would pay more than the cost to provide service to those customers. The irrigation class has the opposite effect. Irrigation customers would pay less than their cost of service.

Vice Chairperson Patrick Garcia asked if he could determine his current volumetric rate on his SAWS water bill using the information on slide 11.

Mary Bailey, Vice President of Customer Experience & Strategic Initiatives, explained that water bills are billed in 100-gallon increments, so the decimal point would need to be moved over one. If you take the sum of the water delivery charge and the water supply fee charge you will get the block rate displayed in the existing volumetric rate structure on slide 11.

Vice Chairperson Garcia asked Ms. Ivey if the chart on slide 12 was for customers using more than 10,000 gallons.

Ms. Ivey explained that the chart on slide 12 represented the total revenue that would be recovered by each of the four classes, represented as a whole.

Committee Member Yakubik asked if the comparison of the revenue from a uniform rate to the cost of service is based on the raw cost of service or the beneficial reallocation cost.

Ms. Ivey explained the comparison was done after the beneficial reallocation.

Ms. Ivey presented a chart comparing the existing residential wastewater structure to a uniform structure with a 20% fixed charge and a 30% fixed charge. The existing fixed charge generates 34% of the wastewater rate revenue. If we were to set a goal to recover 20% of the revenue from the fixed charges, the fixed charge would be \$7.52 per month for a 5/8" meter and the volumetric rate per 1,000 gallons would be \$4.232. If we were to set a goal to recover 30% of the revenue from the fixed charges, the fixed charge would be \$11.00 per month for a 5/8" meter and the volumetric rate per 1,000 gallons would be \$3.703.

Ms. Ivey stated that the uniform rate structure analysis was presented in response to a request from Committee Member James Smyle. Chairperson Gonzalez stated that Committee Member Smyle provided an email prior to the meeting stating that the uniform rate analysis was not exactly what he was looking for, so she suggested moving forward to review the additional residential rate options.

RESIDENTIAL RATE OPTIONS

At the last RAC meeting, residential rate structure Option 1 was presented to the committee for consideration. Additional options will be presented for two groups: non-affordability customers and affordability (Uplift) customers. The cost of the affordability program will be determined by the approved rate structures developed for both non-affordability customers and affordability customers.

The pie chart on slide 25 shows that non-affordability customers use 36.0 billion gallons per year whereas affordability customers use 2.3 billion gallons per year. Affordability customers carry a small percentage, but the affordability program can still have a big impact on revenue, depending on which option is chosen.

The first set of options discussed are the non-affordability options. Option 1 was presented during the last RAC meeting and the following three options were based on the feedback received from RAC members. All three options (Options 2 through 4) include the same proposed wastewater rates in Option 1.

- Option 2 would further decrease the water fixed charge from \$9.50 mentioned in Option 1 to \$8.50. It would still have 6 water rate tiers, similar to Option 1. However, it would decrease rates even further in the lower tiers and result in higher rates in the higher tiers.
- Option 3 would have a 2-tiered water fixed charge. The current water fixed charge is \$10.25 per month and \$12.82 per month if monthly usage exceeds 2,992 gallons. Option 3 has a water fixed charge at \$10.00 per month and \$12.30 if your usage goes into Tier 2 (over 4,000 gallons). Like Option 2, it would have 6 water rate tiers and the Tier 1 rate would be tied to the existing Tier 1 rate.
- Option 4 would decrease the water fixed charge to \$9.00 and reduce the number of water rate tiers to 4. This option reduces the number of tiers and cost for low and moderate users.

Ms. Ivey compared the four residential water options, and the water bill impacts for low/moderate users. Low/moderate usage was defined as customers who use up to 10,000 gallons per month.

Ms. Ivey explained that the second column of the Water Bill Impact table on slide 30, labeled “Percent of Bills” is the cumulative percentage of total residential bills that correspond with the usage for that row. For example, 51.5% percent of bills are for 5,000 gallons or less.

Committee Member Christine Drennon asked why the Water Bill Impact chart only showed numbers up to 85.5%.

Ms. Ivey answered because the remaining 15% of residential water bills are over 10,000 gallons.

Option 2 provides bill reductions for the largest number of low/moderate bills, 83% of these users would see a bill reduction.

