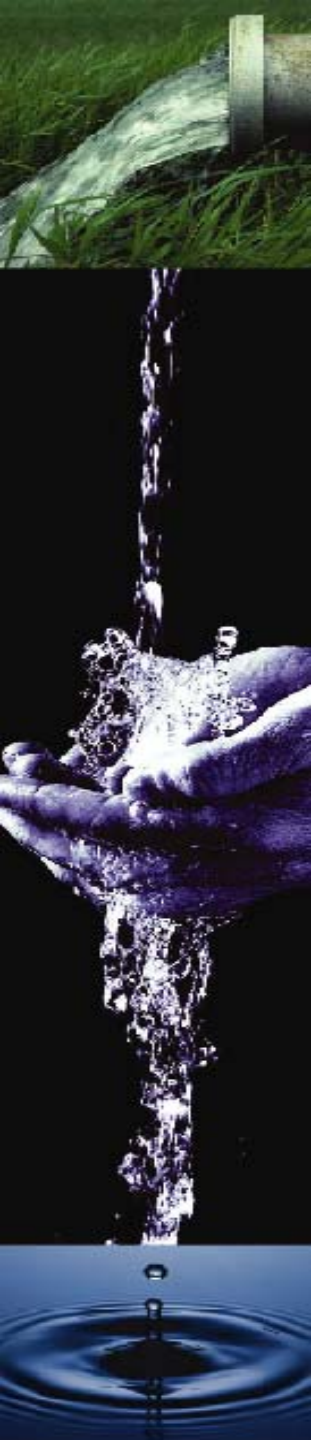

San Antonio Water System

Recycled Water Analysis and Other System Wide Rate Structure Issues

October 1, 2009

Presented by:
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PRO-OPS, INC.
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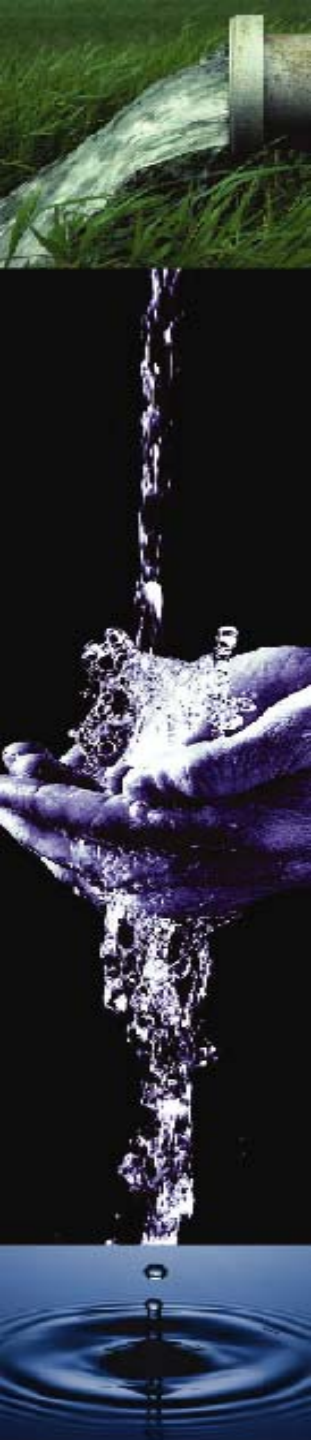
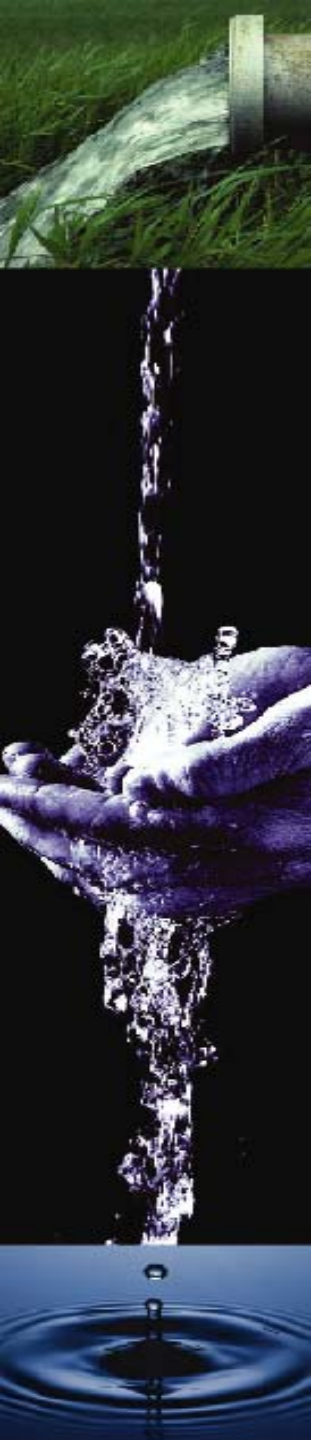


