

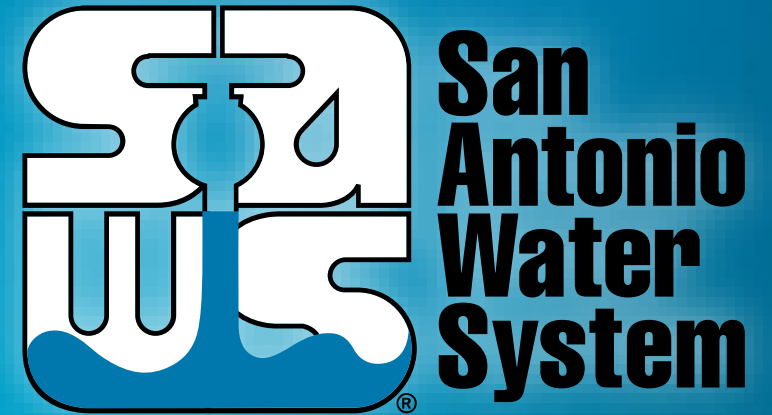
2019 Cost of Service and Rate Design Study

Mary Bailey

VP – Customer Experience & Strategic Initiatives

Board of Trustees

May 7, 2019



MAKING SAN ANTONIO
WATERFUL

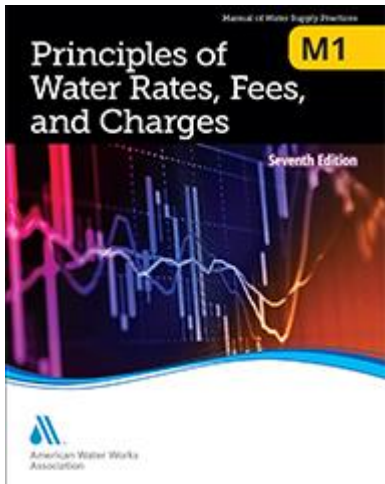


Overview

- SAWS periodically undergoes a cost of service rate design study (rate study)
 - Last review was completed in 2015, changes implemented in Jan 2016
- Purpose:
 - Ensure adherence to cost of service principles in accordance with industry standards
 - Develop pricing structures that reflect utility and community objectives
 - Revenue neutral – determines **how** costs are allocated and recovered from different types of customer classes
- SAWS conducts the rate study with the help of a rate consultant and the Rate Advisory Committee

Established Industry Standards

Water



American Water Works Association (AWWA)

- Publication: Principles of Water Rates, Fees & Charges (M1)
- AWWA Policy Statement on Rates:
 - “Rates should be designed to distribute the cost of service equitably among each type and class of service. Non-cost of service rate-setting practices that achieve public policy goals and utility objectives may be appropriate in some situations.”

Established Industry Standards

Wastewater

Water Environment Federation (WEF)

- Publication: Financing and Charges for Wastewater Systems (MOP 27)
 - “As individual wastewater utilities address their financial management challenges, it is important that their practices for setting rates and charges be responsive to the unique circumstances and values of the communities they serve.”



Cost of Service and Rate Design Study

Scope of Services

- RFP Issued March 8, 2019
- Analyze and provide recommendations to SAWS about the rate structure for water delivery, water supply, recycled water, and wastewater operations.
- Include recommendations regarding the adequacy and most appropriate structure for all rates considering such principles as: conservation, consumption characteristics of various customer classes, cost of service, fairness and equity implications, financial stability, customer affordability, and economic development.

Rate Advisory Committee (RAC)

Purpose

- The RAC is a special purpose advisory group that provides input to the Board of Trustees and SAWWS staff on the cost of service and rate design study
- RAC Objectives:
 - Assist staff in establishment and prioritization of pricing objectives
 - Review and analyze results of the cost of service study performed by rate consultant
 - Provide input regarding potential changes to the existing rate and fee structure

Rate Advisory Committee (RAC)

15-20 Members

- Eligibility - any resident, property owner, Business Association, or business operator served by SAWS
- SAWS will request nominations from each City Council member
- Additional at-large members will be nominated by SAWS staff to ensure representation from all facets of SAWS customer base (e.g. Outside City Limits, Multi-family, Commercial, Recycle, Affordability)
- Term: RAC will disband at conclusion of Rate Study

Issues to be Evaluated

- Separate vs combined water rate structure (water supply & water delivery)
- ICL/OCL rate differentials
- Basis for residential wastewater charges (winter average vs water consumption)
- Affordability considerations
- Evolving industry practices

Proposed Timeline

- Staff is currently evaluating responses to RFP for rate consultant
 - Board consideration – Jul 2019
- Staff will begin soliciting nominations for RAC
 - Board appointment of RAC membership – Oct 2019
- RAC Meetings – Nov 2019 – May 2020
- Board, Council and Community Briefings – Jun 2020 – Oct 2020
- Final Board and Council approval of changes – Nov 2020
- Implementation of changes – Jan 2021

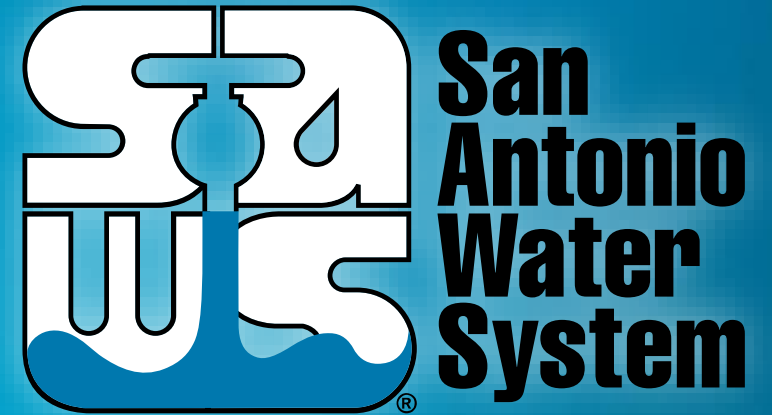
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