

**Joint Committee on Austin Water Utility's Financial Plan
October 2014**

Committee Final Recommendations

Recommendation Item #1 – Communicating to Public about Rate Increases

The 2014 Joint Committee on Austin Water Utility's Financial Plan recommends, for Council consideration, the following public communications about rate increases:

November 2014 bill insert

Item 1.1: Austin Water Utility's draft November 2014 bill insert is recommended for release with the November bills. A bill comparison chart is included in the bill insert showing the residential bill impact of approved 2015 versus current 2014 water rates being \$9.79 or 12.1%, assuming an average residential customer using 7,000 gallons of water and discharging 4,700 gallons of wastewater. The final bill insert is attached.

Spring 2015 Bill insert

Item 1.2: Austin Water should develop a Spring 2015 bill insert to be delivered to customers prior to the summer irrigation season. This bill insert should have a table comparing residential water bills based on the 2014 water rates and the 2015 water rates at varying levels of water use. The levels of water use should start at consumption levels of least 1,000 gallons, increasing by 1,000 gallon increments up to at least 11,000 gallons. Additional levels of water consumption should be included of up to at least 25,000 gallons in 5,000 gallon increments. This bill comparison chart will provide the customers with information on alternative bills at varying levels of consumption in order to provide the benefits and incentives of continuing to conserve water to reduce a customer's water bills.

Website Information

Item 1.3: The residential bill comparison table developed for the spring 2015 bill insert would also be included on Austin Water's website in advance of the bill insert. This would provide customers with information on alternative bills at varying levels of consumption in order to provide the benefits and incentives of continuing to conserve water to reduce a customer's water bills.

Recommendation Item #2 – 2015 Proposed Rate Design:

The October 2014 meeting of the Joint Committee on Austin Water Utility's Financial Plan reviewed alternative residential water rate options, as requested by the City Council, for possible amendment of the approved 2015 rates. The Joint Committee recommends, for Council consideration, the following residential rate design option for implementation on January 1, 2015:

Residential Water Rate Recommendation

Current Meter Equivalent Minimum Charge

Item 2.1: The monthly meter-size based minimum charge, approved for 2015 at \$7.55 for a 5/8" meter, is recommended to be decreased to \$7.10 for the proposed amendment to the approved 2015 residential water rates.

Tiered Minimum Water Charge (Residential)

Item 2.2: The residential monthly tiered minimum charge dollar variance between blocks 1 and 5, approved for 2015 at \$10.50, is recommended to be increased to a dollar variance of \$22.70 for the proposed amendment to the approved 2015 residential water rates.

Item 2.3: The residential monthly tiered minimum charge for blocks 1, 2 and 3, for lower volume users, will be reduced. The monthly tiered minimum charge for blocks 4 and 5, for higher volume users, will be increased.

Item 2.4: The residential monthly tiered minimum charge will collect higher fixed revenue from higher volume users and will collect lower fixed revenue from lower volume users, as compared to the approved 2014 rates.

Fixed Revenue Goals for Water

Item 2.5: The water fixed revenue goal for 2015 is recommended to remain at 20% of the total water revenue requirements based on each customer classes' relative water cost of service.

Volumetric Rates for Water

Item 2.6: For the 2015 residential volume rates, the current approved rates are not recommended to change. AWU will continue to maintain or minimize the increase in the dollar variance between blocks 1 and 5. Current variance between blocks 1 and 5 is \$11.00 which is recommended to be maintained for 2015.

The final rate design option summary is attached.

