

MINUTES
RATE ADVISORY COMMITTEE
Thursday, October 1, 2009
5:30 P.M.

RAC Members Present:

Gil Coronado	Kathie Estrada
Keith Kindle	Ron Morales
Joe Soules	Allen Townsend
Liz Tullis	

RAC Members Absent:

Fred Arce	Antonio Gallardo
Mike Harris	Steve Patmon

Board of Trustees Representative:

Michael Lackey

SAWS Staff Present:

Steve Clouse, Senior Vice President/Chief Operating Officer
Douglas Evanson, Senior Vice President/Chief Financial Officer
Stacey Isenberg, Vice President, Customer Service
Dan Crowley, Director, Financial Planning
Alan Williams, Director, Customer Service
David Maxwell, Director, Engineering
Keith Martin, Corporate Counsel
Stephen Turner, Senior Financial Modeler
Lou Lendman, Senior Financial Analyst
Pat Arriola, Financial Analyst
Carlos Mendoza, Financial Analyst
Laura Raffaniello, Financial Analyst
Robert Walker, Financial Analyst
Larry Zermeno, Financial Analyst
Jennifer Holmquist, Public Affairs

City of San Antonio Representatives Present:

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

Consultants Present:

Harold Smith, Raftelis Financial Consultants

Citizens Present:

John Merrifield	Bruce Reppert
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Agenda Item #1, Call to Order by the Chairperson

Mr. Kindle, committee chairperson, called the meeting to order. A quorum of the committee was not present at the beginning of the meeting.

Agenda Item #2, Citizens to be Heard

No individuals were signed up to speak.

Agenda Item #3, Staff Opening Remarks

Mr. Dan Crowley welcomed the attendees, summarized the meeting agenda and pointed out that the next meeting of the committee – October 15 – will likely be the last meeting.

Mr. Lou Lendman addressed a question previously raised by Mr. Kindle concerning the issuance of a report by the consultant on the Rate Study. Mr. Lendman stated that a draft of the report will be provided to staff by about October 8 for review. Staff, in turn, will make comments and changes to the draft in time for a second draft to be available for distribution to the committee at the October 15 meeting. Committee members will be asked to provide comments individually to staff on the report before the end of October. Should a significant number of concerns be raised about the draft report by individual members, a committee meeting will be scheduled after the end of October to address those concerns.

Agenda Item #5, Presentation and Discussion of Recycled Water Program and Rates

Since a necessary quorum of the committee was not present at this point in the meeting to enable action on Agenda Item #4 (Consideration and Approval of Wastewater Rate Structure Proposal), Mr. Kindle called up Agenda Item #5.

Mr. Steve Clouse presented a briefing on the SAWS Recycled Water Program (Attachment 1) which described the history and extent of the largest recycled water program in the nation.

- Mr. Soules asked for the annual operating costs of the Recycled Water system. Mr. Evanson stated that in 2008 the annual operating cost was approximately \$2.7 million. Mr. Coronado asked how these costs would be increased with the planned installation by CPS of a pipeline to transmit recycled water pulled from the receiving river after discharge from the Dos Rios Water Recycling Center for use in power plant cooling operations. Mr. Clouse noted that CPS would be responsible for the costs of both installation and operation of the pipeline.
- Mr. Kindle asked why the full capacity of the Recycled Water system (35,000 acre feet) was not being used. Mr. Clouse explained that the high cost of extending

distribution pipelines to potential users and the more strict safety requirements for use of recycled water were limiting factors to extending recycled water usage. Additionally, the much higher demand required in summer months by existing users also limited the addition of potential new users.

Following Mr. Clouse's presentation, Mr. Smith of Raftelis Financial Consultants presented a briefing analyzing the rate structure of the Recycled Water program (Attachment 2).

- In response to the consultant's recommendation to link future Recycled Water rate increases to increases proposed for Water Delivery, Water Supply and Wastewater rates, Mr. Kindle questioned the need for doing so given the distinctly different nature of recycled water. In particular, he expressed concern that such a linkage might price Recycled Water out of the market. Mr. Evanson stated that Recycled Water rate increases would be needed to cover ordinary operating cost increases. Mr. Crowley noted that current Recycled Water rates have not changed since 1999. The percentage increases that would be sought for Recycled Water would not necessarily be the same as those sought for other SAWS water-related rates. Mr. Crowley noted that, in order to keep the rates competitive, any increases would still not likely recover capital costs associated with the Recycled Water system in the near term.

