

THIS IS A DRAFT AND WILL BE REPLACED BY THE FINAL, SIGNED ORDINANCE OR RESOLUTION ADOPTED BY THE CITY COUNCIL.

ORDINANCE

APPROVING AN ADJUSTMENT TO THE SAN ANTONIO WATER SYSTEM (SAWS) CHILLED WATER DEMAND RATES FOR 2023 (12.0%) AND AUTHORIZING UP TO MAXIMUM ANNUAL PERCENTAGE ADJUSTMENTS FOR 2024 (12.0%), 2025 (10.0%), 2026 (8.0%) AND 2027 (8.0%) RESPECTIVELY; APPROVING TWO NEW CHILLED WATER RATE COMPONENTS, NAMELY A DELTA T ADJUSTMENT CHARGE AND A CAPACITY CHARGE RAMP UP SCHEDULE; AND AMENDING CHAPTER 34 OF THE CITY CODE AND PRIOR CITY COUNCIL ORDINANCES TO BE CONSISTENT HERewith.

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WHEREAS, the San Antonio Water System (“SAWS”) is a municipally owned utility of the City of San Antonio; and

WHEREAS, SAWS operates a Chilled Water System that provides air-conditioning service to customers in the Downtown area and Port San Antonio; and

WHEREAS, the Chilled Water System was originally created to serve Hemisfair in 1968 and its operation was consolidated into SAWS at its creation in 1992; and

WHEREAS, in 2000, the Port San Antonio Chilled Water System was also consolidated into SAWS; and

WHEREAS, Ordinance Nos. 96794 and 100588 established chilled water charges for the Downtown and Port San Antonio Chilled Water System; and

WHEREAS, the Chilled Water System functions by operating centralized water chilling plants and passing water chilled to near freezing through pipes to heat exchangers in customer buildings, which provide cooling for the customers’ air handling systems; and

WHEREAS, such a system provides energy efficiency benefits and greenhouse gas emission reduction through a large-scale centralized system and shifting electrical demand off peak; and

WHEREAS, there are twenty-one customers on the Downtown System, with approximately 70% of the Chilled Water System serving the City of San Antonio, primarily for cooling the Alamodome and Convention Center and the balance of customers primarily include government offices and hotels; and

WHEREAS, the Port San Antonio Chilled Water System serves five customers including Boeing, Standard Aero, Chromalloy, United States Air Force, and Port San Antonio offices; and

WHEREAS, in July 2021, SAWS engaged a consultant to develop a long-term business and rate plan whose scope of work includes capital expenditures planning, financial planning, energy efficiency, controls/metering, management/staffing, hydraulic modeling, customer contracts, Port San Antonio analysis and marketing/communications; and

WHEREAS, SAWS has demonstrated that the Chilled Water System's net position has deteriorated and the current rates are not generating sufficient cash flow to fund needed capital improvements; and

WHEREAS, the SAWS Board of Trustees (the "Board") has recommended to the City Council that it approve a 12.0% increase for 2023 to the Chilled Water demand charge rates for the Downtown and Port San Antonio Chilled Water System to improve the financial condition of the System; and

WHEREAS, the Board has also recommended to the City Council that it approve additional up to maximum adjustments to the Chilled Water demand charge rates for the Downtown and Port San Antonio Chilled Water System for 2024 (12.0%), 2025 (10.0%), 2026 (8.0%), and 2027 (8.0%), respectively; and

WHEREAS, the Board has additionally recommended to the City Council that it approve two new chilled water rate components, namely a Delta T Adjustment Charge and a Capacity Charge Ramp Up Schedule; and

WHEREAS, the Supervisor of Public Utilities has reviewed the rate change request, considers it reasonable, and recommended approval of the rates and fees along with certain monitoring procedures; and

WHEREAS, in the exercise of its governmental regulatory authority, the City Council has determined that approval of the Board's requests are reasonable and necessary to ensure the financial sustainability and improvement of the Chilled Water System; **NOW THEREFORE:**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The City Council approves and authorizes a 12.0% adjustment to SAWS Chilled Water demand charge rates for the Downtown and Port San Antonio Chilled Water Systems effective on or about January 1, 2023, as set forth in Attachment I.