Option Results Summary

Minimum Charge: All Retail Classes	
Meter Size	Minimum Charge
5/8"	\$ 7.10
3/4"	\$ 13.00
1"	\$ 13.00
1 1/2"	\$ 23.00
2"	\$ 36.00
3"	\$ 59.00
4"	\$ 118.00
6"	\$ 238.00
8"	\$ 876.00
10"	\$ 1,036.00
12"	\$ 1,216.00

Residential Water Rates		
Tiered Fixed Fee: Total Water Use Ending in Tier		
Tier 1	0 - 2,000	\$ 1.05
Tier 2	2,001 - 6,000	\$ 3.00
Tier 3	6,001 - 11,000	\$ 7.60
Tier 4	11,001 - 20,000	\$ 23.75
Tier 5	Over 20,000	\$ 23.75

Volumetric Rates Rates Non CAP Per 1,000 Gallons		
Block 1	0 - 2,000	\$ 2.93
Block 2	2,001 - 6,000	\$ 4.49
Block 3	6,001 - 11,000	\$ 7.29
Block 4	11,001 - 20,000	\$ 11.03
Block 5	Over 20,000	\$ 13.93

Volumetric Rates Rates CAP Per 1,000 Gallons		
Block 1	0 - 2,000	\$ 2.16
Block 2	2,001 - 6,000	\$ 3.40
Block 3	6,001 - 11,000	\$ 5.03
Block 4	11,001 - 20,000	\$ 8.65
Block 5	Over 20,000	\$ 13.93

Volatility Measure	
Revenue Losses at 2010 Consumption Levels	
Approved Rates	\$ (38.23) Million
Option Rates	\$ (35.61) Million
Volatility Measure	\$ 2.63 Million

Positive equals less volatility and lower potential revenue losses
 Negative equals more volatility and higher potential revenue losses

Break Even Volume
11,100 Gallons

Residential Bill Comparisons

Monthly Usage Gallons 5/8" Meter	2014 Approved Rates				
	Minimum Charge	Tiered Fixed Fee	Volume Revenue	Reserve Fund Surcharge	Total Bill
0	\$ 7.10	\$ 2.00	\$ -	\$ -	\$ 9.10
1,000	\$ 7.10	\$ 2.00	\$ 1.84	\$ 0.15	\$ 11.09
2,000	\$ 7.10	\$ 2.00	\$ 3.68	\$ 0.30	\$ 13.08
5,000	\$ 7.10	\$ 4.50	\$ 13.85	\$ 0.75	\$ 26.20
6,000	\$ 7.10	\$ 4.50	\$ 17.24	\$ 0.90	\$ 29.74
7,000 Annualized	\$ 7.10	\$ 6.22	\$ 23.98	\$ 1.05	\$ 38.35
9,000	\$ 7.10	\$ 7.45	\$ 35.84	\$ 1.35	\$ 51.74
15,000	\$ 7.10	\$ 12.55	\$ 88.04	\$ 2.25	\$ 109.94
25,000	\$ 7.10	\$ 12.55	\$ 201.99	\$ 3.75	\$ 225.39
30,000	\$ 7.10	\$ 12.55	\$ 266.19	\$ 4.50	\$ 290.34
60,000	\$ 7.10	\$ 12.55	\$ 651.39	\$ 9.00	\$ 680.04

Projected Water Rates				
Minimum Charge	Tiered Fixed Fee	Volume Revenue	Reserve Fund Surcharge	Total Bill
\$ 7.10	\$ 1.05	\$ 0.00	\$ -	\$ 8.15
\$ 7.10	\$ 1.05	\$ 2.93	\$ 0.19	\$ 11.27
\$ 7.10	\$ 1.05	\$ 5.86	\$ 0.38	\$ 14.39
\$ 7.10	\$ 3.00	\$ 19.33	\$ 0.95	\$ 30.38
\$ 7.10	\$ 3.00	\$ 23.82	\$ 1.14	\$ 35.06
\$ 7.10	\$ 5.68	\$ 31.65	\$ 1.33	\$ 45.76
\$ 7.10	\$ 7.60	\$ 45.69	\$ 1.71	\$ 62.10
\$ 7.10	\$ 23.75	\$ 104.39	\$ 2.85	\$ 138.09
\$ 7.10	\$ 23.75	\$ 229.19	\$ 4.75	\$ 264.79
\$ 7.10	\$ 23.75	\$ 298.84	\$ 5.70	\$ 335.39
\$ 7.10	\$ 23.75	\$ 716.74	\$ 11.40	\$ 758.99

