



# Austin Water Utility

## Joint Committee on AWU's Financial Plan

April 23, 2014

# New Forecast Option

Requested by Commissioner Metzger  
4/2/2014

# Forecast – Option #5

## Assumptions

- Use \$10M in reserve fund in 2014
- Reduce water and wastewater CIP cash funding to about 25% per year
- Reduce water CIP spending by \$10M per year
- 1.50x debt coverage in 2015 and keeping base option debt coverage for 2016-19

Forecast Summary (in Millions)	Estimate 2014	Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019
<b>Total Revenue</b>	\$518.9	\$558.3	\$595.8	\$622.1	\$648.8	\$673.8
<b>Total Requirements</b>	\$523.9	\$534.9	\$555.5	\$578.7	\$609.1	\$621.5
<b>Ending Balance</b>	\$53.2	\$76.6	\$116.9	\$160.4	\$200.2	\$252.6
Days of O&M	37	72	129	184	230	283
<b>Debt Service Coverage</b>						
Combined	1.31	1.50	1.56	1.56	1.53	1.61
Water	1.20	1.50	1.57	1.56	1.53	1.63
<b>Capital Spending</b>	\$237.3	\$171.8	\$157.5	\$147.1	\$154.3	\$159.1
<b>Cash Funding of CIP %</b>	24.8%	25.4%	25.1%	25.1%	25.0%	24.9%
<b>Rate Increases</b>						
Water	7.4%	13.0%	5.2%	3.0%	3.0%	2.5%

## Forecast – Option #5

- Impacts / Benefits / Concerns
  - FY 2015 debt coverage reduced to 1.50 in order to achieve rate reduction from reserve fund use in 2014
  - Slightly lower debt service coverage in years 2-4
  - Higher cash balances
  - Reduced cash funding of CIP increases debt service

# Forecast – Option #6

## Assumptions

- One-time reduction of \$5.0M to Operations and Maintenance in 2015
- Maintain debt service coverage in 2015

<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	\$561.4	\$599.9	\$625.7	\$652.4	\$669.2
<b>Total Requirements</b>	\$523.9	\$536.5	\$582.5	\$602.8	\$635.9	\$639.0
<b>Ending Balance</b>	\$43.2	\$68.1	\$85.4	\$108.3	\$125.0	\$155.2
Days of O&M	20	60	81	110	127	157
<b>Debt Service Coverage</b>						
Combined	1.31	1.54	1.58	1.59	1.55	1.62
Water	1.20	1.57	1.61	1.60	1.57	1.60
<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%	13.0%	5.2%	3.0%	3.0%	2.5%

## Forecast – Option #6

- Impacts / Benefits / Concerns
  - Lower operations and maintenance costs in 2015
  - Lower rate increase in 2015
  - FY 2015 debt coverage remains the same due to reduced rate increase
  - Higher cash balances
  - Cash funding of CIP remains about 42%

## Rate Design Options

Base and Options #1- #4 to include meter equivalent minimum charge information and CAP customer bill discounts

New Rate Design Options #5, #6, and #7

# 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

## Meter Equivalent Minimum Charge

Meter Size	Existing Minimum Charge	Base Option Minimum Charge
5/8"	\$7.10	\$7.90
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	\$129.00
6"	\$231.00	\$260.00
10"	\$946.00	\$1,107.00

### Meter Minimum Charge

- \$0.80 increase to 5/8" meter minimum charge
- Each meter size adjusted proportionately

### Tiered Minimum Charge

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

## 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

# Base Option: Residential Rates

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

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	2.68	1.08	67.5%	80.0%
2,000	3.20	5.36	2.16	67.5%	68.0%
5,000	11.75	17.15	5.40	46.0%	49.8%
6,000	14.60	21.08	6.48	44.4%	46.0%
7,000 Avg Cust. (1)	18.37	25.66	7.29	39.7%	47.8%
9,000	28.10	37.85	9.75	34.7%	42.0%
15,000	69.50	85.79	16.29	23.4%	34.3%
25,000	175.70	204.29	28.59	16.3%	21.2%
30,000	241.40	276.84	35.44	14.7%	16.3%
60,000	635.60	712.14	76.54	12.0%	6.4%

