



Austin Water Utility

Joint Committee on AWU's Financial Plan

May 28, 2014

New Forecast Options

Updates to Current Assumptions &
With Budget Reductions Included

Forecast – Option #19

Assumptions

- 2015 water consumption reduced from 41.1BG to 40.0BG
- Maintain debt service coverage and ending balances as forecast option
- \$28.5 million in budget reduction strategies assumed

| Forecast Summary (\$ in Millions) | Estimate 2014 | Year 1 2015 | Year 2 2016 | Year 3 2017 | Year 4 2018 | Year 5 2019 |
|---|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Total Revenue | \$517.1 | \$543.7 | \$575.0 | \$599.4 | \$622.8 | \$643.1 |
| Total Requirements | \$532.6 | \$509.8 | \$559.5 | \$579.2 | \$604.0 | \$610.9 |
| Ending Balance | \$42.7 | \$76.5 | \$91.9 | \$112.3 | \$131.1 | \$163.3 |
| Days of O&M | 19 | 79 | 99 | 125 | 146 | 181 |
| Debt Service Coverage | | | | | | |
| Combined | 1.35 | 1.53 | 1.55 | 1.55 | 1.53 | 1.59 |
| Water | 1.31 | 1.54 | 1.55 | 1.53 | 1.52 | 1.55 |
| CIP Spending | \$237.3 | \$181.8 | \$167.5 | \$157.1 | \$164.3 | \$169.1 |
| Cash Funding of CIP % | 20.2% | 20.0% | 38.1% | 38.1% | 38.0% | 38.0% |
| Rate Increases | | | | | | |
| Water | 7.4% | 13.2% | 3.0% | 3.0% | 3.0% | 3.0% |

Forecast – Option #19

- Impacts / Benefits / Concerns
 - Reduced water consumption increases water rates for 2015
 - 3.4% reduction to water rate increase due to \$28.5 million in additional budget reductions
 - Reductions to operating costs reduce rate increase
 - Average customer bill impacts reduced
 - Significant budget reduction strategies assumed to reduce overall proposed rate increase

Forecast – Option #20

Assumptions

- 2015 water consumption reduced from 41.1BG to 40.0BG
- Use of \$10M from the reserve fund in 2014
- Lower debt service coverage to 1.50 in 2015
- \$28.5 million in budget reduction strategies included

| Forecast Summary (\$ in Millions) | Estimate 2014 | Year 1 2015 | Year 2 2016 | Year 3 2017 | Year 4 2018 | Year 5 2019 |
|---|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Total Revenue | \$517.1 | \$537.4 | \$568.8 | \$592.9 | \$616.0 | \$643.1 |
| Total Requirements | \$532.6 | \$509.8 | \$560.1 | \$579.7 | \$604.2 | \$618.2 |
| Ending Balance | \$42.7 | \$80.2 | \$88.8 | \$102.2 | \$114.0 | \$138.7 |
| Days of O&M | 19 | 85 | 94 | 109 | 120 | 147 |
| Debt Service Coverage | | | | | | |
| Combined | 1.35 | 1.50 | 1.52 | 1.52 | 1.50 | 1.59 |
| Water | 1.31 | 1.50 | 1.52 | 1.50 | 1.50 | 1.58 |
| CIP Spending | \$237.3 | \$181.8 | \$167.5 | \$157.1 | \$164.3 | \$169.1 |
| Cash Funding of CIP % | 20.2% | 20.0% | 38.1% | 38.1% | 38.0% | 38.0% |
| Rate Increases | | | | | | |
| Water | 7.4% | 11.7% | 3.0% | 3.0% | 3.0% | 3.0% |

Forecast – Option #20

- Impacts / Benefits / Concerns
 - Reduced water consumption increases water rates for 2015
 - Use of \$10M in reserve in 2015
 - 4.9% reduction to water rate increase due to \$28.5 million in additional budget reductions
 - Debt coverage reduced to 1.50 in 2015
 - Reductions to operating costs reduce rate increase
 - Average customer bill impacts reduced
 - Significant budget reduction strategies assumed to reduce overall proposed rate increase

