



Austin Water Utility

Joint Committee on AWU's Financial Plan

April 30, 2014

New Forecast Options

Requested by Large Volume Representative

Dan Wilcox

4/23/2014

Forecast – Option #7

Assumptions

- More gradual increase to debt service coverage from 1.20 in current year to 1.50

Forecast Summary (\$ in Millions)	Estimate 2014	Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019
Total Revenue	\$508.9	\$519.0	\$531.3	\$540.0	\$594.6	\$646.3
Total Requirements	\$523.8	\$527.7	\$548.4	\$569.5	\$598.0	\$601.4
Ending Balance	\$43.3	\$34.6	\$17.4	(\$12.1)	(\$15.5)	\$29.5
Days of O&M	20	5	(22)	(64)	(66)	(5)
Debt Service Coverage						
Combined	1.31	1.31	1.27	1.20	1.30	1.50
Water	1.20	1.20	1.14	1.08	1.32	1.52
CIP Spending	\$237.3	\$181.8	\$167.5	\$157.1	\$164.3	\$169.1
Cash Funding of CIP %	24.8%	20.0%	20.0%	20.0%	20.0%	20.0%
Rate Increases						
Water	7.4%	0.0%	0.0%	0.9%	16.0%	9.9%

Forecast – Option #7

- Impacts / Benefits / Concerns
 - Debt coverage does not meet financial policies or rating agency benchmarks
 - Significant change in financial policy required
 - Virtually assured of a rating agency downgrade which would increase borrowing costs
 - Ending fund balance cash portion would be negative
 - Reduced cash funding of CIP increases debt service

Forecast – Option #8

Assumptions

- Maintain debt service coverage at 1.20 times for all years of the forecast

Forecast Summary (\$ in Millions)	Estimate 2014	Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019
Total Revenue	\$508.9	\$519.0	\$531.3	\$540.0	\$570.6	\$576.9
Total Requirements	\$523.8	\$527.7	\$548.4	\$569.5	\$597.7	\$600.0
Ending Balance	\$43.3	\$34.6	\$17.4	(\$12.1)	(\$39.2)	(\$62.2)
Days of O&M	20	5	(22)	(64)	(99)	(123)
Debt Service Coverage						
Combined	1.31	1.31	1.27	1.20	1.20	1.20
Water	1.20	1.20	1.14	1.08	1.17	1.16
CIP Spending	\$237.3	\$181.8	\$167.5	\$157.1	\$164.3	\$169.1
Cash Funding of CIP %	24.8%	20.0%	20.0%	20.0%	20.0%	20.0%
Rate Increases						
Water	7.4%	0.0%	0.0%	0.9%	9.0%	2.1%

Forecast – Option #8

- Impacts / Benefits / Concerns
 - Debt coverage does not meet financial policies or rating agency benchmarks
 - Significant change in financial policy required
 - Virtually assured of a rating agency downgrade which would increase borrowing costs
 - Ending fund balance cash portion would be negative
 - Reduced cash funding of CIP increases debt service

Rate Design Options

New Rate Design Option #8
Combination of Option #5 and #6

Rate Design – Option #8

- Assumptions
 - Combination of Options #5 and #6
 - Overall fixed revenue at 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
 - Volume block rate 2 goal to be set at average cost of service rate of \$5.83 over a 2 year transition period
 - Increase the spread between blocks 1 and 5 for the residential tiered fixed fee with higher blocks 4-5

Option #8: Residential Rates

Meter Equivalent Minimum Charge

Meter Size	Existing Minimum Charge	Alternative Option #8 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 5/8" 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 #8
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 #8: Residential Rates

Volumetric Rates (\$/1,000 Gals.)			
Block	Gallons	Existing	Alternative Option #8
Tier 1	0 – 2,000	\$1.84	\$2.15
Tier 2	2,001 – 6,000	\$3.39	\$5.28
Tier 3	6,001 – 11,000	\$6.20	\$7.00
Tier 4	11,001 – 20,000	\$9.95	\$10.69
Tier 5	20,001 - over	\$12.84	\$13.15

Volumetric Rates

- Approximately \$0.31 increase to all blocks
- Maintain \$11.00 spread between blocks 1 and 5

Option #8: 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	11.69	0.60	5.4%
2,000	13.08	14.03	0.95	7.3%
5,000	26.20	33.69	7.49	28.6%
6,000	29.74	39.16	9.42	31.7%
7,000 Avg Cust. (1)	38.35	51.06	12.71	33.1%
9,000	51.74	68.23	16.49	31.9%
15,000	109.94	135.13	25.19	22.9%
25,000	225.39	259.23	33.84	15.0%
30,000	290.34	325.93	35.59	12.3%
60,000	680.04	726.13	46.09	6.8%

(1) Annualized monthly bills.

