



SAWS RATE ADVISORY COMMITTEE MINUTES
SAWS Headquarters, 2800 U.S. Hwy 281 North, San Antonio, Texas 78212
Via WebEx Video Conference
Tuesday, June 7, 2022
6:00 p.m. to 8:30 p.m.

Committee Members Present:

Frances Gonzalez – Committee Chairperson
Christine Drennon, District 1
Karen Burgard, District 3
Alfred Montoya, District 5
Ramiro Cabrera, District 6
James Smyle, District 7
Patricia Wallace, District 8
Vaughn Caudill, District 10
Steve Alaniz, Hispanic Chamber
Jeff Harris, Recycled Customer
Cacie Madrid, San Antonio Chamber of Commerce
Steve Richmond, San Antonio Restaurant Association
Tamara Benavides, Hotel & Lodging Association
Allyson McKay, San Antonio Apartment Association
Stephen Lara, Balcones Heights

Committee Members Absent:

Patrick Garcia, Committee Vice Chairperson, San Antonio Manufacturers Association
Velma Willoughby-Kemp, District 2
Genevieve Trinidad, District 4
Joseph Yakubik, District 9
Mike Chapline, Outside City Limits
Preston Woolfolk, Northside 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
Nancy Belinsky, Vice President of Legal & General Counsel
Lisa Mireles, Board of Trustees Senior Executive Management Analyst
Cecilia Velasquez, Senior Director of Financial Services/Controller
Gavino Ramos, Vice President of Communications & External Affairs
Jaime Castillo, Chief Strategy Officer/ Chief of Staff
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
Elissa Garza, KGBTexas Communications, Public Affairs

CALL TO ORDER BY CHAIRPERSON

The meeting was called to order by Chairperson Frances Gonzalez on June 7, 2022, at 6:07 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 that the next meeting on June 28, 2022, will be a hybrid format offering in person and virtual attendance.

STANDARD MEETING INFORMATION

Chairperson Gonzalez reviewed the minutes from the committee meeting on May 17, 2022. There were no edits to the meeting minutes.

RESIDENTIAL WATER RATE DESIGN

Jennifer Ivey, Carollo Engineers Project Manager, began the presentation and continued the discussion on residential rate design. For water, an additional option, Option 5, has been added as a hybrid of Options 2 and 4.

Options 1 and 3 were removed at the request of the Committee Members. Option 2 includes a one-tier fixed charge of \$8.50 for a 5/8-inch meter with higher fixed charges for larger meters and 6 volumetric rate tiers. Option 4 also includes a one-tier fixed charge of \$9.00 for a 5/8-inch meter with higher fixed charges for larger meters, but the volumetric rate structure includes only 4 tiers. Option 5 includes a two-tier fixed charge of \$9.00 for a 5/8-inch meter if usage remains in the first volumetric tier and \$11.00 once usage exceeds that amount. Larger meters have a similar structure but with higher fixed charges. The volumetric rate structure includes 5 tiers.

- Option 2 offers the lowest Tier 1 rate at \$2.530 compared to \$2.767 and \$2.591 for Options 4 and 5, respectively.
- Option 2 charges a higher rate for usage in excess of 10,000 gallons than Option 4.

All options result in reduced bills for monthly usage of 9,000 gallons or less, which includes 83% of residential bills. The water bill for high users, or customers using more than 12,000 gallons, will increase with all options. 96.9% of residential bills include 20,000 gallons of usage or less.

For very high users, or customers using over 20,000 gallons, the water bill increases the most with Option 2 at 14%, compared to about a 4% increase with Option 4 and about a 7% increase with Option 5.

Inclining block rate structures are commonly used to encourage conservation, but they can become unsustainable when the objective is to consistently achieve reduced bills or minimal increases for low-volume users and high increases for high-volume users.