Doug Evanson, Chief Financial Officer & Senior Vice President, further explained the Water Bill Impact table by saying that while Options 3 and 4 provide a larger bill reduction to customers at 9,000 and 10,000 gallons, Option 2 provides the largest bill reductions to 76% of customers.

Vice Chairperson Garcia asked if the RAC will need to make a decision or recommendation related to the options presented on slide 30.

Ms. Ivey responded yes. She said that the RAC should be prepared to answer questions to help select a rate structure, whether it be one of the four options presented or request an additional option to be developed.

Committee Member Preston Woolfolk inquired about why some graphs showed data up to 24,000 gallons (on slide 28) and why the water bill impact graphs only went up to 10,000 gallons.

Ms. Ivey answered that that the water bill impact table only goes up to 10,000 gallons so it is easier to read. She explained that there are other tables later in the presentation that show higher usage above 10,000 gallons.

Committee Member Woolfolk asked to confirm that the bulk of our residential customers use less than 10,000 gallons per month.

Ms. Bailey responded that yes, 85.5% of residential customer bills are below 10,000 gallons.

Committee Member Woolfolk asked for the distribution of the usage.

Ms. Ivey stated that the cumulative percent of usage against the usage amount is available and was sent out prior to the meeting in response to Item #35 in the Requests and Responses. Additional details will be provided.

Ms. Ivey described the water bill comparison line graphs representing low/moderate usage on slide 31. For the zero to 10,000-gallon range, all four options would result in a reduced bill for almost all customers. The orange dotted line represented the cumulative percent of bills at each incremental usage level, plotted using the right-hand axis.

For slide 32, Ms. Ivey explained that 96.9% of bills are for 20,000 gallons or less of usage. Under all 4 options, customers that use more than 13,000 gallons per month will see an increase in their bills. Slide 33 provided a chart for high water usage from 11,000 to 20,000 gallons. Ms. Bailey provided backup slide 78 (shown below), showing the water bill impact for very high usage.

RESIDENTIAL

WATER BILL IMPACT – Very High Use

Kgal	Existing	Total Water Bill				% Change from Existing			
		Option 1	Option 2	Option 3	Option 4	Option 1	Option 2	Option 3	Option 4
20	\$ 164.65	\$ 174.72	\$ 187.65	\$ 178.44	\$ 168.46	6%	14%	8%	2%
25	\$ 240.94	\$ 253.77	\$ 275.37	\$ 258.60	\$ 249.01	5%	14%	7%	3%
30	\$ 318.16	\$ 332.82	\$ 363.08	\$ 338.76	\$ 329.57	5%	14%	6%	4%
35	\$ 395.38	\$ 411.88	\$ 450.79	\$ 418.92	\$ 410.13	4%	14%	6%	4%
40	\$ 472.59	\$ 490.93	\$ 538.50	\$ 499.09	\$ 490.69	4%	14%	6%	4%
45	\$ 549.81	\$ 569.98	\$ 626.22	\$ 579.25	\$ 571.24	4%	14%	5%	4%
50	\$ 627.03	\$ 649.03	\$ 713.93	\$ 659.41	\$ 651.80	4%	14%	5%	4%
55	\$ 704.25	\$ 728.09	\$ 801.64	\$ 739.57	\$ 732.36	3%	14%	5%	4%
60	\$ 781.46	\$ 807.14	\$ 889.35	\$ 819.74	\$ 812.92	3%	14%	5%	4%
65	\$ 858.68	\$ 886.19	\$ 977.07	\$ 899.90	\$ 893.47	3%	14%	5%	4%



Committee Member Christine Drennon mentioned that the percentage of bills in the high usage blocks are a place to look for revenue.

Mr. Evanson affirmed that observation and said SAWS currently receives a good amount of revenue from the higher blocks. He also said that the highest volumetric rate starts at 20,200 gallons, which is very similar to the other major cities in Texas.

SAWS volumetric rate is higher than all of the major cities in Texas, except for Houston. On April 1, 2022, Houston had a rate adjustment that increased its highest tier about \$0.20 per 1,000 gallons above SAWS' highest tier.

Committee Member Alfred Montoya asked if the rate is the same for the 20,000th gallon and the 65,000th gallon.