SECTION 2. The City Council approves and authorizes additional adjustments to the Chilled Water demand charge rates for the Downtown and Port San Antonio Chilled Water Systems for consumption effective on or about January 1, 2024, January 1, 2025, January 1, 2026, and January 1, 2027, respectively, up to the maximum rates set forth in Attachment I.

SECTION 3. The City Council approves and authorizes two new chilled water rate components,

namely a Delta T Adjustment Charge and a Capacity Charge Ramp Up Schedule, effective on or about January 1, 2023, as set forth in Attachment I.

SECTION 4. The City Council approves and hereby adopts the accountability procedures set forth in Attachment II.

SECTION 5. The City Council finds that the adjustments and fees authorized and approved by this Ordinance are reasonable and necessary to ensure the financial sustainability and improvement of the Chilled Water System.

SECTION 6. Chapter 34 of the City Code of San Antonio, Texas (City Code), and prior City Council Ordinances regarding same, including but not limited to Ordinance Nos. 96794 and 100588, are hereby amended to be consistent with this Ordinance and its attachments including, the rate and fee schedules attached hereto and which are incorporated herein. Chapter 34 of the City Code is hereby amended by adding the language that is underlined (added) and deleting the language that is stricken (~~deleted~~) to the existing text as set forth in this Ordinance. All other provisions of Chapter 34 of the City Code shall remain unchanged and in full force and effect, unless expressly amended by this Ordinance.

SECTION 7. If any part, section, paragraph, sentence, phrase or word of this Ordinance is for any reason held to be unconstitutional, illegal, inoperative, or invalid, or if any exception to or limitation upon any general provision herein contained is held to be unconstitutional, illegal, invalid, or ineffective, the remainder of this Ordinance shall nevertheless stand effective and valid as if it had been enacted without the portion held to be unconstitutional, illegal, invalid, or ineffective.

SECTION 8. The publishers of the City Code of San Antonio, Texas are authorized to amend said Code to reflect the changes adopted herein and to correct typographical errors and to index, format and number paragraphs to the existing Code.

SECTION 9. Funding in the amount of \$310,000.00 for this ordinance is available in Various Funds, Various Cost Centers and General Ledger 5407540 as part of the Fiscal Year 2023 Adopted Budget approved by City Council.

SECTION 10. Additional funding is contingent upon City Council approval of the Fiscal Year 2023 and subsequent budgets that fall within the contract terms of this ordinance.

SECTION 11. Payment is authorized to SAWS and should be encumbered with a purchase order.

SECTION 12. The financial allocations in this Ordinance are subject to approval by the Deputy Chief Financial Officer, City of San Antonio. The Deputy Chief Financial Officer may, subject to concurrence by the City Manager or the City Manager's designee, correct allocations to specific Cost Centers, WBS Elements, Internal Orders, General Ledger Accounts, and Fund Numbers as necessary to carry out the purpose of this Ordinance.

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SECTION 13. This Ordinance is effective immediately upon the receipt of eight affirmative votes; otherwise, it is effective ten days after passage.

PASSED AND APPROVED this 10th day of November, 2022.

M A Y O R
Ron Nirenberg

ATTEST:

APPROVED AS TO FORM:

Debbie Racca-Sittre, City Clerk

Andrew Segovia, City Attorney

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ATTACHMENT I

Adjustments to Chilled Water Service Rate Schedules

ATTACHMENT I

SCHEDULE "A"
CHILLED WATER SERVICE RATE SCHEDULE FOR DOWNTOWN AREA
 SAN ANTONIO WATER SYSTEM
 San Antonio, Texas
 Effective ~~January 1, 2022~~ January 1, 2023

Billings for chilled water service shall be produced on a monthly basis and shall consist of both a capacity charge and a commodity charge as follows.