- Low tiers typically have higher sales volume.
- Rate increases in high tiers must outpace rate increases in low tiers to generate sufficient revenue, resulting in larger differential between the highest and lowest tier rates.
 - Current rate structure – 6.5x differential between the highest and lowest tier rates
 - Option 2 – 6.8x differential
 - Option 4 – 5.7x differential
 - Option 5 – 6.25x differential

Committee Member James Smyle explained that if 50% of the volume of water is being consumed by the top 20% of bills, why does the rate structure show signs of unsustainability? Mr. Smyle was referring to data that was previously provided to the RAC.

Ms. Ivey explained that there was an error in one set of numbers that was sent out to the committee, which was subsequently corrected in later versions of the Requests and Responses Matrix. Ms. Ivey explained that she would review the data and follow up with an explanation of the data.

Ms. Ivey continued the presentation to graphically explain how an inclining block rate structure may become unsustainable in the future.

The presentation compared Option 2's rates for 2022 and projected 2025 rates using the Option 2 rate structure and maintaining the proposed Option 2 tier differentials. The analysis assumes residential cost of service increases by 3% per year and residential customers are conserving water and reducing consumption in each tier by 1% per year. The analysis showed an increase in the highest tier rate from \$17.204 to \$19.531. These rates are for inside city limits customers; outside city limits customers will pay even more due to the differential. Low-volume customers will see a 2.5% increase, and high-volume customers will see a 4.0 to 4.5% increase.

If the objective is to maintain bill increases that are at or below annual inflation (3% for this analysis) for low-volume users and higher than annual inflation for high-volume users, the tier differentials must be adjusted. Slide 25 presents the results for a modified Option 2 rate structure in 2025, which results in a 7.5% increase for customers that use more than 20,000 gallons in a month. In order to achieve this result, the rate differential between the highest and lowest tiers increases from 6.8x to 7.5x. Ms. Ivey stated that it is very difficult to sustain an inclining block rate structure that generates sufficient revenue with minimal impact to low-volume customer bills and high bill increases for high-volume customers.

RESIDENTIAL WASTEWATER RATE DESIGN

Ms. Ivey reminded the committee about residential wastewater Option 1, which was presented at a previous RAC meeting. Option 1 reduces the fixed charge to \$10.00 for a 5/8-inch water meter with higher fixed charges for larger water meters and includes two volumetric tiers, rather than the current three-tier structure. Currently, there is no charge for Tier 1 wastewater volume, but all wastewater volume would be billed under the proposed Option 1 rate structure. Option 1 will result in reduced bills for all residential wastewater customers. It is important to note that this is largely due to the decreased wastewater cost of service for the residential customer class.

Committee Member Smyle asked if there will be a uniform fixed rate reduction for all meter sizes? Ms. Ivey explained that supplemental information regarding the development of the fixed charge was provided to the RAC, which would be helpful in answering his questions. She then answered that the percentage reduction to the fixed charge will not be the same for all meter sizes because the fixed charge has two components: one component is the same for all meter sizes and the second varies by meter size.

The bill impact for water and wastewater combined showed that all options (Water Options 2, 4, and 5 combined with Wastewater Option 1) will result in reduced bills for customers that use less than 10,000 gallons per month. For higher water usage, all options presented result in increased bills for usage in excess of 14,000 gallons per month, with Option 2 as the highest.

Ms. Ivey continued the residential presentation to discuss the affordability metrics. All three options result in lower bills and a reduced burden to low-income families than the existing rates, with Option 2 providing the largest discount. This comparison assumes the customers are not eligible for the existing Uplift program and would pay the full bill amount, and it assumes 5,062 gallons of usage for both water and wastewater, which is the average winter consumption for residential customers.

On Slide 33, there is an overview of the options presented for residential water and wastewater and how they address the final pricing objectives.

