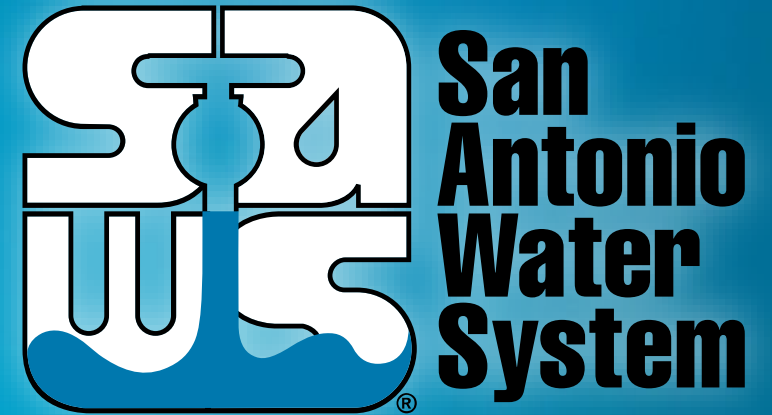


2022 Rate Advisory Committee Recommendations

Mary Bailey

VP – Customer Experience & Strategic Initiatives



Municipal Utilities Committee

September 27, 2022

MAKING SAN ANTONIO
WATERFUL

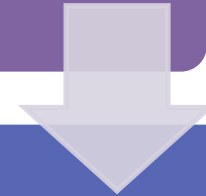


Rate Study Process

Rate Advisory Committee provides input during Rate Design Study

Identify Revenue Requirements

SAWS 2022 Operating Budget



Cost of Service Analysis

Equitably allocates costs to each customer classes based on usage patterns



Rate Design Study

Determine how rates should be structured to recover costs

2022 Rate Advisory Committee Recommendations

Cost of Service Analysis

\$ in millions	WATER		WASTEWATER	
	Cost of Service	Under/(Over) Recovered	Cost of Service	Under/(Over) Recovered
Residential	\$280.7	(1.5%)	\$153.5	(6.7%)
General ⁽¹⁾	152.8	1.9%	110.3	12.0%
Surcharge	<i>n/a</i>	<i>n/a</i>	5.4	(8.9%)
Irrigation	56.2	0.0%	<i>n/a</i>	<i>n/a</i>
Wholesale	2.4	4.9%	11.6	(2.4%)
Recycled Water ⁽²⁾	4.4	48.2%	<i>n/a</i>	<i>n/a</i>
TOTAL	\$496.5	0.0%	\$280.8	0.0%

(1) General Class includes multi-family, commercial and industrial.

(2) Recycled Water cost of service assumes a rate increase of 15%. Remaining unrecovered costs of \$4.7M are beneficially reallocated to Residential and Irrigation classes based on discretionary/outdoor usage.

2022 RAC Membership

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

Rate Advisory Committee

Process

- Conducted seven meetings between Feb 2022 and Jun 2022
- Rate consultant provided an overview of rate study process and provided cost of service results approved by SAWS Board
- RAC reviewed existing rate structures for water, wastewater and recycled water
 - Residential & Affordability (low-income)
 - General Class (commercial, industrial & multi-family)
 - Irrigation Class
 - Recycled Water
- Evaluated alternative rate design options based on:
 - Pricing objectives
 - Customer bill impacts

Residential Rate Recommendations

Recommendations ensure Affordability and encourage water Conservation

100% of residential bills will reflect **reduced wastewater charges**.

98% of bills will be lower for SAWS Affordability Discount Program participants, including **33% to 57% savings** for essential water use.

83% of residential bills will include **reduced water charges** (for customers using 9,000 gallons or less).

20% reduction in **fixed charges** (meter charge, minimum wastewater charge, etc.) for most residential bills.



Provides sufficient revenue to meet SAWS revenue requirements – provides no additional revenue



Meets cost-of-service by customer class as determined by rate consultant



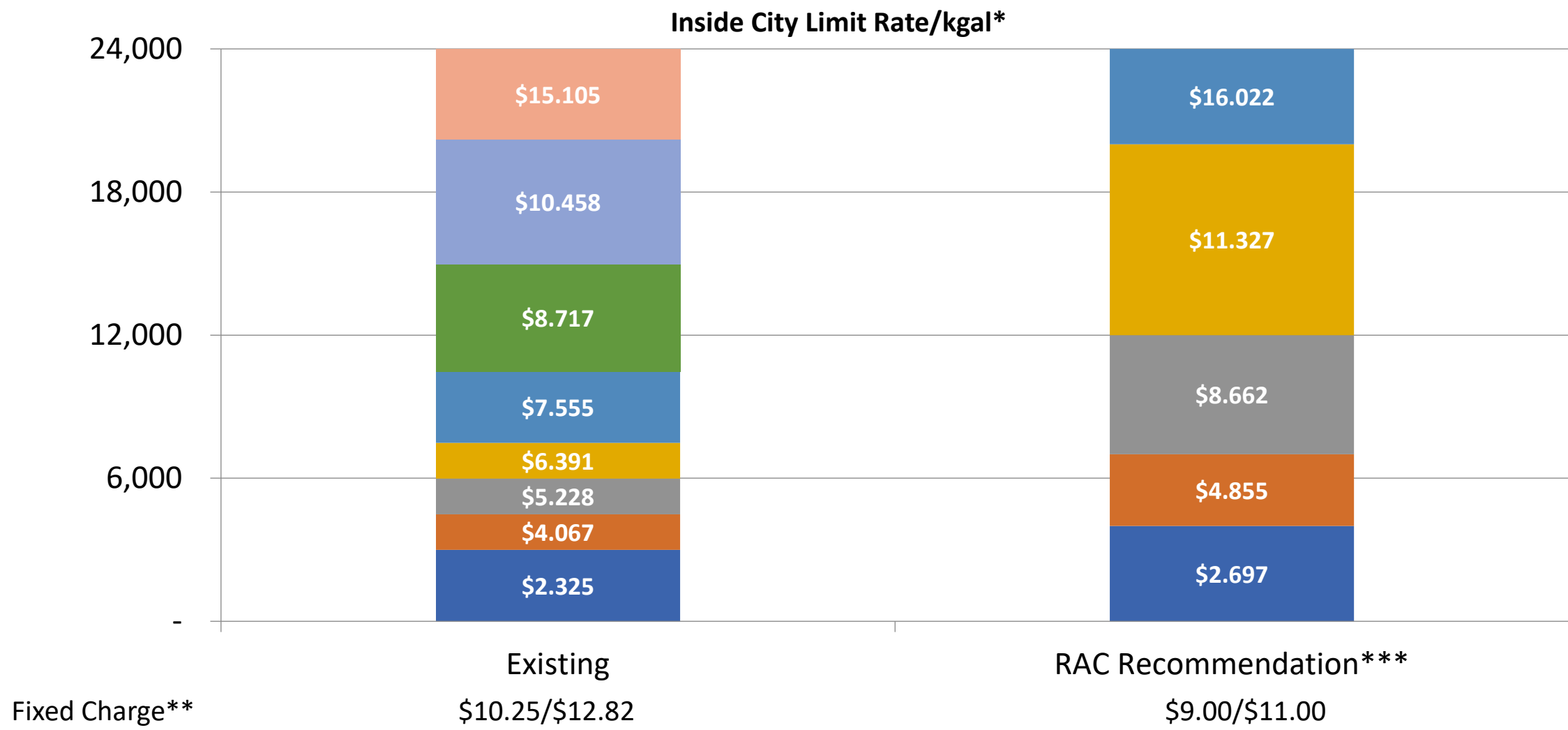
Sends stronger price signals for water usage greater than 9,000 gallons



