

MINUTES
RATE ADVISORY COMMITTEE
Thursday, January 22, 2009
5:30 P.M.

RAC Members Present:

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

RAC Members Absent:

Rene Cortez	Paul Foster
Rachel Fuentes	Marcello Martinez
Steve Patmon	Liz Tullis

SAWS Staff Present:

Debra Nicholas, Assistant Vice President, Communications & External Relations
Dan Crowley, Director, Financial Planning
David Maxwell, Director, Engineering
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
Keith Martin, Corporate Counsel

City Staff Present:

Alfred Chang, Public Utilities Office, City of San Antonio
Marisela Vasquez, Public Utilities Office City of San Antonio

Consultants Present:

Peiffer Brandt, Raftelis Financial Consultants, Inc.
Harold Smith, Raftelis Financial Consultants, Inc.
Bill Stannard, Raftelis Financial Consultants, Inc.

Citizens Present:

Fred Arce	Stephen Lazor
Jerry Morrisey	Bruce Reppert

Agenda Item #1, Opening

The meeting opened with a welcome by Dan Crowley.

- Mr. Kindle asked about the process for making any changes to the RAC meeting minutes. The RAC accepted a staff proposal that any changes from committee members be requested by e-mail following distribution of the initial meeting minutes for staff to incorporate into a subsequent version for the committee.
- The RAC also accepted a suggestion from Mr. Morales that any questions or comments from individual members be sent to all committee members and staff in advance so that they can be addressed during the next meeting

Agenda Item #2, Presentation of Rates Workshop

Bill Stannard, Harold Smith and Peiffer Brandt of Raftelis Financial Consultants presented the Attachment 1 presentation describing the principles of water and wastewater rate setting.

- The presentation contained slides on the new SAWS rates for 2009 that were not included in the slides transmitted with the agenda prior to the meeting. Mr. Harris asked that such additional slides be provided to the RAC members in advance in the future. Staff agreed that such slides should have been included in the advance materials. Attachment 1 contains the same slides presented by the consultants at the meeting. The rate sheets approved by the City Council for 2009 are provided at Attachment 2.
- During the portion of the presentation that addressed the basis of accounting used to develop revenue requirements, Mr. Harris asked what accounting basis is used by SAWS. Dan Crowley responded that SAWS uses the cash basis consistent with the requirements of the City ordinance which created SAWS.
- Mr. Kindle asked about what the rating agencies thought of fixed charges as opposed to variable charges. The consultants stated that rating agencies prefer that debt service payments be tied more to fixed charges to assure a revenue stream for payments. The consultants added, however, that too much reliance on fixed charges disproportionately adds a rate burden to lower consuming customers who frequently have lower incomes.
- Mr. Soules asked at what point conservation-oriented rates become predatory in nature. The consultants responded that water utilities that have lower assured water supplies tend to have higher and stricter conservation-based rates.
- Mr. Harris asked for information demonstrating elasticity of demand resulting from changes in water rates. The consultants said that there have been studies,

- After the consultants spoke, Mr. Harris presented questions in writing from the San Antonio Manufacturers Association (SAMA) Water Resource Committee given at Attachment 3. SAWS staff stated that they will review the questions in detail and provide a response at a later date.
- Mr. Harris also asked about the accuracy of an article in the San Antonio Express-News that appeared on January 21 concerning an apparent change in the position of the Lower Colorado River Authority (LCRA) Board of Directors regarding the amount of water that will be available from a proposed joint SAWS-LCRA project. Debra Nicholas stated that the impact of the LCRA Board's position is still being studied by SAWS staff. She added that SAWS is not relying solely on the SAWS-LCRA project for the future, and has other long-term water supply projects in various planning stages.
- Given the ongoing economic downturn, Mr. Soules emphasized the need for the RAC to not accept past assumptions about the growth of the local economy in making recommendations concerning future rate structures.
- At the end of the presentation, Harold Smith talked about the future steps of the rate study process (please see the last slide of the Attachment 1 presentation). At its February 19 meeting, the RAC will be asked to prioritize its pricing objectives for the development of a new rate structure. Specifically, he asked the committee members to complete the survey of pricing objectives priorities given at Attachments 4 and 5 by the next meeting. This meeting will focus on discussing the pricing objectives with the goal that the RAC will achieve consensus. With the prioritized pricing objectives in hand, the consultants will propose a conceptual rate structure design for discussion at the March 12 meeting. The RAC members are asked to forward their surveys to staff prior to the February 19 meeting, if possible; otherwise they are asked to bring their completed forms with them to the meeting.

Agenda Item #3, Citizens To Be Heard

Mr. Jerry Morrissey, a former RAC member, made a statement regarding the SAWS water supply rate. Currently this rate is uniform in that the same rate amount is charged against all levels of consumption. Mr. Morrissey urged that consideration be given to developing inverted tiers or blocks for the water supply rate similar to those in place for the current water delivery rates whereby higher rate charges are assessed against higher amounts of consumption. This is needed, according to Mr. Morrissey, to encourage conservation and to decrease the water supply cost burden on consumers of lower amounts of water.

Agenda Item #4, Adjournment

There being no other business to conduct, the meeting was adjourned after Agenda Item #3.