- Option 2 meets the pricing objectives of: Affordability, Conservation, Equity, Simple to Understand, and Practical to Implement
- Option 4 meets all the pricing objectives except Revenue Stability.
- Option 5 meets the pricing objectives of: Affordability, Conservation, Equity, Simple to Understand, and Practical to Implement

Committee Member Smyle asked how the pricing objectives are assessed, is it relative or are there absolute data points that lead you to this assessment? Ms. Ivey responded that there is no threshold or absolute datapoints to assess, but the presented options were compared to the existing rate structure and evaluated to determine if the changes are significant enough to either achieve the pricing objective or not.

Committee Member Smyle asked why none of the options had either a check or 'X' under drought management? If we are increasing rates for the highest users and the weather is dry, would there not be a reduction? Ms. Bailey responded that drought management will be covered later with Other Rate Issues. She further explained that drought management and conservation are two different things, conservation is long-term change in behavior and drought management results in immediate change. The tiered rate structure alone does not result in a sudden reduction in usage when experiencing drought.

Committee Member Christine Drennon commented that the discussion moved from data to behavior and does not feel there is sufficient behavioral data. Ms. Bailey replied that the rainfall data for 2021 was shown to the committee two meetings ago. When that rainfall data was aligned with consumption data, it showed a reduction in consumption in excess of 7,000 gallons per month.

Committee Member Drennon clarified that she is not referring to rainfall but rates. Ms. Bailey responded that revenue stability correlates to rainfall. Ms. Ivey clarified that behavior is not assumed; it is understood that there will likely be more conservation in the higher tiers, but it is not modeled that way. The rate structure and options were modeled with the conservative assumption that conservation occurs uniformly at all usage levels.

Committee Member Karen Burgard asked what causes the rate instability? Ms. Ivey responded that when you are trying to balance revenue and you have more water usage in the lower tiers than in the higher tiers, for every penny increase in the lower tiers, a significantly higher increase is required in the higher tiers.

Committee Member Alfred Montoya commented that there should be a clear distinction between the value of the penny between the low tiers and the higher tiers. He then mentioned that risk is evaluated throughout the rate structure and that there should not be actual fear around the options that result in lower impacts for the low-volume users and higher increases for the high-volume customers.

Ms. Bailey responded that it is not the short-term risk, but the long-term impact that they are evaluating. Currently, if a hypothetical rate increase was applied it would uniformly apply to all the tiers, the options proposed would increase the higher tiers rate more than the lower tiers which could cause revenue instability.

Committee Member Burgard asked at what point is an estimated usage of 70,000 gallons unreasonable, what is the breaking point? Ms. Bailey answered that the high-volume water users are being charged significantly more than what the water costs the utility. When the high-volume water users decide it is enough and they want to reduce their consumption, then SAWS will have to make up that revenue elsewhere. Ms. Ivey clarified further that the inclining block structure is recommended; the only caution is when the differential between the highest and lowest tiers is increased too much, and the focus is very high percentage increases to high-volume users. An 8% increase to a \$500 bill is significantly higher than the same increase for lower bills.

Chairperson Gonzales asked the committee present in-person and virtually if there were any questions.

Committee Member Ramiro Cabrera asked if the wastewater option assumed the average winter consumption? Ms. Bailey responded that it will be discussed at the end of the presentation under the Other Rate Issues.

Committee Member Steve Alaniz asked if there is a reason why Option 4 under Revenue Stability does not have a green checkmark or a red 'x'? Ms. Bailey and Mr. Doug Evanson, Chief Financial Officer & Senior Vice President, responded that revenue stability was neither positive nor negative for Option 4 because the revenue risk is not significantly different from the existing risk, unlike Options 2 and 5.

Committee Member Vaughn Caudill commented that he started watering his yard and now uses 7,000 to 8,000 gallons per month and that he personally will pay whatever it would cost to water his grass; however, given that

others are not as fortunate and other costs are going up, there are some communities that may not be so fortunate.

Ms. Ivey continued to the residential class discussion points. She asked if the committee could reach a consensus on a residential water rate structure and a residential wastewater rate structure.