Mr. Evanson said no, that for up to 20,200 gallons customers there are different prices based on the eight current tiers. Once a customer exceeds 20,200 gallons, they pay \$15.45 per 1,000 gallons. In SAWS current rate structure, there are no tiers beyond 20,199 gallons.

Ms. Bailey added that SAWS currently makes around 12% of revenue from 3% of bills that are over 20,200 gallons. She explained that later in the presentation they will show the four proposed options and the revenue that they will generate.

Committee Member Woolfolk asked if CPS Energy is one of those customers who reach over 20,000 gallons a month.

Ms. Bailey said that these options are focused on residential rates and explained there is a separate rate structure for the general class.

Committee Member Woolfolk then asked what type of residential customer uses that much water.

Ms. Bailey replied that these bills are usually for houses with large lots with landscaping or customers with catastrophic leaks.

Committee Member Karen Burgard wanted confirmation that 85% of all bills fall into the tier of 10,000 gallons or less.

Ms. Bailey said that was correct.

Committee Member Burgard then asked if the next tier from 85% to 96% of bills account for the usage between 11,000 and 20,000 gallons.

Ms. Bailey said that was correct.

Mr. Evanson noted that customers who use 50,000 gallons are already seeing \$627 water bills. Even though this usage has proven to be somewhat inelastic, SAWS discourages high water usage since new water supplies are hard to find. However, if these high-water users were to stop using large amounts of water, SAWS would need to increase rates for all customers.

Committee Member Woolfolk stated that 11,000 gallons to an infinite amount of usage accounts for 13% of all residential bills. Then he asked if SAWS has the respective percentage of revenue.

Ms. Bailey said yes, later in the presentation there are slides with the percentage of usage versus percentage of revenue.

Ms. Ivey continued the presentation stating that when the members compare the combined water and wastewater bills on slide 34, the low-volume customers will see bill decreases for all four options. She reminded the members that in RAC Meeting #3 the wastewater rates would see a decrease based on the cost of service analysis.

Ms. Bailey explained that the combined bill impacts on slide 34 assume that water and wastewater usage are equal, which may not be the case since wastewater is based on each customer's individual average winter consumption. On slide 35, for the combined bill impacts with water usage above 10,000 gallons, we assumed the sewer usage was capped at 10,000 gallons.

Ms. Ivey explained how the combined bill for the four options performed when evaluated under the affordability matrix, which includes the federal poverty level, 150% of the federal poverty level, median household income and Asset Limited, Income Constrained, Employed (ALICE) index. All affordability metrics were below 2%, except for the 100% Federal Poverty Level, which was around 2.5%.

Ms. Ivey reviewed the water revenue stability of the four options comparisons on slide 39.

Vice Chairperson Garcia asked if this chart covered the fixed charge.

Ms. Ivey stated that the first column showed the fixed revenue as a percentage of total residential revenue.

Mr. Evanson explained the projected revenue stability of the different options. He furthered explained that impact fees can only be used to offset growth related capital costs and cannot be used for O&M.

Committee Member Drennon asked if SAWS can budget for more than one year to take into account the variability in weather and usage patterns.

Ms. Bailey responded that SAWS budgets for what is considered normal weather patterns – not projecting for a wet or dry year. During rain events, there is a dramatic drop in usage by customers – which is good, but it reduces revenues. Customers are sensitive to weather, specific to large amounts of rainfall. In a wet year, revenues will decrease more than the reduction in usage.

Committee Member Drennon asked what happens to the revenues when it is extremely dry. She asked if there are excess revenues.

Ms. Bailey responded yes, but it is riskier for our revenue stream to assume that it will balance. The more risk we add into our revenue stream, things such as climate change and severe weather patterns would adversely impact SAWS. In addition, if we add too much risk into our revenue stream, it may impact our debt coverage, which may result in a credit downgrade from the rating agencies.

Committee Member Burgard asked if the normal assumptions have changed in last 5 years.

Mr. Evanson answered that normal hasn't changed but SAWS assumes that customers will continue to conserve and decrease their usage year over year (0.7%-0.8%), which is offset by customer growth (1.5%-2.0%).

Committee Member Woolfolk asked if SAWS changes its cost of service when it is a wet year.

