

2023 Proposed Changes to SAWS Rates & Fees

Robert R. Puente

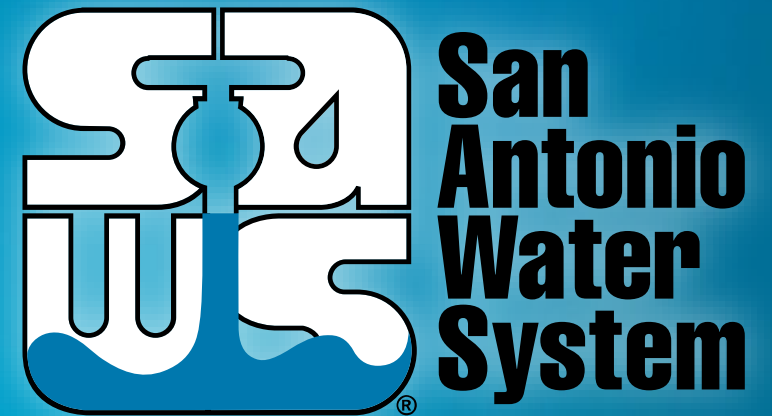
President/Chief Executive Officer

Mary Bailey

VP – Customer Experience & Strategic Initiatives

Jaime Castillo

VP – Ops Support & Innovation/Chief of Staff



City Council A Session

September 29, 2022

MAKING SAN ANTONIO
WATERFUL



Achievements as a Leading Utility

- Top Workplaces again and again...
- Leading Utilities of the World Award
- Sustainable Water Utility Management Award
- 90%+ Customer satisfaction score last two years



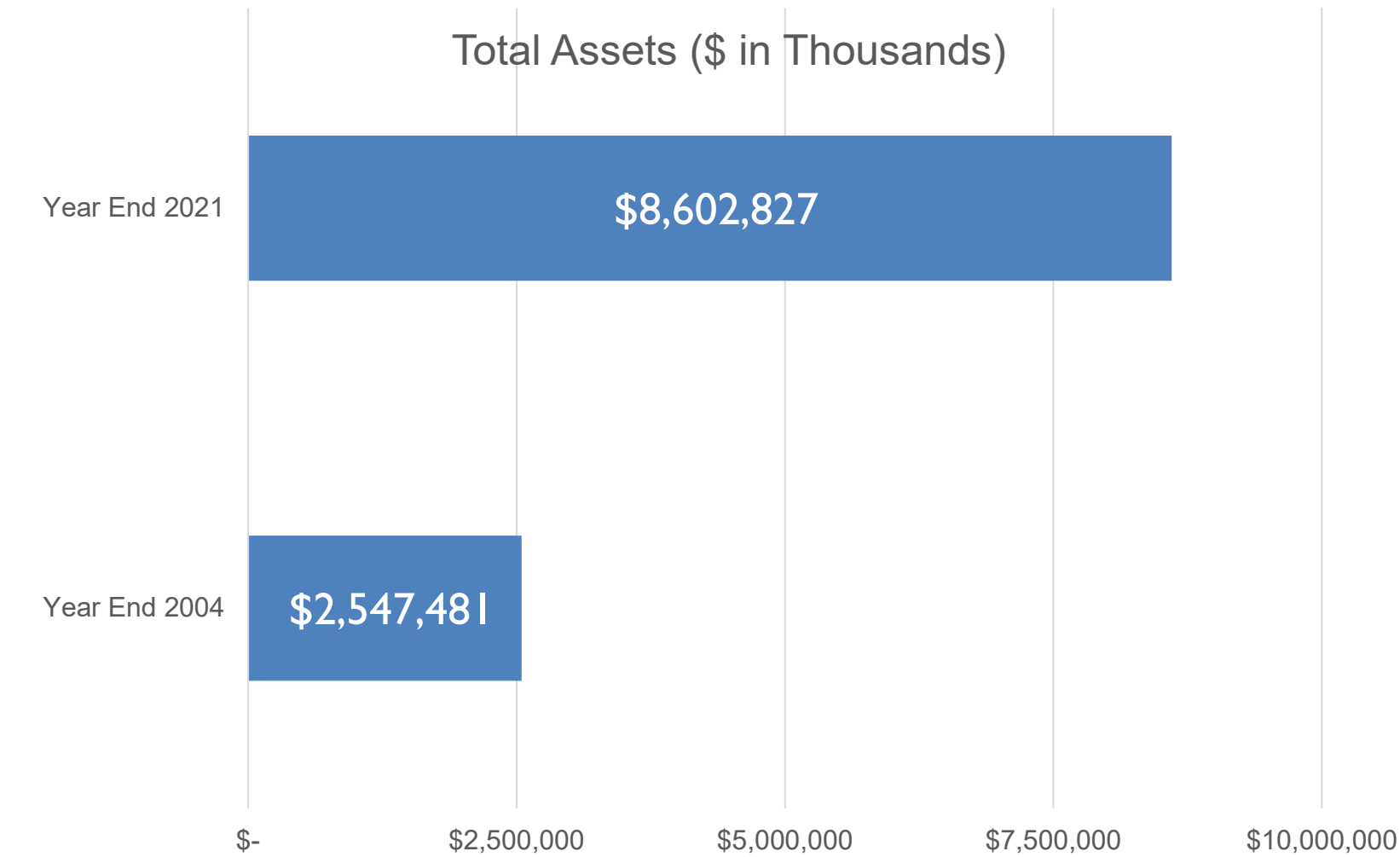


Accomplishments

- Highest credit rating in SAWWS history
- Seamless transition of BexarMet
- First in US to convert methane gas to energy
- Recent addition of 50,000 acre-feet of firm water supply
- Environmental trifecta at Steven M. Clouse Water Recycling Center