(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

## Meter Equivalent Minimum Charge

Meter Size	Existing Minimum Charge	Alternative Option #1 Minimum Charge
5/8"	\$7.10	\$9.00
3/4"	\$11.00	\$14.00
1"	\$14.00	\$15.00
1 1/2"	\$23.00	\$25.00
2"	\$36.00	\$40.00
4"	\$114.00	\$129.00
6"	\$231.00	\$260.00
10"	\$946.00	\$1,107.00

### Meter Minimum Charge

- \$1.90 increase to 5/8" meter minimum charge

### Tiered Minimum Charge

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

## 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

# Option #1: Residential Rates

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 2015	\$ Variance	% Variance	CAP Bill Discount
0	\$ -	\$ -	-	0.0%	100.0%
1,000	1.60	2.69	1.09	68.1%	81.7%
2,000	3.20	5.38	2.18	68.1%	69.6%
5,000	11.75	17.23	5.48	46.6%	50.6%
6,000	14.60	21.18	6.58	45.1%	46.4%
7,000 Avg Cust. (1)	18.37	25.75	7.38	40.2%	47.7%
9,000	28.10	37.95	9.85	35.1%	41.5%
15,000	69.50	85.85	16.35	23.5%	33.2%
25,000	175.70	203.00	27.30	15.5%	20.3%
30,000	241.40	274.25	32.85	13.6%	15.6%
60,000	635.60	701.75	66.15	10.4%	6.0%

(1) Annualized monthly bills.

# Option #1: Fixed Revenue

Percentage fixed revenue by class

<b>Class</b>	<b>Existing</b>	<b>Alternative Option #1</b>
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

## Meter Equivalent Minimum Charge

Meter Size	Existing Minimum Charge	Alternative Option #2 Minimum Charge
5/8"	\$7.10	\$11.60
3/4"	\$11.00	\$15.00
1"	\$14.00	\$20.00
1 1/2"	\$23.00	\$25.00
2"	\$36.00	\$40.00
4"	\$114.00	\$129.00
6"	\$231.00	\$260.00
10"	\$946.00	\$1,107.00

### Meter Minimum Charge

- \$4.50 increase to 5/8" meter minimum charge

### Tiered Minimum Charge

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

## 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

# Option #2: Residential Rates

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	60.4%
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 2015	\$ Variance	% Variance	CAP Bill Discount
0	\$ -	\$ -	\$ -	0.0%	100.0%
1,000	1.60	2.73	1.13	70.6%	84.1%
2,000	3.20	5.46	2.26	70.6%	72.3%
5,000	11.75	17.40	5.65	48.1%	51.7%
6,000	14.60	21.38	6.78	46.4%	46.7%
7,000 Avg Cust. (1)	18.37	26.00	7.63	41.5%	47.9%
9,000	28.10	38.27	10.17	36.2%	41.0%
15,000	69.50	86.49	16.99	24.4%	29.8%
25,000	175.70	201.39	25.69	14.6%	17.5%
30,000	241.40	270.09	28.69	11.9%	13.4%
60,000	635.60	682.29	46.69	7.3%	5.0%

(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

## Meter Equivalent Minimum Charge

Meter Size	Existing Minimum Charge	Alternative Option #3 Minimum Charge
5/8"	\$7.10	\$7.90
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	\$129.00
6"	\$231.00	\$260.00
10"	\$946.00	\$1,107.00

### Meter Minimum Charge

- \$0.80 increase to 5/8" meter minimum charge

### Tiered Minimum Charge

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

## 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

# Option #3: Residential Rates

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	11.0%
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 2015	\$ Variance	% Variance	CAP Bill Discount
0	\$ -	\$ -	\$ -	0.0%	100.0%
1,000	1.60	2.32	0.72	45.0%	81.0%
2,000	3.20	4.64	1.44	45.0%	67.7%
5,000	11.75	17.21	5.46	46.5%	51.1%
6,000	14.60	21.40	6.80	46.6%	48.1%
7,000 Avg Cust. (1)	18.37	26.23	7.86	42.8%	48.6%
9,000	28.10	38.92	10.82	38.5%	42.1%
15,000	69.50	88.36	18.86	27.1%	32.9%
25,000	175.70	202.16	26.46	15.1%	20.3%
30,000	241.40	268.76	27.36	11.3%	15.8%
60,000	635.60	668.36	32.76	5.2%	6.3%