Creates a separate discounted rate structure for customers in Uplift Affordability Program

RESIDENTIAL CLASS RECOMMENDATIONS

RESIDENTIAL WATER



* Excludes EAA & TCEQ pass-through fees

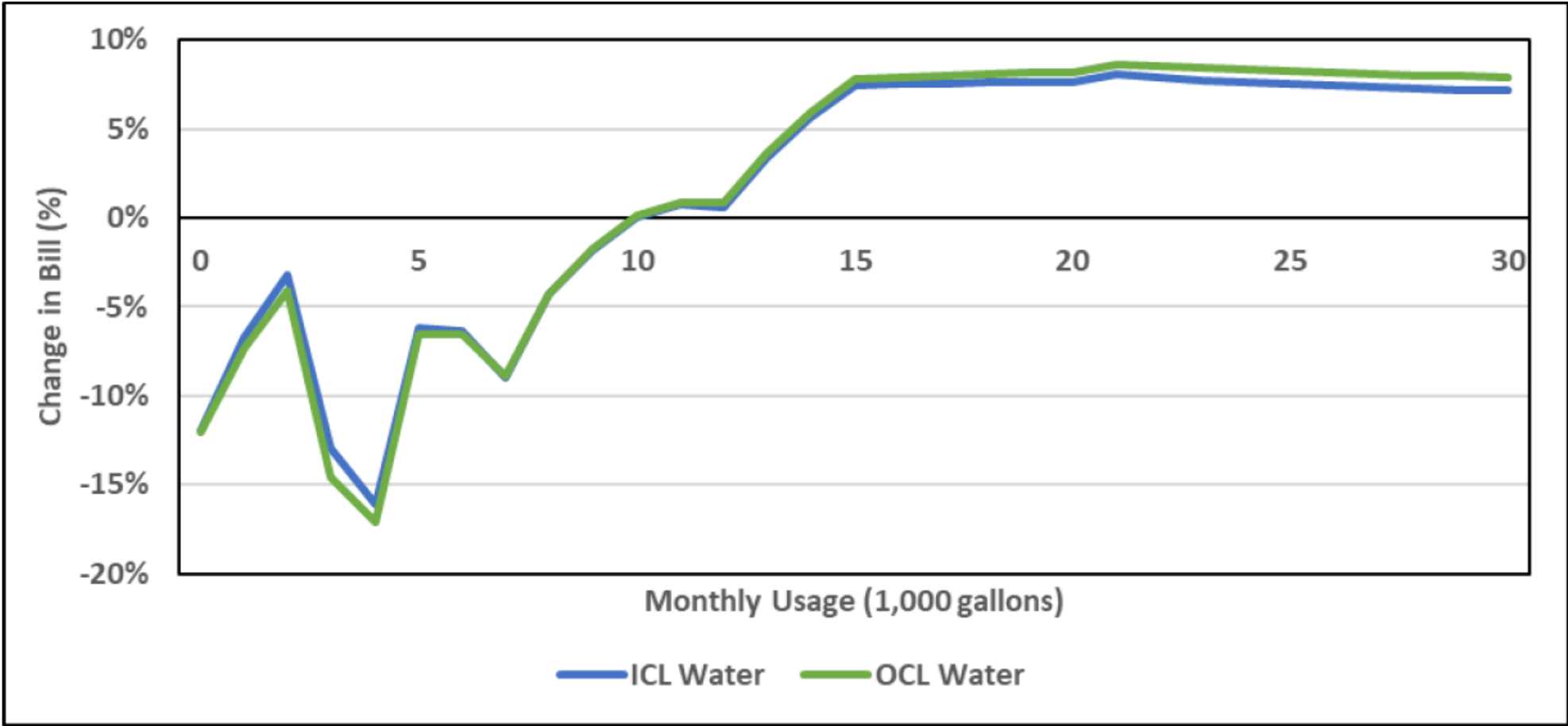
** Assumes 5/8" Meter. Larger fixed charge applies if total usage more than 1st tier

