

**MINUTES**  
**RATE ADVISORY COMMITTEE**  
**Thursday, August 20, 2009**  
**5:30 P.M.**

**RAC Members Present:**

Kathie Estrada	Antonio Gallardo
Mike Harris	Keith Kindle
Ron Morales	Joe Soules
Allen Townsend	

**RAC Members Absent:**

Fred Arce	Gil Coronado
Steve Patmon	Liz Tullis

**Board of Trustees Representative:**

Michael Lackey

**SAWS Staff Present:**

Douglas Evanson, Senior Vice President/Chief Financial Officer  
Stacey Isenberg, Vice President, Customer Service  
Charles Ahrens, Vice President, Water Resources/Conservation  
Dan Crowley, Director, Financial Planning  
Alan Williams, Director, Customer Service  
David Maxwell, Director, Engineering  
Phyllis Garcia, Manager, Finance  
Stephen Turner, Senior Financial Modeler  
Lou Lendman, Senior Financial Analyst  
Pat Arriola, Financial Analyst  
Larry Zermeno, Financial Analyst  
Robert Walker, Financial Analyst  
Carlos Mendoza, Financial Analyst  
Laura Raffaniello, Financial Analyst  
Jennifer Holmquist, Public Affairs  
Phil Weynand, Conservation  
Elliott Fry, Conservation

**City of San Antonio Representatives Present:**

Morris Harris, Public Utilities Office

**Consultants Present:**

Harold Smith, Raftelis Financial Consultants

**Citizens Present:**

Kelly Hall	Stephen Lazor
Bruce Reppert	

### **Agenda Item #1, Call to Order by the Chairperson**

Mr. Kindle, committee chairperson, called the meeting to order. Mr. Kindle noted that 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. Lou Lendman welcomed the attendees. He commented on hand-outs that were placed at the seats of each of the committee members. First, he addressed the proposed calendar for the remaining meetings of the committee (given at Attachment 1). The next meeting scheduled for September 10 will include a presentation on proposed wastewater and recycled water rates 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 September 24 is proposed to be the final committee meeting where approval will be sought on the proposed wastewater and recycled water rates as well as the resolution of other rate-related issues. In reserve is a meeting scheduled for October 9 in the event that further committee action and discussion is required.

Mr. Lendman also referenced handouts that had been prepared by the Conservation Department in response to questions submitted via e-mail by Mr. Soules earlier in the day (these handouts are shown as Attachment 2). Specifically, Mr. Soules asked for information concerning the levels of water needed on a monthly basis to maintain lawns of varying sizes.

At Attachment 3 is a handout prepared at Mr. Kindle's request which compares monthly residential water delivery and water supply charges at different levels of consumption based on the rates discussed in the presentation given in Agenda Item #4.

### **Agenda Item #4, Review and Consideration of Approval of Water Delivery and Water Supply Rates**

Mr. Harold Smith of Raftelis Financial Consultants presented the slides given at Attachment 4. The presentation provided the staff recommendation for new structures for the Water Delivery and Water Supply rates. The staff recommendation was developed based on committee input provided at the July 23 meeting regarding the original Conceptual Design presented by Raftelis on July 9.

- Regarding slide #5 on Attachment 4, Mr. Soules noted that, given the cost impact of the staff recommended rate structure on high water consumers, he regretted the previous committee decision to extend the period for the application of seasonal rates by two months.

