

# Rate Study Recommendations

**Mary Bailey**

VP – Business Planning & Controller

July 15, 2015

CCC Meeting



# Purpose of a Rate Study

- SAWS periodically undergoes a study of its rate design
  - Last review was completed in December 2009
- The committee recommended HOW not WHAT
- Rate studies are done to ensure adherence to cost of service principles – one category does not subsidize another
- Develop pricing structures that reflect utility and community objectives

# Rate Advisory Committee

<b>Carroll Jackson, RAC Chairman</b>	
John Davis – District 1	Larry Underwood – District 6
James McNamara – District 2	Mario Hune – District 7
Roberto Anguiano – District 3	Ken Lawrence – District 8
Mark Guerrero – District 4	Michael Moore – District 9
Daniel Meza – District 5	Allison Cohen – District 10
Jorge Garcia – Recycled Water	Howard Peak – At Large
Allyson McKay – Apartment Assoc.	Manuel Pelaez-Prada – Business Community
Gerardo Noriega – Greater Edwards Aquifer Alliance	Mark Perry – Wholesale Customer

# Rate Study Priorities

Provided direction for change

	2014 Rate Study Priorities
<b>Essential</b>	<ol style="list-style-type: none"> <li>1 Financial Sufficiency</li> <li>2 Cost of Service Based Allocations</li> <li>3 Revenue/Rate Stability</li> </ol>
<b>Very Important</b>	<ol style="list-style-type: none"> <li>4 Conservation</li> <li>5 Drought Management</li> <li>6 Economic Development</li> </ol>
<b>Important</b>	<ol style="list-style-type: none"> <li>7 Affordability to Disadvantaged Customers</li> <li>8 Simple to Understand/Update</li> </ol>
<b>Least Important</b>	<ol style="list-style-type: none"> <li>9 Minimize Customer Impact</li> <li>10 Ease of Implementation</li> </ol>

# Rate Design

## Key Objectives

1. Allow utility to meet its revenue requirements
2. Recover the portion of the costs attributable to each category of customers
3. Support continued conservation efforts by providing customers proper price signals
4. Ensure life essential uses of water are priced as affordable as possible

# Water Rate Structure Recommendations

- Residential Life Line Supply Block
  - Significant reduction in volumetric rate for first 2,992 gallons of usage
  - Lower fixed charge for customers with no usage above 2,992 gallons
- Send price signal sooner and encourage conservation
  - Increase number of rate blocks
    - Residential – 8 blocks instead of 4
    - Irrigation – 4 blocks instead of 3
- Consistent pricing differential for water delivery and Water Supply Fee within each rate class
- Eliminate seasonal rates

# Water Availability Charge

## Inside City Limits

Description	Residential*		General/Irrigation	
	Existing	Proposed FY 2015	Existing	Proposed FY 2015
<b>Availability Charge (meter size)</b>	<i>(per bill)</i>	<i>(per bill)</i>	<i>(per bill)</i>	<i>(per bill)</i>
5/8"	\$7.57	\$9.76	\$10.53	\$10.54
3/4"	\$10.63	\$12.91	\$15.05	\$15.06
1"	\$16.72	\$19.19	\$24.08	\$24.08
1 1/2"	\$31.94	\$34.88	\$46.65	\$46.62
2"	\$50.18	\$53.69	\$73.74	\$73.63
3"	n/a	n/a	\$136.96	\$136.73
4"	n/a	n/a	\$227.28	\$226.84
6"	n/a	n/a	\$453.06	\$452.12
8"	n/a	n/a	\$723.99	\$722.49
10"	n/a	n/a	\$1,040.08	\$1,037.89
12"	n/a	n/a	\$1,943.21	\$1,939.07

\*Lifeline block discount - If total residential usage does not exceed 2,992 gallons, proposed fixed charge is reduced by \$1.95