Option #8: 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	2.23	0.63	39.4%	80.9%
2,000	3.20	4.46	1.26	39.4%	68.2%
5,000	11.75	17.09	5.34	45.4%	49.3%
6,000	14.60	21.30	6.70	45.9%	45.6%
7,000 Avg Cust. (1)	18.37	26.15	7.78	42.4%	48.8%
9,000	28.10	38.88	10.78	38.4%	43.0%
15,000	69.50	88.20	18.70	26.9%	34.7%
25,000	175.70	202.85	27.15	15.5%	21.7%
30,000	241.40	270.50	29.10	12.1%	17.0%
60,000	635.60	676.40	40.80	6.4%	6.8%

(1) Annualized monthly bills.

Option #8: Fixed Revenue

Percentage fixed revenue by class

Class	Existing	Alternative Option #8
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 #8: 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 \$1.42 Million

Option #8

- Impacts / Benefits / Concerns
 - Significant bill impacts to average residential customer of \$12.71 or 33.1%
 - 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%
 - \$1.42 million decrease in volatility

Drought Rates

New Options #2 - #5

Drought Rate Option #2

- 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
 - Class specific drought rates to recover each classes' estimated revenue losses for stage 3 and stage 4

Drought Rate Option #2

	<u>Estimated Revenue Loss vs. Stage 2</u>	<u>Drought Rate Surcharge (\$/1,000 Gals.)</u>	<u>Surcharge Revenue</u>
Residential			
Stage 3	\$10.1	\$0.74	\$10.2
Stage 4	\$29.3	\$2.63	\$29.3
Multifamily			
Stage 3	\$6.1	\$0.84	\$6.1
Stage 4	\$13.0	\$2.25	\$13.0
Commercial			
Stage 3	\$12.1	\$1.41	\$12.0
Stage 4	\$25.8	\$4.20	\$25.8
Large Volume			
Stage 3	\$0.6	\$0.20	\$0.6
Stage 4	\$1.3	\$0.45	\$1.3
Wholesale			
Stage 3	\$0.5	\$0.18	\$0.5
Stage 4	\$2.0	\$0.85	\$2.0

Option #2 Stage 3 Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 3 \$0.74	Total Stage 3 Bill	\$ Variance	% Variance
0	\$ 10.10	\$ -	\$ 10.10	\$ -	0.0%
1,000	13.42	0.74	14.16	0.74	5.5%
2,000	16.74	1.48	18.22	1.48	8.8%
5,000	34.15	3.70	37.85	3.70	10.8%
6,000	39.02	4.44	43.46	4.44	11.4%
7,000 Avg Cust. (1)	49.12	5.18	54.30	5.18	10.5%
9,000	65.27	6.66	71.93	6.66	10.2%
15,000	130.65	11.10	141.75	11.10	8.5%
25,000	259.35	18.50	277.85	18.50	7.1%
30,000	330.95	22.20	353.15	22.20	6.7%
60,000	760.55	44.40	804.95	44.40	5.8%

(1) Annualized monthly bills.

Option #2 Stage 3 Residential CAP Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 3 \$0.74	Total Stage 3 Bill	\$ Variance	% Variance
0	\$ -	\$ -	\$ -	\$ -	0.0%
1,000	2.68	0.74	3.42	0.74	27.6%
2,000	5.36	1.48	6.84	1.48	27.6%
5,000	17.15	3.70	20.85	3.70	21.6%
6,000	21.08	4.44	25.52	4.44	21.1%
7,000 Avg Cust. (1)	25.66	5.18	30.84	5.18	20.2%
9,000	37.85	6.66	44.51	6.66	17.6%
15,000	85.79	11.10	96.89	11.10	12.9%
25,000	204.29	18.50	222.79	18.50	9.1%
30,000	276.84	22.20	299.04	22.20	8.0%
60,000	712.14	44.40	756.54	44.40	6.2%

(1) Annualized monthly bills.

Option #2 Stage 4 Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 4 \$2.63	Total Stage 4 Bill	\$ Variance	% Variance
0	\$ 10.10	\$ -	\$ 10.10	\$ -	0.0%
1,000	13.42	2.63	16.05	2.63	19.6%
2,000	16.74	5.26	22.00	5.26	31.4%
5,000	34.15	13.15	47.30	13.15	38.5%
6,000	39.02	15.78	54.80	15.78	40.4%
7,000 Avg Cust. (1)	49.12	18.41	67.53	18.41	37.5%
9,000	65.27	23.67	88.94	23.67	36.3%
15,000	130.65	39.45	170.10	39.45	30.2%
25,000	259.35	65.75	325.10	65.75	25.4%
30,000	330.95	78.90	409.85	78.90	23.8%
60,000	760.55	157.80	918.35	157.80	20.7%

(1) Annualized monthly bills.

