

MINUTES
RATE ADVISORY COMMITTEE
May 6, 2014
5:30 pm

RAC Members Present:

Carroll Jackson, Chairperson
James McNamara
Roberto Anguiano
Mario Hune
Gerardo Noriega
Allyson McKay
Jorge Garcia
Mark Perry
Howard Peak
Allison Cohen
John Davis
Larry Underwood
Michael Moore

RAC Members Absent:

Hilario Garcia
Ken Lawrence
Manuel Pelaez-Prada
Mark Guerrero

Black & Veatch Consultants:

Richard Campbell

SAWS Staff Present:

Steve Clouse, Senior Vice President/Chief Operating Officer
Douglas Evanson, Senior Vice President/Chief Financial Officer
Kelley Neumann, Senior Vice President, Strategic Resources
Mary Bailey, Controller
Lou Lendman, Budget Manager
Mario Aguilar, Communications
Stephen Turner, Sr. Financial Modeler
Patricia Arriola, Financial Analyst
Marcy Gonzalez, Financial Analyst
Carlos Mendoza, Financial Analyst
Robert Walker, Financial Analyst

City of San Antonio Staff Present:

Morris Harris, Public Utilities Office
Alfred Chang, Public Utilities Office
Pamela Monroe, Public Utilities Office
Marion Gee, Public Utilities Office

Citizens Speaking at Public Hearing:

Phil Smith
Jerry Morrissey
Jody Sherrill

Chairman Jackson welcomed the RAC members and the meeting guests. He informed the RAC members that three individuals have signed up to speak for the public hearing.

As an introduction for the public hearing, Mary Bailey then gave a presentation entitled, "Rate Study Objective Prioritization Process". Ms. Bailey's focus of the presentation was to give an overview of the Rate Study for those citizens present.

For the public hearing, the following three individuals were signed up to speak:

- Phil Smith
- Jerry Morrissey
- Jody Sherrill

Mr. Smith expressed concerns regarding the SAWS policy for winter averaging for the purpose of calculating sewer charges. He handed out an analysis of his monthly SAWS bills since October 2011 (copy attached to these minutes). He noted that during the times that he was on vacation over a course of three months, he was still being charged for sewer usage, even though he was not occupying the home during that time. He suggested that customers be billed as an average of metered gallons of water and that SAWS consider refunding customers if they can show proof that they had vacated the residence over a period of time. He also suggested that SAWS program the billing system to adjust bills automatically so as to not charge for assumed sewer usage in excess of actual water usage. Additionally, he recommended a shorter winter averaging period to minimize the amount of the winter average consumption that would be billed for the entire following year.

Mr. Morrissey focused his comments on residential rates and the importance of conservation. He stated that he supports the current rate structure in place today that was designed to encourage conservation. To discourage high landscape irrigation water consumption, he proposed a new summer rate structure based on the historical average of consumption from the prior three years. He suggested that consumption above the base average would be charged higher rates, thus encouraging more conservation and helping to stabilize revenues. Mr. Morrissey's final comments concerned the provision of economic development incentives. He recommended that the City and SAWS be tougher in their negotiations with future economic development prospects. He was not opposed to providing incentives for economic development but only if the customer is required to utilize state of the art practices related to water efficiency.

Mr. Sherrill had several points he addressed to the committee. His first concern involved increasing water supply fee rates. He stated that the rising rates are "killing" the home owner. Secondly, he stated that SAWS needs to stop doing estimated water meter reads. This affects the winter average reading which affects the sewer bills. Mr. Sherrill also commented that the commercial customers should be subsidizing the residential customer to have less rate impact on homeowners. He also stated that the impact fees hurt the current commercial and residential customers. New development should pay for the complete cost of obtaining water needed by the development. Mr. Sherrill's last comment pertained to storm water fees. He stated that they need to be designed so that properties with more storm water run-off are charged higher storm water fees.

Mr. Jackson thanked those making statements and opened the floor to comments and questions. Doug Evanson commented on Mr. Sherrill's statements on the storm water fees, stating that those fees are not developed by SAWS, but by the City of San Antonio (COSA). SAWS does however collect the fees through the water bills for COSA based on the rates established by the City. Mr. Hune stated that COSA is in the process of reviewing the storm water rates.

Doug also stated in response to Mr. Sherrill's comment regarding commercial rates, that having commercial customers subsidize residential customers simply would mean that commercial customers would have to raise their prices for consumers to recover the higher water and sewer costs. Doug added that Mr. Sherrill's concerns about impact fees were not within the purview of the RAC, and that the City Council was currently in the process of considering SAWS impact fees recommendations that were reviewed by a different City committee.

Doug and Mary Bailey then discussed Mr. Smith's comments concerning the SAWS winter average policy. They first explained how residential sewer charges are calculated and applied to existing and new customers. Sewer rates are applied to the average water consumption measured from three full billing periods during the period of November 15 through March 15. This measured winter average (Average Winter Consumption) is the basis for residential sewer billings for the following 12 months. An existing SAWS customer moving to a new residence within the SAWS service area can transfer the Average Winter Consumption used at the prior residence as the basis for sewer charges at the new residence until such time that a new winter average is measured.

When a customer new to SAWS establishes an account, SAWS applies a flat monthly Unaveraged Residential Sewer Charge for three months (\$33.22 – based on assumed sewer usage of 8,229 gallons per month). Based on actual water consumption during the first three months, an Interim Average is then calculated – after the first three full months the new customer is billed the lower of the Unaveraged Residential Charge or the Interim Average until such time that a winter average is measured.

Dr. Perry asked how difficult it would be to modify the billing software so that it would not assess sewer charges based on an assumed sewer consumption level that is higher than the actual water consumption. Doug said that it could be done, but that the rate structure would have to be modified so that the lost revenue from making the change would be recovered in some other way.

Mr. Moore asked if SAWS has any statistical information that could provide an average ratio of water use to sewer consumption for the average residential customer and family size living on an average sized lot. Doug indicated that given the wide range of residential lot sizes in San Antonio along with the wide range of water consumption among customers especially for irrigation, a calculated residential average ratio would be unfair to the majority of SAWS customers that are likely to be outside of the water usage to sewer usage ratio parameters. A rate structure under such a circumstance would have

be skewed to recover costs to the likely detriment of the majority of customers using SAWS services in a manner not reflected by the average ratio.

Doug emphasized that adjusting water and sewer rate structures is a “zero sum game” since operating and debt service costs still have to be covered regardless of how the rates are arranged. A big part of the Rate Study will be modeling the impact on revenues of various rate structure scenarios.

After all questions were addressed and comments were made, Mr. Jackson adjourned the meeting at approximately 6:30pm.