



# Austin Water Utility

## Joint Committee on AWU's Financial Plan

April 2, 2014

# Committee Discussion Items

- Meeting Schedule Handout
- Website Update
  - 2014 Joint Committee website operational
  - Links to info
    - Schedule and committee members
    - Meeting agendas, info and videos
    - Question and comment system operational

# April 2014



SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1	2	3	4	5
			Joint Committee Meeting			
6	7	8	9	10	11	12
			Water and Wastewater Commission			
13	14	15	16	17	18	19
			MCS Commission meeting			
20	21	22	23	24	25	26
			Joint Committee Meeting			
27	28	29	30			
			Joint Committee Meeting			

# May 2014

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
				1	2	3
4	5	6	7	8	9	10
			Joint Committee Meeting			
11	12	13	14	15	16	17
			Water and Wastewater Commission			
18	19	20	21	22	23	24
			Joint Committee Meeting			
25	26	27	28	29	30	31
			Joint Committee Meeting			

# Staff Briefings

## AWU's Financial Forecast Options

David Anders

Assistant Director

Finance and Business Services

# Forecast Option Summary

- Financial Forecast Options
  - Provide alternatives to base option presented at first Joint Committee meeting
  - Determine projected revenue, requirements and system-wide rate increases

# Forecast - Base Option

## Assumptions

- Revenue at stage 2 for all years
- Operating cost reductions, CIP spending, and Debt Service
- Meet financial policies and strengthen benchmarks

<b>Forecast Summary</b> (\$ in Millions)	<b>Estimate</b> <b>2014</b>	<b>Year 1</b> <b>2015</b>	<b>Year 2</b> <b>2016</b>	<b>Year 3</b> <b>2017</b>	<b>Year 4</b> <b>2018</b>	<b>Year 5</b> <b>2019</b>
<b>Total Revenue</b>	\$508.9	\$567.0	\$599.3	\$624.8	\$651.4	\$667.9
<b>Total Requirements</b>	\$523.8	\$541.6	\$582.7	\$602.9	\$636.0	\$638.6
<b>Ending Balance</b>	\$43.3	\$68.7	\$85.2	\$107.3	\$122.9	\$152.3
Days of O&M	20	60	81	108	124	154
<b>Debt Service Coverage</b>						
Combined	1.31	1.54	1.58	1.58	1.55	1.61
Water	1.20	1.58	1.60	1.59	1.56	1.58
<b>CIP Spending</b>	\$237.3	\$181.8	\$167.5	\$157.1	\$164.3	\$169.1
<b>Cash Funding of CIP %</b>	24.8%	28.2%	41.6%	41.5%	42.9%	42.4%
<b>Rate Increases</b>						
Water	7.4%	16.6%	3.0%	3.0%	3.0%	2.5%

# Forecast – Base Option

- Impacts / Benefits / Concerns
  - Strengthens financial benchmarks
  - Higher debt service coverage
  - Higher cash balances and cash funding of CIP
  - Higher water rate increases to achieve these financial benchmarks
  - Bill impacts to customers higher than in past increases



# Forecast – Option #1

## Assumption Changes

- Target debt service coverage at 1.50x
- Reduced cash funding of CIP
- Meets financial policies only

<b>Forecast Summary</b> (\$ in Millions)	<b>Estimate 2014</b>	<b>Year 1 2015</b>	<b>Year 2 2016</b>	<b>Year 3 2017</b>	<b>Year 4 2018</b>	<b>Year 5 2019</b>
<b>Total Revenue</b>	\$508.9	\$557.8	\$581.5	\$606.6	\$642.1	\$648.8
<b>Total Requirements</b>	\$523.8	\$533.5	\$572.7	\$595.6	\$629.5	\$632.8
<b>Ending Balance</b>	\$43.3	\$67.6	\$76.3	\$87.4	\$100.1	\$116.1
Days of O&M	20	58	67	79	93	107
<b>Debt Service Coverage</b>						
Combined	1.31	1.50	1.50	1.50	1.50	1.51
Water	1.20	1.50	1.50	1.50	1.50	1.50
<b>CIP Spending</b>	\$237.3	\$181.8	\$167.5	\$157.1	\$164.3	\$169.1
<b>Cash Funding of CIP %</b>	24.8%	23.4%	35.1%	36.4%	38.7%	38.4%
<b>Rate Increases</b>						
Water	7.4%	13.4%	2.0%	3.7%	4.4%	1.6%