Forecast – Option #21

Assumptions

- 2015 water consumption reduced from 41.1BG to 40.0BG
- Use of \$10M from the reserve fund in 2014
- Lower debt service coverage to 1.50 in 2015
- \$25.7 million in budget reduction strategies assumed with changes from original list, not including: Overtime, Clean/TV sewers contract, pipeline maintenance, services other, commercial rebate incentives, municipal irrigation efficiency, and rainwater harvesting rebates

| Forecast Summary (\$ in Millions) | Estimate 2014 | Year 1 2015 | Year 2 2016 | Year 3 2017 | Year 4 2018 | Year 5 2019 |
|---|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Total Revenue | \$517.1 | \$540.3 | \$572.0 | \$596.0 | \$619.2 | \$646.3 |
| Total Requirements | \$532.6 | \$512.8 | \$563.2 | \$583.0 | \$607.6 | \$621.6 |
| Ending Balance | \$42.7 | \$80.1 | \$88.8 | \$101.9 | \$113.7 | \$138.3 |
| Days of O&M | 19 | 84 | 92 | 107 | 119 | 144 |
| Debt Service Coverage | | | | | | |
| Combined | 1.35 | 1.50 | 1.52 | 1.52 | 1.50 | 1.59 |
| Water | 1.31 | 1.50 | 1.52 | 1.50 | 1.50 | 1.58 |
| CIP Spending | \$237.3 | \$181.8 | \$167.5 | \$157.1 | \$164.3 | \$169.1 |
| Cash Funding of CIP % | 20.2% | 20.0% | 38.1% | 38.1% | 38.0% | 38.0% |
| Rate Increases | | | | | | |
| Water | 7.4% | 12.3% | 3.0% | 3.0% | 3.0% | 3.0% |

Forecast – Option #21

- Impacts / Benefits / Concerns
 - Reduced water consumption increases water rates for 2015
 - Use of \$10M of reserve in 2015
 - reduction to water rate increase due to \$25.7 million in additional budget reductions, not including: Overtime, Clean/TV sewers contract, pipeline maintenance, services other, commercial rebate incentives, municipal irrigation efficiency, and rainwater harvesting rebates
 - Debt coverage decreased to 1.50 in 2015
 - Average customer bill impacts reduced

Discussion / Questions?

Rate Design Options

New Rate Design Options

Rate Design – Option #19

- Assumptions
 - Based on forecast Option #19 which reduces water consumption and includes \$28.5M in budget reductions
 - Use of Base Option rate design assumptions
 - Overall fixed revenue at 20%
 - Slight increase to the meter based minimum charge
 - Spread between blocks 1 and 5 for the tiered minimum fee and volume rates maintained

Option #19: Residential Rates

Meter Equivalent Minimum Charge

| Meter Size | Existing Minimum Charge | Alternative Option #19 Minimum Charge |
|------------|-------------------------|---------------------------------------|
| 5/8" | \$7.10 | \$7.55 |
| 3/4" | \$11.00 | \$13.00 |
| 1" | \$14.00 | \$15.00 |
| 1 1/2" | \$23.00 | \$25.00 |
| 2" | \$36.00 | \$40.00 |
| 4" | \$114.00 | \$127.00 |
| 6" | \$231.00 | \$256.00 |
| 10" | \$946.00 | \$1,097.00 |

Meter Minimum Charge

- Small change to the 5/8" meter minimum charge

Tiered Minimum Charge

- Maintain spread between blocks 1 and 5 to about \$10.50

Tiered Minimum Charge

| Tier | Gallons | Existing | Alternative Option #19 |
|--------|-----------------|----------|------------------------|
| Tier 1 | 0 – 2,000 | \$2.00 | \$2.20 |
| Tier 2 | 2,001 – 6,000 | \$4.50 | \$4.70 |
| Tier 3 | 6,001 – 11,000 | \$7.45 | \$7.65 |
| Tier 4 | 11,001 – 20,000 | \$12.55 | \$12.70 |
| Tier 5 | 20,001 - over | \$12.55 | \$12.70 |