(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

## Meter Equivalent Minimum Charge

Meter Size	Existing Minimum Charge	Alternative Option #4 Minimum Charge
5/8"	\$7.10	\$28.60
3/4"	\$11.00	\$15.00
1"	\$14.00	\$20.00
1 1/2"	\$23.00	\$25.00
2"	\$36.00	\$40.00
4"	\$114.00	\$129.00
6"	\$231.00	\$260.00
10"	\$946.00	\$1,107.00

### Meter Minimum Charge

- \$21.50 increase to 5/8" meter minimum charge

### Tiered Minimum Charge

- Significant increases to tiered fees

## 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

# Option #4: Residential Rates

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	346.2%
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 2015	\$ Variance	% Variance	CAP Bill Discount
0	\$ -	\$ -	\$ -	0.0%	100.0%
1,000	1.60	0.88	(0.72)	-45.0%	97.9%
2,000	3.20	1.76	(1.44)	-45.0%	95.8%
5,000	11.75	6.20	(5.55)	-47.2%	87.8%
6,000	14.60	7.68	(6.92)	-47.4%	85.3%
7,000 Avg Cust. (1)	18.37	8.55	(9.82)	-53.5%	84.7%
9,000	28.10	13.92	(14.18)	-50.5%	77.1%
15,000	69.50	31.72	(37.78)	-54.4%	62.9%
25,000	175.70	70.67	(105.03)	-59.8%	42.3%
30,000	241.40	92.57	(148.83)	-61.7%	35.5%
60,000	635.60	223.97	(411.63)	-64.8%	16.8%

(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%

# New Rate Design Option #5

# Rate Design – Option #5

- Assumptions
  - Overall fixed revenue 25%
  - Residential fixed revenue increased from 27% to 30%
  - No increase to the meter equivalent minimum charge of \$7.10 for a 5/8” meter
  - Increase the spread between blocks 1 and 5 for the residential tiered fixed fee with higher blocks 4-5

# Option #5: Residential Rates

## Meter Equivalent Minimum Charge

Meter Size	Existing Minimum Charge	Alternative Option #5 Minimum Charge
5/8"	\$7.10	\$7.10
3/4"	\$11.00	\$11.00
1"	\$14.00	\$15.00
1 1/2"	\$23.00	\$25.00
2"	\$36.00	\$40.00
4"	\$114.00	\$129.00
6"	\$231.00	\$260.00
10"	\$946.00	\$1,107.00

### Meter Minimum Charge

- No change to the meter minimum charge

### Tiered Minimum Charge

- Significant increases to tiered fees by increasing Tier 3-5 higher than Tiers 1-2

## Tiered Minimum Charge

Tier	Gallons	Existing	Alternative Option #5
Tier 1	0 – 2,000	\$2.00	\$2.25
Tier 2	2,001 – 6,000	\$4.50	\$5.50
Tier 3	6,001 – 11,000	\$7.45	\$13.00
Tier 4	11,001 – 20,000	\$12.55	\$22.00
Tier 5	20,001 - over	\$12.55	\$25.00

# Option #5: Residential Rates

Volumetric Rates (\$/1,000 Gals.)			
Block	Gallons	Existing	Alternative Option #5
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

- Approximately \$1.03 increase to all blocks
- Maintain \$11.00 spread between blocks 1 and 5

# Option #5: Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Existing Bills 2014	Proposed Bills 2015	\$ Variance	% Variance
0	\$ 9.10	\$ 9.35	\$ 0.25	2.7%
1,000	11.09	12.41	1.32	11.9%
2,000	13.08	15.47	2.39	18.3%
5,000	26.20	32.58	6.38	24.4%
6,000	29.74	37.20	7.46	25.1%
7,000 Avg Cust. (1)	38.35	49.55	11.20	29.2%
9,000	51.74	66.99	15.25	29.5%
15,000	109.94	135.53	25.59	23.3%
25,000	225.39	264.68	39.29	17.4%
30,000	290.34	334.98	44.64	15.4%
60,000	680.04	756.78	76.74	11.3%

(1) Annualized monthly bills.