# Forecast – Option #1

- Impacts / Benefits / Concerns
  - Debt coverage at 1.50x just meets financial policy
  - Rating agencies have indicated the need for higher debt coverage in order to keep AA rating
  - Downgrade in bond ratings likely with this financial plan which would mean higher borrowing costs in the future
  - Higher debt service than base option
  - Lower cash balances than base option
  - Lower cash funding of CIP

# Forecast – Option #2

## Assumption Changes

- Use of \$10 million in reserve fund balance in 2014 to offset revenue losses
- Council would approve use of full amount of reserve in one year
- Use of reserve to reduce 2015 water rate increase

<b>Forecast Summary</b> (\$ in Millions)	<b>Estimate 2014</b>	<b>Year 1 2015</b>	<b>Year 2 2016</b>	<b>Year 3 2017</b>	<b>Year 4 2018</b>	<b>Year 5 2019</b>
<b>Total Revenue</b>	\$518.9	\$558.7	\$598.4	\$624.8	\$651.8	\$675.9
<b>Total Requirements</b>	\$523.8	\$541.9	\$582.4	\$603.0	\$636.6	\$647.2
<b>Ending Balance</b>	\$53.3	\$70.1	\$86.1	\$108.0	\$123.4	\$152.2
Days of O&M	37	62	82	109	125	154
<b>Debt Service Coverage</b>						
Combined	1.31	1.50	1.58	1.58	1.55	1.64
Water	1.20	1.50	1.60	1.59	1.56	1.65
<b>CIP Spending</b>	\$237.3	\$181.8	\$167.5	\$157.1	\$164.3	\$169.1
<b>Cash Funding of CIP %</b>	24.8%	28.2%	41.6%	41.5%	42.9%	42.4%
<b>Rate Increases</b>						
Water	7.4%	13.2%	6.0%	3.0%	3.0%	2.5%

## Forecast – Option #2

- Impacts / Benefits / Concerns
  - Use of Reserve Fund before it is fully funded
  - Must start over building reserve over the next 5 years which would result in higher reserve fund surcharge
  - Minimal reduction to 2015 rate and having to increase rate in 2016
  - Rating Agency credit rating impacts
    - Any deviation from 2013 financial targets could result in a downward rating action
    - Outlook could be reduced if economic fundamentals shift or if AWU unable to achieve the forecasted financial performance

# Forecast – Option #3

## Assumption Changes

- Reduction to Water General Fund Transfer by \$10 million in FY 2015 and 2016 (or other general fund transfer line items)
- Regular General Fund Transfer calculation in FY 2017 and beyond

<b>Forecast Summary</b> (\$ in Millions)	<b>Estimate 2014</b>	<b>Year 1 2015</b>	<b>Year 2 2016</b>	<b>Year 3 2017</b>	<b>Year 4 2018</b>	<b>Year 5 2019</b>
<b>Total Revenue</b>	\$508.9	\$558.4	\$587.8	\$623.8	\$651.0	\$667.5
<b>Total Requirements</b>	\$523.8	\$531.5	\$572.3	\$602.3	\$635.5	\$638.2
<b>Ending Balance</b>	\$43.3	\$70.2	\$85.6	\$107.3	\$122.9	\$152.3
Days of O&M	20	62	82	108	124	154
<b>Debt Service Coverage</b>						
Combined	1.31	1.50	1.53	1.58	1.55	1.61
Water	1.20	1.50	1.50	1.58	1.56	1.58
<b>CIP Spending</b>	\$237.3	\$181.8	\$167.5	\$157.1	\$164.3	\$169.1
<b>Cash Funding of CIP %</b>	24.8%	28.2%	41.6%	41.5%	42.9%	42.4%
<b>Rate Increases</b>						
Water	7.4%	13.2%	2.3%	6.7%	3.0%	2.5%

