

MINUTES
RATE ADVISORY COMMITTEE
Thursday, September 10, 2009
5:30 P.M.

RAC Members Present:

Fred Arce	Kathie Estrada
Mike Harris	Keith Kindle
Allen Townsend	Liz Tullis

RAC Members Absent:

Gil Coronado	Antonio Gallardo
Ron Morales	Joe Soules
Steve Patmon	

SAWS Staff Present:

Douglas Evanson, Senior Vice President/Chief Financial Officer
Dan Crowley, Director, Financial Planning
David Maxwell, Director, Engineering
Phyllis Garcia, Manager, Finance
Lou Lendman, Senior Financial Analyst
Pat Arriola, Financial Analyst
Robert Walker, Financial Analyst
Laura Raffaniello, Financial Analyst
Jennifer Holmquist, Public Affairs

City of San Antonio Representatives Present:

Morris Harris, Public Utilities Office
Marisela Vasquez, Public Utilities Office

Consultants Present:

Elaine Vastis, Raftelis Financial Consultants

Citizens Present:

John Merrifield	Bruce Reppert
-----------------	---------------

Agenda Item #1, Call to Order by the Chairperson

Mr. Kindle, committee chairperson, called the meeting to order. A quorum of the committee was present.

Agenda Item #2, Citizens to be Heard

No individuals were signed up to speak.

Agenda Item #3, Staff Opening Remarks

Mr. Doug Evanson welcomed the attendees and noted that the end of the rate study process was near.

Mr. Lou Lendman addressed the proposed calendar for the remaining meetings of the committee (given at Attachment 1). The next meeting is scheduled for October 1 at which time the committee will be asked to consider approval of the proposed wastewater rate structure. Additionally on October 1 there will be a presentation of the Recycled Water program and rate study, as well as a report on the status of various rate-related issues identified by staff as requiring input from the committee. The meeting scheduled for October 15 is proposed to be the final committee meeting where approval will be sought on the proposed Recycled Water rate study as well as for the resolution of other rate-related issues along with the finalization of any comments the committee wishes to make.

Agenda Item #4, Presentation and Discussion of Preliminary Wastewater Rates

Ms. Elaine Vastis of Raftelis Financial Consultants presented the slides given at Attachment 2. The presentation provided the results of the consultants' analysis of the SAWS wastewater rate structure. As a result of this analysis, the consultants state that maintaining the current rate structure for wastewater is an acceptable option.

- Mr. Harris asked why SAWS monthly wastewater charges were so much less relative to those of other Texas and U.S. cities shown in Ms. Vastis' presentation. Mr. Crowley stated that the sewer system's largely gravity-based collection infrastructure and the efficient, high volume capacity nature of the Dos Rios treatment plant contribute greatly to SAWS' relatively lower sewer system costs. Mr. Evanson also stated that SAWS' successful conservation programs have significantly slowed the growth of wastewater flows over the years, thus delaying the need to have to make expensive capital enhancements to the sewer system.
- Mr. Kindle asked why the sewer charges assessed by the City of Atlanta, Georgia are so much more expensive than those of all the Texas and U.S. cities to which SAWS' charges are being compared? Staff indicated that Atlanta's costs are vastly more expensive due to the fact that the city is

operating under the mandates of two federal Consent Degrees to make major improvements to the sewer system to mitigate the impact of its discharges. Added federally-required funding to reduce sewer overflows is also a factor in Atlanta's higher sewer charges.

- Mr. Kindle asked if staff was comfortable with the lowered base charge suggested in the Option 2 rate structure provided in the presentation, given that it would appear to adversely impact revenue stability. Mr. Evanson indicated that Option 2 is presented simply as an alternative to allow the committee to contrast various rate structure choices. Mr. Evanson shared Mr. Kindle's concern with the relatively lower degree of revenue stability inherent in Option 2.
- Ms. Tullis stated that she did not see much difference between the existing rates and the two optional rate structures given in the presentation. She suggested that there appeared to be no compelling reason to change the existing rate structure. Mr. Kindle agreed stating that rating agencies do not like the lower degree of revenue stability suggested in Option 2. Mr. Townsend stated that Option 2 would encourage conservation given that customers would no longer be paying a minimum charge for a baseline amount of wastewater discharged into the sewer system and would have to pay a charge for each gallon consumed. He added, however, that he would not be unalterably opposed to retaining the current rate structure due to the relatively low impact to customers between Option 2 and the existing rate structure, despite the noted differences. Ms. Estrada also observed that she did not see a good reason to change the current wastewater rate structure.
- Given the apparent consensus of the committee for retaining the current wastewater rate structure, Ms. Tullis suggested that no repeat of the wastewater rate structure presentation be given at the October 1 committee meeting. She specifically asked that the agenda for October 1 simply allow for "consideration of approval" for retaining the current wastewater rate structure without any presentation. No objections to her suggestions were offered.
- At the end of the discussion regarding wastewater rates, Mr. Kindle referenced Mr. Soules' September 9, 2009 e-mail message (Attachment 3) to RAC members regarding the length of time set aside by SAWS for computing the winter water average monthly consumption for the purpose of setting subsequent sewer charges. Mr. Soules recommended in his message that the winter average calculation period be limited to December and January only. Currently, the time period set by City ordinance for SAWS to compute the winter average is three consecutive billing periods beginning after November 15 and ending on or about March 15. This allows for a winter average to be computed based upon water consumption measured from three consecutive billing periods between November 15 and approximately March 15. Mr.

Soules feels that the established time period is “unclear and appear SAWS optional”. Mr. Kindle asked staff for input on this issue. Mr. Lendman stated that meter reads have to be accomplished during 21 separate meter-reading cycles for each billing period. It is logistically impossible for all meter reads throughout the SAWS service area to occur at the same time in each billing period. However, each of the three winter average meter reads do occur between November 15 and about March 15, a period of historically low water consumption. SAWS also notifies customers with inserts in their bills when the winter averaging period is about to commence. The length of the period and the three measurements mitigate the potential adverse effect that extreme weather conditions might otherwise have on winter average calculation, conditions which might skew adversely an average based on only two measurements during a more limited time period (December and January). The committee had no further discussion on this issue.

Agenda Item #5, Adjournment

There being no other business to conduct, Mr. Kindle adjourned the committee after Agenda Item #4.