

SAWS Rate Study Update

Doug Evanson

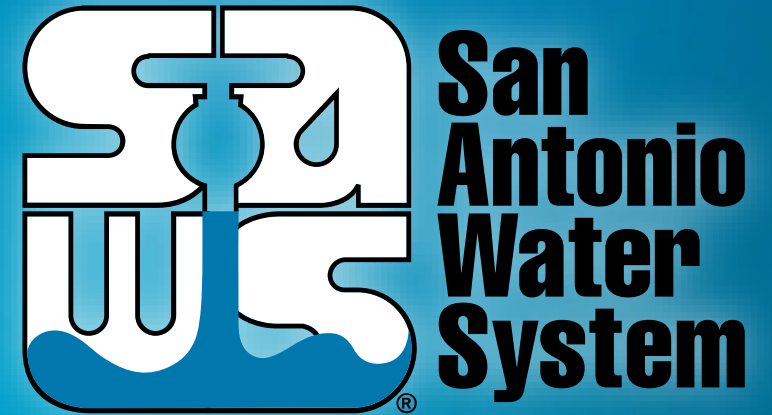
Sr.VP/Chief Financial Officer

Mary Bailey

VP – Customer Experience & Strategic Initiatives

Municipal Utilities Committee

April 4, 2022



MAKING SAN ANTONIO
WATERFUL



SAWS Rate Study

Outline

- Rate Study Process
- Rate Advisory Committee
 - Purpose, membership, selection process, meeting schedule
- Approved Cost of Service Results
- SAWS Existing Rate Structures

PURPOSE AND PROCESS

STUDY PURPOSE:

to equitably allocate the revenue requirements to the various customer classes and determine how to structure rates

PHASE 1

What are the annual revenue requirements of the utility?

REVENUE REQUIREMENTS



PHASE 2

How should costs be equitably allocated to each customer class?

COST OF SERVICE ANALYSIS



PHASE 3

How should rates be structured for each customer class?

RATE DESIGN STUDY



RATE ADVISORY COMMITTEE

2022 Rate Advisory Committee Bylaws

RAC Purpose

- Purpose of the RAC is to provide rate design recommendations to the Board of Trustees regarding the rate structures for water, wastewater and recycled water services
- Recommendations shall be:
 - designed to fully recover the revenue requirements identified by SAWVS rate consultant,
 - in accordance with industry standards, and
 - based on the cost of service allocations developed by the SAWVS rate consultant and approved by the SAWVS Board of Trustees
 - Consideration given to recommendations made by 2019 RAC relative to cost of service

2022 Rate Advisory Committee

Frances Gonzalez* – Committee Chair

Council Nominations

1	Christine Drennon	6	Ramiro Cabrera*
2	Velma Willoughby-Kemp*	7	James Smyle*
3	Karen Burgard	8	Patricia Wallace*
4	Genevieve Trinidad*	9	Joseph Yakubik*
5	Alfred Montoya	10	Vaughn Caudill

At Large Nominations

Steve Alaniz	Hispanic Chamber	Tamara Benavides*	Hotel & Lodging Assn
Mike Chapline*	Outside City Limits	Patrick Garcia*	SA Manufacturers Assn
Jeff Harris	Recycled Customer	Stephen Lara*	Balcones Heights
Cacie Madrid	SA Chamber	Allyson McKay	SA Apartment Assn
Steve Richmond*	SA Restaurant Assn	Preston Woolfolk	Northside Chamber

*Denotes a returning 2019 RAC member

2022 Rate Advisory Committee

MEETING SCHEDULE

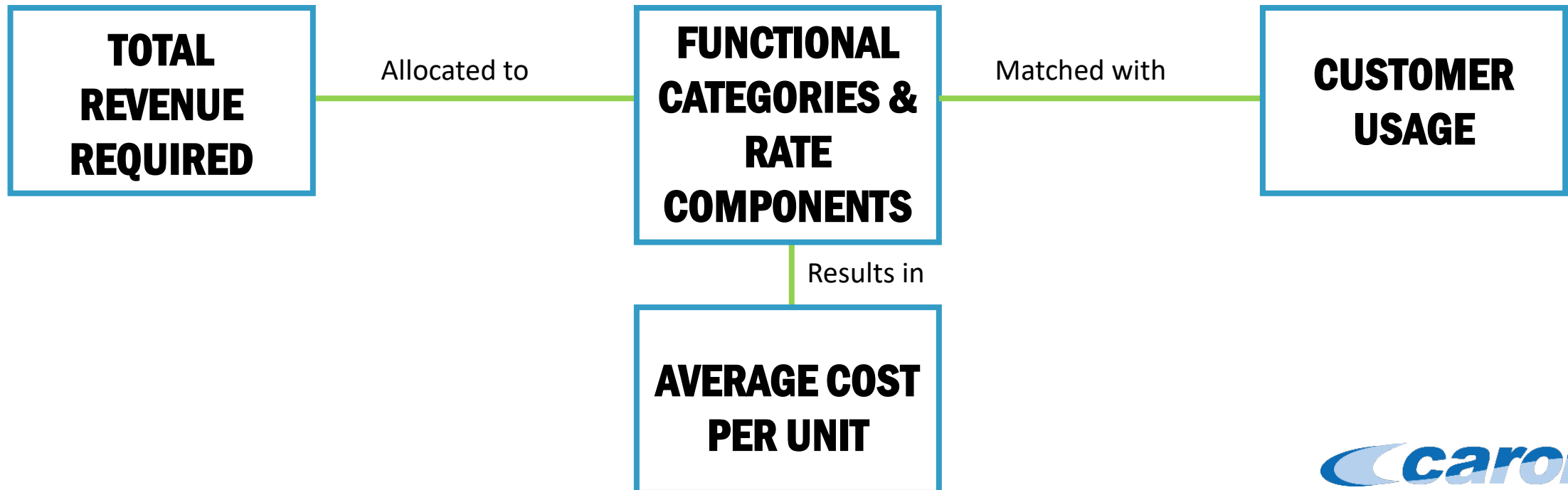
Meeting	Format	Date	Topic
1	100% Virtual	February 15	Rate Study Overview Refresher of Pricing Objectives
2	Hybrid	March 8	Revenue Requirements & Cost of Service Overview
3	Hybrid	March 29	Finalize Pricing Objectives Review current Residential rate structure Present preliminary Residential option
4	TBD	April 26	Review Residential options Present preliminary General/IRR/Recycle Class Options
5	TBD	May 17	Review rate design options – all classes
6	TBD	June 7	Finalize Rate Recommendations – all classes
7	TBD	June 28	Present Draft Report

APPROVED COST OF SERVICE RESULTS

COST OF SERVICE ANALYSIS

Rates vary by customer class and are designed to recover the cost of providing the service to each class. The cost-of-service process determines the amount of revenue to be recovered from each customer class based on the costs they impose to the utility.