CAPACITY CHARGE

~~The capacity charge shall be \$20.24 per ton hour of demand.~~ The capacity charge for 2023 shall be \$22.67 per ton hour of demand. For each year thereafter, effective on January 1 of each year from 2024 through 2027, respectively, the maximum allowable capacity charge amount per ton hour to be assessed shall be in accordance with the table below.

<u>As of January 1 of each of the following years:</u>	<u>Maximum Allowable Capacity Charge per ton hour to be assessed:</u>	<u>Maximum Allowable Capacity Charge Annual Increase Percentage</u>
<u>2024</u>	<u>\$25.39</u>	<u>12.0%</u>
<u>2025</u>	<u>\$27.93</u>	<u>10.0%</u>
<u>2026</u>	<u>\$30.16</u>	<u>8.0%</u>
<u>2027</u>	<u>\$32.57</u>	<u>8.0%</u>

The demand shall be the largest number of tons of cooling demanded in any of the twelve months ending with the month next preceding the month in which the bill is dated or the connected load specified in the contract with the customer, whichever is the greater of the two. The demand for the Alamodome, which is an event driven facility with occasional peaks in demand during off peak hours and long periods of low demand, shall be defined in a service agreement between the City of San Antonio and the San Antonio Water System to account for its unique and unpredictable demands on the chilled water system.

COMMODITY CHARGE

A commodity charge will be applied to the monthly metered consumption. The commodity charge will provide for the pass-through of the utility costs, including water and energy costs. No commodity charge shall be made if the metered use of the customer is zero (0) during the month.

The commodity charge will be computed as follows; all utility costs of the previous month will be recovered through an allocation to the consumption of the billing period. In addition, the payment to the city's general fund will be added where applicable.

$$\text{Utility costs} + \text{Payment to general fund} = \text{Commodity charge consumption}$$

CAPITAL COST RECOVERY FEE

In addition to any rates or fees adopted by the City Council that are related to the provision of chilled water services within the Downtown system, the SAWS Board of Trustees shall have the discretion to add a fee for the recovery of the capital costs related to the construction of main extensions and installation of heat exchangers to serve new customers. The addition of this Capital Cost Recovery Fee shall be negotiated and agreed to by SAWS and the new customer based on the total cost, including interest, to design, construct and install the capital improvements that are necessary to provide chilled water services to the new customer. An amortization schedule to recover these capital improvement costs shall have a maximum term of twenty (20) years. This Capital Cost Recovery Fee shall not include any infrastructure, fixtures, chattel or appurtenances that will be owned, operated or maintained by the new customer or the owner of the subject property. The SAWS Board of Trustees shall have the discretion to decide whether it will participate in the construction of a main extension and installation of heat exchangers on a case-by-case basis.

DELTA T ADJUSTMENT CHARGE

Delta T is defined as the difference in temperature between a customer's point of delivery and point of return and is an overall measure of system efficiency. This Delta T adjustment charge is applied to the Commodity Charge and represents the added or avoided energy costs. It provides a fee for a customer with low/poor Delta T or an incentive to those with high/good Delta T. A customer Delta T of 12 to 15 degrees will result in no Delta T adjustment. The Delta T adjustment to the Commodity Charge shall be calculated as the Commodity Charge multiplied by 6 percent for each degree (rounded to the nearest degree), in Fahrenheit, when the average return temperature is something other than 12 to 15 degrees. The Delta T adjustment will apply to the Commodity Charge for the months of April, May, June, July, August and September only. No Delta T adjustment shall be assessed until the later of January 1, 2024 or 12 months of establishing service, to allow a customer to optimize their water side system improvements.