Option #2 Stage 4 Residential CAP Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 4 \$2.63	Total Stage 4 Bill	\$ Variance	% Variance
0	\$ -	\$ -	\$ -	\$ -	0.0%
1,000	2.68	2.63	5.31	2.63	98.1%
2,000	5.36	5.26	10.62	5.26	98.1%
5,000	17.15	13.15	30.30	13.15	76.7%
6,000	21.08	15.78	36.86	15.78	74.9%
7,000 Avg Cust. (1)	25.66	18.41	44.07	18.41	71.7%
9,000	37.85	23.67	61.52	23.67	62.5%
15,000	85.79	39.45	125.24	39.45	46.0%
25,000	204.29	65.75	270.04	65.75	32.2%
30,000	276.84	78.90	355.74	78.90	28.5%
60,000	712.14	157.80	869.94	157.80	22.2%

(1) Annualized monthly bills.

Drought Rate Option #2

- 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
 - Each class would have a separate drought rate and possibly variable duration to recover losses
 - Implementation would be more difficult in billing system requiring more time before implementation

Drought Rate Option #3

- 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
 - Drought rates similar to the Dallas model
 - Residential drought surcharge only on usage above 11,000 gallons
 - Non-Residential drought surcharge on all volumes

Drought Rate Option #3

	Estimated Revenue Loss vs. Stage 2	Drought Rate Surcharge (\$/1,000 Gals.)	Surcharge Revenue
Residential (> 11,000 gal)	\$10.1		
Block 4 Stage 3		\$4.82	\$6.5
Block 5 Stage 3		\$4.82	\$3.7
Residential (> 11,000 gal)	\$29.3		
Block 4 Stage 4		\$44.59	\$19.9
Block 5 Stage 4		\$44.59	\$9.4
Multifamily			
Stage 3	\$6.1	\$0.84	\$6.1
Stage 4	\$13.0	\$2.25	\$13.0
Commercial			
Stage 3	\$12.1	\$1.41	\$12.0
Stage 4	\$25.8	\$4.20	\$25.8
Large Volume			
Stage 3	\$0.6	\$0.20	\$0.6
Stage 4	\$1.3	\$0.45	\$1.3
Wholesale			
Stage 3	\$0.5	\$0.18	\$0.5
Stage 4	\$2.0	\$0.85	\$2.0

Option #3 Stage 3 Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 3 \$4.82	Total Stage 3 Bill	\$ Variance	% Variance
0	\$ 10.10	\$ -	\$ 10.10	\$ -	0.0%
1,000	13.42	-	13.42	-	0.0%
2,000	16.74	-	16.74	-	0.0%
5,000	34.15	-	34.15	-	0.0%
6,000	39.02	-	39.02	-	0.0%
7,000 Avg Cust. (1)	49.12	-	49.12	-	0.0%
9,000	65.27	-	65.27	-	0.0%
15,000	130.65	19.28	149.93	19.28	14.8%
25,000	259.35	67.48	326.83	67.48	26.0%
30,000	330.95	91.58	422.53	91.58	27.7%
60,000	760.55	236.18	996.73	236.18	31.1%

(1) Annualized monthly bills.

Option #3 Stage 3 Residential CAP Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 3 \$4.82	Total Stage 3 Bill	\$ Variance	% Variance
0	\$ -	\$ -	\$ -	\$ -	0.0%
1,000	2.68	-	2.68	-	0.0%
2,000	5.36	-	5.36	-	0.0%
5,000	17.15	-	17.15	-	0.0%
6,000	21.08	-	21.08	-	0.0%
7,000 Avg Cust. (1)	25.66	-	25.66	-	0.0%
9,000	37.85	-	37.85	-	0.0%
15,000	85.79	19.28	105.07	19.28	22.5%
25,000	204.29	67.48	271.77	67.48	33.0%
30,000	276.84	91.58	368.42	91.58	33.1%
60,000	712.14	236.18	948.32	236.18	33.2%

(1) Annualized monthly bills.