Committee Member Alaniz commented to the RAC that all the options presented are rate decreases for low volume users and that the new rate option should not be viewed as a rate increase. He likes that Option 4 increases the rate for people using more than 10,000 gallons less than Options 2 and 5. He believed that Option 4 includes the least amount of risk and the most stability for revenues.

Committee Member Ramiro Cabrera commented that he was in favor of Option 5. Although he wanted to see the lower tiers a little lower, he liked the lower fixed cost for the lower tiers and the higher volumetric and fixed charges for higher water usage.

Committee Member Burgard responded to Committee Member Cabrera and mentioned that she prefers Option 2, but she can come to a consensus as well for Option 5.

Chairperson Gonzalez read comments on behalf of Committee Member Preston Woolfolk, who was absent. He was in favor of Options 4 or 5 and believed that those accomplished the goals that the committee established while also providing SAWS with revenue stability.

Committee Member Smyle agreed with Committee Member Alaniz that all the options presented seem to have similar percentage impacts and that the 11,000-gallon range does show some signs of risk for all the options, but generally across the other ranges, it does not seem alarming.

Ms. Ivey reminded the committee that all three of these options are designed to generate the same amount of revenue, assuming the projected usage patterns for 2022. The revenue risk analysis assumes a rainy year, which would result in reduced usage under all options and varying revenue shortfalls. However, if you calculate the revenue using the projected 2022 usage, all three options will generate the same revenue.

Committee Member Pat Wallace commented that she was in favor of Option 4 because it hit all the RAC's priorities. She believed that it is important to have revenue stability within the rate structure to provide SAWS with the ability to have funds for things like infrastructure updates.

Committee Member Jeff Harris commented on the virtual chat that he was in favor of Option 4.

Committee Member Alfred Montoya commented that he was strongly in favor of Option 2 because it reduces the rates the most for the low-volume customers who may not have as much elasticity in their water use. He also mentioned that weather has been discussed as a risk, but over the years the weather risk evens itself out. Option 2 provides the most equity and leads to more conservation.

Committee Member Smyle commented that SAWS is currently 50% over target in their unrestricted funds. The target is 300 days, and they are at 420 days. He believed that SAWS is in great financial health, it does a great job in maintaining a financial cushion and that cushion allows for discussion of Option 2.

Chairperson Gonzalez commented that there was flexibility with the fixed charges in Option 5 and the increases in the higher tiers were not as high when compared to Option 2.

Committee Member Allyson McKay commented that she was in favor of Option 4.

Committee Member Stephen Lara was also in favor of Option 4 because it met all the needs for SAWS committee, however he hopes that SAWS will be ready for the growth and new population to provide support to its customers.

Committee Member Drennon commented that she is in favor of Option 2 but would support Option 5. She also mentioned that not all low-usage customers are low-income customers. She would like to discuss the affordability program to get a deeper understanding of the population before coming to a consensus on residential rate structure.

Committee Member Burgard asked the committee if those in favor of Option 4 and Option 2, could we come to a consensus on Option 5?

Committee Member Steve Alaniz said that Option 4 meets every single priority that the SAWS committee agreed upon, however he could agree with Option 5.

Committee Member Jeff Harris commented that he agrees with Option 4 because it meets all the committee's priorities but can align with Option 5.

Chairperson Gonzalez circled back to the Residential Class decision points and asked the committee if there is a consensus on wastewater. The committee came to a consensus on Option 1 for wastewater.

Ms. Bailey explained that affordability metrics for essential use can be viewed on Slide 32. An example mentioned was under Option 2 where water customers at 150% of the Federal Poverty Level who use about 5,062 gallons of water and wastewater (average winter usage) would see a bill of about \$56.47 (with stormwater) and that is about 1.63% of their monthly income. Under the existing rate it is about \$64.58 with stormwater, or 1.86% of monthly income. She reminded the committee that all users who use 9,000 gallons per month or less will see a reduction under all three options, so if they are at 150% of the Federal Poverty Level, their bills will still decrease even though they do not qualify for the Uplift Program, which starts at 125% of the Federal Poverty Level.