## Forecast – Option #3

- Impacts / Benefits / Concerns
  - Impact to the General Fund possibly having to raise property taxes to replace AWU's reduction
  - Reduction of debt coverage to 1.50 in 2015 and 2016 to achieve rate reduction
  - 1-2 year relief that would have to be funded by higher rate increase in following year

# Forecast – Option #4

## Assumption Changes

- Water CIP spending reduced by \$10 million per year over the 5 years

<b>Forecast Summary</b> (\$ in Millions)	<b>Estimate 2014</b>	<b>Year 1 2015</b>	<b>Year 2 2016</b>	<b>Year 3 2017</b>	<b>Year 4 2018</b>	<b>Year 5 2019</b>
<b>Total Revenue</b>	\$508.9	\$567.0	\$599.2	\$624.4	\$650.7	\$666.8
<b>Total Requirements</b>	\$523.8	\$541.6	\$582.5	\$602.5	\$635.4	\$637.7
<b>Ending Balance</b>	\$43.3	\$68.7	\$85.3	\$107.3	\$122.7	\$152.0
Days of O&M	20	60	81	108	124	153
<b>Debt Service Coverage</b>						
Combined	1.31	1.54	1.58	1.58	1.55	1.61
Water	1.20	1.58	1.60	1.59	1.56	1.59
<b>CIP Spending</b>	\$237.3	\$161.8	\$147.5	\$137.1	\$144.3	\$149.1
<b>Cash Funding of CIP %</b>	24.8%	31.7%	47.3%	47.5%	48.8%	48.1%
<b>Rate Increases</b>						
Water	7.4%	16.6%	2.9%	2.8%	2.8%	2.2%

## Forecast – Option #4

- Impacts / Benefits / Concerns
  - Deferral of critical CIP infrastructure projects
  - Increased risk of infrastructure failure prior to rehabilitation of system
  - Minimal reduction to debt service over forecast period due to use of commercial paper initially and deferral of principal for 3 years in bond issue
  - Minimal impact to water rates over forecast period



# Questions / Discussion?

# Staff Briefings

## AWU's Rate Design Options

David Anders

Assistant Director

Finance and Business Services

# Rate Design Base Option

# Rate Design – Base Option

- Assumptions
  - 2012 Joint Committee recommended rate design
    - 20% overall fixed revenue with residential at 27%
    - Tiered Minimum Fee: Maintain \$10.50 spread between blocks 1-5 with blocks 4-5 being the same
    - Volume Rates: Maintain \$11 spread between blocks 1-5
    - Reserve fund building to 120 days O&M by 2018

# Base Option: Residential Rates

Tiered Minimum Charge			
Tier	Gallons	Existing	Proposed Base Option
Tier 1	0 – 2,000	\$2.00	\$2.20
Tier 2	2,001 – 6,000	\$4.50	\$5.00
Tier 3	6,001 – 11,000	\$7.45	\$8.24
Tier 4	11,001 – 20,000	\$12.55	\$12.60
Tier 5	20,001 - over	\$12.55	\$12.60

## Tiered Minimum Charge

- Joint Committee 2012 recommendations
- Maintain \$10-\$11 spread between blocks 1-5
- Blocks 4 and 5 are the same

Volumetric Rates (\$/1,000 Gals.)			
Block	Gallons	Existing	Proposed Base Option
Tier 1	0 – 2,000	\$1.84	\$3.13
Tier 2	2,001 – 6,000	\$3.39	\$4.68
Tier 3	6,001 – 11,000	\$6.20	\$7.48
Tier 4	11,001 – 20,000	\$9.95	\$11.23
Tier 5	20,001 - over	\$12.84	\$14.13

## Volumetric Rates

- Joint Committee 2012 recommendations
- \$1.29 increase to each block
- Maintain \$11.00 spread between blocks 1 and 5