# Residential Volumetric Rate Blocks

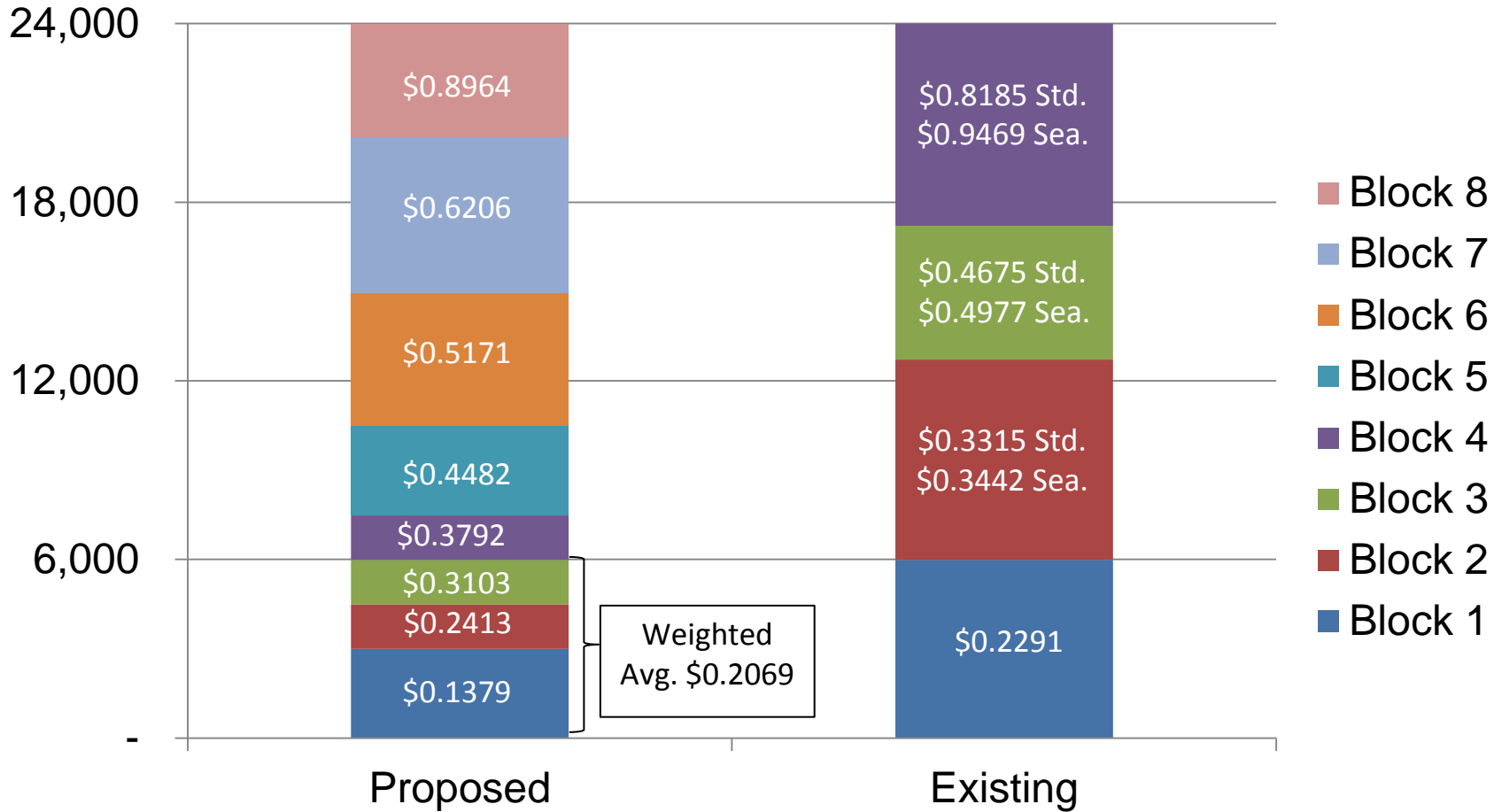
## Water Delivery & Water Supply

Description	Existing Structure			Proposed Structure		
	Block Threshold	Percent Usage	Customer Bills	Block Threshold	Percent Usage	Customer Bills
Block 1	5,985	64.0%	58.7%	2,992	38.2%	26.5%
Block 2	12,717	22.7%	30.4%	4,489	14.7%	17.3%
Block 3	17,205	4.9%	5.6%	5,985	11.1%	14.9%
Block 4	Above	8.4%	5.3%	7,481	7.6%	11.2%
Block 5				10,473	10.8%	13.7%
Block 6				14,962	7.6%	8.9%
Block 7				20,199	4.1%	4.0%
Block 8				Above	5.9%	3.5%
		100.0%	100.0%		100.0%	100.0%