Option #3 Stage 4 Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 4 \$44.59	Total Stage 4 Bill	\$ Variance	% Variance
0	\$ 10.10	\$ -	\$ 10.10	\$ -	0.0%
1,000	13.42	-	13.42	-	0.0%
2,000	16.74	-	16.74	-	0.0%
5,000	34.15	-	34.15	-	0.0%
6,000	39.02	-	39.02	-	0.0%
7,000 Avg Cust. (1)	49.12	-	49.12	-	0.0%
9,000	65.27	-	65.27	-	0.0%
15,000	130.65	178.36	309.01	178.36	136.5%
25,000	259.35	624.26	883.61	624.26	240.7%
30,000	330.95	847.21	1,178.16	847.21	256.0%
60,000	760.55	2,184.91	2,945.46	2,184.91	287.3%

(1) Annualized monthly bills.

Option #3 Stage 4 Residential CAP Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 4 \$44.59	Total Stage 4 Bill	\$ Variance	% Variance
0	\$ -	\$ -	\$ -	\$ -	0.0%
1,000	2.68	-	2.68	-	0.0%
2,000	5.36	-	5.36	-	0.0%
5,000	17.15	-	17.15	-	0.0%
6,000	21.08	-	21.08	-	0.0%
7,000 Avg Cust. (1)	25.66	-	25.66	-	0.0%
9,000	37.85	-	37.85	-	0.0%
15,000	85.79	178.36	264.15	178.36	207.9%
25,000	204.29	624.26	828.55	624.26	305.6%
30,000	276.84	847.21	1,124.05	847.21	306.0%
60,000	712.14	2,184.91	2,897.05	2,184.91	306.8%

(1) Annualized monthly bills.

Drought Rate Option #3

- 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
 - Significant bill impacts to higher users
 - Increased risk of not realizing drought surcharge revenue due to high bill impacts causing further conservation
 - Implementation would be more difficult in billing system requiring more time before implementation

Drought Rate Option #4

- 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
 - Use of fixed charges to recover revenue losses for stage 3 and stage 4
 - Residential tiered fee
 - Non-residential use the additional meter based fixed fee

Drought Rate Option #4

	<u>Current Proposed</u>	<u>Drought Surcharge</u>	<u>Tiered Fee</u>	<u>Surcharge Revenue</u>
Stage 3				
Residential Tiered Fee				
Block 1	\$2.20	\$1.00	\$3.20	\$0.30
Block 2	\$5.00	\$3.00	\$8.00	\$3.10
Block 3	\$8.24	\$5.00	\$13.24	\$3.10
Block 4	\$12.60	\$12.60	\$25.20	\$2.60
Block 5	\$12.60	\$12.60	\$25.20	\$1.00
Stage 4				
Residential Tiered Fee				
Block 1	\$2.20	\$4.40	\$6.60	\$1.60
Block 2	\$5.00	\$10.20	\$15.20	\$13.10
Block 3	\$8.24	\$22.50	\$30.74	\$11.20
Block 4	\$12.60	\$35.00	\$47.60	\$2.70
Block 5	\$12.60	\$35.00	\$47.60	\$0.70

Drought Rate Option #4

	<u>Additional Drought Surcharge</u>	<u>Surcharge Revenue</u>
Stage 3		
Multifamily (1" meter)	\$3.72	\$6.1
Commercial (1" meter)	\$9.80	\$12.1
Large Volume	\$52,615.00	\$0.6
Wholesale (\$/1,000)	\$0.18	\$0.5
Stage 4		
Multifamily (1" meter)	\$33.14	\$6.1
Commercial (1" meter)	\$41.61	\$12.1
Large Volume	\$111,794.00	\$1.3
Wholesale (\$/1,000)	\$0.85	\$2.0

Option #4 Stage 3 Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 3 \$1.00	Total Stage 3 Bill	\$ Variance	% Variance
0	\$ 10.10	\$ 1.00	\$ 11.10	\$ 1.00	9.9%
1,000	13.42	1.00	14.42	1.00	7.5%
2,000	16.74	1.00	17.74	1.00	6.0%
5,000	34.15	3.00	37.15	3.00	8.8%
6,000	39.02	3.00	42.02	3.00	7.7%
7,000 Avg Cust. (1)	49.12	5.00	54.12	5.00	10.2%
9,000	65.27	5.00	70.27	5.00	7.7%
15,000	130.65	12.60	143.25	12.60	9.6%
25,000	259.35	12.60	271.95	12.60	4.9%
30,000	330.95	12.60	343.55	12.60	3.8%
60,000	760.55	12.60	773.15	12.60	1.7%

(1) Annualized monthly bills.