# Base Option: Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Existing Bills 2014	Proposed Bills 2015	\$ Variance	% Variance
0	\$ 9.10	\$ 10.10	\$ 1.00	11.0%
1,000	11.09	13.42	2.33	21.0%
2,000	13.08	16.74	3.66	28.0%
5,000	26.20	34.15	7.95	30.3%
6,000	29.74	39.02	9.28	31.2%
7,000 Avg Cust. (1)	38.35	49.12	10.77	28.1%
9,000	51.74	65.27	13.53	26.1%
15,000	109.94	130.65	20.71	18.8%
25,000	225.39	259.35	33.96	15.1%
30,000	290.34	330.95	40.61	14.0%
60,000	680.04	760.55	80.51	11.8%

(1) Annualized monthly bills.

# Base Option: Residential CAP Customers Water Bill Impacts

<u>5/8" Meter</u>	<u>2014</u>		<u>2014</u>		<u>Variance</u>	
0	\$	-	\$	-	\$	- 0.0%
1,000		1.45		2.49		1.04 71.7%
2,000		2.90		4.98		2.08 71.7%
5,000		11.00		16.20		5.20 47.3%
6,000		13.70		19.94		6.24 45.5%
7,000 Avg Cust. (1)		18.37		25.66		7.29 39.7%
9,000		26.75		36.14		9.39 35.1%
15,000		67.25		82.94		15.69 23.3%
25,000		171.95		199.54		27.59 16.0%
30,000		236.90		271.14		34.24 14.5%
60,000		626.60		700.74		74.14 11.8%

(1) Annualized monthly bills.

# Base Option: Fixed Revenue

Percentage fixed revenue by class

Class	Existing	Proposed Base Option
Residential	27.0%	27.0%
Multifamily	17.3%	17.3%
Commercial	15.9%	15.9%
Large Volume	11.5%	11.5%
Wholesale	11.0%	11.0%
Overall	20.3%	19.9%



# Base Option: Volatility Measure

- Volatility Measure: Description
  - Volatility measure compares the calculated revenue losses using the consumption reductions experienced in 2010 and using the existing rates versus the proposed option rates
  - Positive variance equals less volatility and lower potential revenue losses with proposed option rates
  - Negative variance equals more volatility and higher potential revenue losses with proposed option rates
- Base Option Results: Positive \$0.19 Million

# Base Option

- Impacts / Benefits / Concerns
  - Significant bill impacts to average residential customer of \$10.77 or 28.1%
  - Fixed revenue at 20% still at relatively low level
  - Volume block rates increased at same amount increases bill impacts for lower volume users
  - No reduction to volatility

# Rate Design Option #1

# Rate Design – Option #1

- Assumptions
  - Increase overall fixed revenue from 20% to 24%
  - Residential fixed revenue increased from 27% to 30%
  - Other classes increase proportionately
  - 2012 Joint Committee recommended rate design
    - Tiered Minimum Fee: Maintain \$10.50 spread between blocks 1-5 with blocks 4-5 being the same
    - Volume Rates: Maintain \$11 spread between blocks 1-5
    - Reserve fund building to 120 days O&M by 2018

# Option #1: Residential Rates

Tiered Minimum Charge			
Tier	Gallons	Existing	Alternative Option #1
Tier 1	0 – 2,000	\$2.00	\$2.60
Tier 2	2,001 – 6,000	\$4.50	\$5.90
Tier 3	6,001 – 11,000	\$7.45	\$9.00
Tier 4	11,001 – 20,000	\$12.55	\$13.00
Tier 5	20,001 - over	\$12.55	\$13.00

## Tiered Minimum Charge

- Joint Committee 2012 recommendations
- Maintain \$10-\$11 spread between blocks 1-5
- Blocks 4 and 5 are the same

Volumetric Rates (\$/1,000 Gals.)			
Block	Gallons	Existing	Alternative Option #1
Tier 1	0 – 2,000	\$1.84	\$2.87
Tier 2	2,001 – 6,000	\$3.39	\$4.43
Tier 3	6,001 – 11,000	\$6.20	\$7.24
Tier 4	11,001 – 20,000	\$9.95	\$10.98
Tier 5	20,001 - over	\$12.84	\$13.87