Agenda Item #6, Presentation and Discussion of Resolution of Staff Issues

Mr. Smith's presentation at Attachment 2 also dealt with certain other issues that staff asked for the Rate Study to address.

- Mr. Kindle expressed agreement with the need to update the fees SAWS assesses for maintaining water pressure to private fire protection water lines, especially since the current fees do not appear to have a clear rationale for the rates charged for each meter size
- Ms. Tullis asked about the origin of the various staff issues presented. Mr. Crowley indicated that the staff asked for the review of the Private Fire Protection Fees given that they had not been updated since 2000. He also stated that previous rate presentations given to City Council had elicited questions about possibly establishing separate wastewater fees for customers over the Edwards Recharge Zone. Since the consultant recommends strongly against the enactment of a separate Edwards Recharge Zone wastewater rate, no action on this issue is being sought from the committee.
- With respect to the Lift Station Maintenance Fee, Mr. Kindle asked if other cities have similar fees. Mr. Smith said he was not aware of any others, but added that it was an effective way of recovering costs from specific developers whose developments directly benefit from the service as opposed to spreading the cost of operating and maintaining lift stations among all rate payers, most of whom are not served by lift stations. Mr. Lendman added that the SAWS Board of Trustees

specifically asked for this Rate Study to address the Lift Station Maintenance Fee when a significant increase in the fee was approved in 2007. The Rate Study merely assesses and validates the reasonableness of the fee calculation method and no committee action is required

- As a result of the discussion on Recycled Water and other issues, Mr. Kindle stated that at the October 15 committee meeting, the agenda will include approval of a recommendation to not change the Recycled Water program rate structure and for SAWS and the City to consider raising these rates when rate increase proposals for other services are considered. Additionally, committee approval of a recommendation to change the rate structure of the Private Fire Protection Fees in line with the consultant's recommendation will be included on the agenda.

Agenda Item #4, Consideration and Approval of Wastewater Rate Structure Proposal

With a quorum in place at the conclusion of the discussion over Agenda Item #6, Mr. Kindle called up consideration of Agenda Item #4 which asked for committee approval of a recommendation to not make any changes in the SAWS Wastewater rates structure.

- Mr. Soules stated his position that the calculation period for the purpose of setting the winter average of monthly water consumption for wastewater billing purposes 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. Mr. Crowley stated that each meter reading cycle requires 21 days to complete for each billing period. It is necessary to spread out the three meter readings over the four month period because of the 21-day cycle. Mr. Alan Williams stated that all meter readings accomplished between November 15 and March 15 are also done for winter average calculation purposes. If, for example, a meter is read on November 14 during a single reading cycle/billing period, the read from that meter on that day is not included in the winter average calculation; therefore, the first of three winter average readings for that meter would not occur until December with the last winter average reading occurring in March. 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).
- Mr. Soules also expressed concern over the practice of estimating meter readings, especially during times of winter average calculation. Mr. Williams stated that during winter averaging periods, meter estimating is very rare required only when weather conditions prevent the proper reading of meters. Mr. Smith stated that estimating is a common practice in the industry, as is the use of a three-month period for winter average calculation. At the end of this discussion, Mr. Kindle asked if Mr. Soules

wished to make a formal motion regarding the length of the winter averaging period. Mr. Soules declined, stating that he hoped that future Rates Advisory Committees would address the issue in more depth.

- Mr. Kindle then made a motion to approve the recommendation to not alter the current Wastewater rate structure. Ms. Tullis seconded the motion. The motion passed unanimously.

Agenda Item #7, Adjournment

Noting that Mr. Soules would be unable to attend the October 15 meeting, Mr. Kindle thanked him for his service and contributions to the committee deliberations and the Rate Study process.

Mr. Crowley noted that while the October 15 meeting would likely be the last committee meeting, staff will likely ask for committee member participation during the upcoming deliberations in early 2010 by the SAWS Board of Trustees and the City Council over the rate structure recommendations of the committee.

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