

MINUTES
RATE ADVISORY COMMITTEE
Ninth Meeting, November 18, 2014
5:30 pm

RAC Members Present:

Carroll Jackson, Chairperson
Mark Guerrero
Jorge Garcia
Mario Hune
Howard Peak
Ken Lawrence
Mark Perry

Larry Underwood
Allison Cohen
John Davis
James McNamara
Michael Moore
Gerardo Noriega
Allyson McKay ~ via Phone

RAC Members Absent:

Manuel Pelaez-Prada
Roberto Anguiano
Daniel Meza

Black & Veatch Consultants:

Richard Campbell
Robert Chambers
Les Lampe

KBC Consultants:

Tony Catania

SAWS Staff Present:

Doug Evanson, Sr. Vice President/Chief Financial Officer
Steve Clouse, Sr. Vice President/Chief Operating Officer
Charles Ahrens, Vice President, Water Resources & Conservation
Mary Bailey, Controller
Lou Lendman, Budget Manager
Stacey Isenberg, Chief of Internal Audit
Scott Halty, Director of Resource Protection and Compliance
Martin Miller, Resource Protection and Compliance
Andrew Wiatrek, Resource Protection and Compliance
Sandra Wolff, Communications
Stephen Turner, Sr. Financial Modeler
Patricia Arriola, Financial Analyst
Robert Walker, Financial Analyst

City of San Antonio Staff Present:

Morris Harris, Public Utilities Office
Alfred Chang, Public Utilities Office

Citizens Present:

Meredith McGuire

Chairman Jackson opened by giving a brief description of the meeting's planned agenda and announced that no citizens had signed up to speak. He also discussed the upcoming RAC meetings and stated that the committee meetings would extend until at least May of 2015 and if there were any conflicts to let him know. He reiterated that the upcoming meetings are becoming increasingly important as rate structure recommendations are being finalized.

RAC member Allyson McKay was unable to attend the meeting, but she was able to listen to the meeting via telephone.

Mr. Evanson presented an overview of the Vista Ridge Water Transmission and Purchase Agreement. The presentation described the current status of the project and the upcoming phases.

Mr. Moore asked if SAWS would still be obligated under the contract if the Vista Ridge Consortium is unable to acquire the needed easements for the pipeline. Mr. Evanson explained that easement acquisition is the consortium's responsibility as one of the conditions for formal financial closing of the contract. If the consortium cannot meet its obligations for financial closing then SAWS no longer has any contractual obligations. Alternatively, if SAWS backs away from the project prior to financial closing, then SAWS will be obligated to reimburse the consortium's expenses up to \$40.1 million.

Col. Lawrence asked if SAWS had land already for the improvements needed at the north side site where Vista Ridge water would be received. Mr. Evanson answered that the land needs have not been finalized yet and Mr. Clouse stated that existing easements would be used as much as possible. Ms. Cohen asked if any new pump station sites in San Antonio would be needed. Mr. Evanson said that only existing station sites would be used.

Dr. Perry asked what entity would maintain the transmission pipeline. Mr. Evanson indicated that Abengoa would be maintaining the line under the supervision of SAWS through participation in a joint oversight board.

Dr. Perry asked that if the aquifer that the Vista Ridge water is generated from is drought proof. Mr. Evanson indicated that all aquifers are subject to drought to one degree or another. Mr. Clouse added that the Vista Ridge aquifer (Carrizo Aquifer) is comparable to the Edwards Aquifer in its ability to recharge, and it is nothing like the Trinity Aquifer that drops very rapidly during dry conditions. Mr. Jackson asked if the Medina Lake water contract was a BexarMet contract and Mr. Evanson affirmed that it was a former BexarMet contract that SAWS inherited at the time of the merger and creation of the District Special Project (DSP).

Dr. McGuire asked if SAWS is assuming any revenue from the sale of Vista Ridge water to other entities in its rate change projections. Mr. Evanson stated that no revenue from the sale of water to other entities was assumed.

Mr. Evanson then gave a presentation describing national trends in water and sewer rate increases. Citing the America Water Work Association (AWWA) Water and Wastewater Rate Survey, he stated that nationally, over a 16 year period from 1996 to 2012, water rates have increased annually by 4.90% and wastewater rates annually by 5.19%.

Mr. Evanson also cited a 2013 Black & Veatch water and sewer rate survey on the 50 largest U.S. cities. The survey states that combined water and sewer rates of these 50 cities increased 98% from 2001 to 2013, higher than the rate of inflation over the same period.

Following Mr. Evanson, the Black and Veatch consultants presented the initial results of their Special Service Fee Analysis. The purpose of the presentation was to get the committee's feedback on the design of selected special service fees. The consultants stated that in the utility industry, it is customary to assess a range of fees for special services that are associated for the benefit of a particular customer. These fees are designed to recover costs associated with providing special services and help decrease pressure on system-wide rates, which otherwise subsidize special services provided to limited groups of customers. The cost recovery for the selected special services fees account for less than 1% of all of the SAWS operating revenue in 2014. The analysis showed the outcome of the cost-of-service analysis of the following fees: Fats, Oils, and Grease (FOG), Industrial Waste Permit, Industrial Discharge Sampling, Liquid Waste Hauler and Fire Hydrant Meter Rental.

Mr. McNamara asked if the consultants were recommending specific changes to any of the fees. The consultants stated that recommendations would be made at the next RAC meeting.

In the discussion of the Fire Hydrant Meter Rental Fee, Col. Lawrence inquired on how the usage of the meters by contractors is monitored. Ms. Bailey stated that management of the program is very challenging for SAWS. She stated that the contractors are supposed to bring their rented meters in every six months to be tested for accuracy, and that SAWS relies on contractors to phone in their meter readings periodically. Compliance with these requirements has not been consistent. Despite these challenges, she pointed out, if SAWS did not have such a program, it is very likely that water would simply be stolen from fire hydrants to support construction projects, and we would lose the ability to exercise some control. SAWS does require a significant deposit on each rental meter from a contractor before it is issued.

Ms. Bailey then presented a proposed RAC schedule for 2015. Meetings should be concluded by the end of May 2015. The next meeting for the committee will be on Monday, January 12, 2015. She discussed the expected outcomes for each projected meeting. She also re-emphasized that committee member attendance will be very important as major decisions will be finalized at the remaining meetings.

The meeting was adjourned at 7:00pm.