Carollo's Technical Memorandum: Water and Wastewater Cost of Service is available at www.saws.org/RAC



By Customer Class

APPROVED COST OF SERVICE FINDINGS

COST OF SERVICE (\$000's)			
Customer Class	Water Supply	Water Delivery	Wastewater
Residential	\$149,048	\$135,419	\$155,707
General^	\$87,838	\$66,510	\$111,840
Irrigation	\$28,009	\$28,423	n/a
Wholesale	\$1,364	\$1,059	\$11,778
Recycled Water	\$2,985	n/a	n/a
Wastewater Surcharge	n/a	n/a	\$5,476
TOTAL	\$269,244	\$231,411	\$284,801

^ Includes multi-family, commercial and industrial

After Beneficial Reallocations

APPROVED COST OF SERVICE FINDINGS

Total Water (\$000s)

Customer Class	Cost of Service	Budgeted Revenue	Difference (\$)	Difference (%)	Projected Sales (MG)	Cost (KG)
Residential	\$284,467	\$287,449	(\$2,982)	(1.0%)	38,344	\$7.42
General^	\$154,349	\$151,481	\$2,868	1.9%	24,831	\$6.22
Irrigation	\$56,432	\$56,432	\$0	0.0%	4,006	\$14.09
Wholesale	\$2,423	\$2,309	\$115	5.0%	375	\$6.47
Recycled Water	\$2,985	\$2,985	\$0	0.0%	1,905	\$1.57
TOTAL	\$500,656	\$500,656	\$0	0.0%	69,461	\$7.21

^ Includes multi-family, commercial and industrial



APPROVED COST OF SERVICE FINDINGS

Wastewater (\$000s)

Customer Class	Cost of Service	Budgeted Revenue	Difference (\$)	Difference (%)	Projected Sales (MG)	Cost (KG)
Residential	\$155,707	\$166,575	(\$10,868)	(6.5%)	26,933	\$5.78
General	\$111,840	\$100,233	\$11,607	11.6%	21,802	\$5.38
Surcharge	\$5,476	\$5,886	(\$410)	(7.0%)		
Wholesale	\$11,778	\$12,107	(\$329)	(2.7%)	2,717	\$4.33
TOTAL	\$284,801	\$284,801	\$0	0.0%	51,452	\$5.54

INSIDE AND OUTSIDE CITY LIMITS

RATE DIFFERENTIAL

	Water Supply	Water Delivery	Wastewater
Current Differential	None	1.3x	1.2x

The calculated differential can increase or decrease from year to year based on the projected contributions to the Renewal & Replacement Fund. Current differentials charged by SAWS to outside city customers are within a reasonable range based on the cost of service analysis.

EXISTING RATE STRUCTURES

SAWS - Current

Potable Water Rate Structure

- Water Delivery
 - Pumps, wells, distribution mains
- Water Supply Fee
 - Cost of new water supplies developed since 2001
 - Supports Recycled Water program
- Customer Classes
 - Residential
 - General (includes commercial, multi-family, industrial)
 - Wholesale
 - Irrigation

SAWS - Current

Potable Water Rate Structure

- Fixed and Volumetric charges
- Conservation Rates
 - Inclining block structure
 - Price signal for discretionary/peaking usage
- Lifeline rate (residential)
- Inside vs Outside city limit rates
- Affordability discounts for qualifying low-income

SAWS - Current

Wastewater Rate Structure

- Fixed and Volumetric charges
- Lifeline rate (residential)
- Inside vs Outside city limit rates
- Affordability discounts for qualifying low-income customers

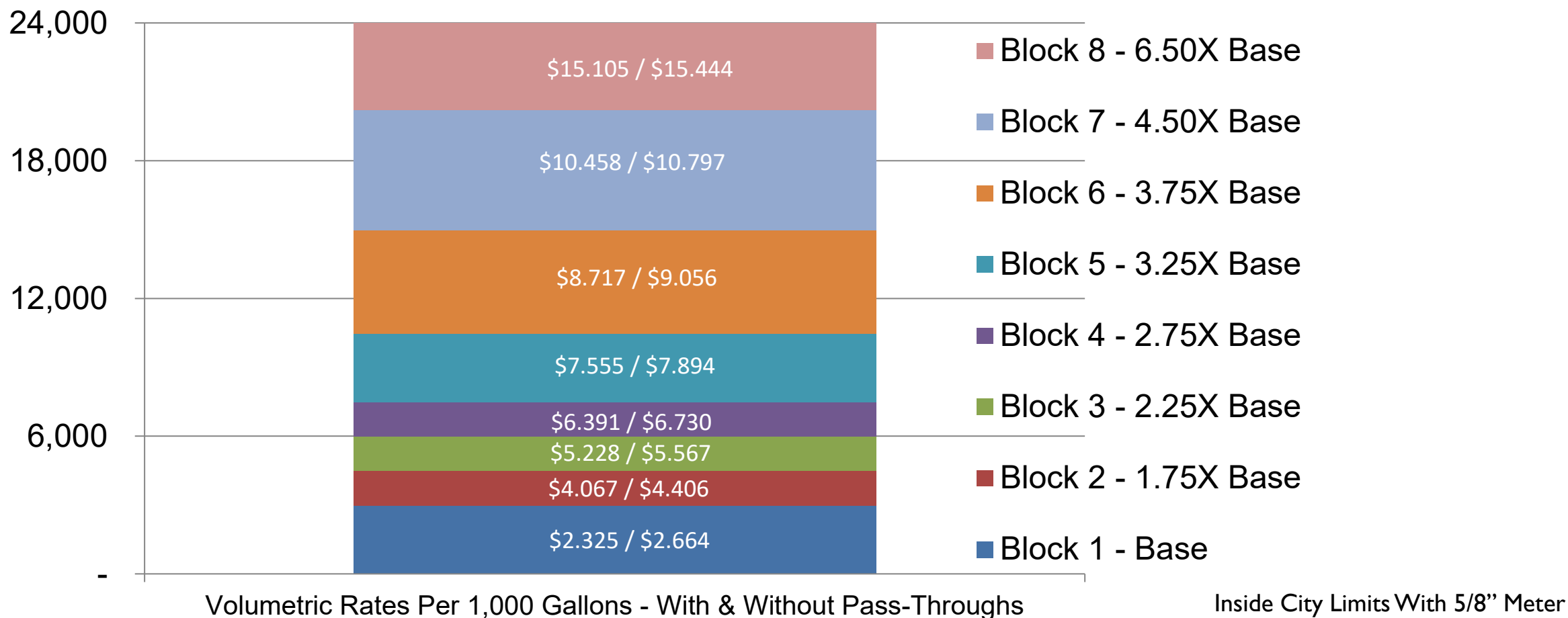
SAWS - Current

Recycled Rate Structure

- Contracted volumes
 - Landscaping
 - Golf courses
 - Manufacturing
 - Cooling towers
 - CPS Energy
 - City of San Antonio
- Fixed and Volumetric charges
- Edwards exchange vs Non-Edwards exchange rates
- Seasonal rates