*** Includes Uplift Assistance Program pass-through fee of \$0.159/kgal

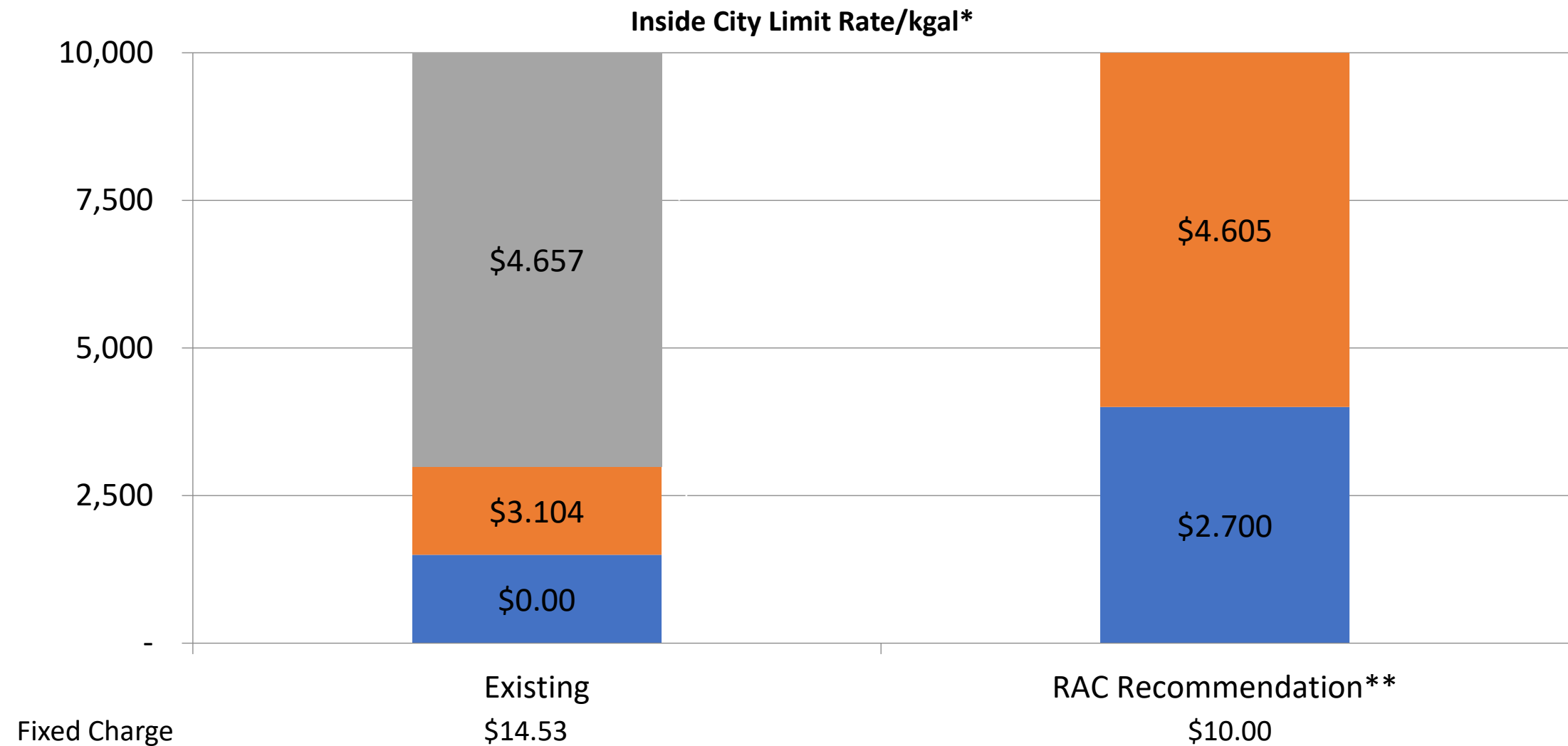


Residential Water Bill Impacts

83% of water bills will go down (using 9,000 gallons or less)



RESIDENTIAL WASTEWATER



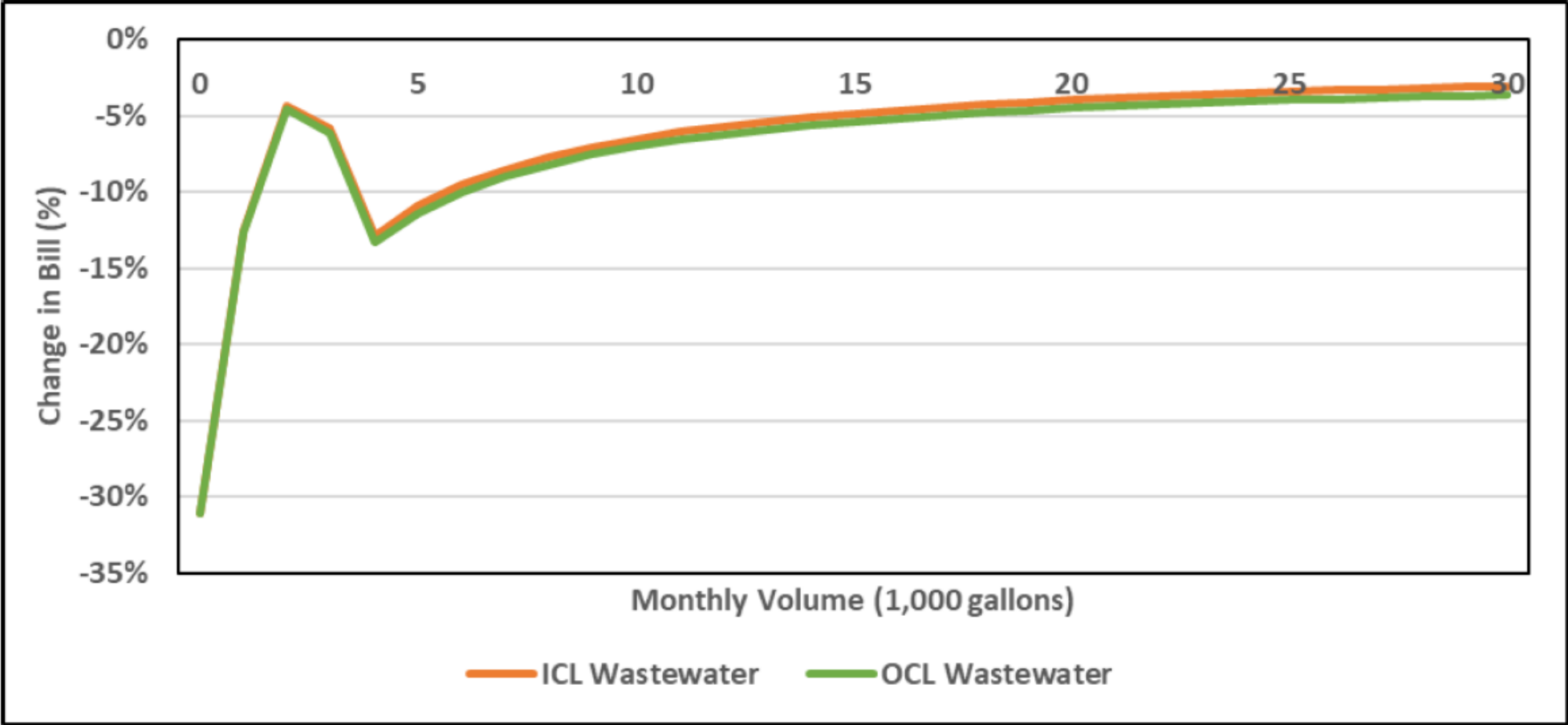
* Excludes EAA & TCEQ pass-through fees

** Includes Uplift Assistance Program pass-through fee of \$0.161/kgal



Residential Sewer Bill Impacts

100% of wastewater bills will go down



RESIDENTIAL AFFORDABILITY METRICS – ESSENTIAL USE

COMBINED BILL

	Combined Bill without and with Stormwater	Federal Poverty Level \$2,313	150% Federal Poverty Level \$3,470	Median Household \$4,857	ALICE \$5,376
Existing ICL	\$59.65	2.58%	1.72%	1.23%	1.11%
	\$64.59	2.79%	1.86%	1.33%	1.20%
Recommendation ICL	\$54.62	2.36%	1.57%	1.12%	1.02%
	\$59.56	2.58%	1.72%	1.23%	1.11%
Existing OCL	\$70.80	3.06%	2.04%	1.46%	1.32%
	\$75.74	3.27%	2.18%	1.56%	1.41%
Recommendation OCL	\$64.52	2.79%	1.86%	1.33%	1.20%
	\$69.46	3.00%	2.00%	1.43%	1.29%