Option #4 Stage 3 Residential CAP Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 3 \$1.00	Total Stage 3 Bill	\$ Variance	% Variance
0	\$ -	\$1.00	\$ 1.00	\$ -	0.0%
1,000	2.68	1.00	3.68	1.00	37.3%
2,000	5.36	1.00	6.36	1.00	18.7%
5,000	17.15	3.00	20.15	3.00	17.5%
6,000	21.08	3.00	24.08	3.00	14.2%
7,000 Avg Cust. (1)	25.66	5.00	30.66	5.00	19.5%
9,000	37.85	5.00	42.85	5.00	13.2%
15,000	85.79	12.60	98.39	12.60	14.7%
25,000	204.29	12.60	216.89	12.60	6.2%
30,000	276.84	12.60	289.44	12.60	4.6%
60,000	712.14	12.60	724.74	12.60	1.8%

(1) Annualized monthly bills.

Option #4 Stage 4 Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 4 \$4.40	Total Stage 4 Bill	\$ Variance	% Variance
0	\$ 10.10	\$ 4.40	\$ 14.50	\$ 4.40	43.6%
1,000	13.42	4.40	17.82	4.40	32.8%
2,000	16.74	4.40	21.14	4.40	26.3%
5,000	34.15	10.20	44.35	10.20	29.9%
6,000	39.02	10.20	49.22	10.20	26.1%
7,000 Avg Cust. (1)	49.12	22.50	71.62	22.50	45.8%
9,000	65.27	22.50	87.77	22.50	34.5%
15,000	130.65	35.00	165.65	35.00	26.8%
25,000	259.35	35.00	294.35	35.00	13.5%
30,000	330.95	35.00	365.95	35.00	10.6%
60,000	760.55	35.00	795.55	35.00	4.6%

(1) Annualized monthly bills.

Option #4 Stage 4 Residential CAP Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 4 \$4.40	Total Stage 4 Bill	\$ Variance	% Variance
0	\$ -	\$4.40	\$ 4.40	\$ -	0.0%
1,000	2.68	4.40	7.08	4.40	164.2%
2,000	5.36	4.40	9.76	4.40	82.1%
5,000	17.15	10.20	27.35	10.20	59.5%
6,000	21.08	10.20	31.28	10.20	48.4%
7,000 Avg Cust. (1)	25.66	22.50	48.16	22.50	87.7%
9,000	37.85	22.50	60.35	22.50	59.4%
15,000	85.79	35.00	120.79	35.00	40.8%
25,000	204.29	35.00	239.29	35.00	17.1%
30,000	276.84	35.00	311.84	35.00	12.6%
60,000	712.14	35.00	747.14	35.00	4.9%

(1) Annualized monthly bills.

Drought Rate Option #4

- 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
 - Fixed fee used to collect drought surcharge
 - Surcharge would likely have to be imbedded in current fixed fee which would not be as transparent to the customer

Drought Rate Option #5

- 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
 - Drought rate would be a flat surcharge per customer that would class specific to recover each classes' estimated revenue losses for stage 3 and stage 4

Drought Rate Option #5

	<u>Additional Monthly Fixed Fee</u>	<u>Surcharge Revenue</u>
Stage 3		
Residential	\$4.00	\$9.5
Multifamily	\$90.00	\$6.1
Commercial	\$58.00	\$12.0
Large Volume	\$8,769.00	\$0.6
Wholesale	\$2,269.00	\$0.5
Stage 4		
Residential	\$12.00	\$28.6
Multifamily	\$191.00	\$13.0
Commercial	\$124.00	\$25.7
Large Volume	\$18,632.00	\$1.3
Wholesale	\$9,074.00	\$2.0

Option #5 Stage 3 Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 3 \$4.00	Total Stage 3 Bill	\$ Variance	% Variance
0	\$ 10.10	\$ 4.00	\$ 14.10	\$ 4.00	39.6%
1,000	13.42	4.00	17.42	4.00	29.8%
2,000	16.74	4.00	20.74	4.00	23.9%
5,000	34.15	4.00	38.15	4.00	11.7%
6,000	39.02	4.00	43.02	4.00	10.3%
7,000 Avg Cust. (1)	49.12	4.00	53.12	4.00	8.1%
9,000	65.27	4.00	69.27	4.00	6.1%
15,000	130.65	4.00	134.65	4.00	3.1%
25,000	259.35	4.00	263.35	4.00	1.5%
30,000	330.95	4.00	334.95	4.00	1.2%
60,000	760.55	4.00	764.55	4.00	0.5%

(1) Annualized monthly bills.