Existing Residential Water Rate Structure

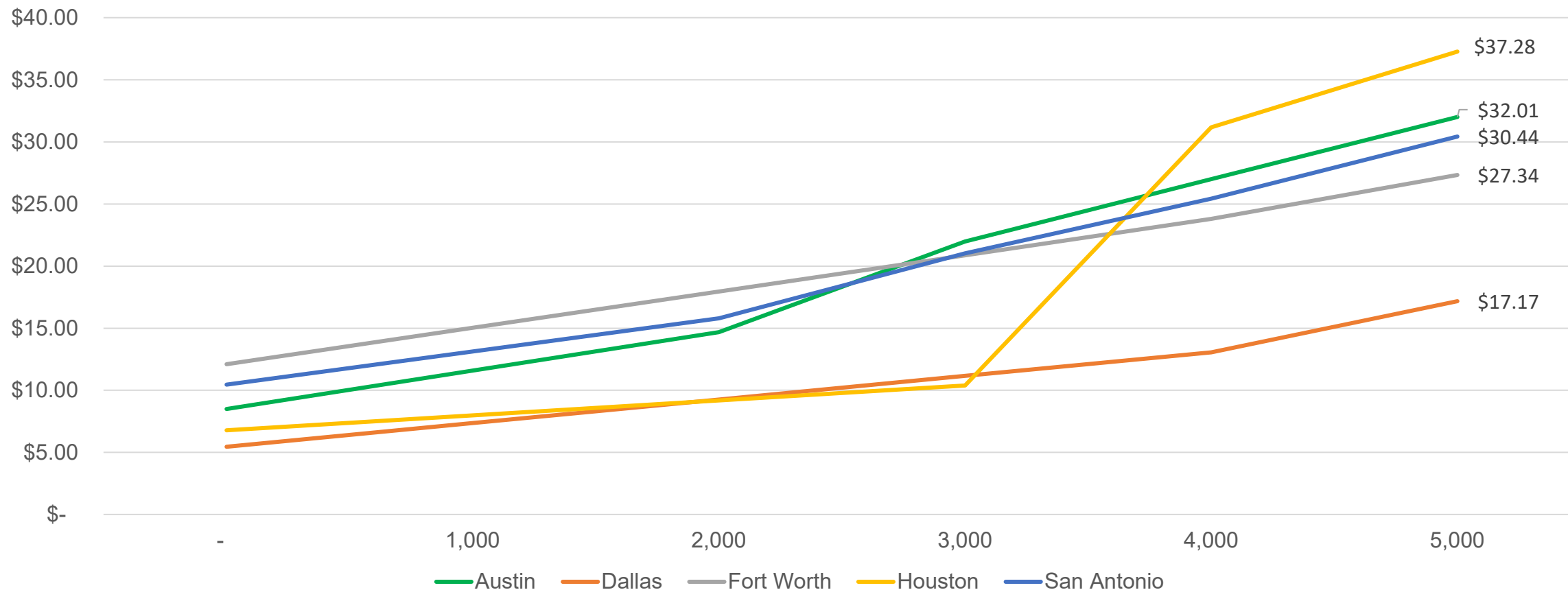
Fixed Charge of Either \$10.46 or \$13.03 With 8 Increasing Volumetric Blocks



Residential Water Bill Comparison – Low Use

SAWS Initial Fixed Charge 2nd Highest – Houston “Jump” Once Usage Exceeds 3,000 Gallons

Texas’ 5 Largest Cities Residential Water Rates 0 - 5,000 Gallons Per Month

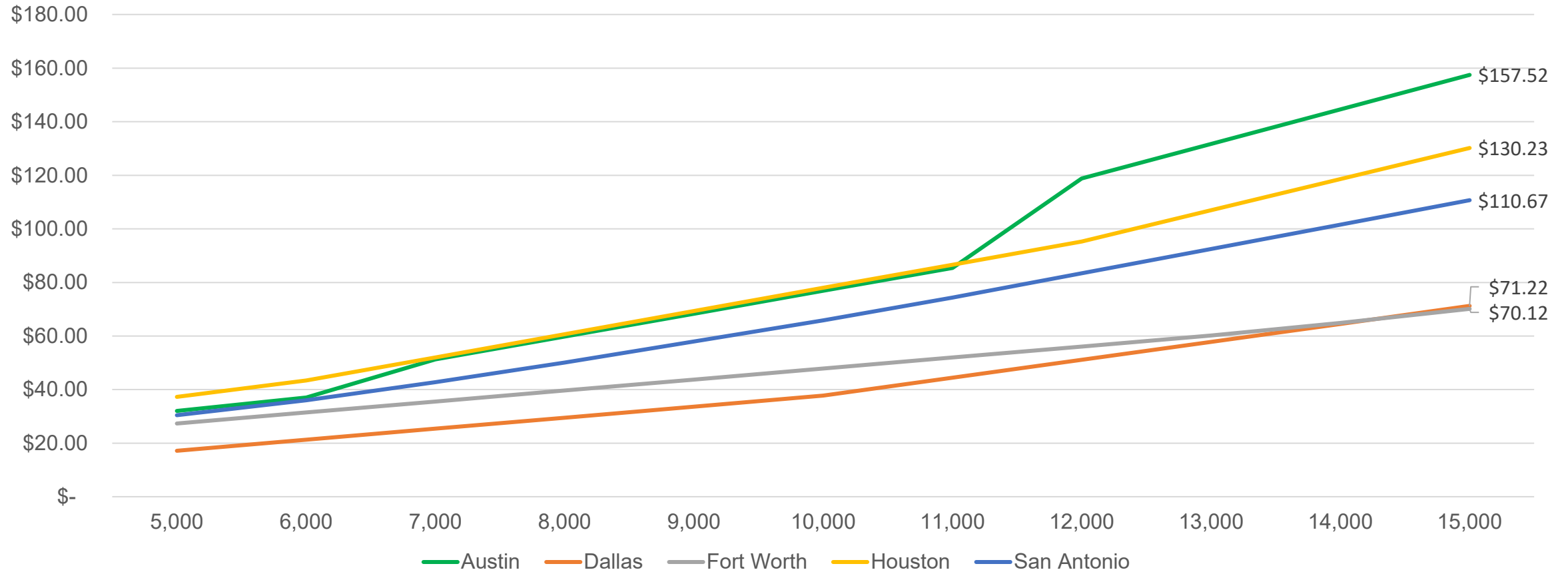


Assumes Inside City Limits With 5/8" Meter – Includes EAA & TCEQ Pass-Throughs
meter

Residential Water Bill Comparison – Moderate to High Use

Increasing Block Structures – Austin Variable Fixed Charge Increments at 6,000 & 11,000 Gallons

Texas' 5 Largest Cities Residential Water Rates 5,000 - 15,000 Gallons Per Month

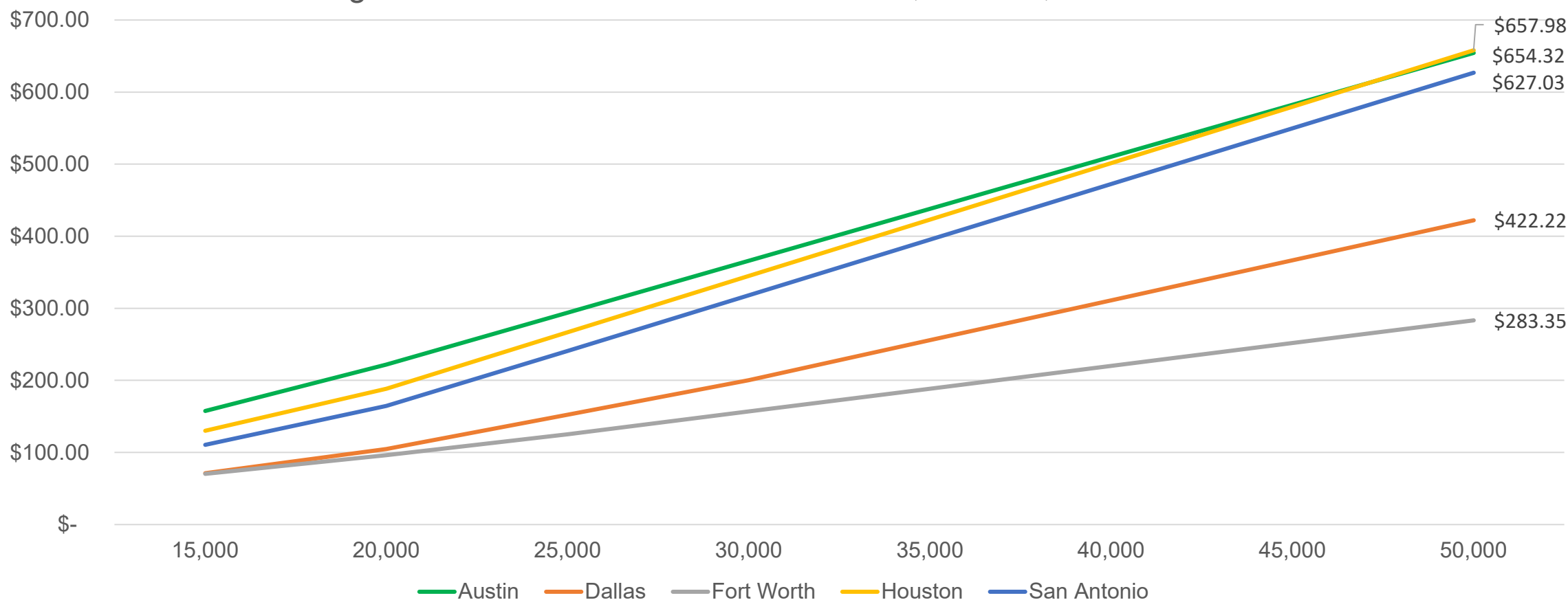


Assumes Inside City Limits With 5/8" Meter – Includes EAA & TCEQ Pass-Throughs

Residential Water Bill Comparison – Very High Use

Significant Differences in Highest Tier Volumetric Rates

Texas' 5 Largest Cities Residential Water Rates 15,000 - 50,000 Gallons Per Month