* Bill amounts assume 5/8" meter and usage = 5,062 gallons for water & wastewater (average winter usage);
Stormwater Fee of \$4.94 (Tier 2 - 2,750-4,220 SF of impervious cover)

AFFORDABILITY RECOMMENDATIONS

AFFORDABILITY DISCOUNT PROGRAM

Current Program Provides a Fixed Bill Discount 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

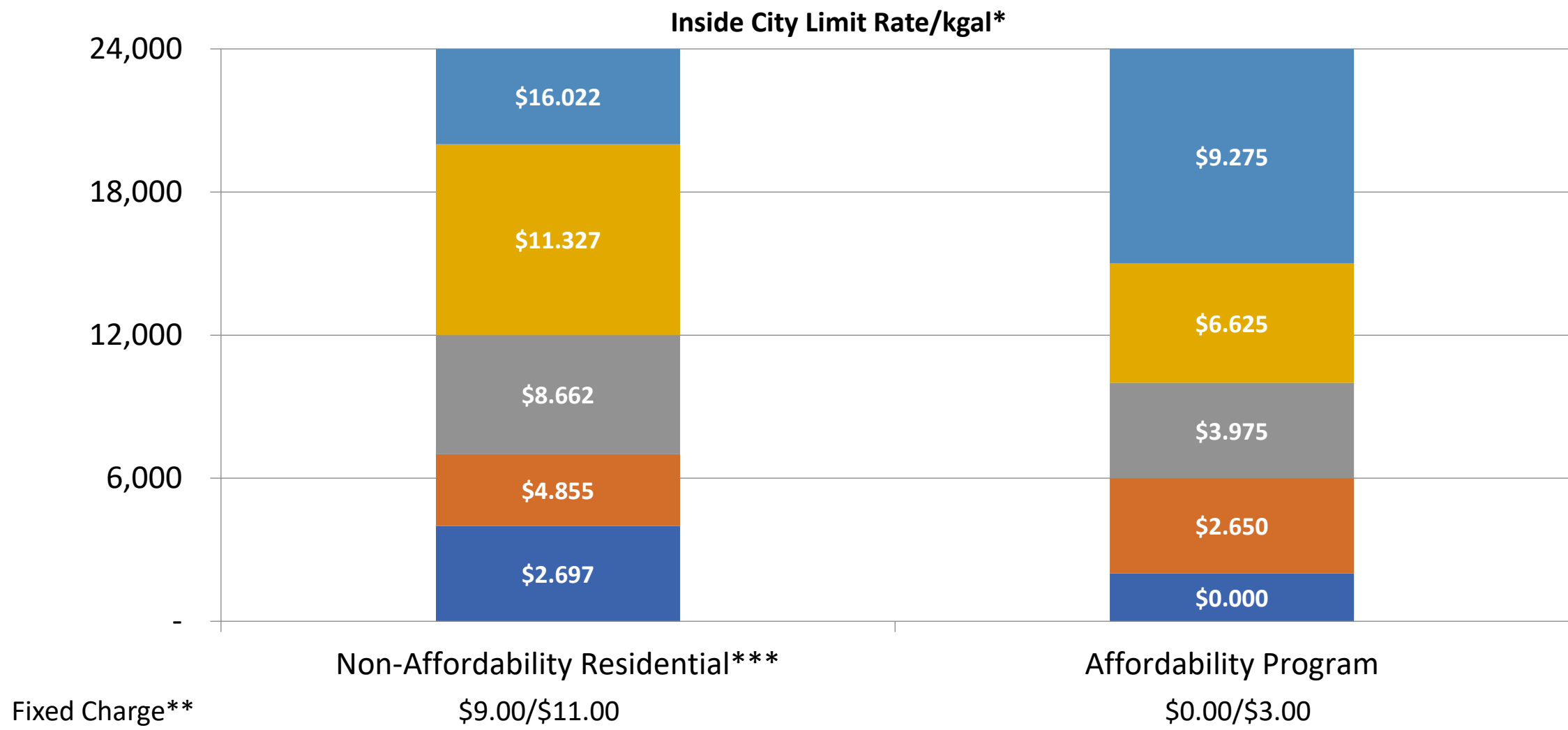


Affordability Rate Structure

Overview

- RAC recommendation is to replace the fixed discount program with a discounted rate structure
 - Proposed affordability program rates acknowledge the high percentage of poverty within the city
 - Assistance provided equals or exceeds the current benefits at all levels of usage
 - Cost of discounted rate structure is recovered through affordability program cost recovery charge, which is assessed on all usage