Option #5 Stage 3 Residential CAP Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 3 \$4.00	Total Stage 3 Bill	\$ Variance	% Variance
0	\$ -	\$ 4.00	\$ 4.00	\$ -	0.0%
1,000	2.68	4.00	6.68	4.00	149.3%
2,000	5.36	4.00	9.36	4.00	74.6%
5,000	17.15	4.00	21.15	4.00	23.3%
6,000	21.08	4.00	25.08	4.00	19.0%
7,000 Avg Cust. (1)	25.66	4.00	29.66	4.00	15.6%
9,000	37.85	4.00	41.85	4.00	10.6%
15,000	85.79	4.00	89.79	4.00	4.7%
25,000	204.29	4.00	208.29	4.00	2.0%
30,000	276.84	4.00	280.84	4.00	1.4%
60,000	712.14	4.00	716.14	4.00	0.6%

(1) Annualized monthly bills.

Option #5 Stage 4 Residential Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 4 \$12.00	Total Stage 4 Bill	\$ Variance	% Variance
0	\$ 10.10	\$12.00	\$ 22.10	\$ 12.00	118.8%
1,000	13.42	12.00	25.42	12.00	89.4%
2,000	16.74	12.00	28.74	12.00	71.7%
5,000	34.15	12.00	46.15	12.00	35.1%
6,000	39.02	12.00	51.02	12.00	30.8%
7,000 Avg Cust. (1)	49.12	12.00	61.12	12.00	24.4%
9,000	65.27	12.00	77.27	12.00	18.4%
15,000	130.65	12.00	142.65	12.00	9.2%
25,000	259.35	12.00	271.35	12.00	4.6%
30,000	330.95	12.00	342.95	12.00	3.6%
60,000	760.55	12.00	772.55	12.00	1.6%

(1) Annualized monthly bills.

Option #5 Stage 4 Residential CAP Water Bill Impacts

Monthly Usage Gallons 5/8" Meter	Proposed Bills 2015	Surcharge Stage 4 \$12.00	Total Stage 4 Bill	\$ Variance	% Variance
0	\$ -	\$12.00	\$ 12.00	\$ -	0.0%
1,000	2.68	12.00	14.68	12.00	447.8%
2,000	5.36	12.00	17.36	12.00	223.9%
5,000	17.15	12.00	29.15	12.00	70.0%
6,000	21.08	12.00	33.08	12.00	56.9%
7,000 Avg Cust. (1)	25.66	12.00	37.66	12.00	46.8%
9,000	37.85	12.00	49.85	12.00	31.7%
15,000	85.79	12.00	97.79	12.00	14.0%
25,000	204.29	12.00	216.29	12.00	5.9%
30,000	276.84	12.00	288.84	12.00	4.3%
60,000	712.14	12.00	724.14	12.00	1.7%

(1) Annualized monthly bills.

Drought Rate Option #5

- 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
 - Each class would have a separate drought rate flat surcharge per month and possibly variable duration to recover losses
 - Implementation would be more difficult in billing system requiring more time before implementation

Drought Rate Provisions

- Initiation of drought rate surcharge
 - Stage 3 and Stage 4 implementation would trigger surcharge
 - Implementation would be at the next available billing cycle after reaching the stage, but at least 30 days
 - City Manager currently has authority to call Stage 3 and Stage 4 within the drought management plan
 - Board or Commission input

Drought Rate Provisions

- Elimination of drought rate surcharge
 - Immediately upon leaving Stage 3 or Stage 4, the drought surcharge would be eliminated after the current billing cycle, no more than 30 days
 - AWU monitor revenue losses and only eliminate drought surcharge when revenue losses are recovered
 - After leaving stage, only a set number of months afterward before surcharge eliminated
 - Board or Commission input

Discussion and Questions?

Evaluation Matrix

- Joint Committee 2012 Evaluation Matrix
 - Volatility ranking
 - Affordability ranking
 - Conservation ranking
 - Overall ranking
- Each ranking based on rate design summary information
- AWU working on completing evaluation matrix for rate design and drought rate options separately