Option #19: Residential Rates

| Volumetric Rates (\$/1,000 Gals.) | | | |
|-----------------------------------|-----------------|----------|------------------------|
| Block | Gallons | Existing | Alternative Option #19 |
| Tier 1 | 0 – 2,000 | \$1.84 | \$3.00 |
| Tier 2 | 2,001 – 6,000 | \$3.39 | \$4.52 |
| Tier 3 | 6,001 – 11,000 | \$6.20 | \$7.30 |
| Tier 4 | 11,001 – 20,000 | \$9.95 | \$11.09 |
| Tier 5 | 20,001 - over | \$12.84 | \$14.00 |

Volumetric Rates

- Approximately \$1.16 increase to all blocks
- Maintain \$11.00 spread between blocks 1 and 5

Option #19: Residential Water Bill Impacts

| <u>5/8" Meter</u> | <u>2014</u> | <u>2015</u> | <u>Variance</u> | <u>Variance</u> | <u>COS Rate</u> |
|---------------------|-------------|-------------|-----------------|-----------------|-----------------|
| 0 | \$ 9.10 | \$ 9.75 | \$ 0.65 | 7.1% | |
| 1,000 | 11.09 | 12.94 | 1.85 | 16.7% | -16.4% |
| 2,000 | 13.08 | 16.13 | 3.05 | 23.3% | -23.9% |
| 5,000 | 26.20 | 32.76 | 6.56 | 25.0% | -19.9% |
| 6,000 | 29.74 | 37.47 | 7.73 | 26.0% | -19.6% |
| 7,000 Avg Cust. (1) | 38.35 | 47.22 | 8.87 | 23.1% | -14.6% |
| 9,000 | 51.74 | 62.89 | 11.15 | 21.6% | -5.8% |
| 15,000 | 109.94 | 128.04 | 18.10 | 16.5% | 20.6% |
| 25,000 | 225.39 | 255.39 | 30.00 | 13.3% | 56.2% |
| 30,000 | 290.34 | 326.34 | 36.00 | 12.4% | 69.8% |
| 60,000 | 680.04 | 752.04 | 72.00 | 10.6% | 106.6% |

(1) Annualized monthly bills.

Option #19: Residential CAP Customers Water Bill Impacts

| Monthly Usage Gallons 5/8" Meter | Existing Bills 2014 | Proposed Bills 2015 | \$ Variance | % Variance | CAP Bill Discount |
|---|------------------------------------|------------------------------------|------------------------|-----------------------|------------------------------|
| 0 | \$ - | \$ - | \$ - | 0.0% | 100.0% |
| 1,000 | 1.60 | 2.58 | 0.98 | 61.3% | 80.1% |
| 2,000 | 3.20 | 5.16 | 1.96 | 61.3% | 68.0% |
| 5,000 | 11.75 | 16.65 | 4.90 | 41.7% | 49.2% |
| 6,000 | 14.60 | 20.48 | 5.88 | 40.3% | 45.3% |
| 7,000 Avg Cust. (1) | 18.37 | 24.89 | 6.52 | 35.5% | 47.3% |
| 9,000 | 28.10 | 36.77 | 8.67 | 30.9% | 41.5% |
| 15,000 | 69.50 | 83.55 | 14.05 | 20.2% | 34.7% |
| 25,000 | 175.70 | 200.35 | 24.65 | 14.0% | 21.6% |
| 30,000 | 241.40 | 272.25 | 30.85 | 12.8% | 16.6% |
| 60,000 | 635.60 | 703.65 | 68.05 | 10.7% | 6.4% |

(1) Annualized monthly bills.