Recycled Water Rates



Current Recycled Water Rate Structure and Rates

Service Availability Fee

Meter Size	Charge
5/8”	$8.74
3/4”	$11.37
1”	$14.81
1 1/2””	$23.55
2”	$34.44
3”	$91.60
4”	$136.14
6”	$259.71
8”	$391.47
10”	$536.79
12”	$662.31

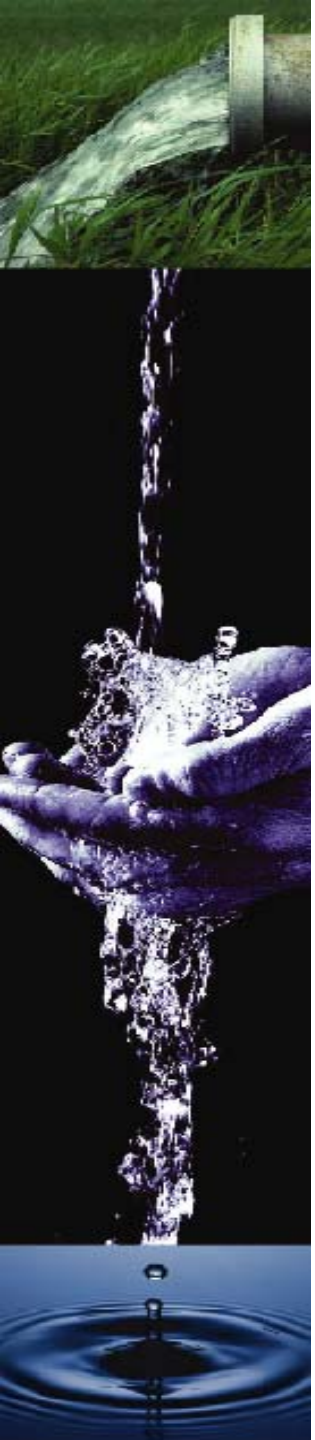
Volumetric Rates

Edwards Exchange Customers