Variances		Subsidy Percent of COS Rate
Total Bill \$ Variance	Total Bill % Variance	
\$ (0.95)	-10.4%	
\$ 0.18	1.6%	-18.6%
\$ 1.31	10.0%	-26.3%
\$ 4.18	16.0%	-21.2%
\$ 5.32	17.9%	-20.8%
\$ 7.41	19.3%	-16.1%
\$ 10.36	20.0%	-5.8%
\$ 28.15	25.6%	18.8%
\$ 39.40	17.5%	52.9%
\$ 45.05	15.5%	66.4%
\$ 78.95	11.6%	103.9%

Residential Bill Comparisons - Customer Assistance Program Customers

Monthly Usage Gallons 5/8" Meter	2014 Approved Rates				
	Minimum Charge	Tiered Fixed Fee	Volume Revenue	Reserve Fund Surcharge	Total Bill
0	\$ -	\$ -	\$ -	\$ -	\$ -
1,000	\$ -	\$ -	\$ 1.45	\$ 0.15	\$ 1.60
2,000	\$ -	\$ -	\$ 2.90	\$ 0.30	\$ 3.20
5,000	\$ -	\$ -	\$ 11.00	\$ 0.75	\$ 11.75
6,000	\$ -	\$ -	\$ 13.70	\$ 0.90	\$ 14.60
7,000 Annualized	\$ -	\$ -	\$ 17.32	\$ 1.05	\$ 18.37
9,000	\$ -	\$ -	\$ 26.75	\$ 1.35	\$ 28.10
15,000	\$ -	\$ -	\$ 67.25	\$ 2.25	\$ 69.50
25,000	\$ -	\$ -	\$ 171.95	\$ 3.75	\$ 175.70
30,000	\$ -	\$ -	\$ 236.90	\$ 4.50	\$ 241.40
60,000	\$ -	\$ -	\$ 626.60	\$ 9.00	\$ 635.60

Projected Water Rates				
Minimum Charge	Tiered Fixed Fee	Volume Revenue	Reserve Fund Surcharge	Total Bill
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ 2.35	\$ 0.19	\$ 2.54
\$ -	\$ -	\$ 4.70	\$ 0.38	\$ 5.08
\$ -	\$ -	\$ 15.47	\$ 0.95	\$ 16.42
\$ -	\$ -	\$ 19.06	\$ 1.14	\$ 20.20
\$ -	\$ -	\$ 23.26	\$ 1.33	\$ 24.59
\$ -	\$ -	\$ 34.72	\$ 1.71	\$ 36.43
\$ -	\$ -	\$ 80.52	\$ 2.85	\$ 83.37
\$ -	\$ -	\$ 195.32	\$ 4.75	\$ 200.07
\$ -	\$ -	\$ 265.92	\$ 5.70	\$ 271.62
\$ -	\$ -	\$ 689.52	\$ 11.40	\$ 700.92

Variances		Subsidy % Variance
Total Bill \$ Variance	Total Bill % Variance	
\$ -	0.0%	-100.0%
\$ 0.94	58.8%	-77.5%
\$ 1.88	58.8%	-64.7%
\$ 4.67	39.7%	-46.0%
\$ 5.60	38.4%	-42.4%
\$ 6.22	33.9%	-46.3%
\$ 8.33	29.6%	-41.3%
\$ 13.87	20.0%	-39.6%
\$ 24.37	13.9%	-24.4%
\$ 30.22	12.5%	-19.0%
\$ 65.32	10.3%	-7.7%

Assumptions

- 2014 Approved Water Revenue with Fixed Revenue at 20% of Total Revenue**
- Residential volume rates maintain approximate \$11.00 spread between blocks 1 and 5
 - Fixed revenue goal of 20% of total revenue with goals by class based on cost of service allocation
 - \$13.1 M revenue from Tiered Fixed Fee to meet 20% fixed revenue goal
 - Customer class fixed revenue goals based on cost of service based allocation
 - Tiered Residential Fee spread increased to \$ 22.70