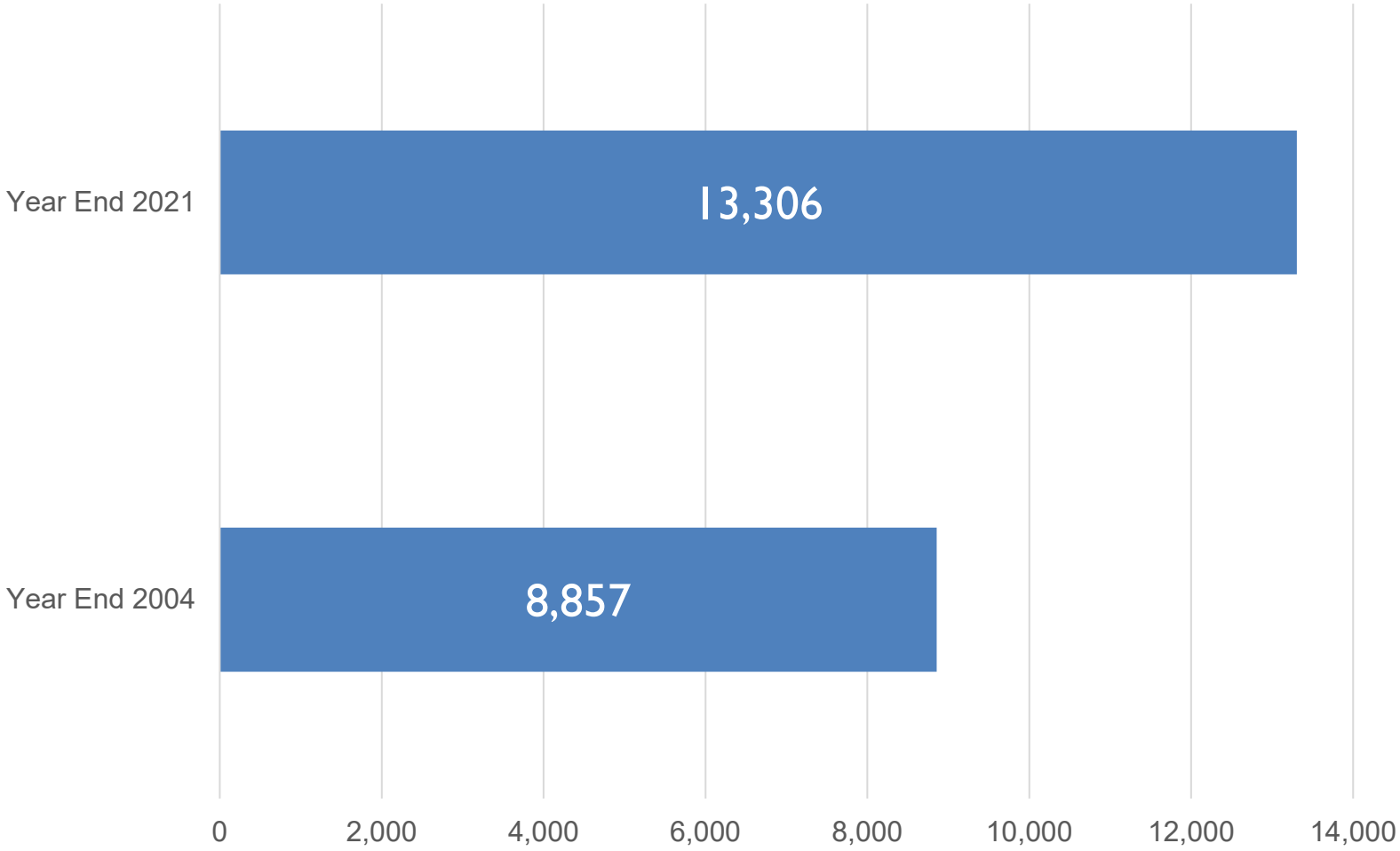


SAWS Changes Over Time



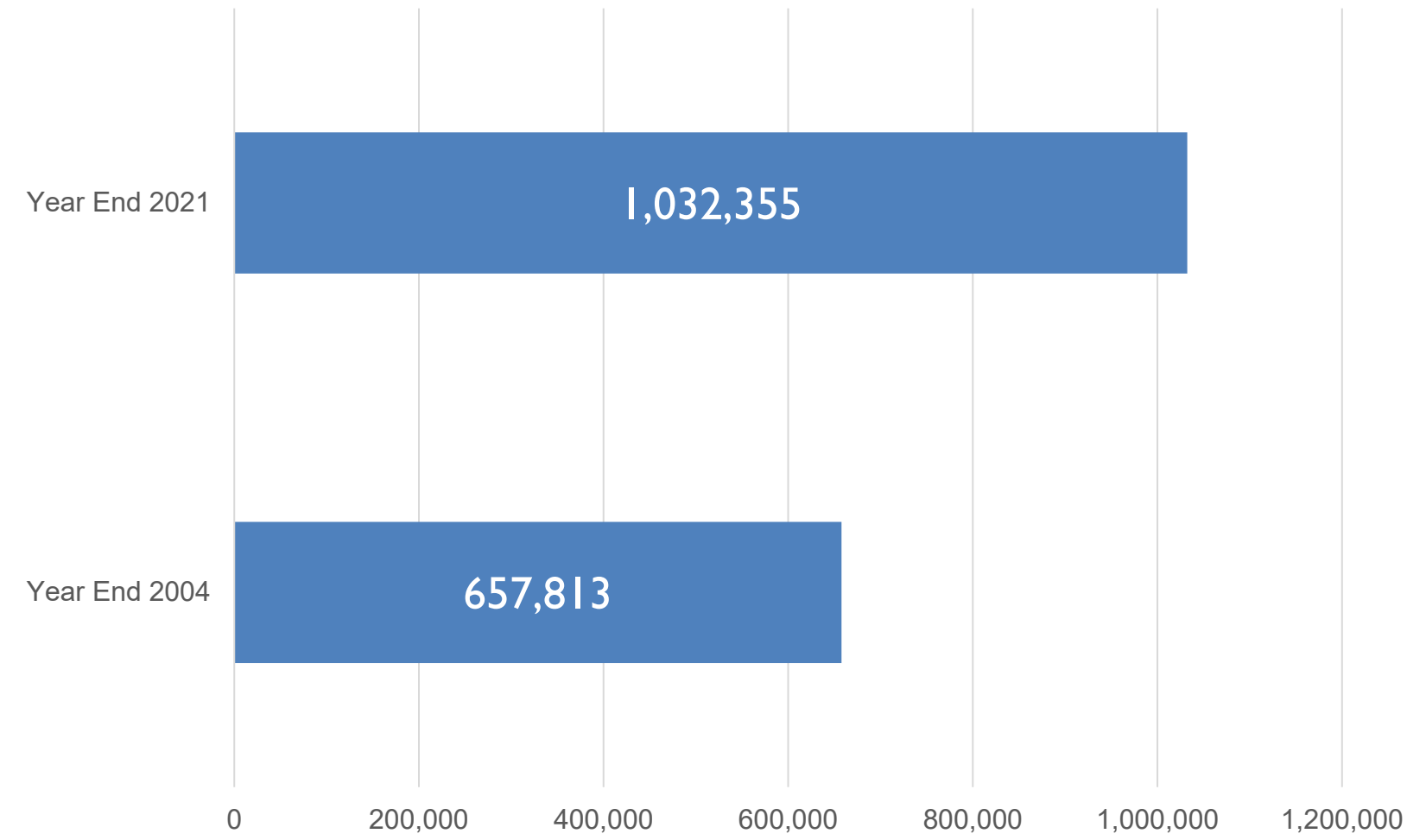


Miles of Water & Sewer Main in Place



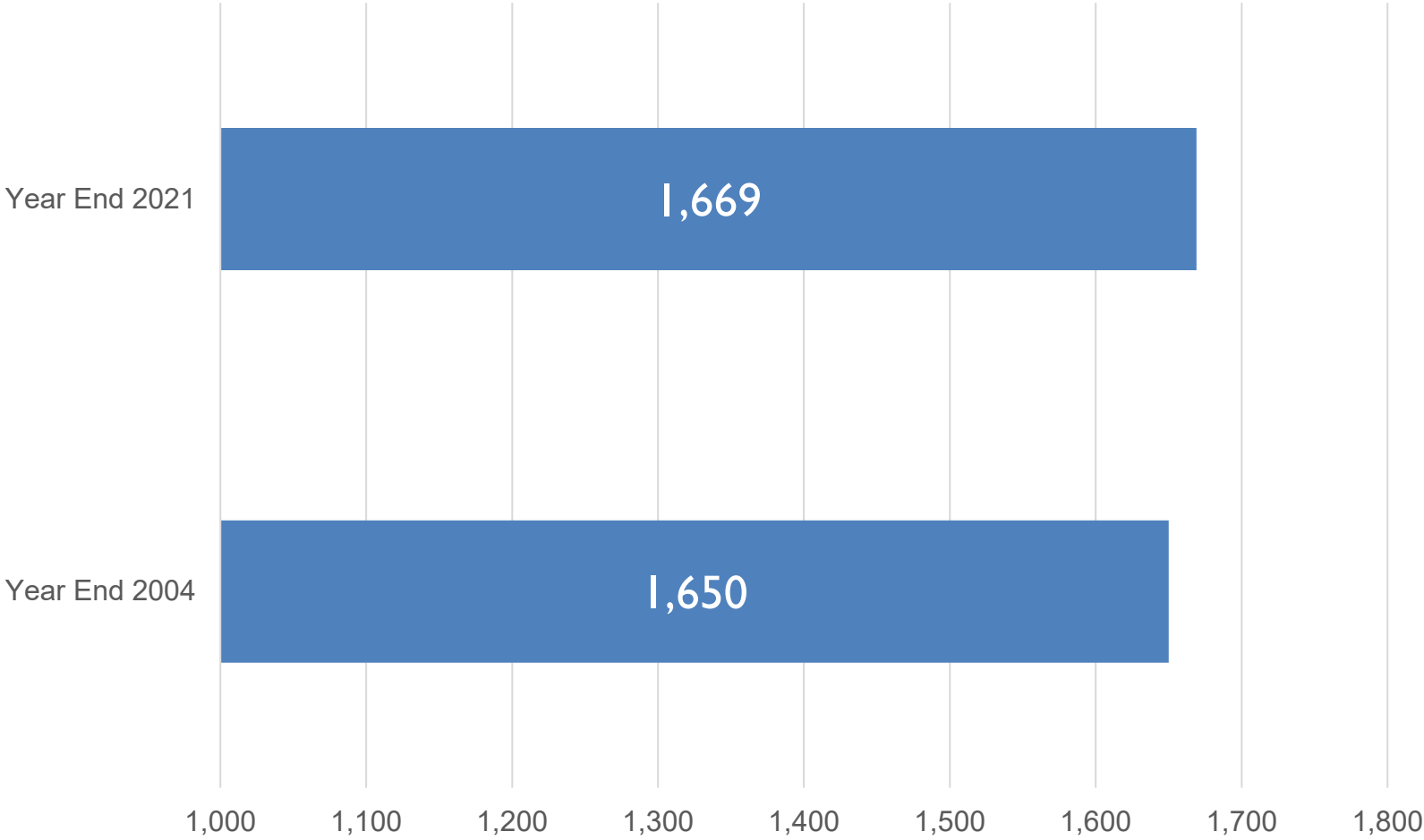


Water & Sewer Customer Connections





Year-End Employees



Today's Discussion Topics

2023 Proposed Changes to Rate & Fees

- Rate Advisory Committee recommendations
 - Water, sewer, and recycled water rates
 - Revenue neutral
- Special services fees
 - Updated based on cost to provide services
 - Two new proposed fees
- Chilled Water rate request