RAC RECOMMENDATION WATER



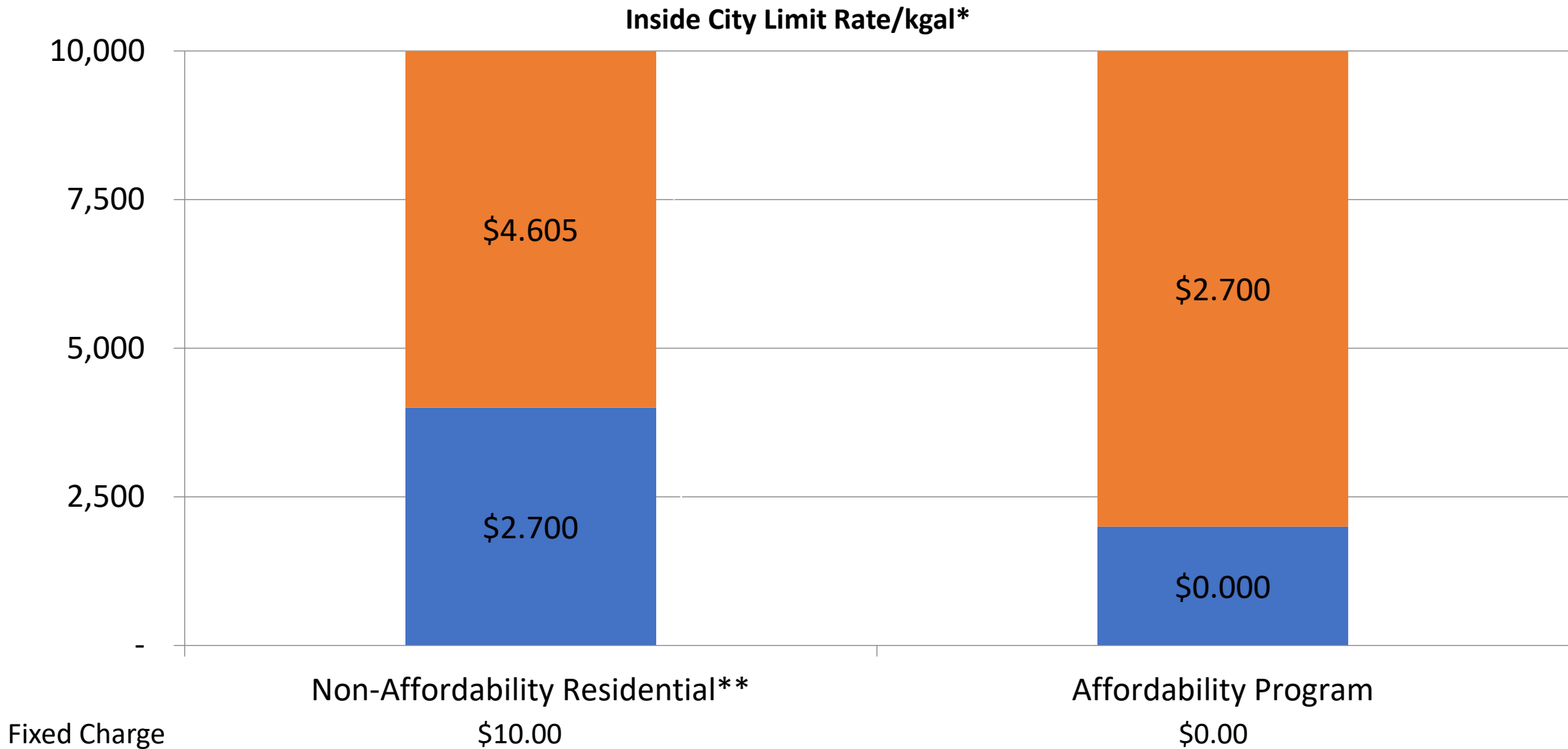
* Excludes EAA & TCEQ pass-through fees

** Assumes 5/8" Meter. Larger fixed charge applies if total usage more than 1st tier

*** Includes Affordability Program pass-through fee of \$0.159/kgal



RAC RECOMMENDATION WASTEWATER



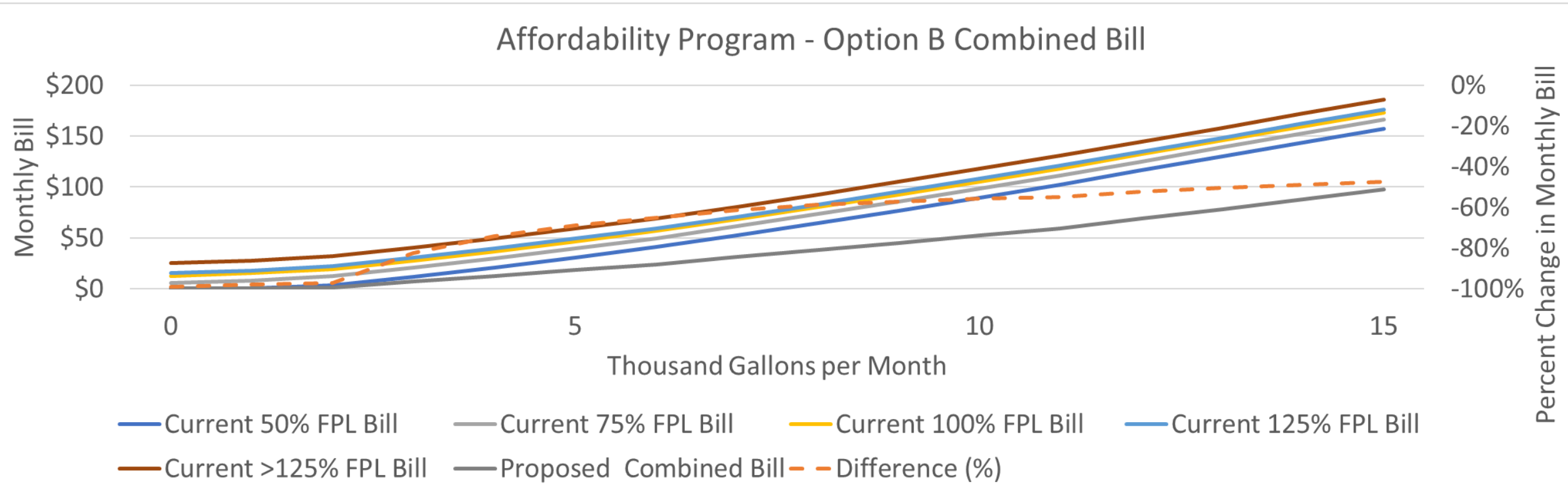
* Excludes EAA & TCEQ pass-through fees
** Includes Affordability Program pass-through fee of \$0.161/kgal



AFFORDABILITY RATE STRUCTURE

COMBINED BILL IMPACT

All Uplift customers would see a decrease in combined bill with most customers paying at least 50% less than non-affordability customers



Assumes water and wastewater usage are equal
Assumes Inside City Limits With 5/8" Meter – Includes EAA & TCEQ Pass-Throughs
Excludes stormwater fees



Program Cost

Current Discount Program vs Separate Rate Structure

	Cost of Existing Discount Program	Cost of Separate Affordability Structure Option B	Volumetric Charge (kgal)
Water Supply	\$2,602,382	\$5,382,461	\$0.083
Water Delivery	\$1,588,121	\$4,904,549	\$0.076
Total Water	\$4,190,503	\$10,287,011	\$0.159
Wastewater	\$4,002,638	\$7,496,785	\$0.161
Total	\$8,193,141	\$17,783,796	\$0.320

Staff recommends that the affordability charge be a pass-through fee that is automatically adjusted annually based on cost of the program.