CAPACITY CHARGE RAMP UP SCHEDULE

Beginning on the Operation Date (which may occur during construction), a new customer and SAWS may agree to the following schedule for phasing-in the Capacity Charge up to the Contract Capacity. Should the initial date the customer opens their building to the public (Opening Date) occur prior to the final month of the phase-in period below, the phase-in of the Capacity Charge shall no longer apply and billing for the Capacity Charge will begin in accordance with 100% of contracted capacity. Schedule included below:

- Month 1 (Operation Date): 10% of the Contract Capacity (or actual usage if more than 10%).
- Month 2: 20% of the Contract Capacity (or actual usage if more than 20%).
- Month 3: 30% of the Contract Capacity (or actual usage if more than 30%).
- Month 4: 40% of the Contract Capacity (or actual usage if more than 40%).
- Month 5: 50% of the Contract Capacity (or actual usage if more than 50%).
- Month 6: 60% of the Contract Capacity (or actual usage if more than 60%).
- Month 7: 70% of the Contract Capacity (or actual usage if more than 70%).
- Month 8: 80% of the Contract Capacity (or actual usage if more than 80%).
- Month 9: 90% of the Contract Capacity (or actual usage if more than 90%).

- Month 10: 100% of the Contract Capacity.

ADJUSTMENT FOR PAYMENT TO THE CITY GENERAL FUND

The City of San Antonio may change the percentage for payment to the city general fund pursuant to City Ordinance No. 75686, which is currently established at 4.0% of gross revenues. At that time, the commodity charge will be revised to include the new percentage of payment to the City of San Antonio.

DEFINITIONS

A ton is defined as 12,000 Btu's per hour.

An hour is defined as 60 consecutive minutes.

Gross Revenue is defined in City Ordinance No. 75686.

SCHEDULE "B"
CHILLED WATER SERVICE RATE SCHEDULE FOR PORT SAN ANTONIO
 SAN ANTONIO WATER SYSTEM
 San Antonio, Texas
 Effective ~~January 1, 2022~~ January 1, 2023

Billings for chilled water service shall be produced on a monthly basis and shall consist of both a capacity charge and a commodity charge as follows.

CAPACITY CHARGE

The capacity charge for 2023 shall be ~~\$25.57~~ \$25.28 per ton hour of demand. For each year thereafter, effective on January 1 of each year from 2024 through 2027, respectively, the maximum allowable capacity charge amount per ton hour to be assessed shall be in accordance with the table below.

<u>As of January 1 of each of the following years:</u>	<u>Maximum Allowable Capacity Charge per ton hour to be assessed:</u>	<u>Maximum Allowable Capacity Charge Annual Increase Percentage</u>
<u>2024</u>	<u>\$28.31</u>	<u>12.0%</u>
<u>2025</u>	<u>\$31.14</u>	<u>10.0%</u>
<u>2026</u>	<u>\$33.63</u>	<u>8.0%</u>
<u>2027</u>	<u>\$36.32</u>	<u>8.0%</u>

The demand shall be the largest number of tons of cooling demanded in any of the twelve months ending with the month next preceding the month in which the bill is dated or the demand amount specified in the contract or agreement with the customer, whichever is the greater of the two.

COMMODITY CHARGE

A commodity charge will be applied to the monthly metered consumption. The commodity charge will provide for the pass-through of the Utility Costs, including water and energy costs. No commodity charge shall be made if the metered use of the customer is zero (0) during the month.