Committee Member Drennon replied that this information is very helpful and confirmed that the Uplift Program currently includes 34,000 customers.

Chairperson Gonzalez moved the presentation forward to discuss Affordability. After the Affordability discussion, the committee will then discuss the water rate structure for Residential Class.

AFFORDABILITY RATE DESIGN

Ms. Ivey continued the presentation with the Affordability Program. The current program provides a fixed bill discount based on income level. The amounts shown on Slide 36 are the maximum discounted amounts at each income level. For low volume customers, this could zero out their bill but for large households with high water usage, the discount is not as impactful.

Ms. Ivey presented two separate Affordability rate structure options for the RAC's consideration. Option A was presented previously, but Option B is new.

- Option A – 3 Tiers
 - Water fixed charge is \$1.50 for all customers in the program
 - Tier 1: 0 to 10,000 gallons is \$2.40 per 1,000 gallons
 - Tier 2: 10,001 to 15,000 gallons is \$4.80 per 1,000 gallons
 - Tier 3: 15,001+ gallons is \$7.20 per 1,000 gallons
 - Wastewater fixed charge is \$1.50 for all customers in the program
 - Tier 1: 0 to 10,000 gallons is \$1.500 per 1,000 gallons
 - Tier 2: 10,001+ gallons is \$2.325 per 1,000 gallons
 - Program cost for water and wastewater combined is \$17,790,381
 - Affordability program cost recovery fee would be \$0.360 per 1,000 gallons
- Option B – 5 Tiers
 - Water fixed charge is \$3.00 for all customers with usage above 2,000 gallons
 - Tier 1: 0 to 2,000 gallons is \$0.000 per 1,000 gallons
 - Tier 2: 2,001 to 6,000 gallons is \$2.650 per 1,000 gallons
 - Tier 3: 6,001 to 10,000 gallons is \$3.975 per 1,000 gallons

- Tier 4: 10,001 to 15,000 gallons is \$6.625 per 1,000 gallons
- Tier 5: 15,001+ is \$9.275 per 1,000 gallons
- Wastewater fixed charge is \$0.00 for all customers
- Tier 1: 0 to 2,000 gallons is \$0.000 per 1,000 gallons
- Tier 2: 2,001+ is \$2.700 per 1,000 gallons
- Program Cost for water and wastewater combined is \$17,675,562
- Affordability program cost recovery fee would be \$0.304 per 1,000 gallons

Ms. Ivey presented the combined bill impact graphically. Option A showed a reduction for all bills except those in the 0 to 2,000 gallons per month range. Option B shows a reduction for all usage levels, even those in the 0 to 2,000 gallons per month range and includes a larger discount for users between 5,000 and 15,000 gallons per month. The dotted line is the percent change in the monthly bill, which is around 50% for customers who use more than 5,000 gallons per month.

Ms. Ivey presented a comparison of the existing affordability program to the separate affordability rate structure options. The existing affordability discount for customers who are at 50% of the Federal Poverty Level results in a bill of \$38.44 with stormwater for 5,277 gallons of usage, which is the average winter usage for current program participants. That bill would be reduced to \$29.34 with Option A and \$27.54 with Option B.

Ms. Ivey continued to show a comparison of the bills for program participants and non-participants under existing rates to the bills under the three rate options. An example presented for Option 2 shows the combined bill for customers at 50% of the Federal Poverty Level would be \$30.28 in comparison to Option A which is \$29.34 and Option B which is \$27.54.

Ms. Bailey explained that one of the advantages of a separate rate structure for affordability is that you no longer focusing on each Federal Poverty Level, everyone at or below 125% of the Federal Poverty Level can take advantage of lower rates.