# 2015 Residential Rate Comparison

## Lifeline Supply Rate With Earlier Price Signals



# General Class Volumetric Rates

## Water Delivery & Water Supply Combined

Description	Existing Structure			Proposed Structure	
	Usage	Block Differential	2015 Rates	Block Differential	2015 Rates
Base	83.4%	1.00	\$ 0.3194	1.00	\$ 0.2918
100% - 125% of Base	6.7%	1.07	\$ 0.3433	1.15	\$ 0.3356
125% - 175% of Base	4.1%	1.26	\$ 0.4018	1.50	\$ 0.4377
More than 175% of Base	5.8%	1.56	\$ 0.4967	1.75	\$ 0.5107

- Rates per 100 gallons for Inside City Limits (ICL) customers
- Includes Commercial, Multi-family, Industrial and Municipal

# Irrigation Volumetric Rates

## Water Delivery & Water Supply Combined

Description	Existing Structure			Proposed Structure	
	Block Threshold	2015 Rates		Block Threshold	2015 Rates
		Standard	Seasonal		
Block 1	6,732	\$ 0.3689	\$ 0.3689	8,229	\$ 0.4519
Block 2	17,205	\$ 0.4675	\$ 0.5006	17,954	\$ 0.6326
Block 3	Above	\$ 0.8572	\$ 0.9912	162,316	\$ 0.8134
Block 4				Above	\$ 1.0393

Rates per 100 gallons for Inside City Limits (ICL) customers

# Wastewater Rate Structure Recommendations

- Maintain existing minimum allowance – 1,496 gallons
- Tiered fixed charge based on water meter size
- Two block volumetric for Residential class
  - Significantly lower rate for Life Line Supply Block of 2,992 gallons

# Wastewater Proposed Rate Structure

Line No.	Description	Existing Residential & General	Proposed FY 15 Residential	Proposed FY 15 General
	<b>Availability Charge (meter size)*</b>	<b>(per bill)</b>		
1	5/8"	\$12.69	\$11.67	\$11.67
2	3/4"	\$12.69	\$12.84	\$12.84
3	1"	\$12.69	\$14.59	\$14.59
4	1 1/2"	\$12.69	\$20.43	\$20.43
5	2"	\$12.69	\$29.18	\$29.18
6	3"	\$12.69	\$58.36	\$58.36
7	4"	\$12.69	\$87.54	\$87.54
8	6"	\$12.69	\$145.90	\$145.90
9	8"	\$12.69	\$233.43	\$233.43
10	10"	\$12.69	\$350.15	\$350.15
11	12"	\$12.69	\$466.87	\$466.87
	<b>Wastewater Volumetric Rate</b>	<b>(per 100 gal)</b>		
12	Block 1**	\$0.3365	\$0.2495	\$0.3343
13	Block 2		\$0.3743	

\* Service availability charge includes a minimum allowance of 1,496 gallons.

\*\* The proposed residential volumetric rates consist of two blocks with Block 1 ending at 2,992 gallons.

# Residential Bill Comparison

## Combined water and sewer charges

Usage	Existing Rates		Proposed Rates	\$ Change		% Change	
	Std.	Seas.		Std.	Seas.	Std.	Seas.
2,992 W	\$33.37	\$33.37	\$28.56	-\$4.81	-\$4.81	-14.4%	-14.4%
2,992 S							
5,985 W	\$51.30	\$51.30	\$50.96	-\$0.34	-\$0.34	-0.7%	-0.7%
5,985 S							
7,023 W	\$54.79	\$54.92	\$54.92	+\$0.13	\$0.00	+0.2%	0.0%
5,896 S							
17,206 W	\$108.38	\$110.59	\$122.10	+\$13.72	+\$11.51	+12.7%	+10.4%
8,976 S							
22,443 W	\$158.02	\$166.95	\$168.12	+\$10.10	+\$1.17	+6.4%	+0.7%
10,472 S							

ICL customers. Includes EAA & TCEQ pass-through fees. Excludes stormwater fees.