# Option #5: Residential CAP Customers Water Bill Impacts

<b>Monthly Usage Gallons 5/8" Meter</b>	<b>Existing Bills 2014</b>	<b>Proposed Bills 2015</b>	<b>\$ Variance</b>	<b>% Variance</b>	<b>CAP Bill Discount</b>
0	\$ -	\$ -	\$ -	0.0%	100.0%
1,000	1.60	2.69	1.09	68.1%	78.3%
2,000	3.20	5.38	2.18	68.1%	65.2%
5,000	11.75	17.23	5.48	46.6%	47.1%
6,000	14.60	21.18	6.58	45.1%	43.1%
7,000 Avg Cust. (1)	18.37	25.75	7.38	40.2%	48.0%
9,000	28.10	37.95	9.85	35.1%	43.3%
15,000	69.50	85.85	16.35	23.5%	36.7%
25,000	175.70	203.00	27.30	15.5%	23.3%
30,000	241.40	274.25	32.85	13.6%	18.1%
60,000	635.60	701.75	66.15	10.4%	7.3%

(1) Annualized monthly bills.

# Option #5: Fixed Revenue

Percentage fixed revenue by class

Class	Existing	Alternative Option #5
Residential	27.0%	30.0%
Multifamily	17.3%	20.5%
Commercial	15.9%	23.3%
Large Volume	11.5%	14.4%
Wholesale	11.0%	11.0%
Overall	20.3%	24.0%

# Option #5: 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 \$1.73 Million

## Option #5

- Impacts / Benefits / Concerns
  - Significant bill impacts to average residential customer of \$11.20 or 29.2%
  - Higher fixed revenue for higher users with increase in tiered fee spread from \$10 to \$23
  - Lower bill impacts for lower volume users when compared to base option
  - Fixed revenue at 24% of total revenue with residential increased from 27% to 30%
  - \$1.73 million decrease in volatility

# New Rate Design Option #6

# Rate Design – Option #6

- Assumptions
  - Overall fixed revenue remains at 20%
  - Residential fixed revenue at 27%
  - Minimal increase to meter minimum charge
  - Volume block rate 2 goal to be set at average cost of service rate of \$5.83 over a 2 year transition period
  - 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 #6: Residential Rates

## Meter Equivalent Minimum Charge

Meter Size	Existing Minimum Charge	Alternative Option #6 Minimum Charge
5/8"	\$7.10	\$7.90
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	\$129.00
6"	\$231.00	\$260.00
10"	\$946.00	\$1,107.00

### Meter Minimum Charge

- \$21.50 increase to 5/8" meter minimum charge

### Tiered Minimum Charge

- Significant increases to tiered fees

## Tiered Minimum Charge

Tier	Gallons	Existing	Alternative Option #6
Tier 1	0 – 2,000	\$2.00	\$2.25
Tier 2	2,001 – 6,000	\$4.50	\$5.00
Tier 3	6,001 – 11,000	\$7.45	\$8.25
Tier 4	11,001 – 20,000	\$12.55	\$12.60
Tier 5	20,001 - over	\$12.55	\$12.60

# Option #6: Residential Rates

Volumetric Rates (\$/1,000 Gals.)			
Block	Gallons	Existing	Alternative Option #6
Tier 1	0 – 2,000	\$1.84	\$2.35
Tier 2	2,001 – 6,000	\$3.39	\$5.28
Tier 3	6,001 – 11,000	\$6.20	\$7.50
Tier 4	11,001 – 20,000	\$9.95	\$11.55
Tier 5	20,001 - over	\$12.84	\$13.35

## Volumetric Rates

- Higher increase to block 2 to transition to average volumetric cost of service rate of \$5.38 over two year period
- Maintain \$11.00 spread between blocks 1 and 5

# Option #6: Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Existing Bills 2014	Proposed Bills 2015	\$ Variance	% Variance
0	\$ 9.10	\$ 10.15	\$ 1.05	11.5%
1,000	11.09	12.69	1.60	14.4%
2,000	13.08	15.23	2.15	16.4%
5,000	26.20	34.39	8.19	31.3%
6,000	29.74	39.86	10.12	34.0%
7,000 Avg Cust. (1)	38.35	49.88	11.53	30.1%
9,000	51.74	66.18	14.44	27.9%
15,000	109.94	132.87	22.93	20.9%
25,000	225.39	259.27	33.88	15.0%
30,000	290.34	326.97	36.63	12.6%
60,000	680.04	733.17	53.13	7.8%

(1) Annualized monthly bills.