The commodity charge will be computed as follows: all utility costs of the previous month will be recovered through an allocation to the consumption of the billing period. In addition, the Payment to the City's General Fund will be added where applicable.

$$\text{Utility Costs} + \text{Payment to General Fund} = \text{Commodity Charge Consumption}$$

CAPITAL COST RECOVERY FEE

In addition to any rates or fees adopted by the City Council that are related to the provision of chilled water services within the Port San Antonio system, the SAWS Board of Trustees shall have the discretion to add a fee for the recovery of the capital costs related to the construction of main extensions and installation of heat exchangers to serve new customers. The addition of this Capital Cost Recovery Fee shall be negotiated and agreed to by SAWS and the new customer based on the total cost, including interest, to design, construct and install the capital improvements that are necessary to provide chilled water services to the new customer. An amortization schedule to recover these capital improvement costs shall have a maximum term of twenty (20) years. This Capital Cost Recovery Fee shall not include any infrastructure, fixtures, chattel or appurtenances that will be owned, operated or maintained by the new customer or the owner of the subject property. The SAWS Board of Trustees shall have the discretion to decide whether it will participate in the construction of a main extension and installation of heat exchangers on a case-by-case basis.

DELTA T ADJUSTMENT CHARGE

Delta T is defined as the difference in temperature between a customer's point of delivery and point of return and is an overall measure of system efficiency. This Delta T adjustment charge is applied to the Commodity Charge and represents the added or avoided energy costs. It provides a fee for a customer with low/poor Delta T or an incentive to those with high/good Delta T. A customer Delta T of 12 to 15 degrees will result in no Delta T adjustment. The Delta T adjustment to the Commodity Charge shall be calculated as the Commodity Charge multiplied by 6 percent for each degree (rounded to the nearest whole degree), in Fahrenheit, when the average return temperature is something other than 12 to 15 degrees. The Delta T adjustment will apply to the Commodity Charge for the months of April, May, June, July, August and September only. No Delta T adjustment shall be assessed until the later of January 1, 2024 or 12 months of establishing service to allow a customer to optimize their water side system improvements.

CAPACITY CHARGE RAMP UP SCHEDULE

Beginning on the Operation Date (which may occur during construction), customer and SAWS may agree to the following schedule for phasing-in the Capacity Charge up to the Contract Capacity. Should the initial date the customer opens their building to the public (Opening Date) occur prior to the final month of the phase-in period below, the phase-in of the Capacity Charge shall no longer apply and billing for the Capacity Charge will begin in accordance with 100% of contracted capacity. Schedule included below:

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- Month 7: 70% of the Contract Capacity (or actual usage if more than 70%).
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- Month 9: 90% of the Contract Capacity (or actual usage if more than 90%).

- Month 10: 100% of the Contract Capacity.

ADJUSTMENT FOR PAYMENT TO THE CITY GENERAL FUND ~~AND TO GKDA~~

The City of San Antonio may change the Percentage for payment to the City General Fund pursuant to City Ordinance No. 75686, which is currently established at 4.0% of Gross Revenues. At that time, the commodity charge will be revised to include the new Percentage of Payment to the City of San Antonio.

DEFINITIONS

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An hour is defined as 60 consecutive minutes.

Gross revenue is defined in City Ordinance No. 75686.

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ATTACHMENT II

Accountability Procedures

ATTACHMENT II – Accountability Procedures

Chilled Water System - Ongoing evaluation will continue to ensure that the pre-approved 5-year plan from January 1, 2023, through 2027 is reasonable and necessary for SAWS chilled water system and its customers. SAWS shall:

1. Provide quarterly financial reports on the Chilled Water System including
 - a. Sources and uses update with year-to-date tracking to budget
 - b. Progress on capital plan
 - c. Detailed status of marketing efforts
2. Develop a detailed plan based on the Chilled Water consultant's report,
3. Perform customer outreach on the plan to include existing and potential growth customers in both Downtown and PortSA.
4. Update the plan for growth scenarios based on the customer feedback.
5. 60 days prior to the implementation of any previously approved "up-to" rate increase, SAWS will provide to the City's Public Utilities Division:
 - a. The proposed increase and the calculation method,
 - b. Underlying support for the increase, including sources and uses that illustrate the need for the proposed increase, and
 - c. Any additional information requested by Public Utilities
6. Annual adjustments under the pre-approved "up-to" maximum amounts require concurrence of the Supervisor of Public Utilities.