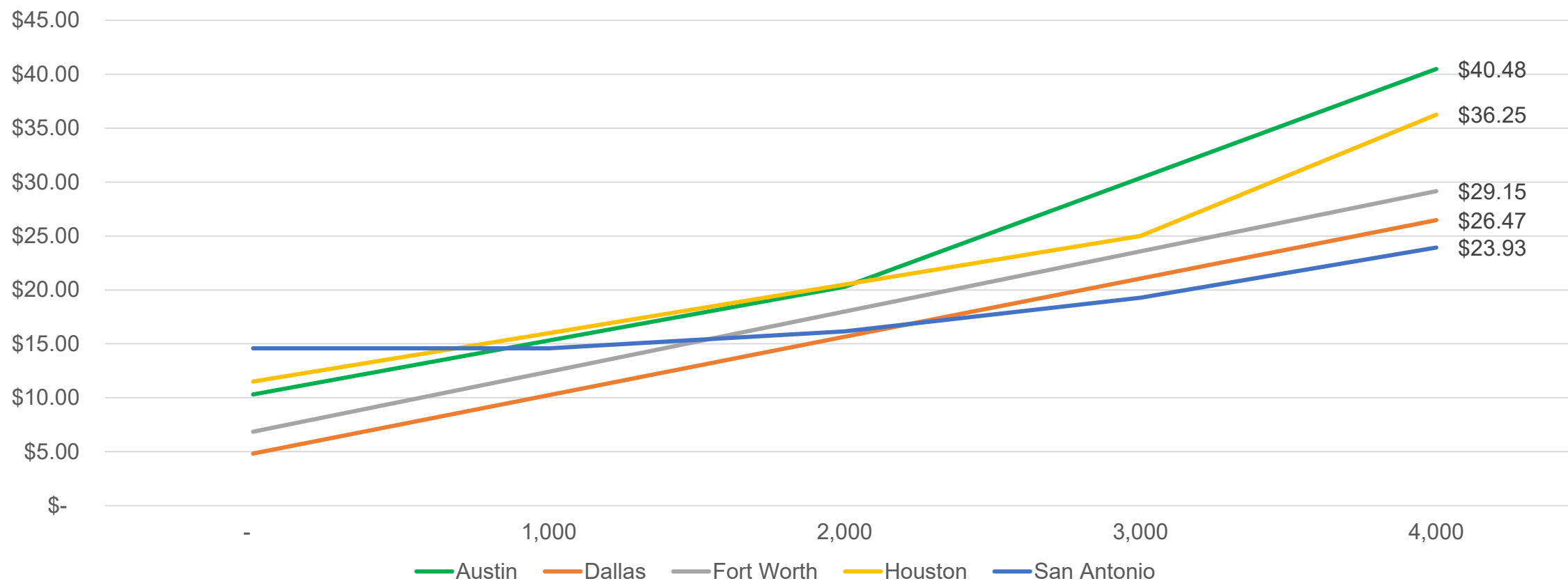


Assumes Inside City Limits With 5/8" Meter – Includes EAA & TCEQ Pass-Throughs

Residential Sewer Bill Comparison – Low Use

SAWS Fixed Charge Includes First 1,496 Gallons – “Jump” in Volumetric Rates for Austin and Houston