Mr. Evanson explained that most of the costs are largely fixed, with the exception of utilities, which may fluctuate based on how much water is being pumped and moved. On the opposite side, SAWS has one water supply contract whereby we pay more when it is raining since they can supply us more water. The company is susceptible to drought, in dry years, they can't provide us much water due to aquifer limitations. So, when we need it, it's not there and when we don't need it, they can supply us up to the maximum contractual amount.

Vice Chairperson Garcia asked which water supply contract was being referenced.

Mr. Evanson and Mr. Robert Puente, President & CEO, answered that it was the contract with the Water Exploration Company.

Ms. Ivey explained that staff evaluated all four options against the RAC's pricing objectives (by ranking order with affordability ranked highest) on slide 41. Ms. Ivey asked for feedback from the committee on the four options.

Committee Member Alaniz noted he preferred Option 4 because under Option 2 SAWS would charge the high users more, but Option 2 would be riskier for revenue. He preferred Option 4 because it doesn't sacrifice SAWS' revenue stability as much during wet years.

Committee Member Burgard noted that she prefers Option 2 because there are cost savings for low use customers, with 83% of bills would see a reduction in their bills.

Committee Member Drennon prefers Option 2 but would like to understand usage. She requested to see the usage by customer tier, by year, by month. Ms. Velasquez noted that this data was provided by tier, by year - but not by month. SAWS staff will provide this data by month.

Committee Member Montoya preferred Option 2 but stated that it is not aggressive enough to reduce bills for lower tiers. He would like to see more aggressive pricing for the higher tiers, especially during drought stages 1 and 2. He explained that the higher tiers are for discretionary use and the pricing should be more aggressive. Based on the price inelasticity from the higher tier data, he is not concerned about revenue stability under this option.

Committee Member Woolfolk agreed with Committee Member Alaniz. He stated that it is not a wise decision to lower the fixed revenue allocation by 9% - that is drastic for revenue stability. Option 3 is the much better option; it seems to be more of a middle ground between Option 2 and Option 4. Option 3 still reduces the costs for lower tiers. However, the downside of Option 3 is that it is not as simple to understand, with the two-tier fixed charge and six tiers. He would suggest having four tiers to make it simpler. He noted that most customers do not know about the tiered structure.

Vice Chairperson Garcia asked if SAWS calculated the revenue impact under each option.

Ms. Bailey answered yes, SAWS would receive the same revenue under every option since we are basing the revenues on the cost of service.

Vice Chairperson Garcia asked which option would bring the best revenue stability.

Ms. Bailey answered the existing rate structure because it has the highest fixed charge percentage.

Committee Member Tamara Benavides preferred Option 2 because it would have the largest impact on lowering bills and promoting conservation for higher users. Also, fewer tiers would make the rate structure simpler to understand. She asked if SAWS takes into account new customers in its 2022 budget projections, specifically the large multi-family units being built.

Mr. Evanson answered yes, SAWS projects a certain amount of growth when budgeting but currently customer growth is exceeding projections. In 2021, the budgeted growth was approximately 1.0%, but actual growth was around 2.8%.

Committee Member Harris preferred Option 2 for the same reasons previously described.

Committee Member Caudill preferred Option 2.

Committee Member Madrid preferred Option 2.

Committee Member Yakubik preferred Option 2 of the presented options. However, he has concerns on the way the information was presented. He also takes exception with how growth is built into the budget, but impact fees have not been increased in the budget for three years. If SAWS is planning on increased development, then he would have predicted that the budget that was used to calculate the cost of service would have demonstrated that growth. He is not satisfied with how that information is being presented.

Committee Member Richmond would be good with the committee's consensus.

Chairperson Gonzalez stated that she agreed with the committee on reducing bills for low-volume users but is cognizant of the impact to higher users and the impact on SAWS' revenue. She noted that she liked the simplicity of Option 4 and asked if it was possible to create a fifth option – which would be a blend of Option 2 and Option 4 - with a lower fixed charge and fewer tiers.

Ms. Bailey responded yes, an alternative Option 5 could be modeled after Option 4 with four tiers and Option 3 with two-tiered fixed charge and higher bills for high usage similar to Option 2. Staff will present Option 5 at the next committee meeting.

Committee Member Yakubik noted that we are not at a final cost of service so we don't necessarily know the revenue because we haven't addressed the reallocation of recycled water, which is approximately \$3.9 million in costs that could be removed from the residential class cost of service. That would affect how this structure gets allocated and might mitigate some of the revenue stability concerns because the revenue could come from a stable recycled water class base, which is currently heavily subsidized. That is the crux of the comments in chat.