# Option #6: Residential CAP Customers Water Bill Impacts

<b>Monthly Usage Gallons 5/8" Meter</b>	<b>Existing Bills 2014</b>	<b>Proposed Bills 2015</b>	<b>\$ Variance</b>	<b>% Variance</b>	<b>CAP Bill Discount</b>
0	\$ -	\$ -	\$ -	0.0%	100.0%
1,000	1.60	2.23	0.63	39.4%	82.4%
2,000	3.20	4.46	1.26	39.4%	70.7%
5,000	11.75	17.09	5.34	45.4%	50.3%
6,000	14.60	21.30	6.70	45.9%	46.6%
7,000 Avg Cust. (1)	18.37	26.11	7.74	42.1%	47.7%
9,000	28.10	38.79	10.69	38.0%	41.4%
15,000	69.50	88.05	18.55	26.7%	33.7%
25,000	175.70	203.70	28.00	15.9%	21.4%
30,000	241.40	272.35	30.95	12.8%	16.7%
60,000	635.60	684.25	48.65	7.7%	6.7%

(1) Annualized monthly bills.

# Option #6: Fixed Revenue

Percentage fixed revenue by class

Class	Existing	Alternative Option #6
Residential	27.0%	27.1%
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 #6: 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 \$0.06 Million

## Option #6

- Impacts / Benefits / Concerns
  - Significant bill impacts to average residential customer of \$11.53 or 30.1%
  - Fixed revenue consistent with base option at 20%
  - Block 2 volume rates transitioned over two years to the average residential volumetric cost of service rate of \$5.83
  - Only block 1 would remain below the cost of service rate after block 2 is transitions
  - \$0.1 million decrease to volatility due to fixed revenue remaining at 20% and a higher volume rate for block 2 which has some volatility

# New Rate Design Option #7

# Rate Design – Option #7

- Assumptions
  - Overall fixed revenue remains at 24%
  - Residential fixed revenue at 29.7%
  - Minimal increase to meter minimum charge
  - Volume block rate 2 goal to be set at average cost of service rate of \$5.83 over a 2 year transition period
  - \$12 spread between tiers 1 and 5 for residential tiered fixed fee
  - Maintain \$11 spread between blocks 1-5 for residential volume rates

# Option #7: Residential Rates

## Meter Equivalent Minimum Charge

Meter Size	Existing Minimum Charge	Alternative Option #7 Minimum Charge
5/8"	\$7.10	\$7.90
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	\$129.00
6"	\$231.00	\$260.00
10"	\$946.00	\$1,107.00

### Meter Minimum Charge

- \$21.50 increase to 5/8" meter minimum charge

### Tiered Minimum Charge

- Significant increases to tiered fees

## Tiered Minimum Charge

Tier	Gallons	Existing	Alternative Option #7
Tier 1	0 – 2,000	\$2.00	\$3.00
Tier 2	2,001 – 6,000	\$4.50	\$6.30
Tier 3	6,001 – 11,000	\$7.45	\$11.00
Tier 4	11,001 – 20,000	\$12.55	\$15.00
Tier 5	20,001 - over	\$12.55	\$15.00

# Option #7: Residential Rates

Volumetric Rates (\$/1,000 Gals.)			
Block	Gallons	Existing	Alternative Option #7
Tier 1	0 – 2,000	\$1.84	\$2.30
Tier 2	2,001 – 6,000	\$3.39	\$5.28
Tier 3	6,001 – 11,000	\$6.20	\$6.90
Tier 4	11,001 – 20,000	\$9.95	\$10.56
Tier 5	20,001 - over	\$12.84	\$13.30

## Volumetric Rates

- Block 2 volume rate transitioned to average cost of service volume rate over a two year period
- After transition, block 1 would be only block below the average cost of service volume rate

# Option #7: Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Existing Bills 2014	Proposed Bills 2015	\$ Variance	% Variance
0	\$ 9.10	\$ 10.90	\$ 1.80	19.8%
1,000	11.09	13.39	2.30	20.7%
2,000	13.08	15.88	2.80	21.4%
5,000	26.20	35.59	9.39	35.8%
6,000	29.74	41.06	11.32	38.1%
7,000 Avg Cust. (1)	38.35	51.20	12.85	33.5%
9,000	51.74	67.03	15.29	29.6%
15,000	109.94	128.21	18.27	16.6%
25,000	225.39	249.41	24.02	10.7%
30,000	290.34	316.86	26.52	9.1%
60,000	680.04	721.56	41.52	6.1%

(1) Annualized monthly bills.