Texas’ 5 Largest Cities Residential Sewer Rates 0 – 4,000 Gallons

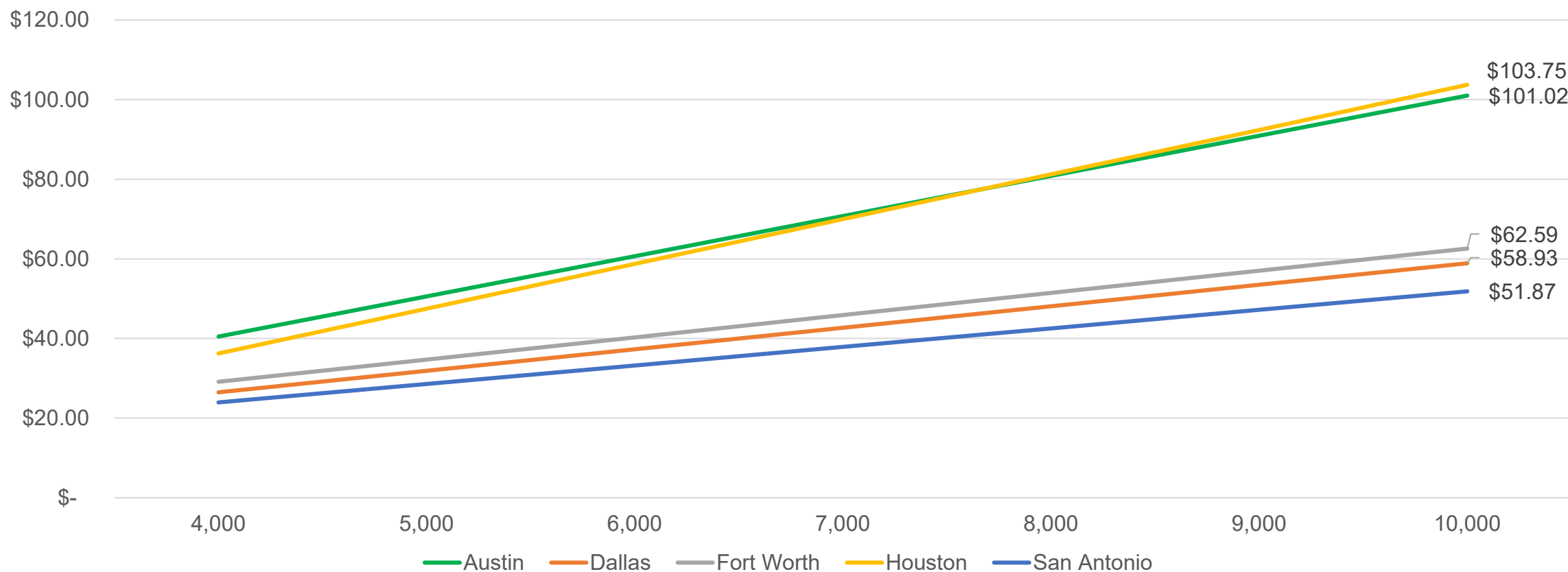


* Assumes Inside City Limits With 5/8" Meter – Includes TCEQ Pass-Through

Residential Sewer Bill Comparison – Moderate Use

Differences in Volumetric Usage Charges & Use of Winter Average

Texas' 5 Largest Cities Residential Sewer Rates 4,000 – 10,000 Gallons

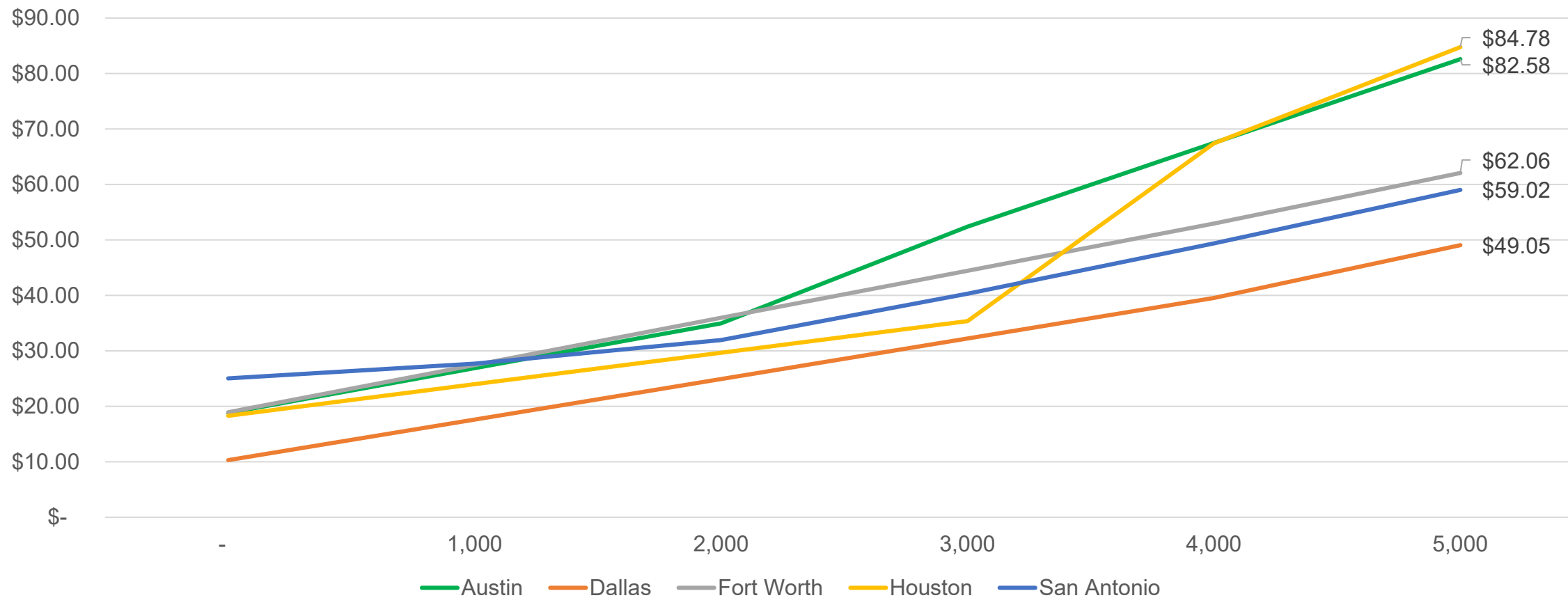


Assumes Inside City Limits With 5/8" Meter – Includes TCEQ Pass-Through

Combined Residential Water & Sewer Bill Comparison – Low Use

Austin Bill Jumps \$17 Between 2,000 & 3,000 Gallons, Houston by \$32 between 3,000 & 4,000 Gallons

Texas' 5 Largest Cities Residential Combined Water & Sewer Rates 0 – 5,000 Gallons



Assumes inside city limits with 5/8" meter and equal volumes of water & sewer usage – Includes EAA & TCEQ pass-throughs