RAC Recommendations

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 class based on usage patterns



Rate Design Study

Determine how rates should be structured to recover costs

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

SAWS Rate Classes

- Residential Class
 - Meters serving single-family, duplex and triplex residences
 - Includes both indoor and outdoor water use
- General Class
 - Includes commercial, industrial and multi-family meter connections
 - Covers water used in the operation of the business
- Irrigation Class
 - Water used for outdoor/landscaping purposes by primarily General Class customers

SAWS Rate Classes

- Wholesale Class
 - Services provided to retail water or sewer service provider
 - SAWS has no responsibility for infrastructure within the retail provider’s service area
- Recycled Water Class
 - Non-potable water provided to commercial and industrial users by SAWS recycled water system
 - Used for landscaping/irrigation, cooling towers, other industrial/manufacturing uses, and river flows

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%

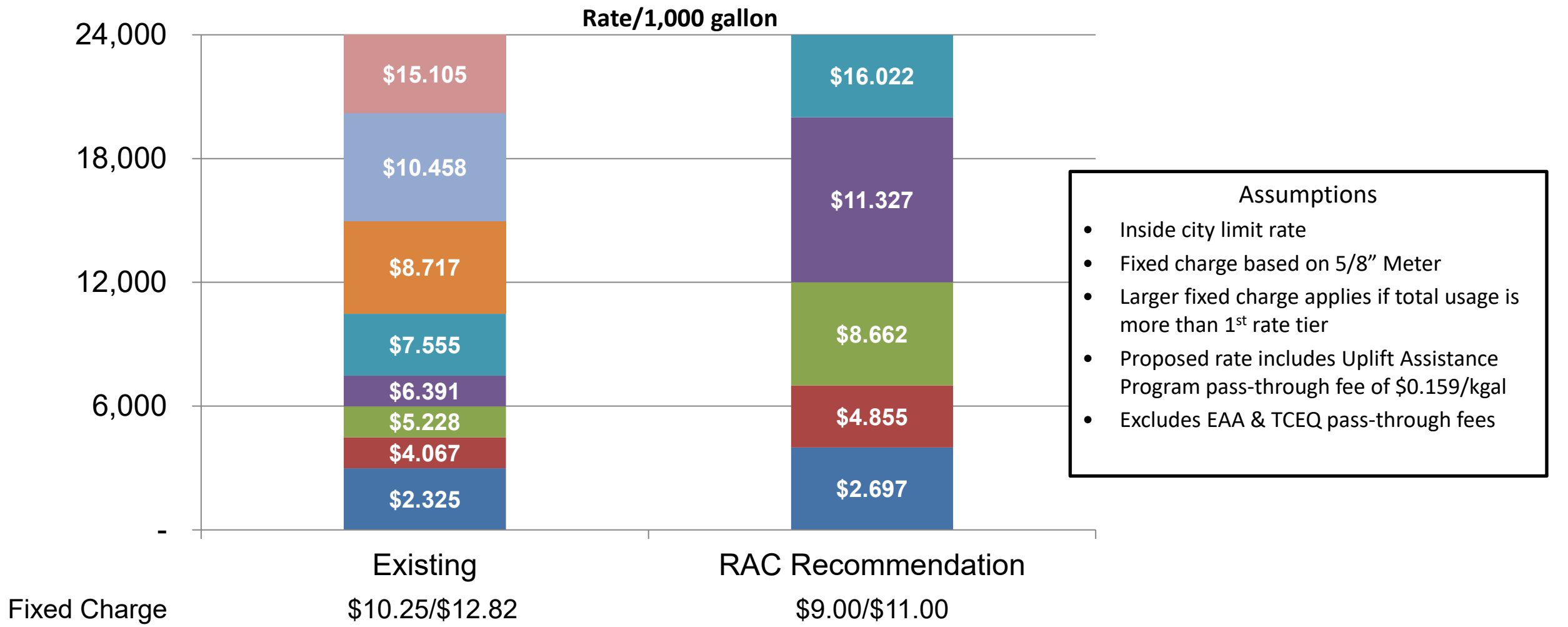
(1) General Class includes multi-family, commercial and industrial.

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



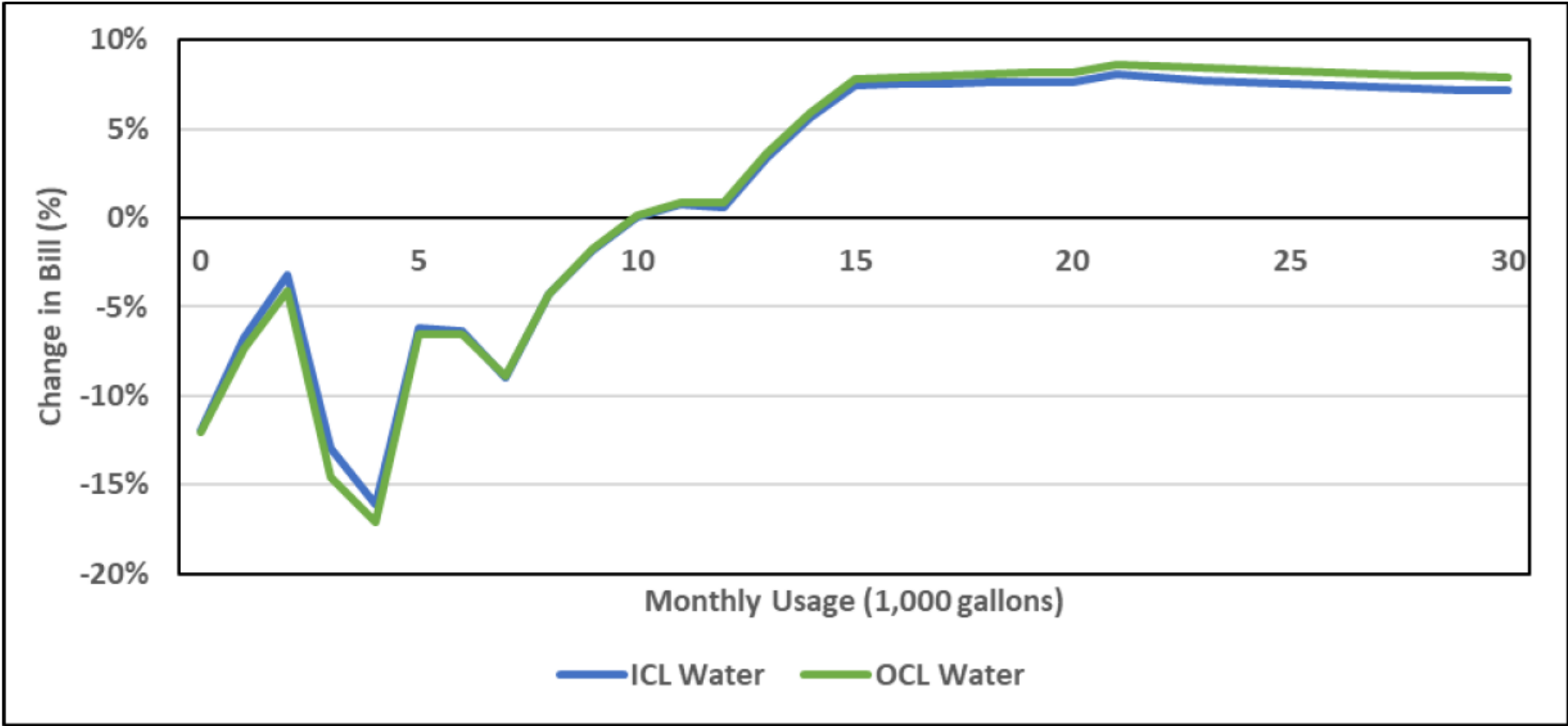
Residential Class Recommendations

RESIDENTIAL WATER (Combined Water Delivery & Water Supply Fee)