# Other RAC Recommendations

- Fireline Charges
  - Have not been adjusted since 1994
  - Increase to recover cost of service (~8-9%)
- Sewer Surcharges
  - Have not been adjusted since 2003
  - Increase to recover cost of service (~11-12%)
- Irrigation Non-compliance
  - Assess a one-time fee of \$160 for customers not complying with requirement for annual irrigation system check-up
  - Additional volumetric charge of ~\$0.10/100 gallons until customer complies

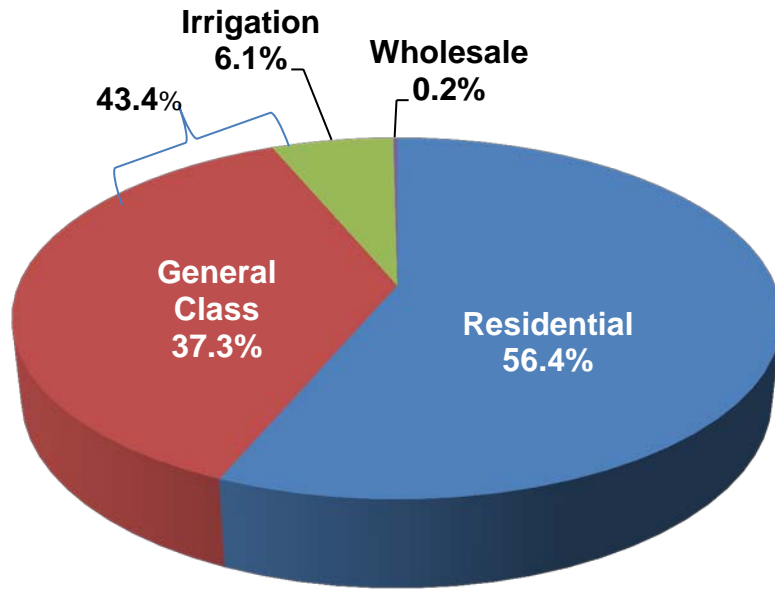


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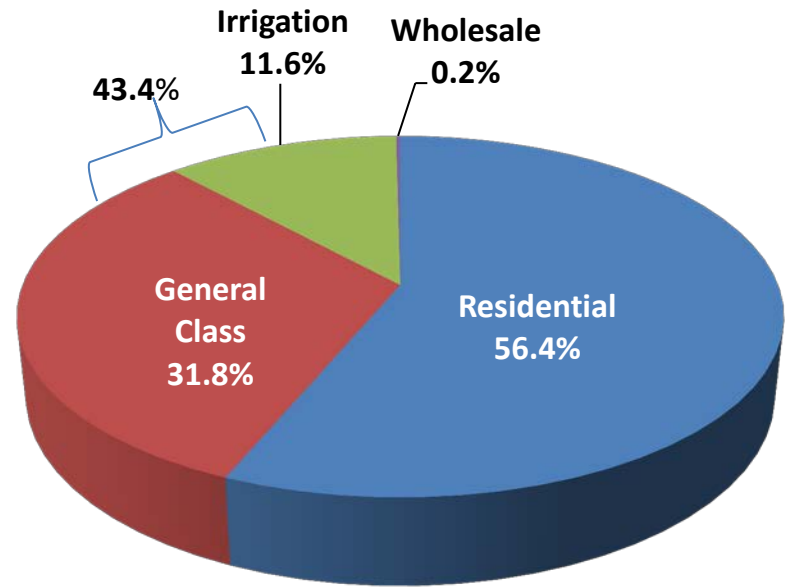
- Recycled Water
  - Increase recycled water rates annually based on weighted average potable water rate adjustments
  - Form a recycled water user group in 2016
- DSP/SAWS Rate Consolidation
  - Consolidate SAWS & DSP rate structures January 1, 2017

# Rate Structure Critiques

“Proposed Rate Structure Unfair to Residents”



Usage



Cost of Service

## Potable Water Usage vs Allocated Cost

# Rate Structure Critiques

**“General Class has no incentive to improve water efficiency”**

- Base consumption is set at prior year’s average *monthly* consumption.
  - Peak use will result in higher tiered charges
  - Business’ have profit motive to conserve
- General Class irrigation rates
  - Tiered blocks are comparable, yet many remain above the highest residential tiered levels
  - Over the last four years general class irrigation usage has declined 21%

# Next Steps

- Briefings on rate structure recommendations
  - Community organizations
  - City Council
- Development of 2016 budget and related rate adjustments
- Board and Council approval of rate structure changes and 2016 rate adjustments
- New rates would become effective Jan. 1

# Rate Study Recommendations

**Mary Bailey**

VP – Business Planning & Controller

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