Option #19: Fixed Revenue

Percentage fixed revenue by class

| Class | Existing | Alternative Option #19 |
|--------------|----------|------------------------|
| Residential | 27.0% | 27.3% |
| Multifamily | 17.3% | 17.4% |
| Commercial | 15.9% | 16.4% |
| Large Volume | 11.5% | 11.5% |
| Wholesale | 11.0% | 11.0% |
| Overall | 20.3% | 20.0% |

Option #19: 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 \$3.18 Million

Option #19

- Impacts / Benefits / Concerns
 - Lower consumption projections increases water rates
 - Budget reductions reduce water and wastewater rates
 - Reduced bill impacts to average residential customer of \$8.87 or 23.1% as compared to base option
 - \$3.18 million decrease in volatility

Rate Design – Option #20

- Assumptions
 - Based on forecast Option #20 which reduces water consumption, includes \$28.5M in budget reductions, uses \$10M in reserve fund in 2014, and reduces debt coverage to 1.50 in 2015
 - Overall fixed revenue at 25% with a 2 year transition and 22.5% fixed revenue in 2015
 - Slight increase to the meter based minimum charge
 - Spread between blocks 1 and 5 for the tiered minimum fee and volume rates maintained

Option #20: Residential Rates

Meter Equivalent Minimum Charge

| Meter Size | Existing Minimum Charge | Alternative Option #20 Minimum Charge |
|------------|-------------------------|---------------------------------------|
| 5/8" | \$7.10 | \$8.00 |
| 3/4" | \$11.00 | \$13.00 |
| 1" | \$14.00 | \$15.00 |
| 1 1/2" | \$23.00 | \$25.00 |
| 2" | \$36.00 | \$39.00 |
| 4" | \$114.00 | \$125.00 |
| 6" | \$231.00 | \$253.00 |
| 10" | \$946.00 | \$1,067.00 |

Meter Minimum Charge

- Small change to the 5/8" meter minimum charge

Tiered Minimum Charge

- Maintain spread between blocks 1 and 5 to about \$10.50

Tiered Minimum Charge

| Tier | Gallons | Existing | Alternative Option #20 |
|--------|-----------------|----------|------------------------|
| Tier 1 | 0 – 2,000 | \$2.00 | \$2.35 |
| Tier 2 | 2,001 – 6,000 | \$4.50 | \$4.95 |
| Tier 3 | 6,001 – 11,000 | \$7.45 | \$8.10 |
| Tier 4 | 11,001 – 20,000 | \$12.55 | \$12.85 |
| Tier 5 | 20,001 - over | \$12.55 | \$12.85 |

Option #20: Residential Rates

| Volumetric Rates (\$/1,000 Gals.) | | | |
|-----------------------------------|-----------------|----------|------------------------|
| Block | Gallons | Existing | Alternative Option #20 |
| Tier 1 | 0 – 2,000 | \$1.84 | \$2.95 |
| Tier 2 | 2,001 – 6,000 | \$3.39 | \$4.40 |
| Tier 3 | 6,001 – 11,000 | \$6.20 | \$6.95 |
| Tier 4 | 11,001 – 20,000 | \$9.95 | \$10.25 |
| Tier 5 | 20,001 - over | \$12.84 | \$13.95 |

Volumetric Rates

- Approximately \$1.11 increase to all blocks
- Maintain \$11.00 spread between blocks 1 and 5

Option #20: Residential Water Bill Impacts

| <u>5/8" Meter</u> | <u>2014</u> | <u>2015</u> | <u>Variance</u> | <u>Variance</u> | <u>COS Rate</u> |
|---------------------|-------------|-------------|-----------------|-----------------|-----------------|
| 0 | \$ 9.10 | \$ 10.35 | \$ 1.25 | 13.7% | |
| 1,000 | 11.09 | 13.49 | 2.40 | 21.6% | -15.2% |
| 2,000 | 13.08 | 16.63 | 3.55 | 27.1% | -22.5% |
| 5,000 | 26.20 | 33.00 | 6.80 | 26.0% | -18.9% |
| 6,000 | 29.74 | 37.59 | 7.85 | 26.4% | -18.7% |
| 7,000 Avg Cust. (1) | 38.35 | 47.06 | 8.71 | 22.7% | -14.4% |
| 9,000 | 51.74 | 62.16 | 10.42 | 20.1% | -5.9% |
| 15,000 | 109.94 | 122.95 | 13.01 | 11.8% | 18.1% |
| 25,000 | 225.39 | 245.85 | 20.46 | 9.1% | 54.0% |
| 30,000 | 290.34 | 316.55 | 26.21 | 9.0% | 69.0% |
| 60,000 | 680.04 | 740.75 | 60.71 | 8.9% | 109.4% |

(1) Annualized monthly bills.