## Volumetric Rates

- Joint Committee 2012 recommendations
- \$1.04 increase to each block
- Maintain \$11.00 spread between blocks 1 and 5

# Option #1: Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Existing Bills 2014	Proposed Bills 2015	\$ Variance	% Variance
0	\$ 9.10	\$ 11.60	\$ 2.50	27.5%
1,000	11.09	14.66	3.57	32.2%
2,000	13.08	17.72	4.64	35.5%
5,000	26.20	34.88	8.68	33.1%
6,000	29.74	39.50	9.76	32.8%
7,000 Avg Cust. (1)	38.35	49.28	10.93	28.5%
9,000	51.74	64.89	13.15	25.4%
15,000	109.94	128.43	18.49	16.8%
25,000	225.39	254.58	29.19	13.0%
30,000	290.34	324.88	34.54	11.9%
60,000	680.04	746.68	66.64	9.8%

(1) Annualized monthly bills.

# Option #1: Residential CAP Customers Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Existing Bills 2014	Proposed Bills 2014	\$ Variance	% Variance
0	\$ -	\$ -	-	0.0%
1,000	1.45	2.50	1.05	72.4%
2,000	2.90	5.00	2.10	72.4%
5,000	11.00	16.28	5.28	48.0%
6,000	13.70	20.04	6.34	46.3%
7,000 Avg Cust. (1)	18.37	25.75	7.38	40.2%
9,000	26.75	36.24	9.49	35.5%
15,000	67.25	83.00	15.75	23.4%
25,000	171.95	198.25	26.30	15.3%
30,000	236.90	268.55	31.65	13.4%
60,000	626.60	690.35	63.75	10.2%

(1) Annualized monthly bills.

# Option #1: Fixed Revenue

Percentage fixed revenue by class

Class	Existing	Alternative Option #1
Residential	27.0%	30.0%
Multifamily	17.3%	20.6%
Commercial	15.9%	23.5%
Large Volume	11.5%	14.4%
Wholesale	11.0%	11.0%
Overall	20.3%	24.0%



# Option #1: Volatility Measure

- Volatility Measure: Description
  - Volatility measure compares the calculated revenue losses using the consumption reductions experienced in 2010 and using the existing rates versus the proposed option rates
  - Positive variance equals less volatility and lower potential revenue losses with proposed option rates
  - Negative variance equals more volatility and higher potential revenue losses with proposed option rates
- Base Option Results: Positive \$2.62 Million

# Option #1

- Impacts / Benefits / Concerns
  - Significant bill impacts to average residential customer of \$10.93 or 28.5%
  - Fixed revenue increase to 25%, however still at relatively low level
  - Volume block rates increased at same amount increases bill impacts for lower volume users
  - \$2.6 million reduction to volatility

# Rate Design Option #2

# Rate Design – Option #2

- Assumptions
  - Increase overall fixed revenue from 20% to 30%
  - Residential fixed revenue increased from 27% to 36%
  - Other classes increase proportionately
  - 2012 Joint Committee recommended rate design
    - Tiered Minimum Fee: Maintain \$10.00 spread between blocks 1-5 with blocks 4-5 being the same
    - Volume Rates: Maintain \$11 spread between blocks 1-5
    - Reserve fund building to 120 days O&M by 2018

# Option #2: Residential Rates

Tiered Minimum Charge			
Tier	Gallons	Existing	Alternative Option #2
Tier 1	0 – 2,000	\$2.00	\$3.00
Tier 2	2,001 – 6,000	\$4.50	\$7.00
Tier 3	6,001 – 11,000	\$7.45	\$11.00
Tier 4	11,001 – 20,000	\$12.55	\$13.00
Tier 5	20,001 - over	\$12.55	\$13.00

## Tiered Minimum Charge

- Joint Committee 2012 recommendations
- Maintain \$10-\$11 spread between blocks 1-5
- Blocks 4 and 5 are the same