Ms. Ivey moved the presentation to the Affordability Program Decision Points.

Chairperson Gonzales asked the committee if they want the existing discount program or a separate rate structure.

The Committee came to a consensus for a separate rate structure.

Chairperson Gonzales asked the committee which option, A or B, for the separate rate structure?

Committee Member Burgard spoke in favor of Option B because the volumetric Tier 1 rates for both water and wastewater are \$0.00, which could really help senior individuals living on a fixed income.

Ms. Bailey said that Option B is designed to eliminate the bill increase that a customer at 50% of the Federal Poverty Level with usage between 0 and 2,000 gallons would see under Option A. The purpose of the tiers in the affordability rate structure is to send a price signal, which may alert a customer to a leak. Once we are able to implement smart meters across the entire service area, we will be able to identify leaks much earlier for these customers.

Committee Member Smyle commented that when looking at the affordability discount program, two numbers stuck out to him. One number was that 24% of affordability customers are still getting their water shut off. The second number was that the average water usage was quite high under the affordability program.

Chairperson Gonzalez redirected the committee back to the decision points for affordability.

Committee Members Wallace, Benavides, Lara and Harris, all virtual attendees, were in favor of Option B.

The committee came to a consensus for Option B as a separate affordability rate structure.

Ms. Bailey commented to the committee that the cost of the current affordability program is about \$8 million, and the estimated cost of the proposed affordability program Option B is around \$17.7 million. The cost could be recovered through a uniform rate per 1,000 gallons charged to all non-affordability program customers, including residential and non-residential customers, for all water usage.

Committee Member Alaniz asked how the current \$8 million is collected for the affordability program?

Ms. Bailey replied that it is built into the current rate and the separate affordability recovery charge for Option B would be removed from the current tiered rate structure and the full cost would be recovered through a uniform volumetric rate.

Mr. Evanson mentioned that Austin has a similar affordability charge listed as a separate line item on the customer bills.

Committee Member Burgard asked if residential customers will see an increase from the separate affordability rate structure under Options 2, 4, and 5.

Ms. Bailey replied that the tiers in Options 2, 4, and 5 will go down from the removal of the current Affordability program costs but then would increase by the uniform rate for the Affordability Program.

Chairperson Gonzales asked the committee if there is a consensus for a separate charge to fund the Affordability Program or to continue to cover the cost of the program within the cost of service rates?

Committee came to a consensus for a separate charge to fund the Affordability Program.

Chairperson Gonzalez redirected the committee back to the Residential Class decision points on Slide 34.

Chairperson Gonzalez reviewed her notes regarding the status of the committee on the Options. Committee Members are strongly for either Options 2 or 4 but could agree on Option 5.

Committee Member Steve Richmond commented he was strongly in favor of Option 4.

Committee Member Benavides is strongly in favor of Option 2.

Committee Member Wallace is strongly in favor of Option 4 because it checks off all the committee's priorities.

Chairperson Gonzalez reminded the committee of consensus-based decision making. A consensus is if you can say any of the following:

- I can say an unqualified "yes"
- I can accept the decision
- I can live with the decision
- I do not fully agree with the decision, but I am willing to move forward with the group's decision

Committee Member Burgard stated that she was firm on Option 2 but would be willing to move forward with Option 5.

Committee Member Benavides asked if she was reading the graph on Slide 12 correctly that the first tier under Option 5 showed an increase?

Ms. Ivey replied that yes, the first-tier rate increases but the fixed charge decreases, which results in a decreased bill.

Ms. Bailey asked to go to Slide 13. Under all 3 options any customer using less than 9,000 gallons is seeing a reduction on their water bill. For customers using more than 9,000 gallons, Options 4 and 5 provide a little more of a break than Option 2.

Committee Member Burgard commented that she favors Option 2, however when comparing Options 4 and 5, Option 5 has a lower second tier amount than Option 4.