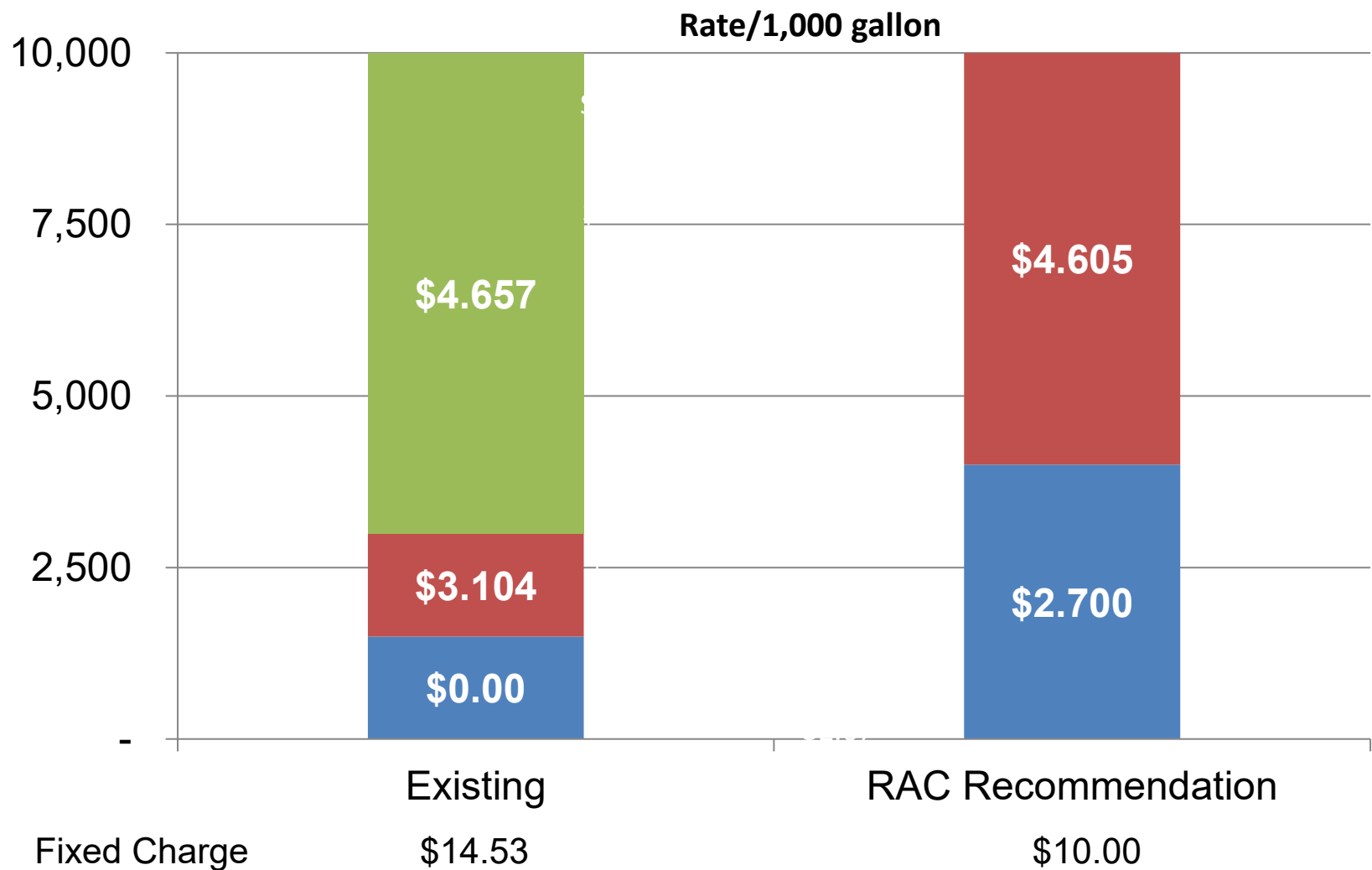


Residential Water Bill Impacts

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



RESIDENTIAL WASTEWATER

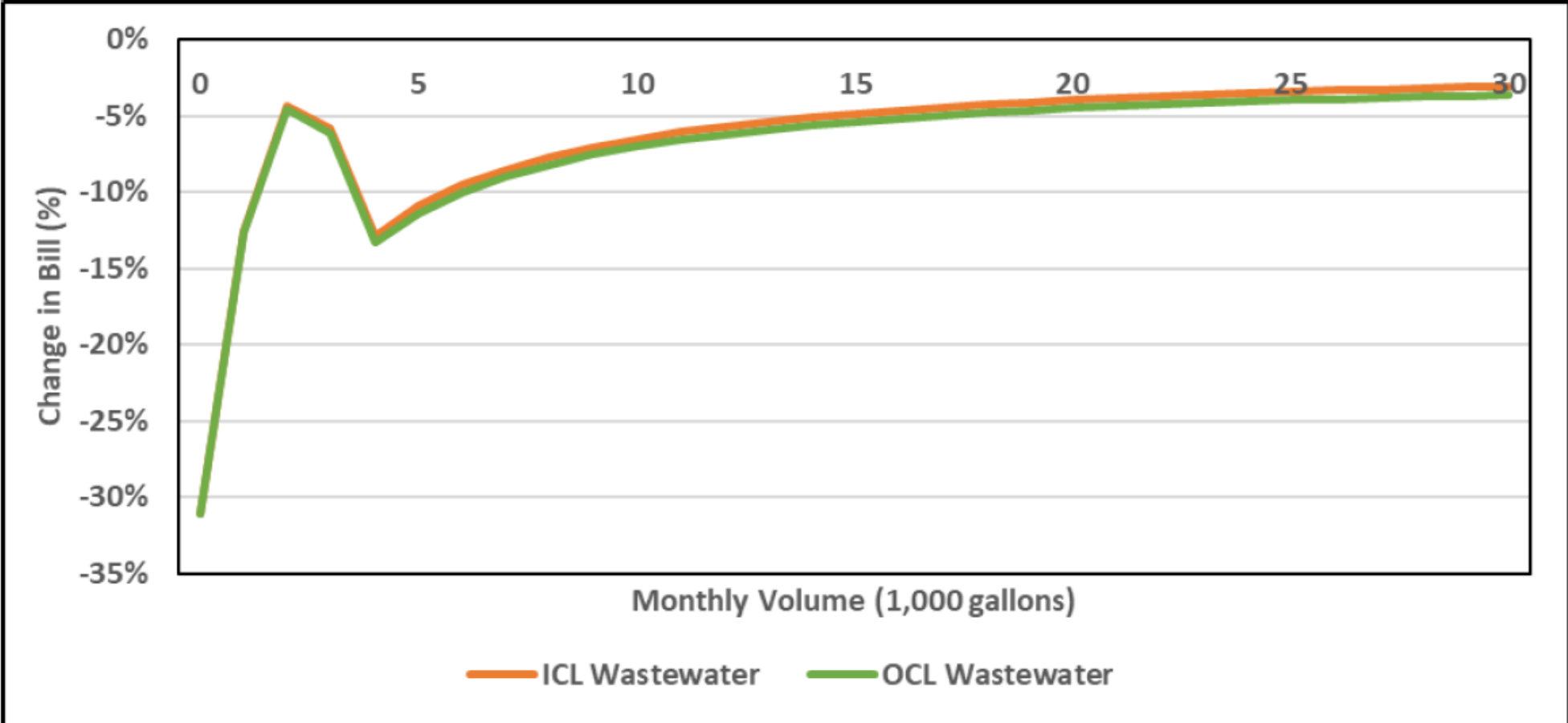


- Assumptions
- Inside city limit rate
 - Fixed charge based on 5/8" Meter
 - Proposed rate includes Uplift Assistance Program pass-through fee of \$0.161/kgal
 - Excludes TCEQ pass-through fees



Residential Sewer Bill Impacts

100% of wastewater bills will go down



RESIDENTIAL AFFORDABILITY METRICS – ESSENTIAL USE

COMBINED BILL

5/8" Meter 5,062 gallons Water & Wastewater	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 \$64.59	2.58% 2.79%	1.72% 1.86%	1.23% 1.33%	1.11% 1.20%
Recommendation ICL	\$54.62 \$59.56	2.36% 2.58%	1.57% 1.72%	1.12% 1.23%	1.02% 1.11%
Existing OCL	\$70.80 \$75.74	3.06% 3.27%	2.04% 2.18%	1.46% 1.56%	1.32% 1.41%
Recommendation OCL	\$64.52 \$69.46	2.79% 3.00%	1.86% 2.00%	1.33% 1.43%	1.20% 1.29%