Option #20: Residential CAP Customers Water Bill Impacts

| <u>5/8" Meter</u> | <u>2014</u> | <u>2015</u> | <u>Variance</u> | <u>Variance</u> | <u>Discount</u> |
|---------------------|-------------|-------------|-----------------|-----------------|-----------------|
| 0 | \$ - | \$ - | \$ - | 0.0% | 100.0% |
| 1,000 | 1.60 | 2.58 | 0.98 | 61.3% | 80.9% |
| 2,000 | 3.20 | 5.16 | 1.96 | 61.3% | 69.0% |
| 5,000 | 11.75 | 16.38 | 4.63 | 39.4% | 50.4% |
| 6,000 | 14.60 | 20.12 | 5.52 | 37.8% | 46.5% |
| 7,000 Avg Cust. (1) | 18.37 | 24.37 | 6.00 | 32.7% | 48.2% |
| 9,000 | 28.10 | 35.96 | 7.86 | 28.0% | 42.1% |
| 15,000 | 69.50 | 82.04 | 12.54 | 18.0% | 33.3% |
| 25,000 | 175.70 | 198.09 | 22.39 | 12.7% | 19.4% |
| 30,000 | 241.40 | 269.74 | 28.34 | 11.7% | 14.8% |
| 60,000 | 635.60 | 699.64 | 64.04 | 10.1% | 5.5% |

(1) Annualized monthly bills.

Option #20: Fixed Revenue

Percentage fixed revenue by class

| Class | Existing | Alternative Option #20 |
|--------------|----------|------------------------|
| Residential | 27.0% | 28.9% |
| Multifamily | 17.3% | 20.1% |
| Commercial | 15.9% | 20.5% |
| Large Volume | 11.5% | 11.5% |
| Wholesale | 11.0% | 11.0% |
| Overall | 20.3% | 22.3% |

Option #20: 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 \$4.75 Million

Option #20

- Impacts / Benefits / Concerns
 - Lower consumption projections increases water rates
 - Lower bill impacts to average residential customer of \$8.71 or 22.7% as compared to the base option
 - Rating agency negative impacts likely due to using reserve fund to lower debt service coverage
 - \$4.75 million decrease in volatility

Rate Design – Option #21

- Assumptions
 - Based on forecast Option #21 which reduces water consumption, includes \$25.7M in budget reductions, uses \$10M in reserve fund in 2014, and reduces debt coverage to 1.50 in 2015
 - Overall fixed revenue at 20%
 - Slight increase to the meter based minimum charge
 - Spread between blocks 1 and 5 for the tiered minimum fee and volume rates maintained

Option #21: Residential Rates

Meter Equivalent Minimum Charge

| Meter Size | Existing Minimum Charge | Alternative Option #21 Minimum Charge |
|------------|-------------------------|---------------------------------------|
| 5/8" | \$7.10 | \$7.50 |
| 3/4" | \$11.00 | \$13.00 |
| 1" | \$14.00 | \$14.00 |
| 1 1/2" | \$23.00 | \$24.00 |
| 2" | \$36.00 | \$38.00 |
| 4" | \$114.00 | \$125.00 |
| 6" | \$231.00 | \$253.00 |
| 10" | \$946.00 | \$1,076.00 |

Meter Minimum Charge

- Small change to the 5/8" meter minimum charge

Tiered Minimum Charge

- Maintain spread between blocks 1 and 5 to about \$10.50

Tiered Minimum Charge

| Tier | Gallons | Existing | Alternative Option #21 |
|--------|-----------------|----------|------------------------|
| Tier 1 | 0 – 2,000 | \$2.00 | \$2.20 |
| Tier 2 | 2,001 – 6,000 | \$4.50 | \$4.70 |
| Tier 3 | 6,001 – 11,000 | \$7.45 | \$7.65 |
| Tier 4 | 11,001 – 20,000 | \$12.55 | \$12.75 |
| Tier 5 | 20,001 - over | \$12.55 | \$12.75 |