Committee Member Alaniz agreed and said that more than half of the bills fall within Option 5's second tier, which is \$4.794 per 1,000 gallons compared to Option 4's second tier at \$6.365.

All Committee Members attending in person came to consensus with Option 5. Committee Members Wallace, McKay, Lara and Harris, all virtual attendees, said they could align with Option 5.

Ms. Bailey mentioned to the group that if the committee can come to a consensus, SAWS staff will present that option to the Board but will include comments like concerns and reservations.

Ms. Bailey asked Committee Member Benavides, who was virtually present, if she could align with Option 5. Committee Member Benavides stated that if she is the only one not in agreement with the committee then she is willing to align with Option 5.

Committee Member Burgard agreed with Committee Member Benavides and said that she was also in favor of Option 2 but could agree with Option 5.

Committee came to a consensus on Option 5 for Residential Class water rate structure.

RECYCLED WATER RATE DESIGN

Ms. Ivey continued the presentation to recycled water. The slides address the follow-up requests from the prior meeting.

Ms. Ivey presented some general industry guidance from two American Water Works Association (AWWA) publications.

- *AWWA Principles of Water Rates, Fees, and Charges M1 Manual (7th edition, 2017), Chapter V.1*
 - Financial analysis focuses on revenues and expenses and is the primary method of determining rates. For recycled water rates, an economic analysis can be used to consider other factors like avoided cost of alternative water supplies, enhanced drought resistance, environmental sustainability.
 - Recycled water is an “imperfect substitute” for potable water, which often dictates a lower price.
 - Uniform rates are the most common rate structure for recycled water.
- *AWWA-sponsored Water Reuse Cost Allocations and Pricing Survey (2019)*
 - 19 utilities were surveyed, including SAWS.
 - Almost all provided recycled water primarily for irrigation purposes (18).
 - Most identified cost of service as a key driver for pricing (16).
 - Half subsidized recycled water costs with potable water or wastewater rate revenue (10).
 - 3 utilities set recycled water rates as a percentage of potable water rates (50-100%).
 - 2 utilities set recycled water rates based on market or contract pricing.

SAWS has three recycled water customers with Edwards Aquifer rights who use more than 25 million gallons per year:

- USAA
- Microsoft
- Oak Hills Country Club

The historical cost of service for recycled water for the prior rate studies was:

- 2015- \$9,876,229
- 2020- \$8,790,640
- 2022- \$9,167,915

The recycled water recommendation from the 2019 RAC imposed an initial 15% increase and then 10% per year for the next four years. Bill impacts were shown for the average high, medium and low use recycled water customers

(based on 2021 average annual usage) with the 15% increase. The average high user currently has an average annual charge of \$99,453.39, the 15% increase would equate to an \$14,926.57 increase, the total bill would be \$114,379.96. The City of San Antonio river flows would increase from a proposed annual charge of \$831,014.13 (at the Edwards Exchange rate) to \$955,666,25 with the 15% rate increase. The city's proposed annual charge is contingent upon the approval of the new recycled water agreement.

Ms. Bailey mentioned that the goal is to keep the current conservation rates at the same level.

Committee Member Smyle asked why the recycled water subsidy is allocated to the Residential Class and Irrigation Class but not to the General Class?

Ms. Ivey answered that the General Class customers are paying for the recycled water subsidy through the Irrigation Class rates. She reminded them that General Class usage is separated into non-discretionary usage, which is charged at the General Class rates, and discretionary or outdoor usage, which is charged at the Irrigation Class rates.

Committee Member Alaniz asked if the top three users of recycled water who have Edwards rights will likely continue to use the recycled water. Ms. Bailey replied that the users may have Edwards Rights but may not have wells and so it may not be a quick decision to stop using recycled water.