*Asset Limited, Income Constrained & Employed

Affordability Recommendations

LOW-INCOME RESIDENTIAL

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

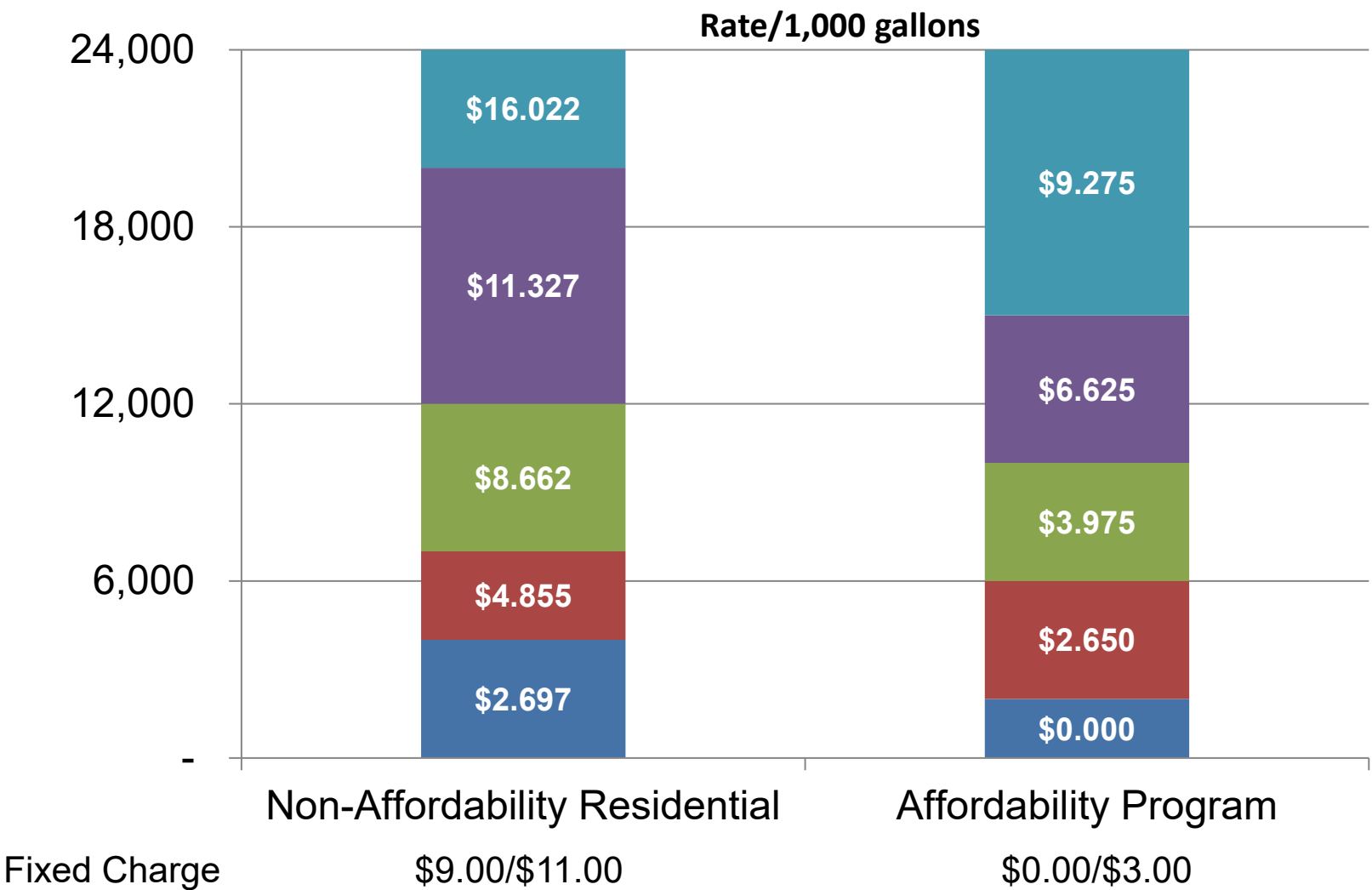
RAC Recommendation Highlights

Residential – Low-income

- Separate rate structure with reduced rates will replace current discount program
- No charge for first 2,000 gallons of water & sewer
- Comparison to non-affordability residential
 - Fixed charges are 85% - 100% lower
 - Volumetric charges are discounted 40% - 50% in most cases
- 98% of affordability customers will see a reduction in their bill
- Most customers will see bill reductions of 50% or more
- Program to be paid for through a pass-through charge of \$0.32 per 1,000 gallons for customers not enrolled in program



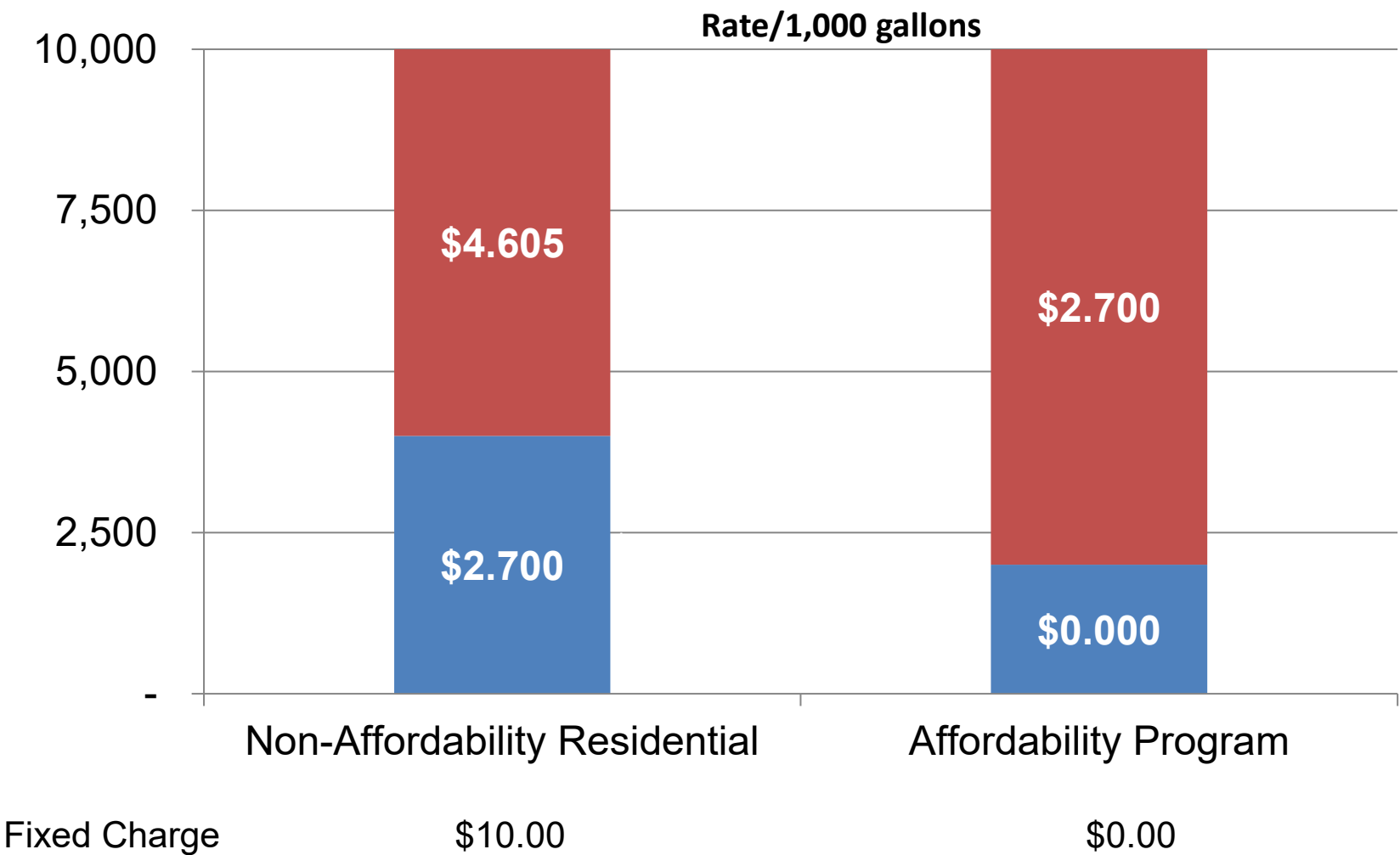
RESIDENTIAL WATER (Combined Water Delivery & Water Supply Fee)



- Assumptions
- Inside city limit rate
 - Fixed charge based on 5/8" Meter
 - Larger fixed charge applies if total usage is more than 1st rate tier
 - Non-affordability residential rate includes Uplift Assistance Program pass-through fee of \$0.159/kgal
 - Excludes EAA & TCEQ pass-through fees



RESIDENTIAL WASTEWATER



- Assumptions
- Inside city limit rate
 - Fixed charge based on 5/8" Meter
 - Proposed rate includes Uplift Assistance Program pass-through fee of \$0.161/kgal
 - Excludes TCEQ pass-through fees



LOW-INCOME RESIDENTIAL AFFORDABILITY METRICS – ESSENTIAL USE

COMBINED BILL IMPACTS

5/8" Meter 5,277 gallons Water & Wastewater	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%