Ms. Bailey agreed. If you make decisions about recycled water, it could lower the residential cost of service. On the other hand, once decisions are made regarding affordability, it may increase the residential cost of service. Overall, the committee needs to settle on a residential rate structure, then we will incorporate the changes made as a result of the affordability and recycled water decisions.

Vice Chairperson Garcia noted that it is a layered process.

Chairperson Gonzalez asked whether the full committee agreed with requesting the SAWS staff to present Option 5 at the next committee meeting – a blend of Option 2 and Option 4 rate structures.

Committee Member Drennon didn't understand the push for fewer tiers, she said it reminded her of a flat tax, a regressive structure.

Committee Member Burgard explained that the tiers were not her focal point. She was looking at which option would give the most customers the biggest relief.

Committee Member McKay was supportive of an Option 5.

Committee Member Ramiro Cabrera stated he is in favor of developing Option 5.

The full committee agreed.

Ms. Bailey stated that staff will present Option 5 compared to Option 2 at the next committee meeting.

AFFORDABILITY RATE OPTIONS

Ms. Ivey continued the presentation with the affordability discount program, which provides a fixed discount amount based on their percentage of the federal poverty level up to 125% and based on the services that are provided: water only, sewer only, or water and sewer.

Similar to Option 1 presented at the last meeting, SAWS staff has developed an initial Option A for the committee's consideration and feedback. This alternative affordability rate structure provides:

- Reduced fixed charge
- Reduce number of rate blocks
- Increase usage within rate blocks
- Reduced rates

Slide 47 of the presentation reviewed Option A against the current charges and Option 1.

- The fixed charge for qualified customers, regardless of meter size, would be \$3.00 before adding in any usage amount.
- Option A is a three-tier structure. The Tier 1 rate is \$2.40 for usage up to 10,000 gallons, which includes 92% of current Uplift program bills.
- Tier 2 rate is \$4.80 for usage between 10,000 and 20,000 gallons, which accounts for 7% of current Uplift program bills.
- Tier 3 rate is \$7.20 for usage above 20,000 gallons, which accounts for only 2% of current Uplift program bills.

A separate affordability rate structure would decrease most qualifying customers' bills by at least 50%.

Ms. Ivey mentioned the only concern is that users at 50% of the Federal Poverty Level would see a bill increase for usage up to 3,000 gallons since the current affordability discount covers their bill, aside from the pass-through fees.

The existing Uplift affordability water and wastewater program costs about \$8 million. The projected cost of Option A is approximately \$17.8 million.

- The current program is already factored into the budget.
- Need to determine how to recover the incremental cost for Option A.
 - Additional cost would be allocated to customers not enrolled in the program. If this is the case, the bill amounts for the four options reviewed earlier in the meeting will be higher than discussed. The cost could be assessed as a new volumetric charge for both water and wastewater.

Chairperson Gonzalez stated since SAWS staff presented Option A then she assumes executive leadership has viewed this option. Chairperson Gonzalez asked if any other major cities in Texas have a separate affordability rate structure.

Ms. Bailey replied yes, Austin has implemented a similar customer assistance program, with a separate volumetric charge per \$1,000 gallons that covers the cost of the affordability program.

Mr. Evanson replied that Austin's program is called the Community Benefit Charge and they charge \$0.15 per 1,000 gallons of water and \$0.15 per 1,000 gallons of wastewater.

Chairperson Gonzalez posed a question for Gavino Ramos, SAWS Vice President of Communications & External Affairs. Would SAWS see an impact and opportunity to get more people involved in this program or would it be an automatic enrollment?

Ms. Bailey answered that it would not be automatic, customers would still have to qualify.

Mr. Ramos said that SAWS currently has over 34,000 families in the affordability discount program but are still aggressively recruiting more to join. He mentioned there will always be a stigma of an affordability program, however with Option A, he sees an opportunity for more families to join.

Mr. Montoya asked if the cost shown for Option A is at the current participation level of the affordability discount program, or does it include expanding the number of people.

Ms. Bailey replied that yes, it assumes the current participation level of the program, but they hope to see more people apply for the program.

