

MINUTES
RATE ADVISORY COMMITTEE
February 4, 2014
5:30pm

RAC Members Present:

James McNamara
Roberto Anguiano
Mark Guerrero
Hilario Garcia
Mario Hune
Ken Lawrence
Gerardo Noriega
Allyson McKay
David Kubitz
Jorge Garcia
Mark Perry
Howard Peak
Carroll Jackson

RAC Members Absent:

Clem Perez
Larry Underwood
Will Trujillo
Manuel Pelaez-Prada
Roger Hill

SAWS Staff Present:

Robert Puente, President/CEO
Donovan Burton, Chief of Staff
Steve Clouse, Chief Operating Officer
Doug Evanson, Senior Vice President/Chief Financial Officer
Chuck Ahrens, Vice President of Water Resources and Conservation
Mary Bailey, Controller
Lou Lendman, Interim Budget Manager
Karen Guz, Director of Conservation
Jeff Haby, Director of Sewer System Improvements
Mario Aguilar, Communications
Keith Martin, Corporate Counsel
Stephen Turner, Sr. Financial Modeler
Pat Arriola, Financial Analyst
Marcy Gonzalez, Financial Analyst
Carlos Mendoza, Financial Analyst
Robert Walker, Financial Analyst

Lou Lendman welcomed RAC members and encouraged the members to attend the SAWS Rain to Drain tour being held on February 8, 2014. He also described the purpose of the Rate Design Study.

Robert Puente thanked the RAC members for dedicating time to the committee, and emphasized that the work of the committee is important to the future of SAWS.

Doug Evanson addressed the members and gave some statistical information from the 2012 State Water Plan. Doug pointed out the needs are great for water supplies for the State of Texas. He also briefly described the projected high costs for developing water supplies to meet projected demands by 2060. Doug pointed out that SAWS is the second largest water/wastewater utility in the state of Texas, behind only Houston. He also thanked the RAC members for contributing their efforts.

Mary Bailey began with the introduction of the SAWS staff members. She also asked RAC members to introduce themselves, who they represent and what they plan on bringing to the committee's deliberations.

Mary Bailey followed with two presentations, one titled "Rate Study Process Overview and Procedural Guidelines" and the other "Management and Finance Issues", providing more details on the Rate Study, the RAC's involvement, and the projected timeline for the Rate Study.

Questions and comments that were asked during the presentations were as follows:

- Mr. Hune asked how the Rate Consultant was selected. Mary Bailey and Doug Evanson described the process and indicated that out of the seven firms that responded, the top three firms were interviewed. They were Black & Veatch, Raftelis Consulting and Red Oak Consulting. Black & Veatch was selected to become the rate consultant.
- Mr. McNamara asked the question if SAWS had agriculture rates. Mary informed him that these rates would fall under SAWS General Class rates. It was also pointed out that most agriculture interests possessed their own wells.
- With respect to the disparity between SAWS and DSP commercial monthly charges, Mr. Hune asked for more information about the difference. Doug Evanson pointed out that BexarMet's own rate study produced prior to SAWS assumption of control stated that BexarMet residential ratepayers are subsidized by BexarMet commercial rates and do not reflect true cost-of-service.
- Dr. Perry asked for more information on the number of DSP residential customers vs. DSP commercial customers, which staff will provide at the next meeting.
- Mr. Jackson asked about the impact of efficiencies realized from SAWS taking over the operation of BexarMet. Doug Evanson offered to provide a detailed presentation at a later date on the financial impact of SAWS assumption of the DSP. Steve Clouse explained how SAWS integrated the BexarMet smaller individual systems and have been connecting them to the SAWS water distribution infrastructure. Mr. Jackson also asked for a comparison of SAWS charges with those of other cities in Texas. Col. Lawrence asked for a comparison of different rate structures in Texas. Staff will provide this at the next meeting.
- Mr. Hune asked for historical information on how many customers fell into the various water delivery and water supply fee rate tiers at given points in time in order to see if higher rates at higher tiers have been effective in discouraging consumption at the higher tiers. Staff will provide this at the next meeting.
- Mr. Jackson asked if the RAC meetings were subject to the Open Meetings Act and if citizens have the opportunity to participate in the meetings. Lou addressed

the question by stating that the opportunity for citizens to be heard will be available at the start of each meeting, and that the guidelines would follow those of the City Council with three minutes for each citizen to address the committee. Keith Martin stated that while the RAC is an advisory committee and compliance with the Open Meetings Act is not required, SAWS wishes to maintain complete transparency of all the RAC proceedings consistent with the requirements of the Act

Jeff Haby gave a presentation titled “Overview SSO Reduction Program”

Chuck Ahrens gave a presentation titled “San Antonio Water System 2012 Water Management Plan”

- Mr. McNamara asked if there has been any impact on the water supply from the application of hydraulic fracturing in support of natural gas extraction operations (or “fracking”) in the Eagle Ford area south of San Antonio. Steve Clouse stated that San Antonio’s water supply is well separated from any possible ill effect from fracking operations, and that SAWS constantly monitors the situation.

Karen Guz gave a presentation titled “Conservation; A Cost Effective Water Supply”

Questions and comments that were asked during the presentation were as follows:

- Mr. McNamara pointed out that efforts to encourage more conservation actually means less revenue stability for SAWS; Doug Evanson agreed and offered to provide a presentation showing historical SAWS revenue trends, and the effects of conservation measures implemented at different drought stages and weather conditions.
- Mr. Jackson asked for a report on the costs-per-acre foot of various water sources and conservation programs. Staff will provide this at the next meeting.
- Mr. McNamara asked if higher consuming water users were paying fully the costs for that water. Doug Evanson pointed out that under our current tiered water delivery and water supply rate structures the rate for usage in the 4th block is nearly 5 times as much as the rate for usage in the 1st block.

With respect to the next RAC meeting, Doug Evanson mentioned that the schedule is still being finalized. Notification of members of the next meeting date will be made as soon as possible. Col. Lawrence asked how the members can prepare between meetings. Doug suggested reviewing the previous Comprehensive Cost of Service and Rate Design Study final document from the last study in 2009. Lou Lendman stated that he would send a link to the SAWS website for the document.

The meeting adjourned at approximately 7:45 P.M.