LOW-INCOME RESIDENTIAL AFFORDABILITY METRICS – ESSENTIAL USE

COMBINED BILL IMPACTS

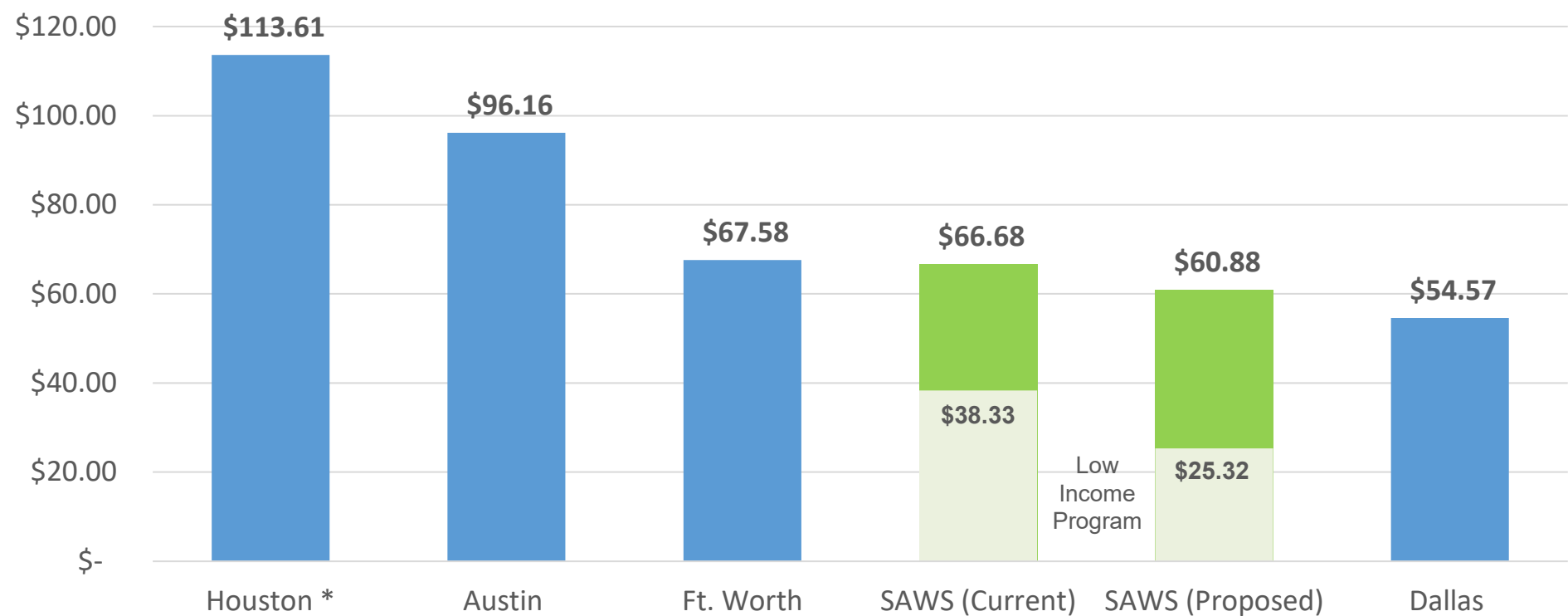
	Undiscounted Bill without and with Stormwater	50% Federal Poverty Level \$1,156	75% Federal Poverty Level \$1,734	100% Federal Poverty Level \$2,313	125% Federal Poverty Level \$2,891
		DISCOUNTED BILL			
Existing ICL	\$61.85 \$66.79	\$33.50 – 2.90% \$38.44 – 3.33%	\$42.45 – 2.45% \$47.39 – 2.73%	\$49.35 – 2.13% \$54.29 – 2.35%	\$52.05 – 1.80% \$57.02 – 1.97%
Recommendation ICL	\$56.72 \$61.66	\$22.59 – 1.95% \$27.52 – 2.38%	\$22.59 – 1.30% \$27.52 – 1.59%	\$22.59 – 0.98% \$27.52 – 1.19%	\$22.59 – 0.78% \$27.52 – 0.95%
Existing OCL	\$73.30 \$78.24	\$44.95 – 3.89% \$49.89 – 4.32%	\$53.90 – 3.11% \$58.84 – 3.39%	\$60.80 – 2.63% \$65.74 – 2.84%	\$63.50 – 2.20% \$68.44 – 2.40%
Recommendation OCL	\$66.93 \$71.87	\$26.24 – 2.27% \$31.18 – 2.70%	\$26.24 – 1.51% \$31.18 – 1.80%	\$26.24 – 1.13% \$31.18 – 1.35%	\$26.24 – 0.91% \$31.18 – 1.08%

* Bill amounts assume 5/8" meter and usage = 5,277 gallons for water & wastewater (average winter usage);
Stormwater Fee of \$4.94 (Tier 2 - 2,750-4,220 SF of impervious cover)

Major Texas Cities - Residential Bills

SAWS Average Residential bill will decrease \$5.80 or 8.7%

6,275 Gal. Water / 5,052 Gal. Sewer
(Monthly Usage)



* Houston wastewater charges are based solely on water usage.



OTHER RATE RECOMMENDATIONS

General Class

Overview

- Includes commercial, industrial, and multi-family
- Rates applied to all indoor usage
- Rate blocks are tied to the customer's usage as percentage of their prior year average monthly usage (base/excess)
- RAC evaluated various alternative rate structure alternatives
 - Existing approach (base/excess)
 - Uniform volumetric rate
 - Inclining block rates for specified volumes of usage

General Class

RAC Recommendation

- Continue existing structure with updated rates for Cost of Service
 - Inclining block rates tied to prior year average use ensures that customers with peak usage pay more than consistent water users
- Maintain Multi-family customer within General Class
 - Recommends that SAWWS conduct of study of Multi-family usage to obtain information about multi-family customers that would enable possible changes to rate structure in the future

Proposed 2023 ICL General Class Bill Impacts

Includes pass-through fees*, excludes stormwater fees

Water & Wastewater Usage in gallons (Meter Size)	Current Bill Amount	Proposed Bill Amount	Difference	
			\$	%
1,000 (5/8" Meter)	\$33.80	\$32.91	(\$0.89)	(2.6%)
10,000 (5/8" Meter)	\$115.41	\$123.61	\$8.19	7.1%
50,000 (2" Meter)	\$591.98	\$633.46	\$41.47	7.0%
250,000 (4" Meter)	\$2,725.28	\$2,906.75	\$181.46	6.7%
850,000 (6" Meter)	\$8,671.92	\$9,328.12	\$656.19	7.6%
1,000,000 (8" Meter)	\$10,530.69	\$11,297.54	\$766.85	7.3%