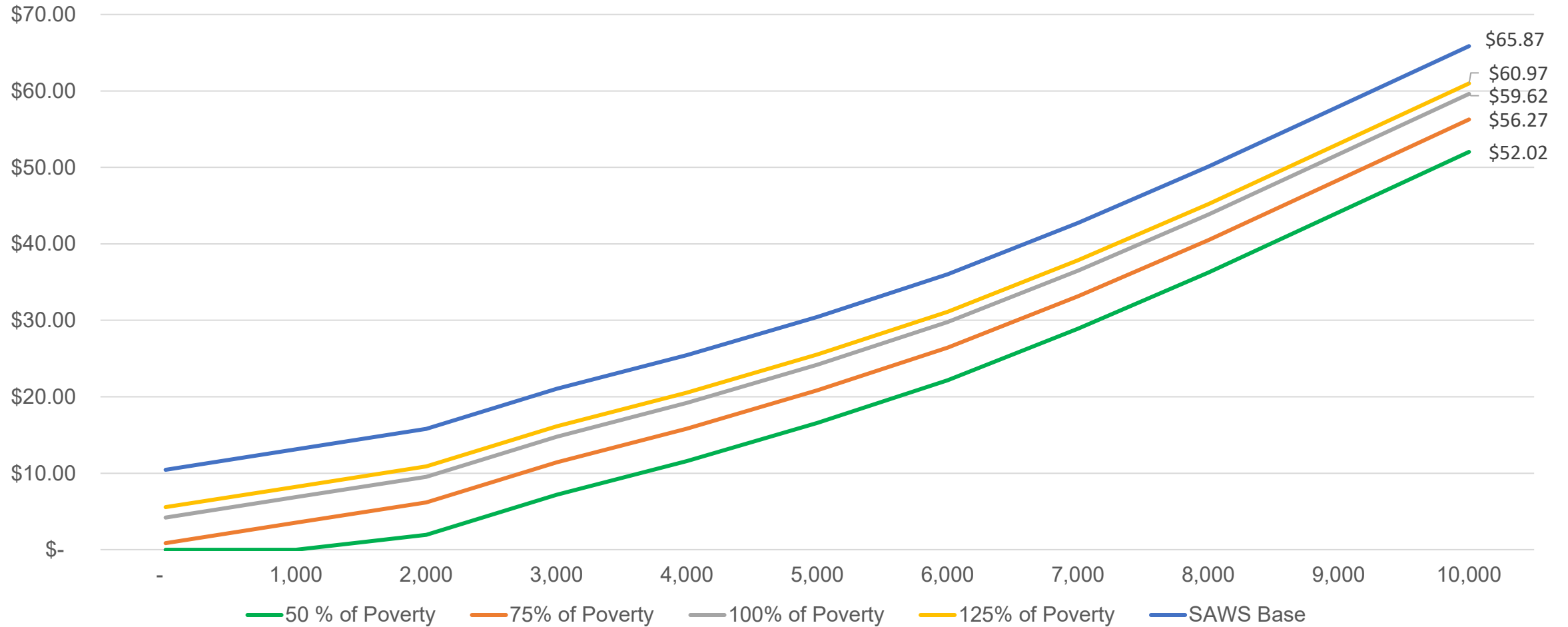
Uplift - Affordability Discount Program

Fixed Maximum Discount Amount Based on Income Level

DISCOUNT BASED ON TYPE OF SERVICE PROVIDED

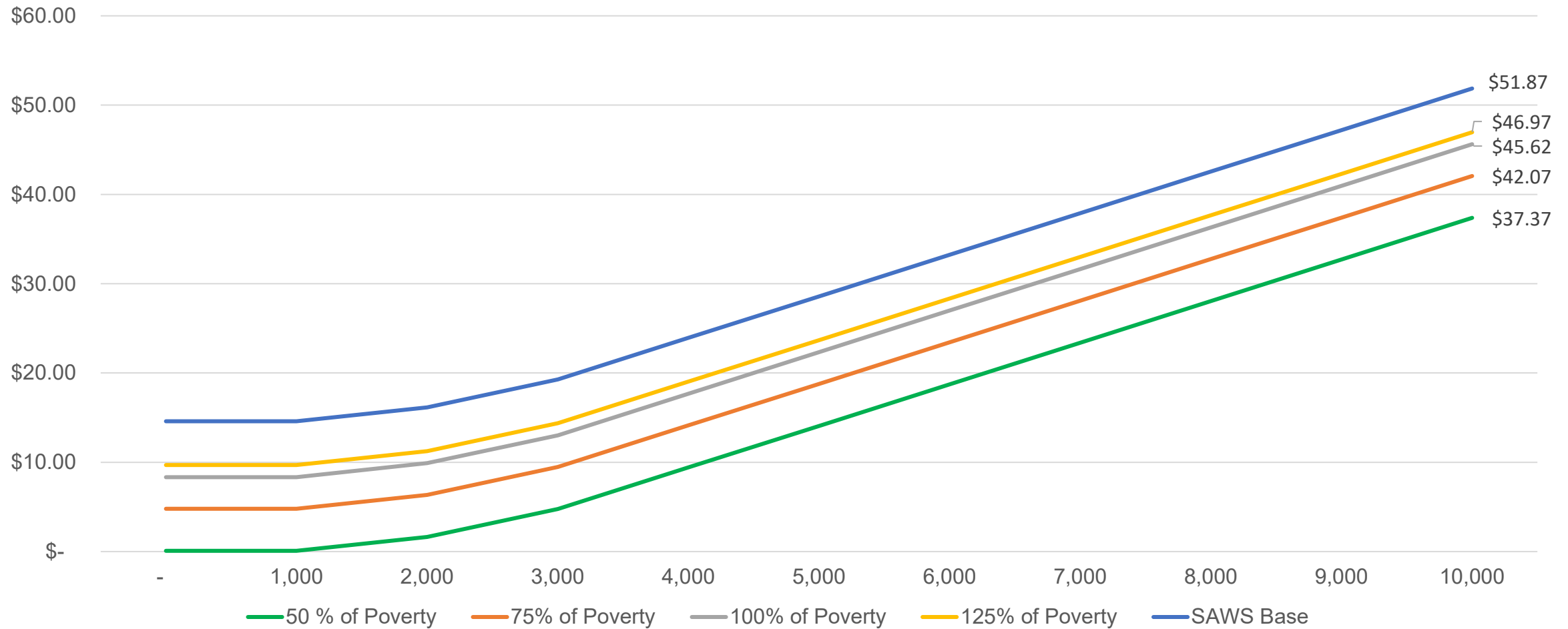
	Annual income at or below 50% Poverty	Annual income at or below 75% Poverty	Annual income at or below 100% Poverty	Annual income at or below 125% Poverty
Water and Sewer	\$28.35	\$19.40	\$12.50	\$9.80
Water Only	\$13.85	\$9.60	\$6.25	\$4.90
Sewer Only	\$14.50	\$9.80	\$6.25	\$4.90

SAWS Residential Water Bills – Uplift Customers



Assumes Inside City Limits With 5/8" Meter – Includes EAA & TCEQ Pass-Throughs

SAWS Residential Wastewater Bills – Uplift Customers



Assumes Inside City Limits With 5/8" Meter – Includes TCEQ Pass-Through

Existing General Class* Rate Structure

Variable Fixed Charge Dependent Upon Meter Size** with 4 Increasing Volumetric Blocks

Rate Blocks		Rate Per 1,000 Gallons***	Block Differential
Base (Prior Year Actual/12)		\$4.799/\$5.137	Base
100-125% of Base		\$5.522/\$5.860	1.15X Base
125-175% of Base		\$7.199/\$7.537	1.50X Base
>175% of Base		\$8.403/\$8.741	1.75X Base

* Includes Commercial, Multi-family, Industrial and Municipal

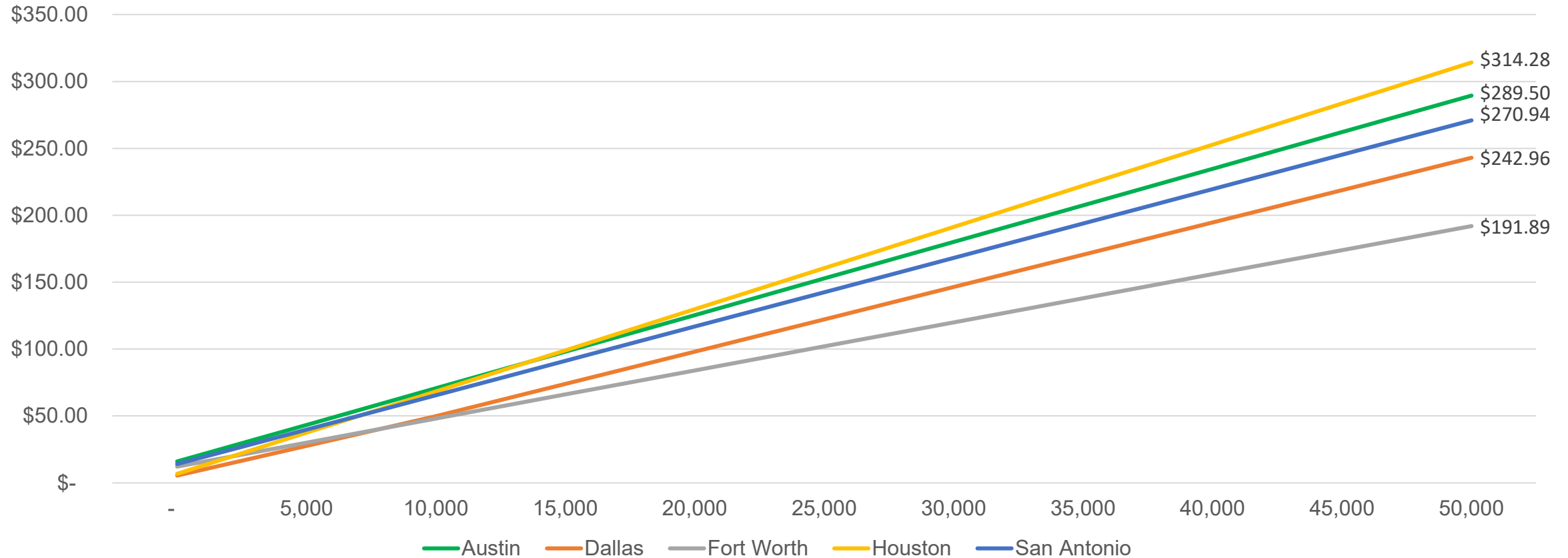
** Fixed Charge Varies from \$14.07 for 5/8" Meter to \$1,364.55 for 10" Meter

*** Inside City Limits With and Without Pass-Throughs

General Class Water Bill Comparison*

SAWS General Class Rate Structure Fairly Consistent with Those of Texas' Other Largest Cities