# Option #7: Residential CAP Customers Water Bill Impacts

<b>Monthly Usage Gallons 5/8" Meter</b>	<b>Existing Bills 2014</b>	<b>Proposed Bills 2015</b>	<b>\$ Variance</b>	<b>% Variance</b>	<b>CAP Bill Discount</b>
0	\$ -	\$ -	\$ -	0.0%	100.0%
1,000	1.60	2.23	0.63	39.4%	83.3%
2,000	3.20	4.46	1.26	39.4%	71.9%
5,000	11.75	17.09	5.34	45.4%	52.0%
6,000	14.60	21.30	6.70	45.9%	48.1%
7,000 Avg Cust. (1)	18.37	26.11	7.74	42.1%	49.0%
9,000	28.10	38.79	10.69	38.0%	42.1%
15,000	69.50	88.05	18.55	26.7%	31.3%
25,000	175.70	203.45	27.75	15.8%	18.4%
30,000	241.40	271.85	30.45	12.6%	14.2%
60,000	635.60	682.25	46.65	7.3%	5.4%

(1) Annualized monthly bills.

# Option #7: Fixed Revenue

Percentage fixed revenue by class

<b>Class</b>	<b>Existing</b>	<b>Alternative Option #7</b>
Residential	27.0%	29.7%
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 #7: 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 \$1.98 Million

## Option #7

- Impacts / Benefits / Concerns
  - Significant bill impacts to average residential customer of \$12.85 or 33.5%
  - Fixed revenue increased from base option from 20% to 24%
  - Block 2 volume rates transitioned to the average residential volumetric cost of service rate of \$5.83
  - Only block 1 would remain below the cost of service rate
  - \$1.98 million increase to volatility due to fixed revenue increase to 24% and a higher volume rate for block 2

# Drought Rates

# Base Drought Rate Option

- Assumptions
  - Stage 3 and Stage 4 drought rates
    - Stage 3 triggered at 600,000 acre feet level of lake storage
      - Once per week hours reduced and possible hand held watering only
    - Stage 4 triggered at approximately 450,000 acre feet level of lake storage
      - No outdoor watering allowed
  - Projections of consumption reductions based on stage 3 and 4 water restrictions
    - Stage 3 reductions approximately 5 billion gallons
    - Stage 4 reductions approximately additional 7 billion gallons
  - System-wide or class volume rate surcharge per 1,000 gallons
  - CAP customers pay or not?

# Base Drought Rate Option

	<u>Projected Consumption (Billions)</u>	<u>Consumption Reduction (Billions)</u>	<u>Estimated Revenue Loss vs. Stage 2</u>	<u>Drought Rate Surcharge (\$/1,000 Gals.)</u>	<u>Surcharge Revenue</u>
Stage 2	40.38	-			
Stage 3	35.43	4.95	(\$29,437,375)	<b>\$0.83</b>	\$29,407,223
Stage 4	28.37	7.06	(\$71,359,332)	<b>\$2.52</b>	\$71,486,953

- Stage 3 implementation projected to reduce consumption a total of 5 billion gallons or 12% below Stage 2 levels
- Stage 4 implementation projected to reduce consumption a total of 12 billion gallons or 30% below Stage 2 levels

# Base Option Stage 3 Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 3 <b>\$0.83</b>	Total Stage 3 Bill	\$ Variance	% Variance
0	\$ 10.10	\$ -	\$ 10.10	\$ -	0.0%
1,000	13.42	0.83	14.25	0.83	6.2%
2,000	16.74	1.66	18.40	1.66	9.9%
5,000	34.15	4.15	38.30	4.15	12.2%
6,000	39.02	4.98	44.00	4.98	12.8%
7,000 Avg Cust. (1)	49.12	5.81	54.93	5.81	11.8%
9,000	65.27	7.47	72.74	7.47	11.4%
15,000	130.65	12.45	143.10	12.45	9.5%
25,000	259.35	20.75	280.10	20.75	8.0%
30,000	330.95	24.90	355.85	24.90	7.5%
60,000	760.55	49.80	810.35	49.80	6.5%

(1) Annualized monthly bills.