Expense Review

Expense Handout Review

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

Major Line Item Summary

- Schedule showing FY2010–2013 Actual and FY2014 Approved Budget

Object Code	Object Name	Actual Expenses				Approved Budget
		FY2010	FY2011	FY2012	FY2013	FY2014
5001-5196	Total Personnel Cost	77,441,425	77,991,140	81,678,656	87,945,988	96,542,449
5650	Services-Bio Solid Reuse	-	-	-	2,045,951	4,350,000
5675	Services-security	1,605,556	1,020,706	1,856,381	1,949,642	2,476,584
5860	Services-other	3,887,606	7,514,209	3,386,724	7,686,631	10,887,460
6160	Electric services	16,527,770	17,522,924	21,339,481	22,613,873	22,590,729
6179	Water Services Interlocal	531,485	877,841	1,634,401	432,633	1,230,000
6203	Interdeptl charges	2,476,637	2,420,170	2,474,803	2,224,442	1,602,205
6207	Intradeptl chgs-street cut rpr	5,577,090	6,081,932	8,071,563	7,036,650	8,500,000
6250	Fleet-equip.preventative maint	2,812,120	2,870,811	2,597,969	2,940,008	3,037,553
6255	Transportation-city veh fuel	1,836,605	1,759,453	1,901,824	2,022,482	1,637,678
6324	Insurance-all risk-gen lib	1,049,539	711,730	741,990	878,582	1,054,960
6396	Maintenance-pipelines	1,274,156	1,356,627	1,387,677	1,379,290	2,466,008
6450	Advertising/publication	506,506	864,918	837,117	1,159,777	1,234,701
6805	Water Conservation Rebate	3,313,767	415,131	477,988	480,360	1,580,000
6898	Bad debt expense	1,468,582	853,955	1,252,604	2,288,652	1,350,000
7132	Pipes and fittings	1,189,812	1,561,073	1,348,676	1,354,245	1,390,335
7134	Chemicals	7,476,676	8,928,787	8,485,599	8,806,456	11,065,386
7600	Small tools/minor equipment	932,738	832,089	1,097,184	1,141,471	1,211,918
8142	Commercial paper admin exp	471,681	20,258	511,366	4,080,518	2,651,299

Transfer Out Summary

- Schedule showing FY2013 Actual, FY2014 Approved, and FY2015 Projected

	Actual FY2013	Approved FY2014	Projected FY2015
General Fund Transfer	34.5	37.9	39.0
Administrative Support Transfer	12.3	13.1	14.4
Sustainability Fund	4.8	4.8	5.5
AE Customer Care	18.5	17.2	18.7
AE Power Costs	22.6	22.6	22.6
Communication and Technology Management Fund	3.4	3.5	3.9
Economic Development Fund	0.0	0.6	1.2
Economic Incentives Reserve Fund	0.3	0.3	0.3
Environmental Remediation Fund	0.7	0.4	0.4
311 System Support	1.0	0.3	0.3
PARD - CIP Swimming Pools	0.1	0.1	0.1
Public Improvement District	0.0	0.1	0.1
Street Cut Costs	7.0	8.5	8.5
Total Transfers Out	105.3	109.6	115.0

Program Summary: Treatment

- Schedule showing FY2013 Actual, FY2014 Approved, and FY2015 Projected by Divisions

Division Name	Actual FY2013	Approved FY2014	Projected FY2015
AWU Electrical Services	2,561,998	2,868,424	
AWU Instrumentation & Control	1,949,646	2,337,604	
Laboratory Services	4,500,944	4,885,439	
Lift Stations & Remote Facilities	5,283,654	5,465,066	
Process Engineering	1,029,970	1,030,529	
Pump Stations & Reservoir Maint.	8,135,840	8,332,385	
Treatment Support	1,579,103	1,653,024	
Wastewater Treatment	27,469,956	27,901,792	
Water Treatment	22,967,328	25,651,513	
Treatment	\$ 75,478,439 a,b	\$ 80,125,776b	\$ 77,081,815

a: Amount may vary from Option #14 due to organizational changes or period 13 adjustments.

b: Amount includes Reclaimed Water Services and One Stop Shop.

Program Summary: Pipeline Operations

- Schedule showing FY2013 Actual, FY2014 Approved, and FY2015 Projected by Divisions

Division Name	Actual FY2013	Approved FY2014	Projected FY2015
Collection System Services	12,039,356	13,277,598	
Construction & Rehabilitation Services	4,495,041	4,579,279	
Distribution System Maintenance	14,518,193	15,754,631	
Management Services	2,658,691	1,591,422	
Water Meter Operations	4,509,070	6,537,547	
Pipeline Operations	\$ 38,220,351^a	\$ 41,740,477	\$ 41,040,678

^a: Amount may vary from Option #14 due to organizational changes or period 13 adjustments.

Program Summary: Engineering Services

- Schedule showing FY2013 Actual, FY2014 Approved, and FY2015 Projected by Divisions

Division Name	Actual FY2013	Approved FY2014	Projected FY2015
Collection Engineering	4,561,761	5,570,980	
Distribution Engineering	1,433,713	2,231,156	
Facility Engineering	3,146,370	3,537,905	
Engineering Services	\$ 9,141,844 a	\$ 11,340,041	\$ 11,121,500

a: Amount may vary from Option #14 due to organizational changes or period 13 adjustments.