Texas' 5 Largest Cities General Class Water Rates 0 – 50,000 Gallons Per Month

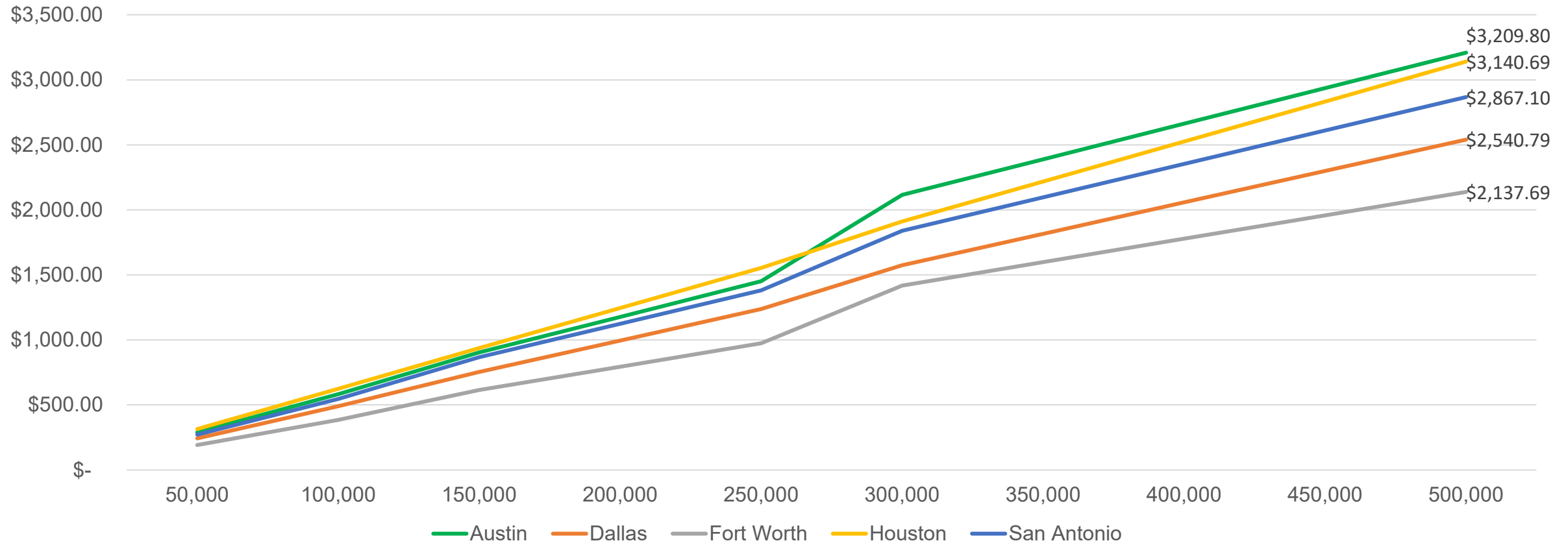


* Assumes Inside City Limits and 5/8" meter with all usage at SAWS' Base – Includes Pass-Throughs

General Class Water Bill Comparison*

Water Rate Structures Fairly Similar – Differences in Meter Size Differential and Volumetric Rates

Texas' 5 Largest Cities General Class Water Rates 50,000 – 500,000 Gallons Per Month

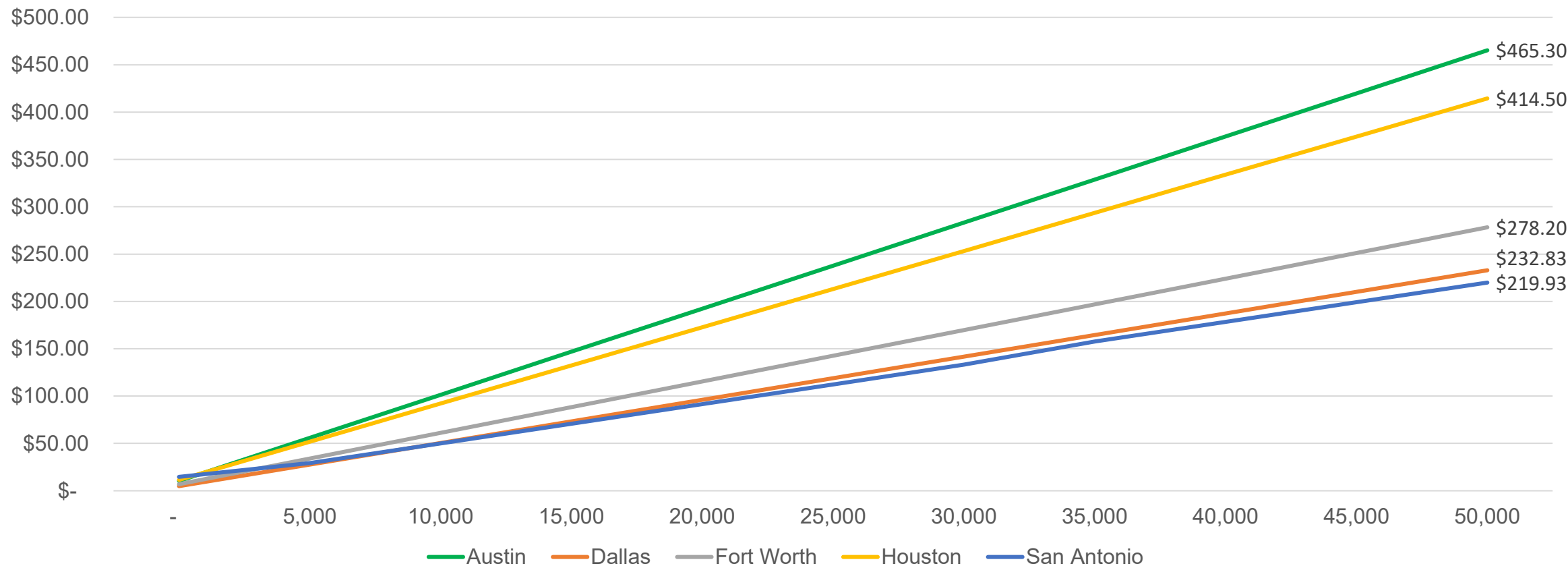


* Assumes ICL rates, all usage at base and 5/8" Meter for 50,000 Gallons, 1" Meter for 100,000 gallons, 2" meter for 150,000 – 250,000 gallons, and 4" Meter for usage in excess of 250,000 gallons per month.

General Class Sewer Bill Comparison*

SAWS Highest Fixed Charge but Lowest Volumetric Charges of the 5 Largest Cities in Texas

Texas' 5 Largest Cities General Class Sewer Rates 0 – 50,000 Gallons Per Month

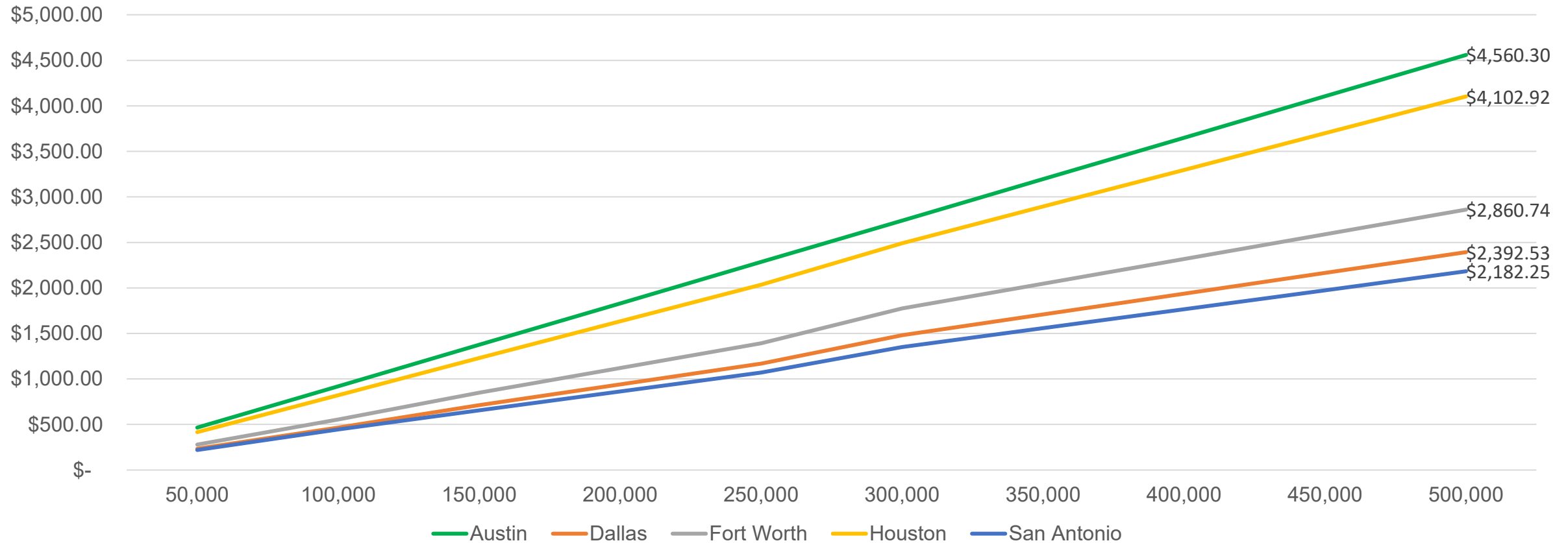


* Assumes Inside City Limits and 5/8" meter – Includes TCEQ Pass-Through

General Class Sewer Bill Comparison*

Structures Very Similar With Differences in Meter Size Availability Charge and Volumetric Rate