Other Rate Recommendations

General Class

RAC Recommendation

- Continue existing structure with updated rates for Cost of Service
 - Customers on average will see a 7% increase in bill
 - Ensures that customers with peak usage pay more than consistent water users
- Maintain Multi-family customer within General Class
 - Recommends that SAWWS conduct a study of Multi-family usage to obtain information about multi-family customers that would enable possible changes to rate structure in the future



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
- 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
 - Water bills will increase approximately 2% for most customers



Recycled Water

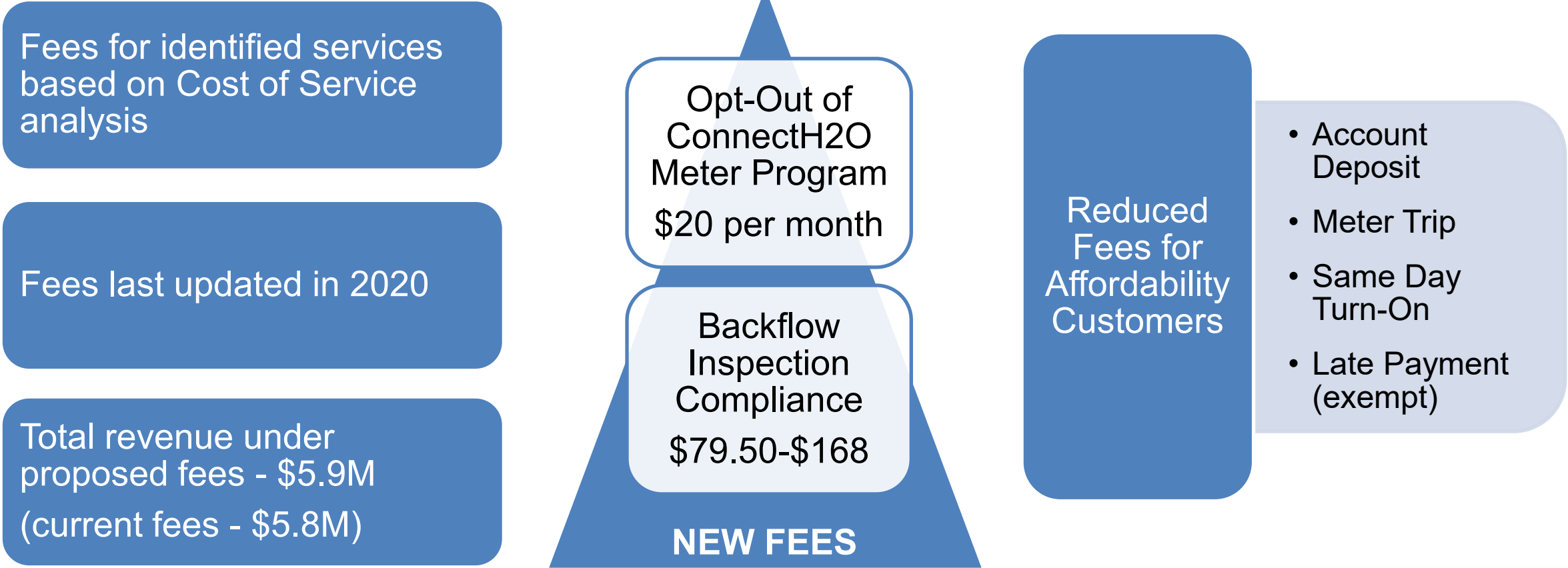
- Current rates
 - generate approximately 33% of the cost of the recycled water system
 - 20%-30% of existing potable water rates
- RAC came to consensus to maintain the current rate structure and affirm the 2019 RAC’s recommended rate increases
 - 15% in Year 1 and 10% per year in Years 2-5
- Recommended increases bring recycled water revenue closer to cost of service
 - Cost recovery of 48% in 2023 and 71% by 2027



Special Service Fees Recommendation

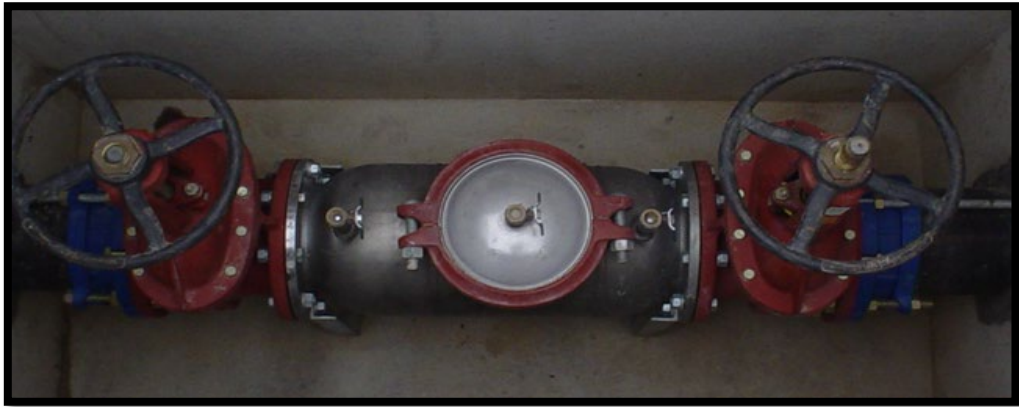
Proposed Special Service Fee Updates

Services to limited groups of customers



“Health Hazard” Backflow Prevention Assemblies

- Required for certain water customers to prevent non-potable (*potentially contaminated*) water flowing from a private customer into the Public Water System
 - Protects customers from contamination from other customers
 - 45,116 Assemblies at 15,246 Addresses in SAWS CCN
 - Assemblies must be tested annually by June 30
 - 30% Non-compliance



Chilled Water Rate Recommendation

Chilled Water Operations

Non-residential customers only

- Downtown
 - 21 customers
 - 20,000 tons of cooling capacity
 - 70% City usage
 - Supported over 400 Convention/ Alamodome events in 2019
- Port SA
 - 5 customers
 - 4,500 tons of cooling capacity
 - 75% private usage
 - Boeing, Chromalloy, Standard Aero, USAF