Mr. Evanson added that SAWS will figure out a way to cover the cost if participation increases and exceeds the budget.

Chairperson Gonzalez referred to the third column on slide 50 that shows the total possible volumetric charge and asked if the \$0.29 would be charged to all residents for every 1,000 gallons used.

Ms. Bailey answered yes, every customer except for the ones in the affordability program.

Committee Member Burgard asked if the new Option 5 to be presented at the next committee meeting can also include the numbers from Option A.

Ms. Bailey answered yes, SAWS staff will provide that information, but also clarified that's just one example on how to cover the cost, it could be done other ways.

Vice Chairperson Garcia asked if his example of incorporating Option A rates into a hypothetical rate for a residential customer not in the affordability program were correct. Mr. Evanson responded yes.

Committee Member Woolfolk asked why Option A in the affordability rate structure would support usage over 20,000 gallons for people in the affordability program.

Mr. Ramos responded this likely represents leaks or large families. Ms. Bailey added that we could offer just one tier, but the reality is that it would not get a customer's attention if a leak is present.

Vice Chairperson Garcia asked if there is a leak forgiveness program.

Ms. Bailey responded yes there are options to assist, but it will not adjust the entire bill.

Committee Member Alaniz stated that Option A seems like a flat rate discount designed to attract individuals that are at 75% FPL or higher and not so many individuals at 50% FPL.

Ms. Ivey explained that slide 49 is based on a customer using 5,000 gallons a month. Slide 48 shows the impact of each FPL at usages from 0 to 10,000 gallons and at 10,000 gallons, a customer would see a significant bill reduction.

Committee Member Yakubik asked within the budget if there is a line for unrecoverable costs or unpaid bills.

Ms. Bailey replied yes, this year's budget accounted for 1% of bad debt.

Committee Member Yakubik asked does bad debt overlap the affordability discount program. If bad debt is similar to the cost of the proposed program and those costs are associated with the Uplift program, would it be a wash?

Ms. Bailey answered the premise of going to Option A is to decrease the amount of people who are needing to be disconnected. She explained that most of our write-offs are not associated with the affordability program, so it is not a wash.

Ms. Ivey would like feedback on the affordability residential rates.

- Continue with the current bill discount program?
 - Are current bill discounts sufficient?
- Implement a separate rate structure?
 - How much should program cost?
- How should program costs be recovered?

Committee Member Woolfolk liked this Option A and the fact that it can significantly reduce bills for people who are in most need. He is concerned with Option 2 because it only reduced the bill about \$2 a month for the essential water use customers. Option A reduces the bill for those customers by almost half. He wants to determine what our goal is for the committee. Or are we trying to save 60% of our customers \$2 a month or significantly help our affordability customers by saving \$25 a month.

Committee Member Alaniz liked Option A but would like to see if there can be a fix for the concern that Ms. Ivey brought up, for low volume customers at 50% of the Federal Poverty Level who are using 3,000 gallons per month or less. They are seeing a slight increase in their bill rather than a decrease like customers who use more than 3,000 gallons per month.

Ms. Bailey mentioned that there might be an opportunity to add a discount in addition to the reduced rates for those folks. Staff will research what percentage of people fall into this category.

Committee Member Caudill mentioned a personal experience where he encountered a lady buying baby formula at a Walmart. He got the impression that this was all she could afford. When he offered to buy her more, she was beyond grateful. He stated that reducing the bill as seen in Option A, could really benefit families like hers who need that money to purchase necessities, like baby formula for \$23.65.

Chairperson Gonzalez concluded that Mr. Caudill's message was a great way to close the meeting. Ms. Bailey mentioned that General Class Rates, agenda item #3, was not discussed and will need to be covered at the next committee meeting. Chairperson Gonzalez recommended extending the next meeting to 2.5 hours.

The committee agreed to meet for 2.5 hours at the May 17 meeting.

NEXT STEPS

- General Class, Irrigation Class, and Recycled Water Rates
- Follow-up on Residential rate options (non-affordability and affordability)

CLOSING COMMENTS

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

ADJOURNMENT

Chairperson Gonzalez adjourned the meeting at 8:16 p.m.

NEXT MEETING

The next meeting of the RAC will be held on May 17, 2022, at 6:00 p.m. and will be a hybrid meeting offering attendance virtually and in person.