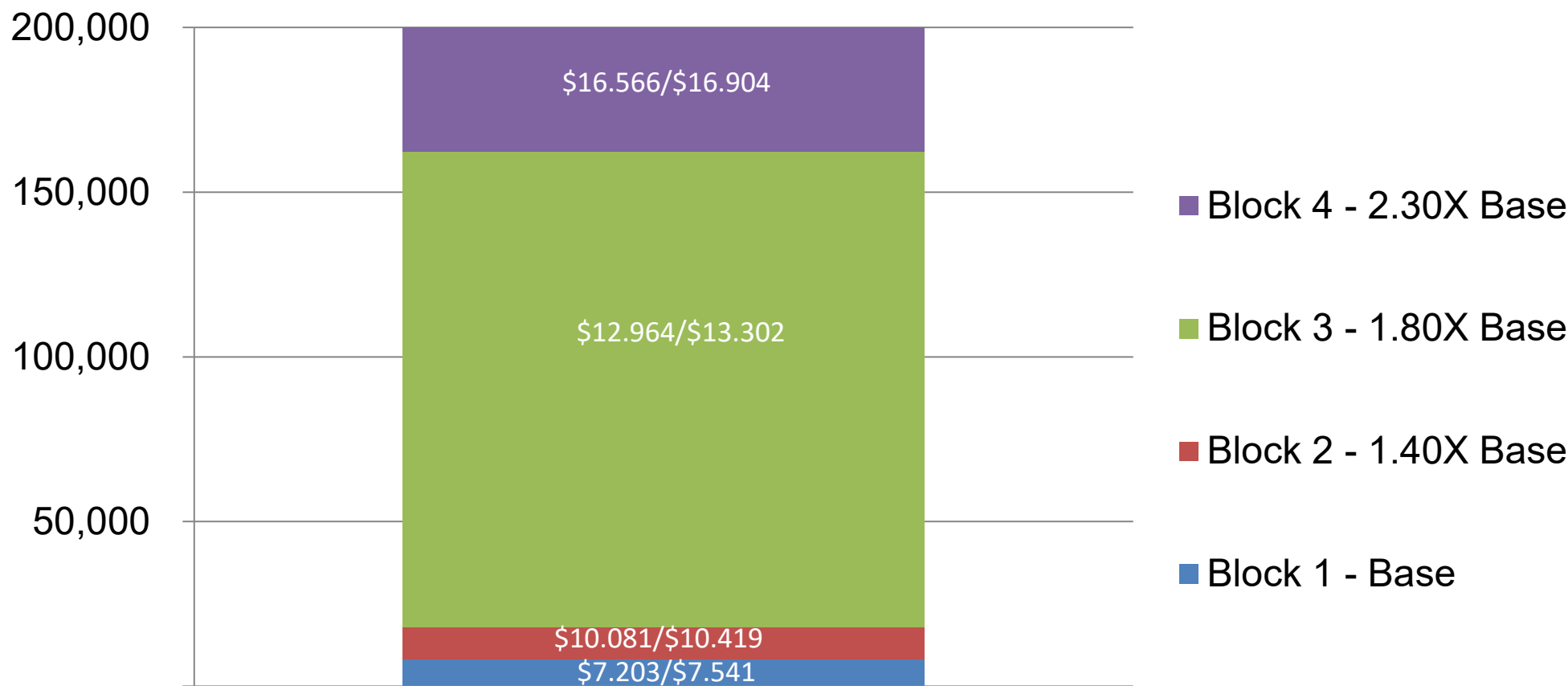
Texas' 5 Largest Cities General Class Sewer Rates 50,000 – 500,000 Gallons Per Month



* Assumes ICL rates and 5/8" meter for 50,000 gallons, 1" Meter for 100,000 gallons, 2" meter for 150,000 – 250,000 gallons, and 4" meter for usage in excess of 250,000 gallons per month – includes TCEQ fee

Existing Irrigation Water Rate Structure*

Fixed Charge of \$31.87 With 4 Increasing Volumetric Blocks



Volumetric Rates Per 1,000 Gallons With & Without Pass-Throughs

*Inside City Limits With 1" Meter

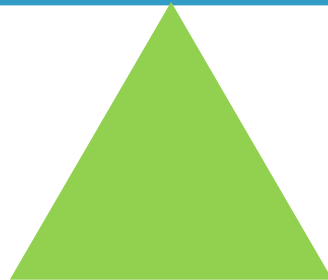
RATE DESIGN STUDY

FINANCIAL STABILITY

Economic uncertainty
Reliable projections
Sufficient revenue

EQUITABLE RATES

Affordability
Equity across customer classes
Simplified rate structure



Have the assumptions and objectives behind this rate structure changed?

Should they be updated/refined?

What are potential customer impacts?

What is the potential revenue (financial) risk?

The Rate Advisory Committee will recommend changes to the existing rate structure to the Board of Trustees.

Rate Design Elements

Elements considered will depend on RAC's priorities and objectives

- Fixed Charges
 - How much income should be generated by fixed charge?
 - Adjust existing differentials based on meter size?
 - Should the residential fixed charged be tiered based upon usage?
- Volumetric Charges
 - Number of rate blocks and volume provided in each block
 - Seasonal/Drought rate adjustments

Rate Design

Additional Considerations

- Rates for low-income customers
 - Bill discount or separate rate structure
- Residential wastewater basis
 - Lower of winter average or actual water use
- General Class disaggregation
 - Should multi-family be in a separate class?
- Recycled water rate recommendations
 - Are adjustments recommended to bring rates closer to potable?

SAWS Rate Study Update

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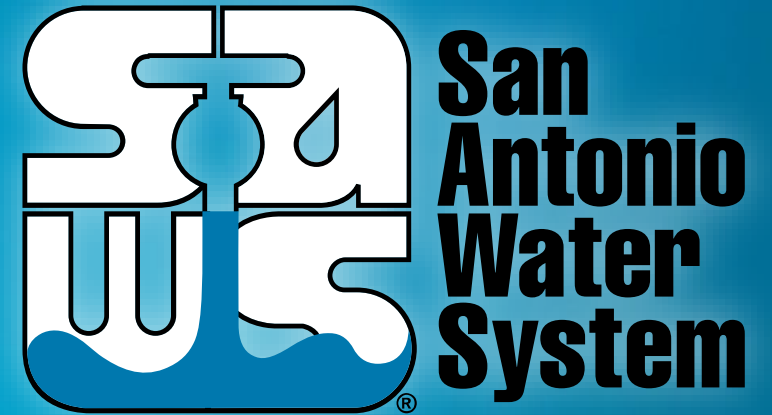
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