Option #21: Residential Rates

| Volumetric Rates (\$/1,000 Gals.) | | | |
|-----------------------------------|-----------------|----------|------------------------|
| Block | Gallons | Existing | Alternative Option #21 |
| Tier 1 | 0 – 2,000 | \$1.84 | \$3.00 |
| Tier 2 | 2,001 – 6,000 | \$3.39 | \$4.40 |
| Tier 3 | 6,001 – 11,000 | \$6.20 | \$7.24 |
| Tier 4 | 11,001 – 20,000 | \$9.95 | \$11.00 |
| Tier 5 | 20,001 - over | \$12.84 | \$14.00 |

Volumetric Rates

- Approximately \$1.16 increase to all blocks
- Maintain \$11.00 spread between blocks 1 and 5

Option #21: Residential Water Bill Impacts

| Monthly Usage Gallons 5/8" Meter | Existing Bills 2014 | Proposed Bills 2015 | \$ Variance | % Variance | % of Average COS Rate |
|---|------------------------------------|------------------------------------|------------------------|-----------------------|--------------------------------------|
| 0 | \$ 9.10 | \$ 9.70 | \$ 0.60 | 6.6% | |
| 1,000 | 11.09 | 12.89 | 1.80 | 16.2% | -16.1% |
| 2,000 | 13.08 | 16.08 | 3.00 | 22.9% | -23.6% |
| 5,000 | 26.20 | 32.35 | 6.15 | 23.5% | -20.2% |
| 6,000 | 29.74 | 36.94 | 7.20 | 24.2% | -20.1% |
| 7,000 Avg Cust. (1) | 38.35 | 46.64 | 8.29 | 21.6% | -15.0% |
| 9,000 | 51.74 | 62.18 | 10.44 | 20.2% | -6.1% |
| 15,000 | 109.94 | 126.90 | 16.96 | 15.4% | 20.5% |
| 25,000 | 225.39 | 253.80 | 28.41 | 12.6% | 56.6% |
| 30,000 | 290.34 | 324.75 | 34.41 | 11.9% | 70.6% |
| 60,000 | 680.04 | 750.45 | 70.41 | 10.4% | 108.1% |

(1) Annualized monthly bills.

Option #21: Residential CAP Customers Water Bill Impacts

| <u>Monthly Usage Gallons 5/8" Meter</u> | <u>Existing Bills 2014</u> | <u>Proposed Bills 2015</u> | <u>\$ Variance</u> | <u>% Variance</u> | <u>CAP Bill Discount</u> |
|---|------------------------------------|------------------------------------|------------------------|-----------------------|------------------------------|
| 0 | \$ - | \$ - | \$ - | 0.0% | 100.0% |
| 1,000 | 1.60 | 2.58 | 0.98 | 61.3% | 80.0% |
| 2,000 | 3.20 | 5.16 | 1.96 | 61.3% | 67.9% |
| 5,000 | 11.75 | 16.50 | 4.75 | 40.4% | 49.0% |
| 6,000 | 14.60 | 20.28 | 5.68 | 38.9% | 45.1% |
| 7,000 Avg Cust. (1) | 18.37 | 24.58 | 6.21 | 33.8% | 47.3% |
| 9,000 | 28.10 | 36.27 | 8.17 | 29.1% | 41.7% |
| 15,000 | 69.50 | 82.65 | 13.15 | 18.9% | 34.9% |
| 25,000 | 175.70 | 199.20 | 23.50 | 13.4% | 21.5% |
| 30,000 | 241.40 | 271.10 | 29.70 | 12.3% | 16.5% |
| 60,000 | 635.60 | 702.50 | 66.90 | 10.5% | 6.4% |

(1) Annualized monthly bills.