Program Summary: Water Resources Management

- Schedule showing FY2013 Actual, FY2014 Approved, and FY2015 Projected by Divisions

Division Name	Actual FY2013	Approved FY2014	Projected FY2015
Infrastructure Management	0	1,164,836	
Pipeline Engineering	2,630,634	2,608,001	
System Planning	2,890,196	2,182,242	
Utility Development Services	1,752,401	1,942,308	
Water Resources Management	\$ 7,273,231^{a,b}	\$ 7,897,387^b	\$ 7,508,524

^a: Amount may vary from Option #14 due to organizational changes or period 13 adjustments.

^b: Amount includes Reclaimed Water Services and One Stop Shop.

Program Summary: Environmental Affairs & Conservation

- Schedule showing FY2013 Actual, FY2014 Approved, and FY2015 Projected by Divisions

Division Name	Actual FY2013	Approved FY2014	Projected FY2015
Public Involvement - Advertising	1,241,073	939,595	
Regulatory Support	1,255,725	1,234,670	
Special Services	2,400,269	2,764,698	
Water Conservation	2,561,554	5,499,719	
Wildland Conservation	2,742,166	2,748,788	
Environmental Affairs & Conservation	\$10,200,787^b	\$ 13,187,470^b	\$ 12,437,593

^b: Amount includes Reclaimed Water Services and One Stop Shop.

Program Summary: Support Services

- Schedule showing FY2013 Actual, FY2014 Approved, and FY2015 Projected by Divisions

Division Name	Actual FY2013	Approved FY2014	Projected FY2015
Budget & Accounting	2,570,117	2,615,804	
Customer Services	1,840,401	1,890,610	
Facility Management	3,490,722	3,087,677	
Financial Management	1,607,405	1,548,984	
Information Technology	5,360,750	5,602,501	
Safety & Training	1,065,245	1,437,546	
Security Management	2,260,415	3,378,272	
Support Services - Financial Business Services	18,195,055	19,561,394	
Human Resources	1,234,680	1,212,673	
Internal Audit	526,142	617,426	
Office of Director	1,037,479	1,384,146	
Public Involvement	1,078,778	1,042,254	
Support Services - Direct Reports	3,877,079	4,256,499	
Support Services -Utility	\$ 22,072,134^{a,b}	\$ 23,817,893^b	\$ 23,511,884

^a: Amount may vary from Option #14 due to organizational changes or period 13 adjustments.

^b: Amount includes Reclaimed Water Services and One Stop Shop.

Program Summary: Reclaimed Water Services

- Schedule showing FY2013 Actual, FY2014 Approved, and FY2015 Projected by Programs

Program Name	Actual FY2013	Approved FY2014	Projected FY2015
Treatment	6,492	16,000	
Environmental Affairs & Conservation	292,788	349,309	
Reclaimed Water Services	\$ 299,280	\$ 365,309	\$ 365,309

Program Summary: One Stop Shop

- Schedule showing FY2013 Actual, FY2014 Approved, and FY2015 Projected by Programs

	Actual	Approved	Projected
Program Name	FY2013	FY2014	FY2015
Water Resources Management	343,560	362,953	
Environmental Affairs & Conservation	69,185	87,909	
Support Services - Utility	240,758	137,001	
One Stop Shop	\$ 653,503	\$ 587,863	\$ 587,863

Program Summary: Other Operating Expenses

- Schedule showing FY2013 Actual, FY2014 Approved, and FY2015 Projected by Object Codes

Object Code Description	Actual FY2013	Approved FY2014	Projected FY2015
City Auditor's Office	100,000	100,000	100,000
Legal Fees	170,380	870,000	870,000
Glenlake Water Service Agreement	283,047	330,000	330,000
Contingency	0	1,256,225	1,256,225
AFD Hazardous Materials Prevention	445,030	445,030	445,030
General Liability Insurance	878,582	1,051,000	1,051,000
Private Lateral Grant	0	500,000	500,000
Bad Debt Expense	2,991,203	1,350,000	2,850,693
Microcomputer Application Software	306,853	307,000	307,000
SWAP Cost & Commercial Paper Admin Expense	4,093,669	3,878,254	3,878,254
Misc. Expenses	1,173,733	1,194,064	941,121
Other Operating Expenses	\$ 10,442,497	\$ 11,281,573	\$ 12,529,323

Discussion and Questions?