

Financial  
Services

# Proposed Rate Design Study Planning Process

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Budget and Rates Manager



Rate Advisory Committee  
12 August 2008



# Overview

- **Rate studies are done to develop pricing structures that reflect the utility and community objectives**
  - *How are costs allocated and recovered from different types of customer classes?*
- **Rate studies are conducted with the support of**
  - Rate Consultants
  - Rate Advisory Committee (RAC)
  - Staff
- **The last comprehensive rate review process was conducted in 2003-2004**

# *Purpose*

- The purpose of the rate design study is to provide SAWS with information regarding the rate structure for water delivery, water resource development, recycled water, and wastewater
- The RAC is a special purpose advisory group to staff and the SAWS Board of Trustees
- The RAC will review, discuss, and analyze rate structure, fee structure, and charges
- The RAC will assist staff in selection of Rate Study Consultant

# Proposed Rate Analysis Issues

## System Issues

- Overall rate structure
- Rate development - utility vs cash method
- Inter-company transfer from water delivery to water supply
- ERZ rates
- Wholesale customers (water supply/ wastewater)
- Energy pass through
- ICL/OCL rate differential



# Proposed Rate Analysis Issues

## Water Delivery Issues

- Raw water rate
- Seasonal rate
- Drought Surcharge rates
- Interconnect rate

# Proposed Rate Analysis Issues

## Wastewater Issues

- Winter average
- Surcharges
  - TSS/BOD
  - Fats / Oils / Grease
- Lift Station Maintenance Fee

# Rate Analysis Issues

## Water Supply Issues

- Block / tier structure
- Conservation rate
- Recycle rate
- Planning scenario number two - funding

# *Composition/Representation*

- Members represent different parts of our customer base

## Examples:

- Neighborhood Association
- Business Leader
- Residential Large Lot
- Multi-Family
- Industrial
- Planner
- Environmentalist
- Community Activist
- At Large – Outside City Limits
- Affordability Customers
- Council Districts

# RAC Committee

- The RAC will assist in the development of the rate structure objectives and rankings:
  - Cost of service recovery
  - Minimizing customer impact
  - Legality
  - Consumption/Demand management
  - Rate Stability
  - Revenue Stability
  - Ease to understand
  - Ease to update
  - Ease to implementation
  - Affordability to disadvantaged customers

# Timeline

## ➤ **May 08**

**Finalize rate consultant RFP**

**Advertise for a rate consultant**

**Begin data collection for rate study**

## ➤ **Aug 08**

**Rate consultant selection process**

## ➤ **Oct 08**

**Board approval of rate consultant selected**

**Orientation briefings of rate consultant selected**

**Orientation briefings on rate development process to board/committees**

# Timeline Cont.

## ➤ **Nov 08**

**Finalize inputs to multi-year financial plan (bills, sales, revenues, budgets, capital outlay, CIP, debt, etc)**

## ➤ **Jan 09**

**First draft of rates**

**Internal review of rates**

**Begin regular RAC committee meetings**

## ➤ **Feb 09**

**Begin committee/public meeting process**

# Timeline Cont.

## ➤ Feb/May 09

### Rates Advisory Committee /public meeting process

- Overview of SAWS
- Overview of rate development
- Selection of the rate structure objectives and ranking
- Committee input on preferences for rate development

### Development of the rate structures

### Second draft of rate structures

### Committee review of rate structures

## ➤ May 09

### Final draft of rates structures

# Timeline Cont.

## ➤ Jun 09

**Finalize presentations, public relations information, etc.  
Brief SAWS Board**

## ➤ Aug 09

**Brief City Staff, committees, public, employees, etc. (Citizen Advisory Panel, Citizen Conservation Committee, Rates Advisory Group, Chambers of Commerce, Industry Groups, Neighborhood Groups)**

**Formal Rate package to City Staff**

**Internal committee/board/employee briefings**

# Timeline Cont.

## ✓ **Sept 09**

**Finalize details with City Staff**

**Complete 2009 budget and rate requirements**

**Rate showcase**

**Brief City Management Team**

**Brief City Council Subcommittees**

**SAWS Board committee approvals**

## ➤ **Oct/Nov 09**

**Board approval of the new rate structures and rates**

**City Council approval of the new rate structures and rates**

## ➤ **Dec 09**

**Consumption under new rates**

## ➤ **Jan 10**

**Billing under new rate structure and rates**

# RAC Action Needed Today

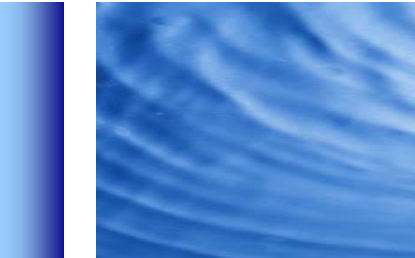
- **Board of Trustees desires RAC to participate in Rate Study Consultant selection process**
- **Request RAC appoint subcommittee today to participate with staff Selection Committee in interview process**
  - **Subcommittee to meet with staff Selection Committee next week to determine firms to interview**
  - **Interviews likely during week of Aug 25-29 over two day period**
- **Request three to four RAC members to volunteer to participate**

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Our water. Our future.