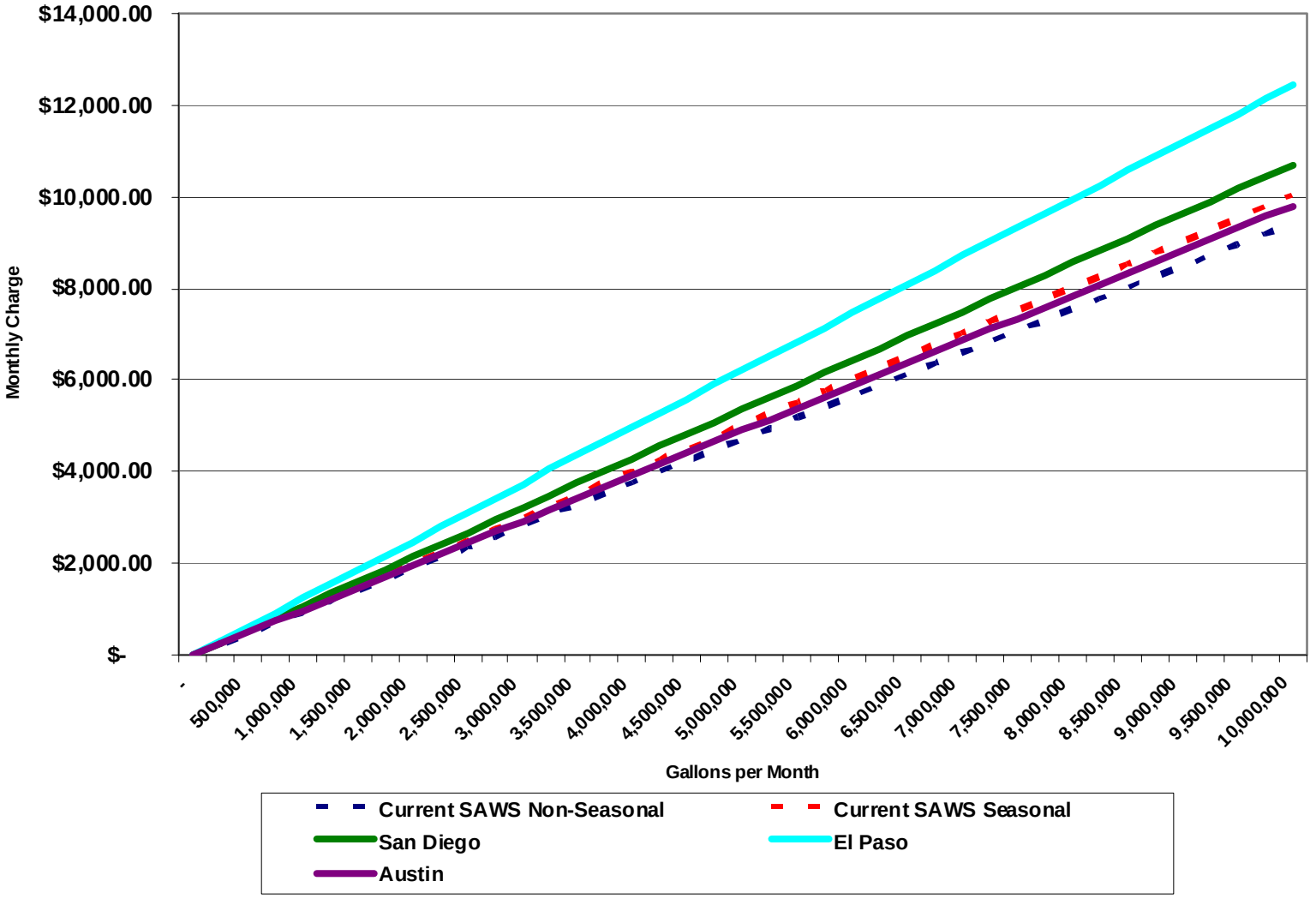
Rate Category	Standard	Seasonal
Transferred Amount	$0.0230	$0.0230
All Excess	$0.0863	$0.0917

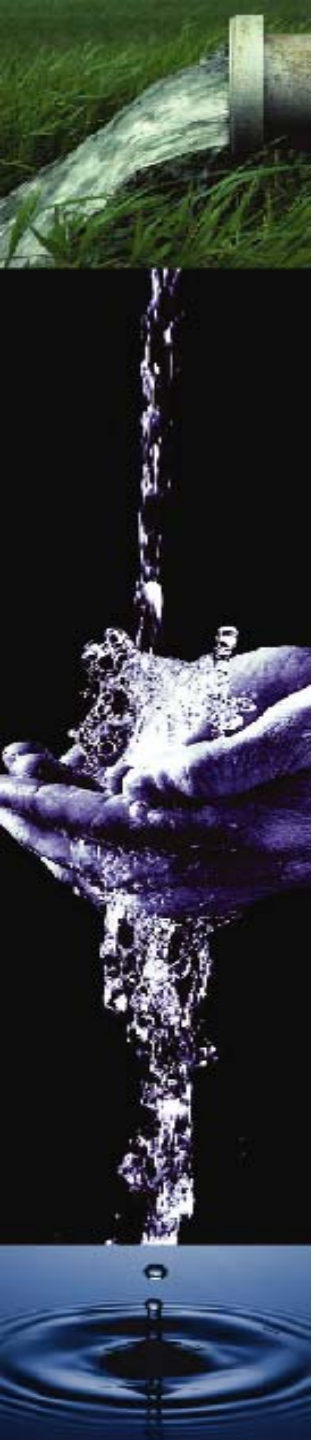
Non-Edwards Exchange Customers

Rate Tier	Standard	Seasonal
Tier 1 - First 748,000 gal	$0.0924	$0.0992
Tier 2 - Above 748,000 gal	$0.0943	$0.1002