# Base Option Stage 3 Residential CAP Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 3 <b>\$0.83</b>	Total Stage 3 Bill	\$ Variance	% Variance
0	\$ -	\$ -	\$ -	\$ -	0.0%
1,000	2.68	0.83	3.51	0.83	31.0%
2,000	5.36	1.66	7.02	1.66	31.0%
5,000	17.15	4.15	21.30	4.15	24.2%
6,000	21.08	4.98	26.06	4.98	23.6%
7,000 Avg Cust. (1)	25.66	5.81	31.47	5.81	22.6%
9,000	37.85	7.47	45.32	7.47	19.7%
15,000	85.79	12.45	98.24	12.45	14.5%
25,000	204.29	20.75	225.04	20.75	10.2%
30,000	276.84	24.90	301.74	24.90	9.0%
60,000	712.14	49.80	761.94	49.80	7.0%

(1) Annualized monthly bills.

# Base Option Stage 4 Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 3 <b>\$2.52</b>	Total Stage 3 Bill	\$ Variance	% Variance
0	\$ 10.10	\$ -	\$ 10.10	\$ -	0.0%
1,000	13.42	2.52	15.94	2.52	18.8%
2,000	16.74	5.04	21.78	5.04	30.1%
5,000	34.15	12.60	46.75	12.60	36.9%
6,000	39.02	15.12	54.14	15.12	38.7%
7,000 Avg Cust. (1)	49.12	17.64	66.76	17.64	35.9%
9,000	65.27	22.68	87.95	22.68	34.7%
15,000	130.65	37.80	168.45	37.80	28.9%
25,000	259.35	63.00	322.35	63.00	24.3%
30,000	330.95	75.60	406.55	75.60	22.8%
60,000	760.55	151.20	911.75	151.20	19.9%

(1) Annualized monthly bills.

# Base Option Stage 4 Residential CAP Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 3 <b>\$2.52</b>	Total Stage 3 Bill	\$ Variance	% Variance
0	\$ -	\$ -	\$ -	\$ -	0.0%
1,000	2.68	2.52	5.20	2.52	94.0%
2,000	5.36	5.04	10.40	5.04	94.0%
5,000	17.15	12.60	29.75	12.60	73.5%
6,000	21.08	15.12	36.20	15.12	71.7%
7,000 Avg Cust. (1)	25.66	17.64	43.30	17.64	68.7%
9,000	37.85	22.68	60.53	22.68	59.9%
15,000	85.79	37.80	123.59	37.80	44.1%
25,000	204.29	63.00	267.29	63.00	30.8%
30,000	276.84	75.60	352.44	75.60	27.3%
60,000	712.14	151.20	863.34	151.20	21.2%

(1) Annualized monthly bills.

# Base Drought Rate Options

- Impacts / Benefits / Concerns
  - Proactive rate approval ready to be implemented when drought conditions intensify
  - Reduce gap of revenue losses due to drought stages
  - Customers who reduce water consumption will be able to at least partially offset any bill impact resulting from drought rate surcharge

# Drought Rate Option #1

- Assumptions
  - Stage 3 and Stage 4 drought rates
    - Stage 3 triggered at 600,000 acre feet level of lake storage
      - Once per week hours reduced and possible hand held watering only
    - Stage 4 triggered at approximately 450,000 acre feet level of lake storage
      - No outdoor watering allowed
  - Projections of consumption reductions based on stage 3 and 4 water restrictions
    - Stage 3 reductions approximately 5 billion gallons
    - Stage 4 reductions approximately additional 7 billion gallons
  - Higher drought rate surcharge as contingency to consumption reduction projections

# Drought Rate Option #1

	<u>Projected Consumption (Billions)</u>	<u>Consumption Reduction (Billions)</u>	<u>Estimated Revenue Loss vs. Stage 2</u>	<u>Drought Rate Surcharge (\$/1,000 Gals.)</u>	<u>Surcharge Revenue</u>
Stage 2	40.38	-			
Stage 3	35.43	4.95	(\$29,437,375)	\$1.00	\$35,430,389
Stage 4	28.37	7.06	(\$71,359,332)	\$2.75	\$78,011,556

- Higher drought rate surcharge as contingency to consumption reduction projections

# Option #1 Stage 3 Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 3 <b>\$1.00</b>	Total Stage 3 Bill	\$ Variance	% Variance
0	\$ 10.10	\$ -	\$ 10.10	\$ -	0.0%
1,000	13.42	1.00	14.42	1.00	7.5%
2,000	16.74	2.00	18.74	2.00	11.9%
5,000	34.15	5.00	39.15	5.00	14.6%
6,000	39.02	6.00	45.02	6.00	15.4%
7,000 Avg Cust. (1)	49.12	7.00	56.12	7.00	14.3%
9,000	65.27	9.00	74.27	9.00	13.8%
15,000	130.65	15.00	145.65	15.00	11.5%
25,000	259.35	25.00	284.35	25.00	9.6%
30,000	330.95	30.00	360.95	30.00	9.1%
60,000	760.55	60.00	820.55	60.00	7.9%

(1) Annualized monthly bills.