- With respect to the meter charges proposed on slide #9, Mr. Soules asked why these residential water meter charges appeared to be increasing at a higher rate than those for the General Class. Mr. Smith stated that the meter charge levels are driven by the different cost of service requirements of the Residential Class and General Class, respectively. Specifically, he stated that the proposed charges bring the meter charge amounts into closer agreement with American Water Works Association (AWWA) standards. Mr. Soules indicated that he felt that the increase of meter charges in combination with increased volumetric charges for higher consumption customers was “double dipping”.
- Mr. Soules asked for more explanation of the Attachment 2 handouts prepared by Conservation. As discussed in the handouts, Mr. Elliott Fry explained that the amount of water required for maintaining healthy lawns of different sizes was subjective based on one’s definition of “healthy”. Mr. Charles Ahrens stated that there are many variables (e.g. soil type, slope, shade, fertilization) that make a single formula applicable in all cases difficult to establish. Mr. Townsend stated that the issue was more of finding ways to encourage customers to use less water for irrigating their lawns and to find alternative landscapes that require less water to maintain.
- Mr. Soules suggested as an alternative means to encouraging conservation that customers using less water be given rebates as opposed to being assessed higher rates for higher levels of consumption. Ms. Estrada expressed agreement with the idea. Mr. Kindle pointed out that a costly system for deciding rebate eligibility and distributing payments would need to be established. Mr. Crowley acknowledged the merit of the suggestion.
- With reference to slide #15, Mr. Soules stated that he felt it was unfair to burden Tiers 3 and 4 customers with increasingly higher Water Supply rates while high consumption General Class customers (e.g. theme parks, golf courses) are assessed a single tiered Water Supply rate regardless of consumption. Mr. Kindle pointed out that only about 5% of the residential customer base would be impacted by the higher Tier 4 rates targeted to discourage discretionary water use. Mr. Soules stated that there were no similar penalties for higher discretionary water use by General Class customers. Mr. Smith pointed out that 90% of General Class customers use water within 125% of base usage making their overall water use less discretionary in nature than that of residential customers. Mr. Smith added that when staff and the consultants looked at a scenario to apply tiers to the General Class Water Supply rates in a manner similar to the Residential Class, General Class customers within 125% of the base wound up paying less overall than they would be paying under current charges. Staff recommended the retention of a single tiered Water Supply rate for the General Class.
- When the presentation focused on comparison of the staff recommended-rates with those of other Texas and U.S. cities, Mr. Soules pointed out that at the level

of 30,000 gallons of monthly consumption, SAWS charges would be in excess of those assessed by Dallas and Houston.

- At the conclusion of the presentation, Mr. Kindle gave each committee member the opportunity to make a statement prior to the formal vote on the approval of the staff recommendation.
  - Mr. Townsend expressed his appreciation to the staff and the consultant for including the committee’s concerns expressed at the July 23 meeting within the staff recommended rates. He also expressed his approval of the fact that 95% of residential customers, who maintain consumption at the Tier 1 and 2 levels, will likely have lower water charges as a consequence of the staff recommended rates. He stated that he would support the staff recommended rate changes.
  - Mr. Soules indicated that he found the proposed rates to be predatory in nature with respect to Tier 3 and Tier 4 residential customers. He stated that customers in these tiers tend to be “powerful executives” who will be more likely to express their concerns to officials about the rate structure. He also stated that he supports “fair rates” and fair rate increases, but he does not see fairness in the proposed rate structure. Mr. Soules concluded his statement by remarking that he would not vote for the staff recommendation adding that “I will not help you rob my neighbors.”
  - Mr. Morales stated that he also supports fairness in rates, adding, however, that he does not see any inherent unfairness in the staff recommendation, given that the natures of the Residential Class rates and the General Class rates are entirely different. Mr. Morales expressed support for the staff recommendation.
  - Mr. Harris asked about the basis of the meter charges for Irrigation Class customers. Staff stated that they were based on General Class meter charges. He also asked whether or not SAWS conservation efforts are supported in part through a portion of the General Class meter charges. Staff confirmed that this was the case.
  - Mr. Gallardo expressed agreement with Mr. Soules’ concern over the adverse impact of the staff recommendation on high consumption residential customers.
  - Ms. Estrada stated her appreciation for staff’s incorporation of the committee’s suggestions into the recommended rate structure. She added that she supported the staff recommendation.
  - Mr. Kindle stated that it was hard for him to believe that monthly residential usage of 50,000 gallons was in any way non-discretionary. He disagreed that

the staff recommendation was over-burdening the Tier 4 residential customers. Great incentives exist under the recommended structure, according to Mr. Kindle, for consumers to keep their consumption within Tiers 1 and 2. He added that the cheapest source of new water is conservation as opposed to the expensive development of new sources.

At the conclusion of the statements by each of the committee members, Mr. Kindle made a motion to approve the staff recommended rate structure as set out in Attachment 4. Mr. Townsend seconded the motion. The motion passed 5 votes in favor to 2 votes against. Ms. Estrada, Mr. Harris, Mr. Kindle, Mr. Morales and Mr. Townsend voted in favor. Mr. Soules and Mr. Gallardo voted against the motion.

#### **Agenda Item #5, Adjournment**

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