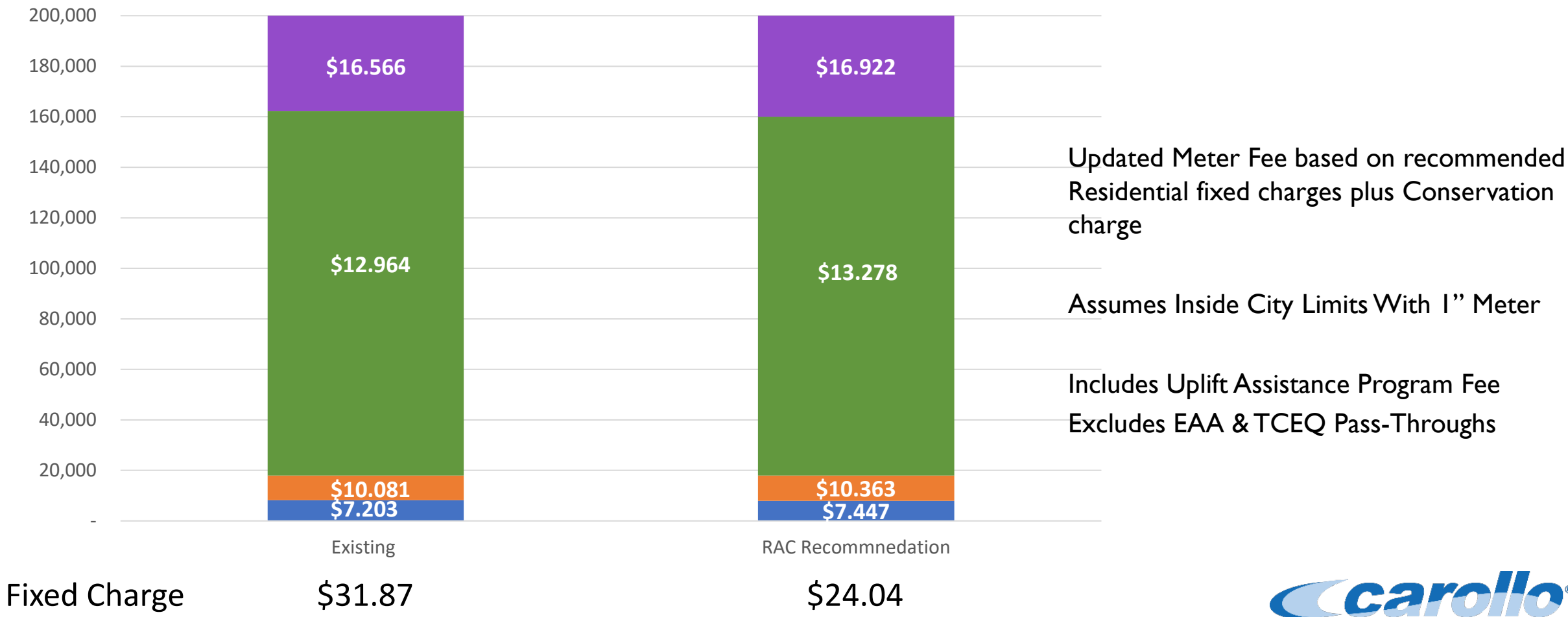
* Affordability and EAA fees per 1,000 gallons and TCEQ fees per connection

Irrigation Class

Overview/Highlights

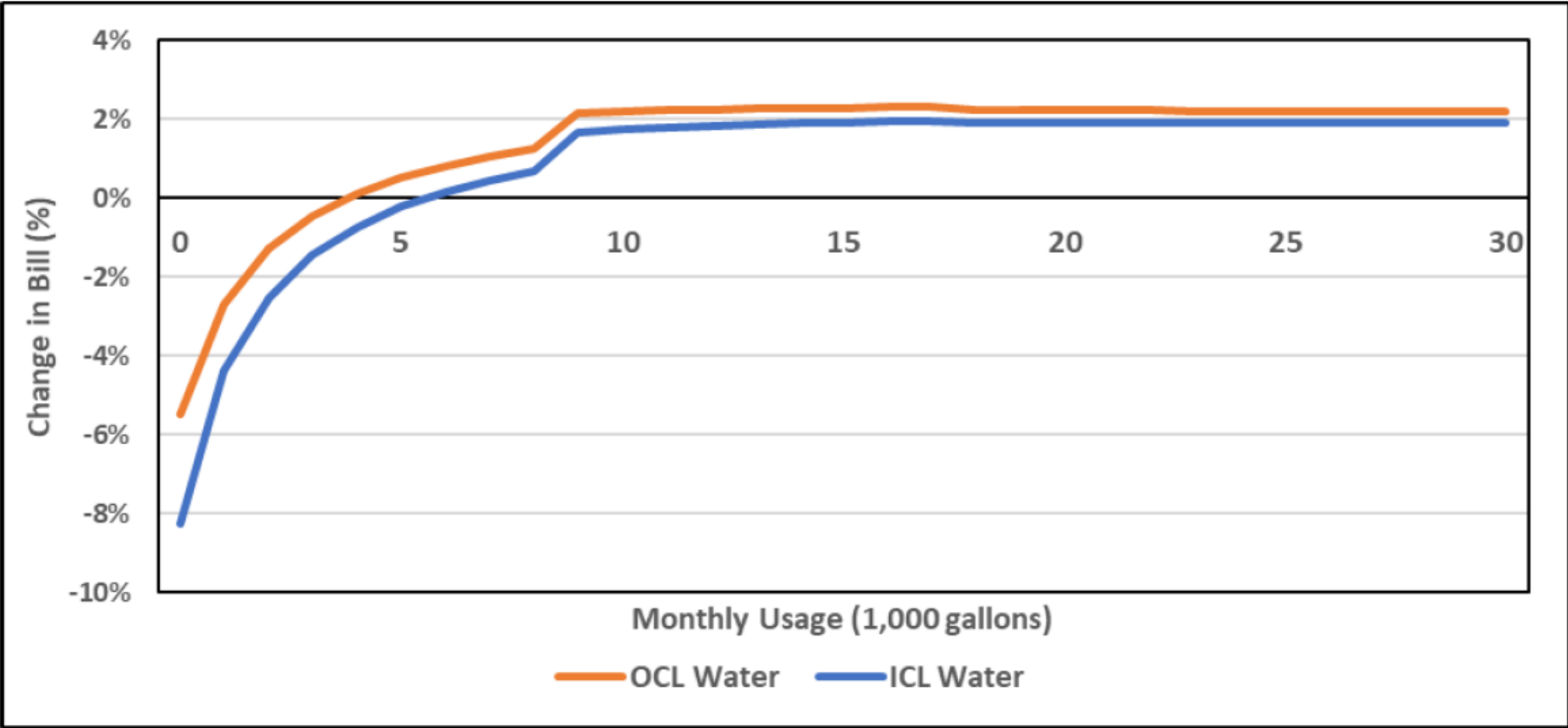
- Rates applied to all outdoor usage
 - Measured by separate irrigation meter or assumed for customers with automatic sprinkler systems with no separate irrigation meter
- Cost of Service study maintained existing revenue contribution by beneficially reallocating costs from other classes to stress conservation messaging
- RAC recommended retaining current structure with slight changes to volume provided in each inclining rate block
 - Steep inclining block rates continue to send price signals for discretionary outdoor water use