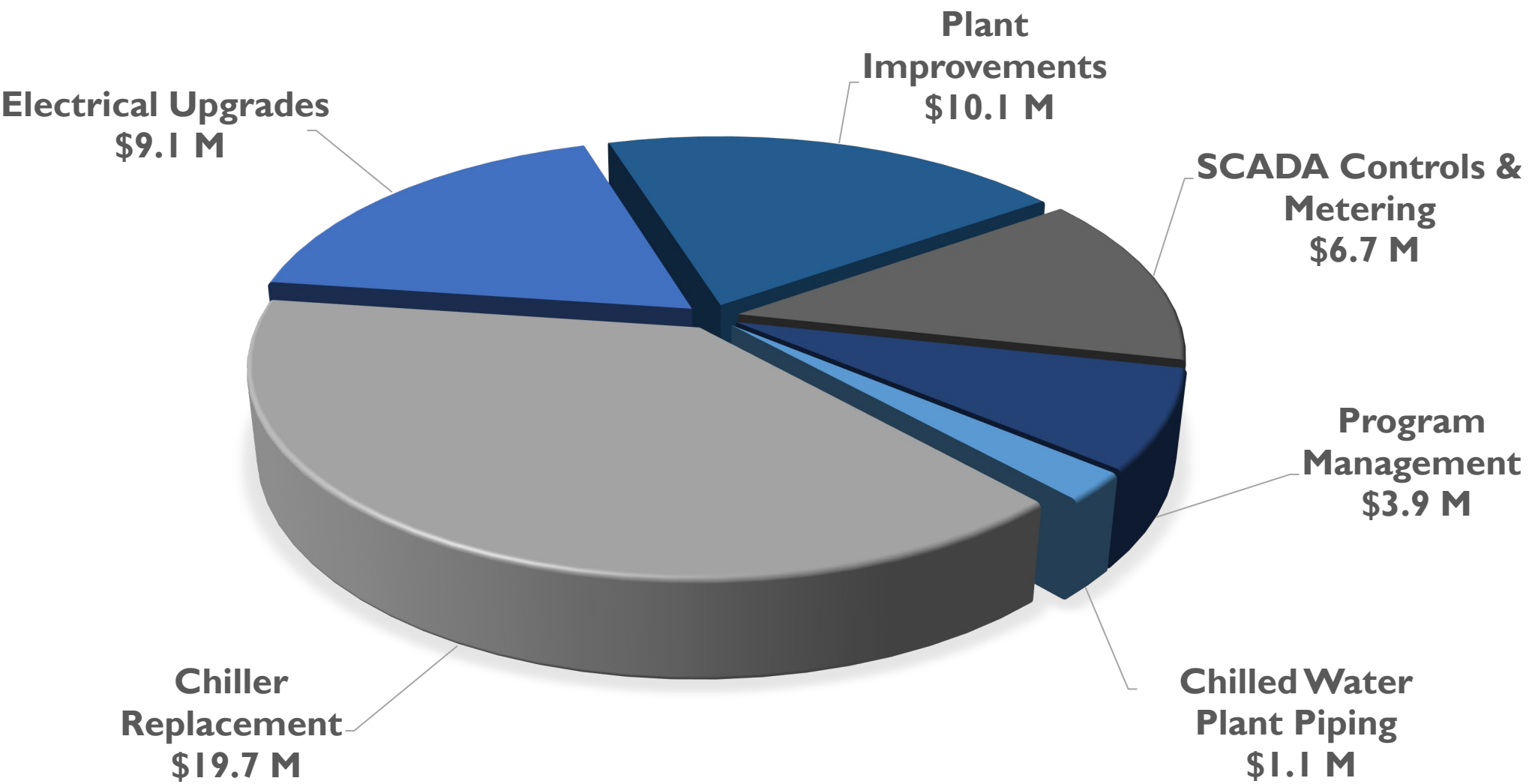


Benefits of Chilled Water

- Environmental Benefits
 - Improved energy efficiency (20-35%)
 - GHG emissions reductions
- Additional Benefits
 - Avoided infrastructure costs
 - Frees up rooftop/building space
 - Reduced staffing and maintenance
 - Reduced lifetime cooling costs
 - Enhanced reliability



Chilled Water Forecasted 2023-2027 CIP Plan (\$50.6M)



Chilled Water Energy Efficiency Improvements

- **Chillers - \$19.7M**
 - Age of existing chillers being replaced: 20+ years
 - Benefits: Reliability and energy efficiency/GHG reductions
- **Electrical Switchgear - \$9.1M**
 - Age of existing switchgear being replaced: 50+ years
 - Benefits: Reliability and safety
- **SCADA Controls and Metering - \$6.7M**
 - Age of existing controls being replaced: 5+ years/not existing
 - Benefits: Operational optimization, reliability, and energy efficiency/GHG reductions
- **Plant Improvements - \$10.1M**
 - Age of existing infrastructure being replaced: 20+ years
 - Benefits: Reliability and energy efficiency/GHG reductions
- **Chilled Water Piping - \$1.1M**
 - Age of existing piping being replaced: 20+ years
 - Benefits: Reliability and operational optimization



Existing 50+ year old electrical gear



Inoperable chiller



Cooling tower past its useful life

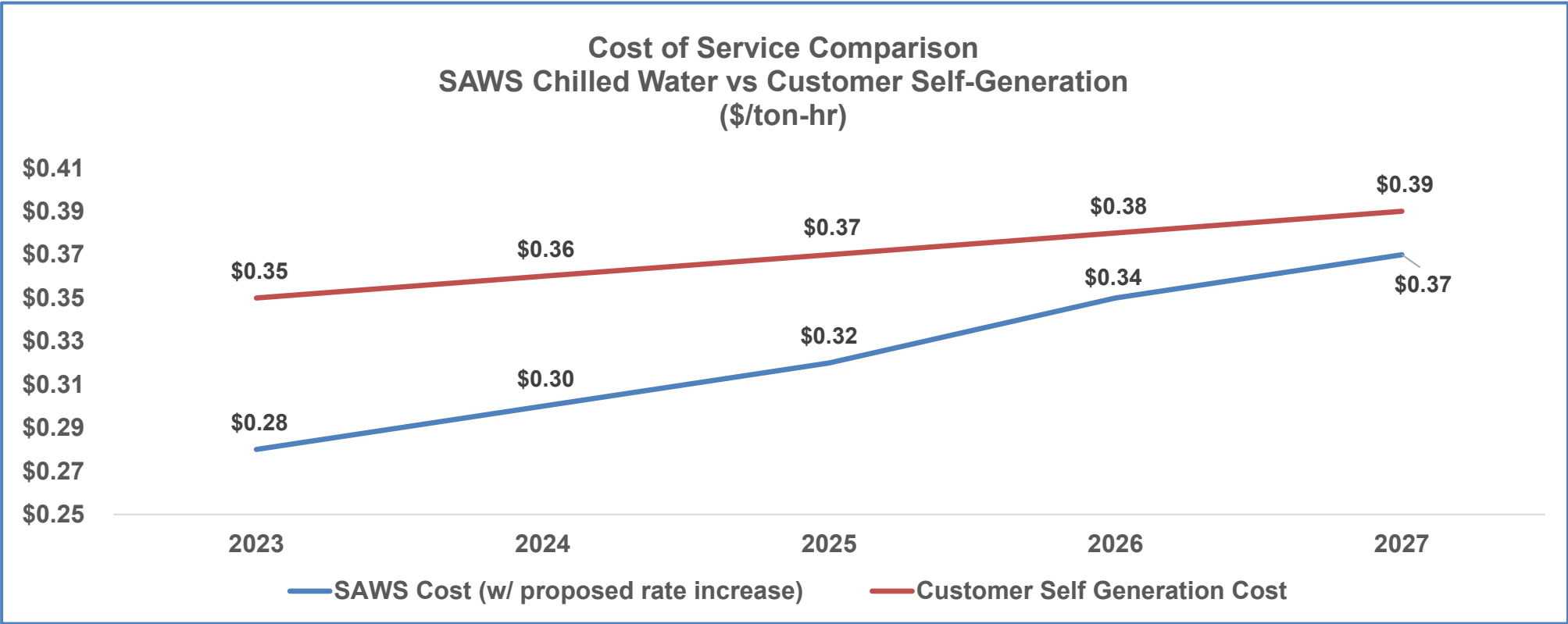
Proposed 5-Year Rate Adjustments

Need ~ 50% Increase in Capacity Charge Over Next 3-5 Years

- Outdated Rates
 - Stagnant since 1999 (prior to 2022 10% increase)
 - Currently 30% below market rates
- Insufficient R&R Funds / Debt Service Coverage
 - Debt service coverage well below SAWS goal of 1.7X
- Significant Intercompany Payable Balance
 - Subsidized by water and wastewater core businesses
- Aging Infrastructure
 - Requiring \$50.6M CIP to maintain reliability (2023-2027)



Cost Options with Proposed 2023-2027 Rate Adjustments



	2023	2024	2025	2026	2027
Proposed Rate Increase (capacity)	9.9%	9.9%	9.9%	9.9%	9.9%
SAWS Revenue Increase (via rate incr.)	\$608,152	\$669,217	\$735,770	\$808,856	\$887,954
Customer Costs (\$/ton-hr)	\$0.28	\$0.30	\$0.32	\$0.34	\$0.37

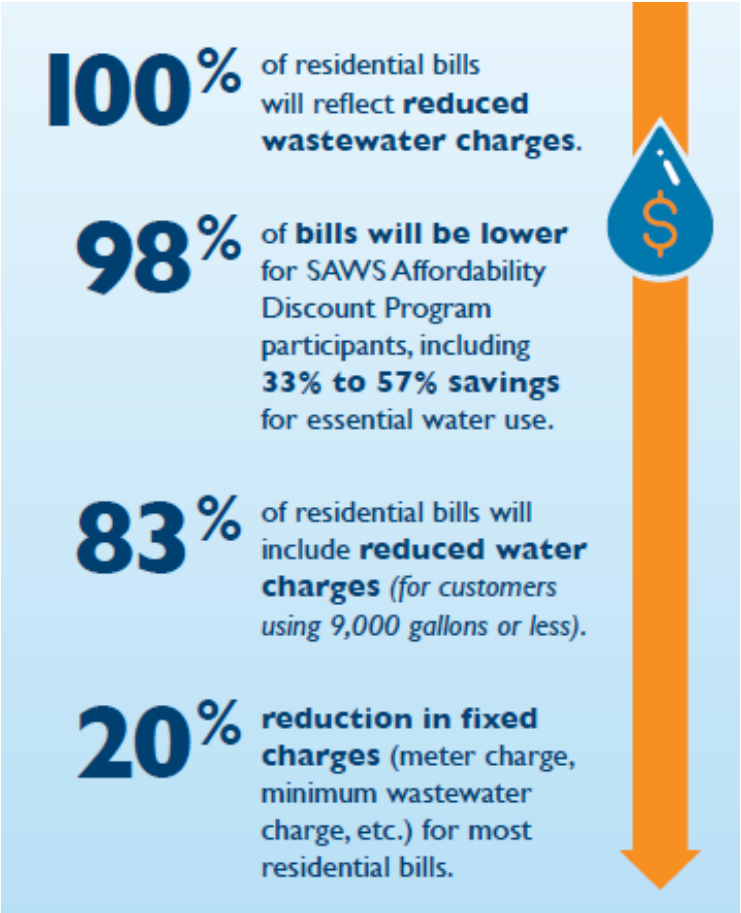
2023 Proposed Changes to SAWS Rates & Fees