Volumetric Rates (\$/1,000 Gals.)			
Block	Gallons	Existing	Alternative Option #2
Tier 1	0 – 2,000	\$1.84	\$2.36
Tier 2	2,001 – 6,000	\$3.39	\$3.91
Tier 3	6,001 – 11,000	\$6.20	\$6.72
Tier 4	11,001 – 20,000	\$9.95	\$10.46
Tier 5	20,001 - over	\$12.84	\$13.36

## Volumetric Rates

- Joint Committee 2012 recommendations
- \$0.52 increase to each block
- Maintain \$11.00 spread between blocks 1 and 5

# Option #2: Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Existing Bills 2014	Proposed Bills 2015	\$ Variance	% Variance
0	\$ 9.10	\$ 14.60	\$ 5.50	0.0%
1,000	11.09	17.15	6.06	54.6%
2,000	13.08	19.70	6.62	50.6%
5,000	26.20	36.00	9.80	37.4%
6,000	29.74	40.10	10.36	34.8%
7,000 Avg Cust. (1)	38.35	49.88	11.53	30.1%
9,000	51.74	64.83	13.09	25.3%
15,000	109.94	123.25	13.31	12.1%
25,000	225.39	244.25	18.86	8.4%
30,000	290.34	312.00	21.66	7.5%
60,000	680.04	718.50	38.46	5.7%

(1) Annualized monthly bills.

# Option #2: Residential CAP Customers Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Existing Bills 2014	Proposed Bills 2014	\$ Variance	% Variance
0	\$ -	\$ -	\$ -	0.0%
1,000	1.45	2.54	1.09	75.2%
2,000	2.90	5.08	2.18	75.2%
5,000	11.00	16.45	5.45	49.5%
6,000	13.70	20.24	6.54	47.7%
7,000 Avg Cust. (1)	18.37	26.00	7.63	41.5%
9,000	26.75	36.56	9.81	36.7%
15,000	67.25	83.64	16.39	24.4%
25,000	171.95	196.64	24.69	14.4%
30,000	236.90	264.39	27.49	11.6%
60,000	626.60	670.89	44.29	7.1%

(1) Annualized monthly bills.

# Option #2: Fixed Revenue

Percentage fixed revenue by class

Class	Existing	Alternative Option #2
Residential	27.0%	36.0%
Multifamily	17.3%	26.6%
Commercial	15.9%	31.1%
Large Volume	11.5%	18.4%
Wholesale	11.0%	11.0%
Overall	20.3%	30.0%



## Option #2: Volatility Measure

- Volatility Measure: Description
  - Volatility measure compares the calculated revenue losses using the consumption reductions experienced in 2010 and using the existing rates versus the proposed option rates
  - Positive variance equals less volatility and lower potential revenue losses with proposed option rates
  - Negative variance equals more volatility and higher potential revenue losses with proposed option rates
- Base Option Results: Positive \$5.66 Million

## Option #2

- Impacts / Benefits / Concerns
  - Significant bill impacts to average residential customer of \$11.53 or 30.1%
  - Fixed revenue increase to 30% overall but residential at 36% which on the high end
  - Volume block rates increased at same amount increases bill impacts for lower volume users
  - \$5.7 million reduction to volatility

# Rate Design Option #3

# Rate Design – Option #3

- Assumptions
  - Overall fixed revenue remains at 20%
  - Residential fixed revenue at 27%
  - Volume block rate 2 set at average cost of service rate of \$5.83
  - 2012 Joint Committee recommended rate design
    - Tiered Minimum Fee: Maintain \$10.50 spread between blocks 1-5 with blocks 4-5 being the same
    - Volume Rates: Maintain \$11 spread between blocks 1-5
    - Reserve fund building to 120 days O&M by 2018

# Option #3: Residential Rates

Tiered Minimum Charge			
Tier	Gallons	Existing	Alternative Option #3
Tier 1	0 – 2,000	\$2.00	\$2.20
Tier 2	2,001 – 6,000	\$4.50	\$5.00
Tier 3	6,001 – 11,000	\$7.45	\$8.24
Tier 4	11,001 – 20,000	\$12.55	\$12.60
Tier 5	20,001 - over	\$12.55	\$12.60