Monthly Recycled Water Charges Comparison (under Existing Rates)





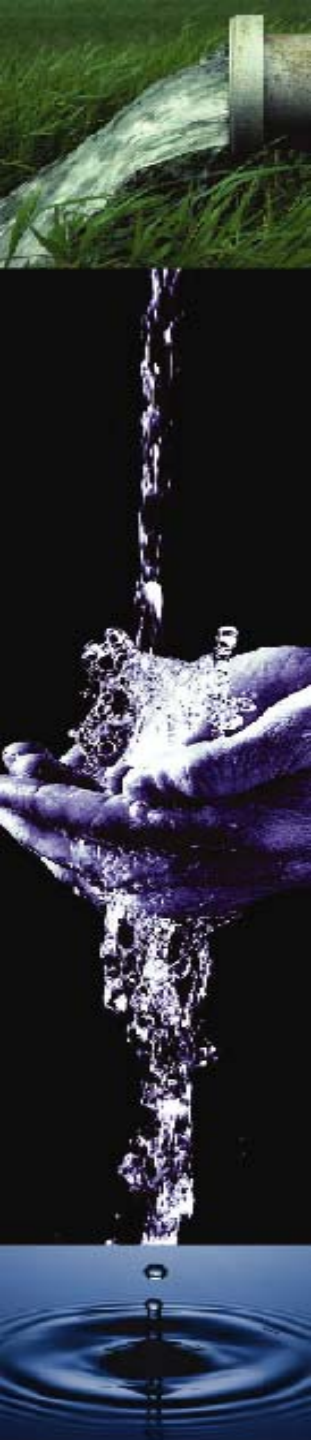
Water Resource Costs

Comparison of Water Resource Capital Costs

	Capital $	Capacity (Ac.Ft.)	Capital $/Ac.Ft.
Recycled Water	$ 134,829,275	35,000	$ 3,852
Edwards Acquisitions(1)	$ 402,418,645	60,000	$ 6,707
Brackish Groundwater Desal(2)	$ 216,203,715	11,800	$ 18,322
Additional Recharge	$ 141,568,199	13,451	$ 10,525
Ocean Water Desal	$ 3,288,752,697	120,000	$ 27,406

(1) Cost includes $5,250 /acft purchase cost plus additional capital infrastructure costs.