# Option #1 Stage 3 Residential CAP Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 3 <b>\$1.00</b>	Total Stage 3 Bill	\$ Variance	% Variance
0	\$ -	\$ -	\$ -	\$ -	0.0%
1,000	2.68	1.00	3.68	1.00	37.3%
2,000	5.36	2.00	7.36	2.00	37.3%
5,000	17.15	5.00	22.15	5.00	29.2%
6,000	21.08	6.00	27.08	6.00	28.5%
7,000 Avg Cust. (1)	25.66	7.00	32.66	7.00	27.3%
9,000	37.85	9.00	46.85	9.00	23.8%
15,000	85.79	15.00	100.79	15.00	17.5%
25,000	204.29	25.00	229.29	25.00	12.2%
30,000	276.84	30.00	306.84	30.00	10.8%
60,000	712.14	60.00	772.14	60.00	8.4%

(1) Annualized monthly bills.

# Option #1 Stage 4 Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 3 <b>\$2.75</b>	Total Stage 3 Bill	\$ Variance	% Variance
0	\$ 10.10	\$ -	\$ 10.10	\$ -	0.0%
1,000	13.42	2.75	16.17	2.75	20.5%
2,000	16.74	5.50	22.24	5.50	32.9%
5,000	34.15	13.75	47.90	13.75	40.3%
6,000	39.02	16.50	55.52	16.50	42.3%
7,000 Avg Cust. (1)	49.12	19.25	68.37	19.25	39.2%
9,000	65.27	24.75	90.02	24.75	37.9%
15,000	130.65	41.25	171.90	41.25	31.6%
25,000	259.35	68.75	328.10	68.75	26.5%
30,000	330.95	82.50	413.45	82.50	24.9%
60,000	760.55	165.00	925.55	165.00	21.7%

(1) Annualized monthly bills.

# Option #1 Stage 4 Residential CAP Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 3 <b>\$2.75</b>	Total Stage 3 Bill	\$ Variance	% Variance
0	\$ -	\$ -	\$ -	\$ -	0.0%
1,000	2.68	2.75	5.43	2.75	102.6%
2,000	5.36	5.50	10.86	5.50	102.6%
5,000	17.15	13.75	30.90	13.75	80.2%
6,000	21.08	16.50	37.58	16.50	78.3%
7,000 Avg Cust. (1)	25.66	19.25	44.91	19.25	75.0%
9,000	37.85	24.75	62.60	24.75	65.4%
15,000	85.79	41.25	127.04	41.25	48.1%
25,000	204.29	68.75	273.04	68.75	33.7%
30,000	276.84	82.50	359.34	82.50	29.8%
60,000	712.14	165.00	877.14	165.00	23.2%

(1) Annualized monthly bills.

# Drought Rate Option #1

- Impacts / Benefits / Concerns
  - Proactive rate approval ready to be implemented when drought conditions intensify
  - Reduce gap of revenue losses due to drought stages
  - Customers who reduce water consumption will be able to at least partially offset any bill impact resulting from drought rate surcharge
  - \$5 million higher revenue under Stage 3 and \$8 million higher revenue under Stage 4 as compared to Base Option
  - Slightly higher bill impacts as contingency to unknown consumption reduction impacts

# Drought Rate Options

- Alternative rate options
  - System-wide volume rate surcharge for all classes
  - Volume rate surcharge for each customer class to recover class revenue losses
  - Fixed rate surcharge through residential tiered fee and non-residential fixed charge
  - Wholesale excluded
  - Increase volume rates for higher blocks – Dallas
  - CAP customers excluded

# Drought Rates - Implementation

- Fee schedule approval by Council
  - Budget submittal would include Drought Rates in fee schedule approved by Council in regular budget process
- Fee schedule provisions for triggers and coming out of stages
  - Provisions for how drought rates are triggered or removed would be included for quick implementation after reaching Stage 3 or 4

# Expense Handout Review

# Expense Handout Review

- Major line item summary
- Transfer out summary
- Line item summary by fund, program and division

# Questions?