## Tiered Minimum Charge

- Joint Committee 2012 recommendations
- Maintain \$10-\$11 spread between blocks 1-5
- Blocks 4 and 5 are the same
- 

Volumetric Rates (\$/1,000 Gals.)			
Block	Gallons	Existing	Alternative Option #3
Tier 1	0 – 2,000	\$1.84	\$1.94
Tier 2	2,001 – 6,000	\$3.39	\$5.83
Tier 3	6,001 – 11,000	\$6.20	\$7.40
Tier 4	11,001 – 20,000	\$9.95	\$11.05
Tier 5	20,001 - over	\$12.84	\$12.94

## Volumetric Rates

- \$0.10 or 5.4% increase to block 1
- \$2.44 or 72% increase to block 2
- Maintain \$11.00 spread between blocks 1 and 5

# Option #3: Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Existing Bills 2014	Proposed Bills 2015	\$ Variance	% Variance
0	\$ 9.10	\$ 10.10	\$ 1.00	0.0%
1,000	11.09	12.23	1.14	10.3%
2,000	13.08	14.36	1.28	9.8%
5,000	26.20	35.22	9.02	34.4%
6,000	29.74	41.24	11.50	38.7%
7,000 Avg Cust. (1)	38.35	51.02	12.67	33.0%
9,000	51.74	67.25	15.51	30.0%
15,000	109.94	131.75	21.81	19.8%
25,000	225.39	253.60	28.21	12.5%
30,000	290.34	319.25	28.91	10.0%
60,000	680.04	713.15	33.11	4.9%

(1) Annualized monthly bills.

# Option #3: Residential CAP Customers Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Existing Bills 2014	Proposed Bills 2014	\$ Variance	% Variance
0	\$ -	\$ -	\$ -	0.0%
1,000	1.45	2.13	0.68	46.9%
2,000	2.90	4.26	1.36	46.9%
5,000	11.00	16.26	5.26	47.8%
6,000	13.70	20.26	6.56	47.9%
7,000 Avg Cust. (1)	18.37	26.23	7.86	42.8%
9,000	26.75	37.21	10.46	39.1%
15,000	67.25	85.51	18.26	27.2%
25,000	171.95	197.41	25.46	14.8%
30,000	236.90	263.06	26.16	11.0%
60,000	626.60	656.96	30.36	4.8%

(1) Annualized monthly bills.

# Option #3: Fixed Revenue

Percentage fixed revenue by class

Class	Existing	Alternative Option #3
Residential	27.0%	27.0%
Multifamily	17.3%	17.3%
Commercial	15.9%	15.9%
Large Volume	11.5%	11.5%
Wholesale	11.0%	11.0%
Overall	20.3%	19.9%



# Option #3: Volatility Measure

- Volatility Measure: Description
  - Volatility measure compares the calculated revenue losses using the consumption reductions experienced in 2010 and using the existing rates versus the proposed option rates
  - Positive variance equals less volatility and lower potential revenue losses with proposed option rates
  - Negative variance equals more volatility and higher potential revenue losses with proposed option rates
- Base Option Results: Negative \$0.20 Million

## Option #3

- Impacts / Benefits / Concerns
  - Significant bill impacts to average residential customer of \$12.67 or 33.0%
  - Fixed revenue consistent with base option at 20%
  - Block 2 volume rates increased to the average residential volumetric cost of service rate of \$5.83
  - Only block 1 would remain below the cost of service rate
  - \$0.2 million increase to volatility due to fixed revenue remaining at 20% and a higher volume rate for block 2 which has some volatility

# Rate Design Option #4

# Rate Design – Option #4

- Assumptions
  - Overall fixed revenue at 76.4% with all retail classes at 80%
  - Volume rates reduced to cover only 23.6% of revenue compared to 80%
  - Meter fee and residential tiered fixed fee increased to meet 80% fixed revenue