(2) Includes 50% of the costs of the Integration Pipeline

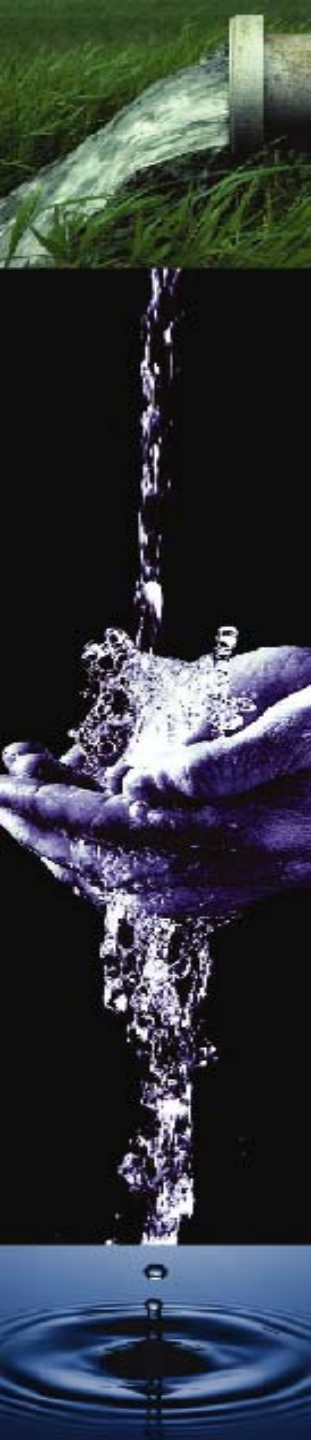


Annual Costs

Comparison of Water Resource Annual Costs

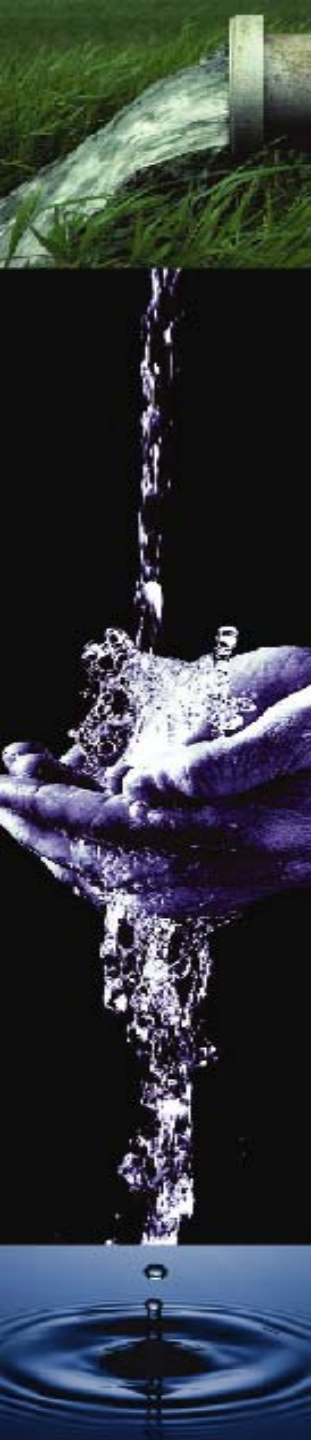
	Total Annual Cost/Ac.Ft.
Recycled Water	$ 447
Edwards Acquisitions	$ 283
Brackish Groundwater Desal	$ 2,140
Additional Recharge	$ 839
Ocean Water Desal	$ 3,168

Source: Water Supply Master Plan presentation

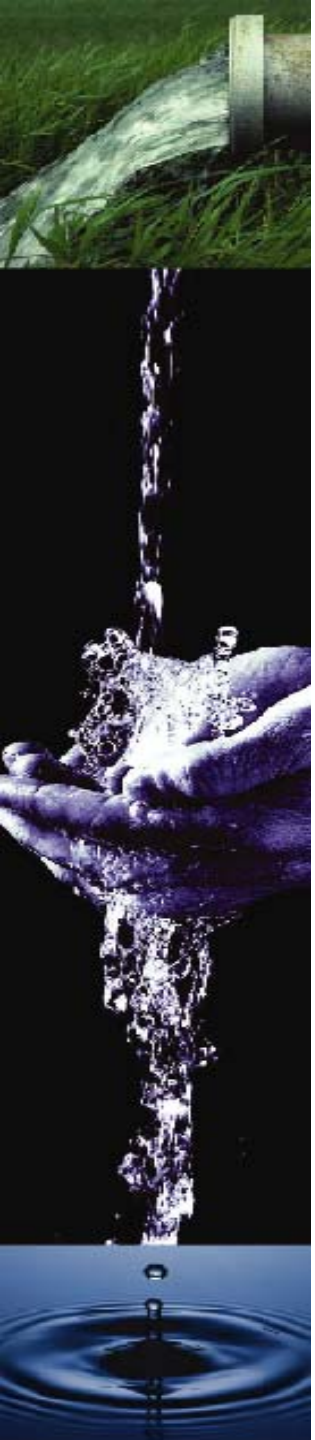


Recommendation

- Leave recycled rate structure unchanged
- Tie future rate increases to overall Water Delivery/Water Supply increases