Option #21: Fixed Revenue

Percentage fixed revenue by class

| Class | Existing | Alternative Option #21 |
|--------------|----------|------------------------|
| Residential | 27.0% | 27.4% |
| Multifamily | 17.3% | 17.3% |
| Commercial | 15.9% | 16.4% |
| Large Volume | 11.5% | 11.5% |
| Wholesale | 11.0% | 11.0% |
| Overall | 20.3% | 20.0% |

Option #21: 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 \$3.52 Million

Option #21

- Impacts / Benefits / Concerns
 - Lower consumption projections increases water rates
 - Lower bill impacts to average residential customer of \$8.29 or 21.6% as compared to base option
 - Rating agency negative impacts likely due to using reserve fund to lower debt service coverage
 - \$3.52 million decrease in volatility

Average Residential Customer Estimated FY 2015 Bill Impact

| | Current 2014 | Option 12 Forecast | Variance from Current | | Option 14 Forecast | Variance from Current | | Option 19 Forecast | Variance from Current | |
|--------------|-------------------------|-------------------------------|----------------------------------|--------------|-------------------------------|----------------------------------|--------------|-------------------------------|----------------------------------|--------------|
| | | | \$ | % | | \$ | % | | \$ | % |
| Water | \$ 38.35 | \$ 49.12 | \$ 10.77 | 28.1% | \$ 48.58 | \$ 10.23 | 26.7% | \$ 47.22 | \$ 8.87 | 23.1% |
| Wastewater | 42.78 | 44.51 | 1.73 | 4.0% | 44.56 | 1.78 | 4.2% | 44.66 | 1.88 | 4.4% |
| Total | \$ 81.13 | \$ 93.63 | \$ 12.50 | 15.4% | \$ 93.14 | \$ 12.01 | 14.8% | \$ 91.88 | \$ 10.75 | 13.3% |

| | Option 20 Forecast | Variance from Current | | Option 21 Forecast | Variance from Current | |
|--|-------------------------------|----------------------------------|--------------|-------------------------------|----------------------------------|--------------|
| | | \$ | % | | \$ | % |
| | \$ 46.57 | \$ 8.22 | 21.4% | \$ 46.64 | \$ 8.29 | 21.6% |
| | 44.11 | 1.33 | 3.1% | 44.39 | 1.61 | 3.8% |
| | \$ 90.68 | \$ 9.55 | 11.8% | \$ 91.03 | \$ 9.90 | 12.2% |

1. Bills based on 7,000 gallons water usage and 4,700 gallons wastewater discharge
2. Actual bill impact could vary slightly based on cost of service calculations for proposed 2015 budget
3. Option 12 was the preliminary Forecast Option, and was used in initial Joint Committee meetings.
4. Option 14 was the Forecast Option submitted to City Council.

Average Residential Customer Estimated FY 2015 Bill Impact

| | <u>Current 2014</u> | <u>Option 12 FY 2015</u> | <u>Option 14 FY 2015</u> | <u>Option 19 FY 2015</u> | <u>Option 20 FY 2015</u> | <u>Option 21 FY 2015</u> |
|---------------------------|-------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Water | \$ 38.35 | \$ 49.12 | \$ 48.58 | \$ 47.22 | \$ 46.57 | \$ 46.64 |
| Wastewater | 42.78 | 44.51 | 44.56 | 44.66 | 44.11 | 44.39 |
| Total | \$ 81.13 | \$ 93.63 | \$ 93.14 | \$ 91.88 | \$ 90.68 | \$ 91.03 |
| \$ Variance from Current: | | \$ 12.50 | \$ 12.01 | \$ 10.75 | \$ 9.55 | \$ 9.90 |
| % Variance from Current: | | 15.4% | 14.8% | 13.3% | 11.8% | 12.2% |

1. Bills based on 7,000 gallons water usage and 4,700 gallons wastewater discharge
2. Actual bill impact could vary slightly based on cost of service calculations for proposed 2015 budget
3. Option 12 was the preliminary Forecast Option, and was used in initial Joint Committee meetings.
4. Option 14 was the Forecast Option submitted to City Council.

AWU Comments

- 2014 Use of Reserve and Reduced Debt Service Coverage in 2015
 - Significant potential impact to bond ratings
- 2015 Rate Design
 - Joint Committee recommendations of 2012
- 2016 and Beyond Rate Design
 - Fixed revenue
 - Volumetric block 2 transition to cost of service
 - Transition period

Discussion / Questions?