Summary

Residential Rate Recommendations

Recommendations ensure Affordability and encourage water Conservation

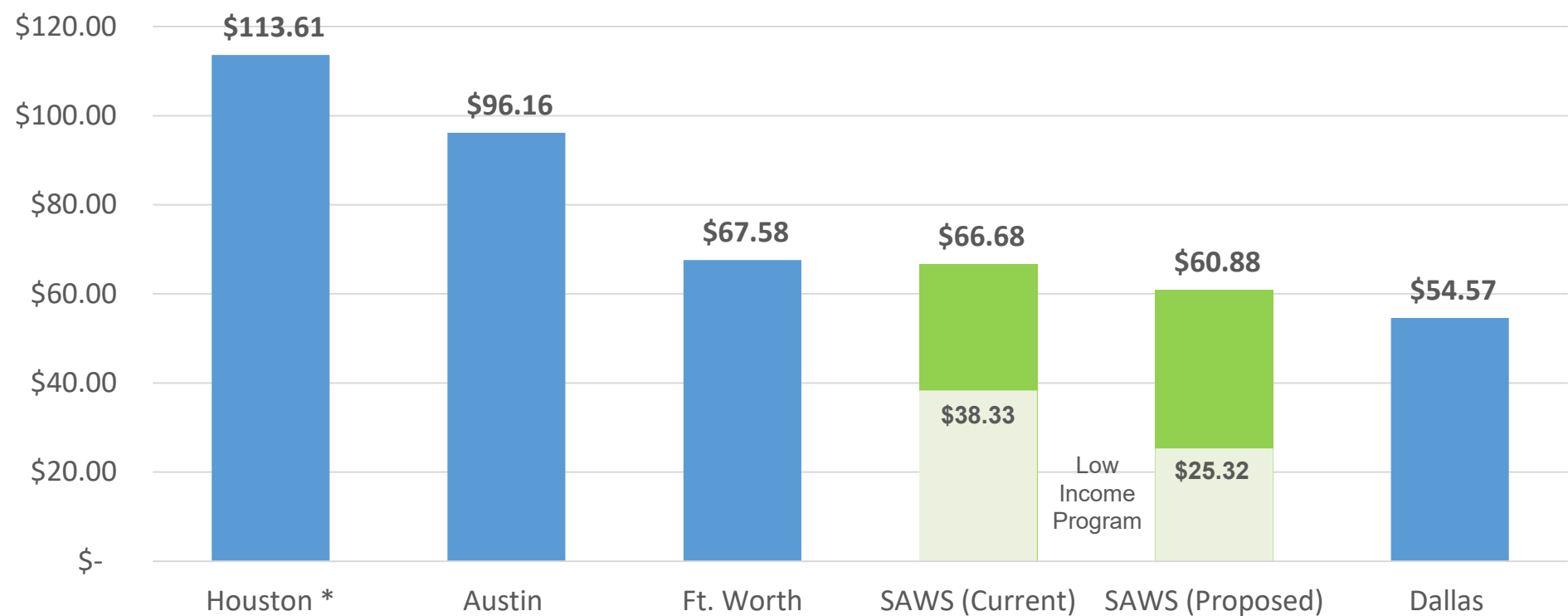


-  Provides sufficient revenue to meet SAWS revenue requirements – provides no additional revenue
-  Meets cost-of-service by customer class as determined by rate consultant
-  Sends stronger price signals for water usage greater than 9,000 gallons
-  Creates a separate discounted rate structure for customers in Uplift Affordability Program

Major Texas Cities - Residential Bills

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

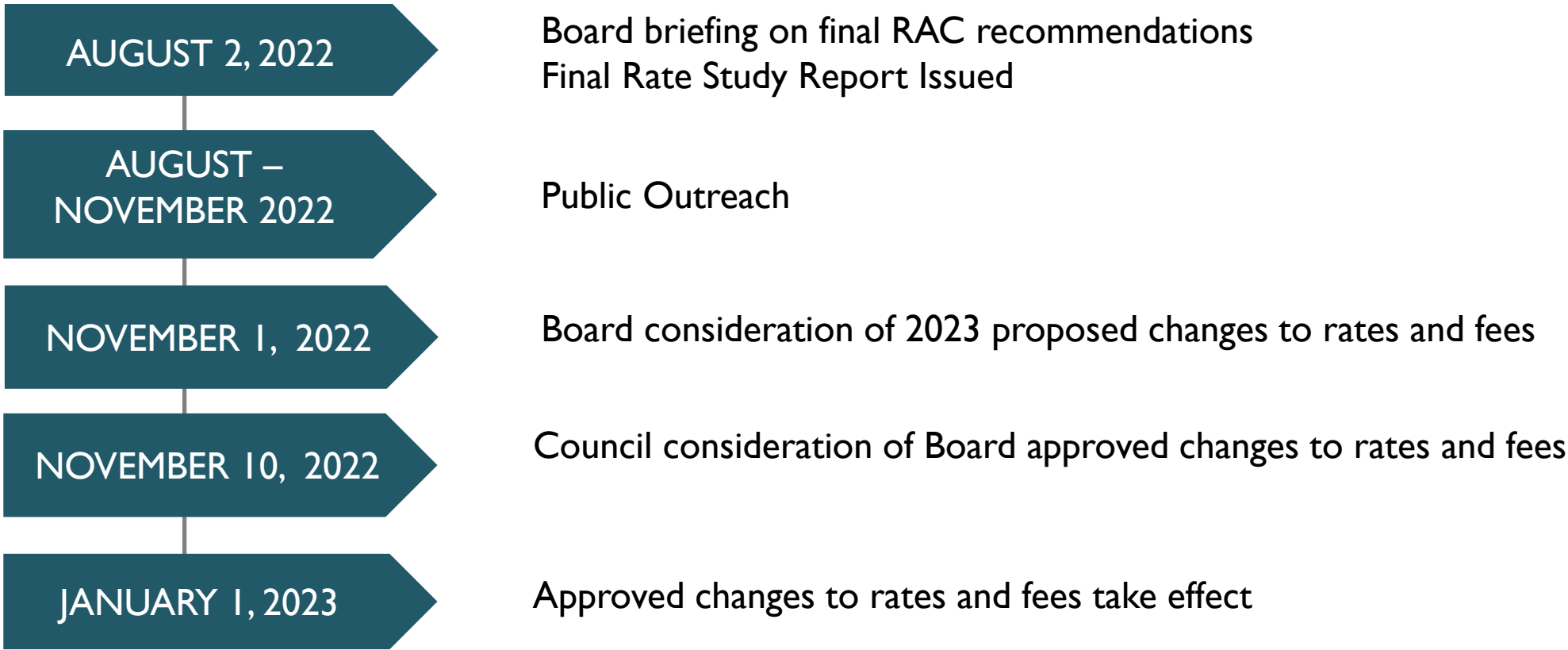
6,275 Gal. Water / 5,052 Gal. Sewer
(Monthly Usage)



* Houston wastewater charges are based solely on water usage.



Proposed Rates & Fees Changes – Timeline



2023 Proposed Changes to SAWS Rates & Fees

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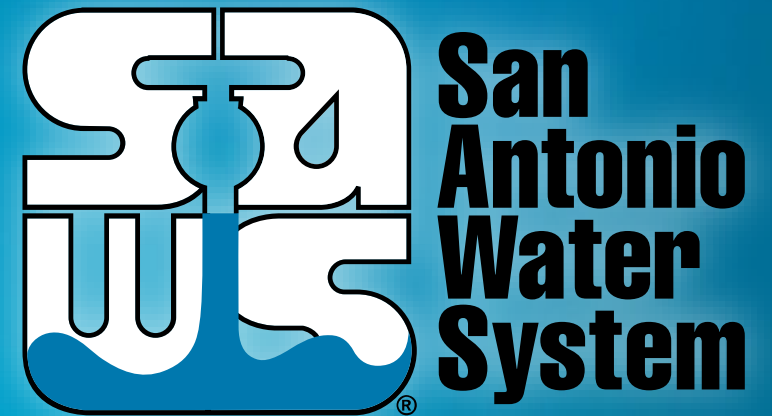
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