Ms. Ivey summarized the impact of a 15% increase to recycled water rates in the first year:

- Any increase to recycled water rates, assuming Irrigation revenue remains constant, results in decreased cost of service for Residential, General, and Wholesale customers
- The latest negotiated annual payment from COSA is \$831,014 at current rates, which results in decreased cost of service:
 - Residential cost of service decreases by 0.5%.
 - General cost of serve decreases by 0.1%.
 - Wholesale cost of service is decreases by 0.1%.
- A 15% increase to recycled water generates an additional \$572,402, which when combined with the COSA revenue results in decreased cost of service:
 - Total Residential decrease is 0.8% (\$0.044 per 1,000 gallons).
 - Total General decrease is 0.2% (\$0.008 per 1,000 gallons).
 - Total Wholesale decrease is 0.2% (\$0.008 per 1,000 gallons).

Ms. Ivey asked if there is a consensus regarding the Recycled Water rate increase? Chairperson Gonzalez read recycled water comments from Committee Member Preston Woolfolk who agrees with the 2019 RAC's recommendation of 15% increase for the first year and 10% per year thereafter.

The RAC came to a consensus to proceed with the 2019 RAC's recommendation for Recycled Water for a 15% increase in the first year and 10% for years 2-5.

OTHER RATE ISSUES

Mary Bailey continued the presentation to discuss the basis for estimating Residential wastewater volume.

- SAWS bills Residential wastewater usage based on Average Winter Consumption (AWC).
- AWC is an estimate of monthly sewer volume.
 - Based on average water usage during 3 consecutive billing periods between November 15 and March 15.
 - Fixed monthly billable wastewater volume regardless of actual water usage during the month being billed.
- 25 to 30% of all Residential bills have water usage less than the corresponding AWC.
- Customers have complained that they are being overbilled for sewer.
 - Would like SAWS to bill for sewer based on the lower of AWC or actual water use.
 - Residential volumetric wastewater rates would need to increase by about 14% to recover an estimated \$12 million loss in revenue due to that change.

- SAWS staff recommendation:
 - AWC represents a reasonable approximation of sewer discharge throughout the year.
 - Continue current practice of charging AWC regardless of actual water usage.

Chairperson Gonzalez asked who are the 25 to 30% of residential users that have water usage less than the AWC? Ms. Bailey answered that there is not an exact demographic, but an example could be a family who were out of town for a while or even people who only live at their residence during the winter season, Winter Texans.

Chairperson Gonzalez asked the committee if there is consensus to leave the current practice of charging the AWC regardless of actual water usage?

Committee came to a consensus to continue billing residential wastewater usage based on average winter consumption.

Ms. Bailey commended the committee on their progress throughout the meeting and that the consensus options for Residential and Affordability will be extremely beneficial.

Ms. Bailey explained that there has been a Council Consideration Request, which was submitted by one of the councilmembers to the City's Governance Committee, which asked the utilities to explore freezing the rates charged to senior citizens, disabled citizens, and disabled veterans. Ms. Bailey explained that SAWS has consulted with their attorneys, who have consulted with other attorneys, and believe that it is not statutorily authorized to provide discounts to those listed groups. SAWS can provide discounts based on income, but not based on age, etc. Ms. Bailey commented that the work that the RAC has done with affordability customers and even non-affordability customers will significantly help those in need.

Nancy Belinsky, Vice President of Legal & General Counsel, explained that this item would go back to City Council during SAWS normal briefings regarding the rate structure recommendations. Ms. Bailey explained that the committee was briefed on this item to inform them about the request and explain how the work the RAC has done will have an impact on the listed groups.

NEXT STEPS

- Discuss other rate issues: duplexes and drought surcharges
- Summarize RAC rate recommendations

CLOSING COMMENTS

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

ADJOURNMENT

Chairperson Gonzalez adjourned the meeting at 8:48 p.m.

NEXT MEETING

The next meeting of the RAC will be held on June 28, 2022, at 6:00 p.m. and will be a hybrid meeting offering attendance virtually and in person.