Fixed & Volume Revenue % by Class

	% Fixed Revenue	% Volumetric Revenue
	Residential	26.7%
Multifamily	17.8%	82.2%
Commercial	16.8%	83.2%
Large Volume	11.5%	88.5%
Wholesale	11.1%	88.9%
Total	20.4%	79.6%

Revenue Reserve Fund Surcharge

Rate Per 1,000 Gallons	
\$ 0.19	

Volumetric Revenue	
Residential	\$ 2,628,763
Multifamily	1,585,931
Commercial	1,991,685
Large Volume	563,488
Wholesale	297,496
Total	\$ 7,067,363



**JOINT COMMITTEE
REGULAR MEETING
FINAL RECOMMENDATION - OCTOBER 2014**

	Motion	Motion	COMMISSIONER'S VOTE			
	Made By	Seconded By	Consenting	Dissenting	Abstaining	Absent
Mickey Fishbeck, Chair	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kris Bailey, Vice Chair	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sean Kelly	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
J.R. (Hank) Kidwell	<input type="checkbox"/>	X				
Chien Lee, P.E.	<input type="checkbox"/>	X				
Luke Metzger	<input type="checkbox"/>	X	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Brian Rodgers	X	<input type="checkbox"/>	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SUBJECT:

Recommend AWU's November 2014 bill insert including changes provided by the Joint Committee.

 X Recommended by Joint Committee

 Not Recommended by the Joint Committee

 No Recommendation Motion Failed: Did not receive (4) affirmative votes Motion Failed:

 Lack of a Second

 M Fishbeck
Mickey Fishbeck, Chair

 11-12-14
Date



**JOINT COMMITTEE
REGULAR MEETING
FINAL RECOMMENDATION - OCTOBER 2014**

	Motion	Motion	COMMISSIONER'S VOTE			
	Made By	Seconded By	Consenting	Dissenting	Abstaining	Absent
Mickey Fishbeck, Chair	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kris Bailey, Vice Chair	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sean Kelly	<input type="checkbox"/>	X	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
J.R. (Hank) Kidwell	<input type="checkbox"/>	X				
Chien Lee, P.E.	<input type="checkbox"/>	X				
Luke Metzger	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Brian Rodgers	X	<input type="checkbox"/>	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SUBJECT:

Recommend AWU develop a spring 2015 bill insert which includes a comparison of residential water bills calculated on rates from 2014 and 2015. The bill comparisons would be for varying levels of water use starting at 1,000 gallons and increasing in 1,000 gallon increments to at least 11,000, and additional levels at 5,000 gallon increments to at least 25,000 gallons of usage.

- Recommended by Joint Committee
- Not Recommended by the Joint Committee
- No Recommendation __ Motion Failed: Did not receive (4) affirmative votes __ Motion Failed:
- Lack of a Second

M Fishbeck
Mickey Fishbeck, Chair

11-12-14
Date



**JOINT COMMITTEE
REGULAR MEETING
FINAL RECOMMENDATION - OCTOBER 2014**

	Motion	Motion	COMMISSIONER'S VOTE			
	Made By	Seconded By	Consenting	Dissenting	Abstaining	Absent
Mickey Fishbeck, Chair	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kris Bailey, Vice Chair	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Sean Kelly	<input type="checkbox"/>	X	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
J.R. (Hank) Kidwell	<input type="checkbox"/>	X				
Chien Lee, P.E.	<input type="checkbox"/>	X				
Luke Metzger	X	<input type="checkbox"/>	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Brian Rodgers	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SUBJECT:

Recommend Option #3 residential rates for consideration by Council to amend current approved 2015 rates.

 X Recommended by Joint Committee

 Not Recommended by the Joint Committee

 No Recommendation __Motion Failed: Did not receive (4) affirmative votes __Motion Failed:

 Lack of a Second

 M Fishbeck
Mickey Fishbeck, Chair

 11-12-14
Date