Other System-wide Rate Structure Issues

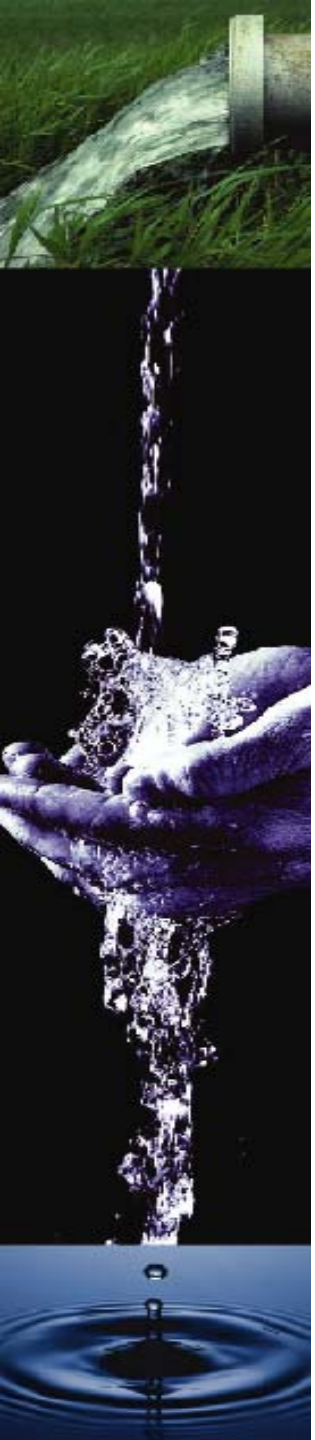


Lift Station Maintenance Fee

Issue: Is current Lift Station Maintenance Fee fair and equitable?

Assessment: Current Lift Station Maintenance Fee based on the present value of costs associated with O&M of stations over a 10 year period.

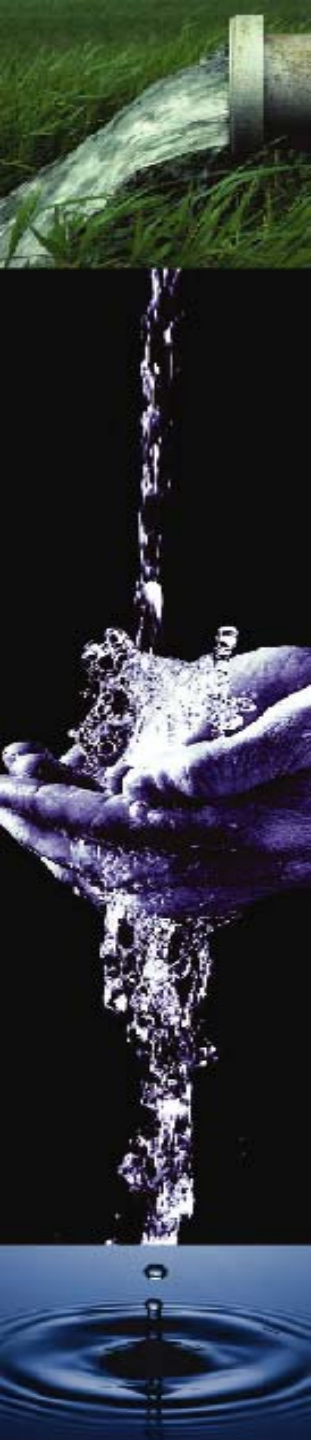
Conclusion: Fee calculation methodology is appropriate and results in a fair fee.



Private Fire Protection Fees

Meter Size	Existing Rate (Inside-City)	Calculated Rate (Inside-City)	Existing Differentials	Proposed Differentials	Number of Private Fire Protection Accounts (includes Outside-City)
1"	$ 250.00	$ 77.50	1.00	1.00	**18**
1 1/2"	$ 250.00	$ 77.50	1.00	1.00	**21**
2"	$ 250.00	$ 77.50	1.00	1.00	**16**
4"	$ 250.00	$ 77.50	1.00	1.00	**238**
6"	$ 345.00	$ 225.20	1.38	2.91	**1,631**
8"	$ 420.00	$ 479.80	1.68	6.19	**1,690**
10"	$ 485.00	$ 862.80	1.94	11.13	**59**
12"	$ 580.00	$ 1,393.60	2.32	17.98	**149**
14"	$ 580.00	$ 2,090.30	2.32	26.97	**1**
					3,823

- Proposed differentials are based on flow estimates provided in AWWA M1 Manual
- Customers with meters between 1” and 4” are assessed the same charge
- Outside-City rates will continue to be 30% higher than Inside-City rates
- Recovers same amount of revenues, but rate structure is based on AWWA meter ratios
- Annual increases in private fire protection fees could be tied to increases in Water Delivery/Water Supply rates to combat inflation



Edwards Recharge

Issue: Should special wastewater charge be developed for customers located within the Edwards Recharge Zone?

Implications: Customers within Edwards Recharge Zone boundary would pay more than their neighbors outside the boundary.

Assessment: Numerous geographically based cost of service differences exist (elevation, distance, etc.).

Conclusion: Industry standards do not support the splitting up of retail rates to recognize relatively small geographically based cost of service differences that are difficult to quantify.