Irrigation Water Rate Structure



Irrigation Class Bill Impact

Low users will benefit from lower fixed charge



Recycled Water

Overview

- Current rates
 - generate approximately 33% of the cost of the recycled water system
 - 20%-30% of existing potable water rates
- RAC came to consensus to maintain the current rate structure and affirm the 2019 RAC's recommended rate increases
 - 15% in Year 1 and 10% per year in Years 2-5
 - Recommended increases bring recycled water revenue closer to cost of service while still recognizing the benefits of an alternative water supply, enhanced drought resistance, and environmental sustainability

Bill Impact – RAC Recommendation

Year I

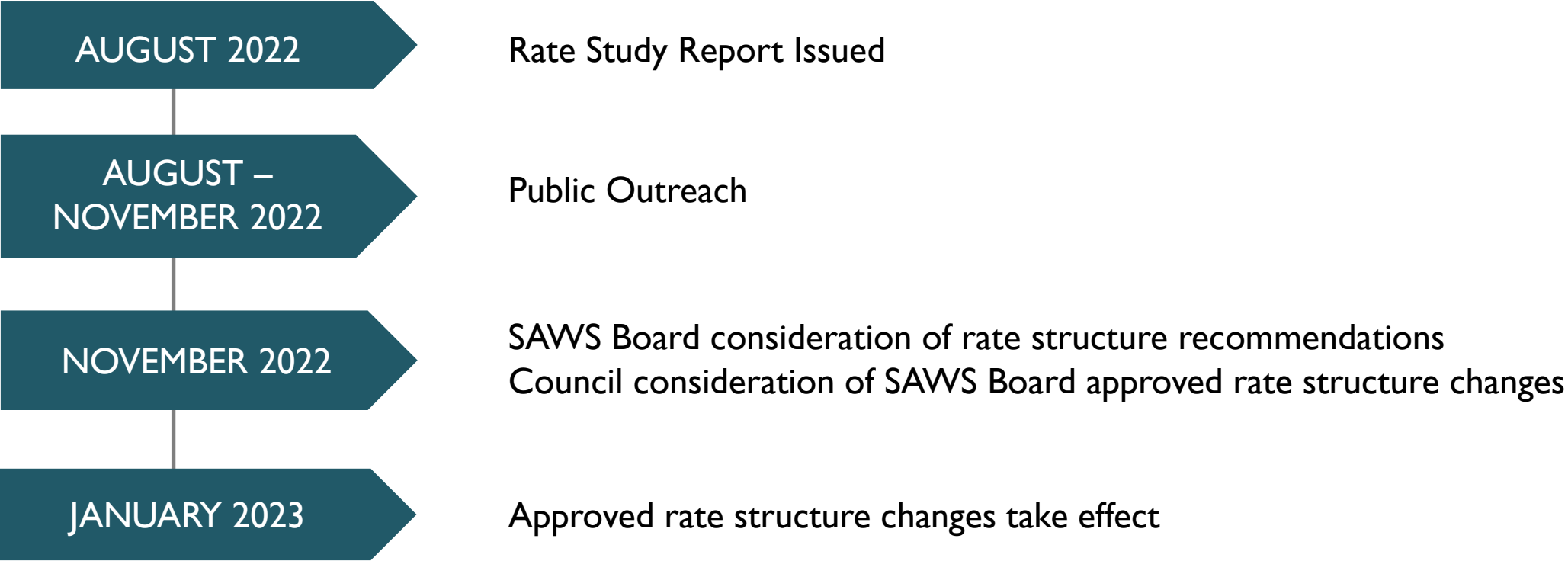
Usage Band	# Customers	2021 Average Annual Usage	Assumed Meter Size	Current Annual Charge	Current Rate per kg	15% Rate Increase	Annual Charge with Rate Increase	Rate per kg w/increase
Low (Bottom 33%)	27	0.2MG	2"	\$ 1,176.44	\$ 4.95	\$ 176.55	\$ 1,352.98	\$ 5.69
Medium (Middle 33%)	27	2.8 MG	4"	\$ 7,457.44	\$ 2.64	\$ 1,119.45	\$ 8,576.89	\$ 3.03
High (Top 33%)	27	56.0 MG	8"	\$ 99,453.39	\$ 1.78	\$ 14,926.57	\$ 114,379.96	\$ 2.04
	# Customers	Annual Projected Flows	Assumed Meter Size	Proposed Annual Charge	Proposed rate/kg	15% Rate Increase	Proposed Charge w/Increase	Proposed rate/kg with Increase
CoSA River Flows*	1	2,147.4MG	n/a	\$862,998,21	\$ 0.402	\$ 129,449.73	\$ 992,447.94	\$ 0.462

Bill Impact – RAC Recommendation

Years 1-5

Sample Customer	No. of Customers	2021 Average Annual Usage	Current Rate (\$/kgal)	Year 1 Rate (\$/kgal)	Year 2 Rate (\$/kgal)	Year 3 Rate (\$/kgal)	Year 4 Rate (\$/kgal)	Year 5 Rate (\$/kgal)
Low (33%)	27	0.2 MG	\$4.95	\$5.69	\$6.26	\$6.89	\$7.58	\$8.34
Medium (33%)	27	2.8 MG	2.64	3.03	3.33	3.66	4.03	4.43
High (33%)	27	56.0 MG	1.78	2.04	2.24	2.46	2.71	2.98
Customer	No. of Customers	Annual Projected Flows	Current Rate (\$/kgal)	Year 1 Rate (\$/kgal)	Year 2 Rate (\$/kgal)	Year 3 Rate (\$/kgal)	Year 4 Rate (\$/kgal)	Year 5 Rate (\$/kgal)
COSA	1	2,147.4 MG	\$0.00	\$0.462	\$0.508	\$0.559	\$0.615	\$0.677

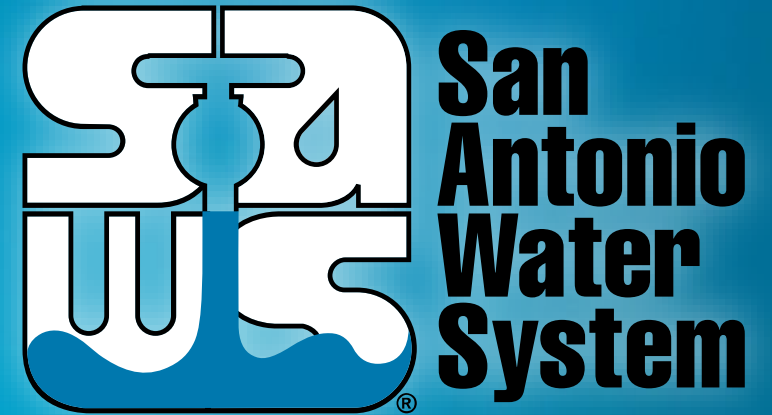
2022 Rate Study – Approval Timeline



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