# Option #4: Residential Rates

Tiered Minimum Charge			
Tier	Gallons	Existing	Alternative Option #4
Tier 1	0 – 2,000	\$2.00	\$12.00
Tier 2	2,001 – 6,000	\$4.50	\$17.00
Tier 3	6,001 – 11,000	\$7.45	\$20.00
Tier 4	11,001 – 20,000	\$12.55	\$28.00
Tier 5	20,001 - over	\$12.55	\$28.00

### Tiered Minimum Charge

- Significant increases to tiered fees

### Minimum Charge 5/8” Meter

- Increase from \$7.10 to \$28.60

Volumetric Rates (\$/1,000 Gals.)			
Block	Gallons	Existing	Alternative Option #4
Tier 1	0 – 2,000	\$1.84	\$0.50
Tier 2	2,001 – 6,000	\$3.39	\$1.10
Tier 3	6,001 – 11,000	\$6.20	\$1.70
Tier 4	11,001 – 20,000	\$9.95	\$3.03
Tier 5	20,001 - over	\$12.84	\$4.00

### Volumetric Rates

- Significant decreases to block rates
- Reduced conservation price incentive

# Option #4: Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Existing Bills 2014	Proposed Bills 2015	\$ Variance	% Variance
0	\$ 9.10	\$ 40.60	\$ 31.50	0.0%
1,000	11.09	41.29	30.20	272.3%
2,000	13.08	41.98	28.90	220.9%
5,000	26.20	50.85	24.65	94.1%
6,000	29.74	52.14	22.40	75.3%
7,000 Avg Cust. (1)	38.35	55.90	17.55	45.8%
9,000	51.74	60.81	9.07	17.5%
15,000	109.94	85.47	(24.47)	-22.3%
25,000	225.39	122.52	(102.87)	-45.6%
30,000	290.34	143.47	(146.87)	-50.6%
60,000	680.04	269.17	(410.87)	-60.4%

(1) Annualized monthly bills.

# Option #4: Residential CAP Customers Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Existing Bills 2014	Proposed Bills 2014	\$ Variance	% Variance
0	\$ -	\$ -	\$ -	0.0%
1,000	1.45	0.69	(0.76)	-52.4%
2,000	2.90	1.38	(1.52)	-52.4%
5,000	11.00	5.25	(5.75)	-52.3%
6,000	13.70	6.54	(7.16)	-52.3%
7,000 Avg Cust. (1)	18.37	8.55	(9.82)	-53.5%
9,000	26.75	12.21	(14.54)	-54.4%
15,000	67.25	28.87	(38.38)	-57.1%
25,000	171.95	65.92	(106.03)	-61.7%
30,000	236.90	86.87	(150.03)	-63.3%
60,000	626.60	212.57	(414.03)	-66.1%

(1) Annualized monthly bills.

# Option #4: Fixed Revenue

Percentage fixed revenue by class

Class	Existing	Alternative Option #4
Residential	27.0%	79.7%
Multifamily	17.3%	80.0%
Commercial	15.9%	80.0%
Large Volume	11.5%	80.0%
Wholesale	11.0%	11.0%
Overall	20.3%	76.4%



# Option #4: Volatility Measure

- Volatility Measure: Description
  - Volatility measure compares the calculated revenue losses using the consumption reductions experienced in 2010 and using the existing rates versus the proposed option rates
  - Positive variance equals less volatility and lower potential revenue losses with proposed option rates
  - Negative variance equals more volatility and higher potential revenue losses with proposed option rates
- Base Option Results: Positive \$28.05 Million

## Option #4

- Impacts / Benefits / Concerns
  - Significant bill impacts to average residential customer of \$17.55 or 45.8%
  - Significant increases to lower volume users with reductions for higher volume users
  - Fixed revenue consistent with fixed costs at 80%
  - Significant reductions to volume rates
  - Significant reduction to conservation price incentive
  - \$28.1 million decrease in volatility due to fixed revenue at 80%

# Questions / Discussion?

# Future Agenda Items

# Possible Future Agenda Items

- Additional forecast or rate design options
- Drought rates information and rate options
- Expense review
- Revenue forecast assumptions
- Impact Fee revenue – prior fee schedules
- Recommendation development
- Recommendation approval