

**AUSTIN WATER COST OF SERVICE RATE STUDY
PUBLIC INVOLVEMENT COMMITTEE
FEBRUARY 21, 2017 – 4:00 P.M.
WALLER CREEK CENTER – ROOM #104
625 E. 10TH STREET, AUSTIN, TEXAS**



AGENDA

For more information, please visit <http://www.austintexas.gov/department/2016-cost-service-rate-study>

MISSION: The purpose of the Public Involvement Committee (PIC) is to examine the methodology being developed to determine cost of service for all customer classes with a primary focus on the retail customer classes, discuss the impacts of key cost of service factors, and advise the Austin Water Executive Team in their decision-making process.

MEETING GOALS: Discuss the cost allocation process and the development of units of service for each customer class.

CALL TO ORDER

1. CITIZEN COMMUNICATION

The first 10 speakers signed up prior to the meeting being called to order will each be allowed a three-minute allotment to address their concerns regarding items not posted on the agenda.

2. DISCUSSION ITEMS

- a. Previous PIC Meeting Review
- b. Drainage Fee
- c. Customer Assistance Program
- d. Financial Benchmarks
- e. Affordability
- f. Residential Rate Subsidy
- g. Fire Demand Meter Fixed Charge

3. COMMITTEE DISCUSSION

- a. PIC Member Questions and Discussion

4. FUTURE AGENDA ITEMS

5. PUBLIC COMMENT

6. ADJOURN



Presentation | PIC



Presentation | PIC



Presentation | PIC



Presentation | PIC

CITY OF AUSTIN



DECISION POINTS PIC Meeting #10 / February 21, 2017



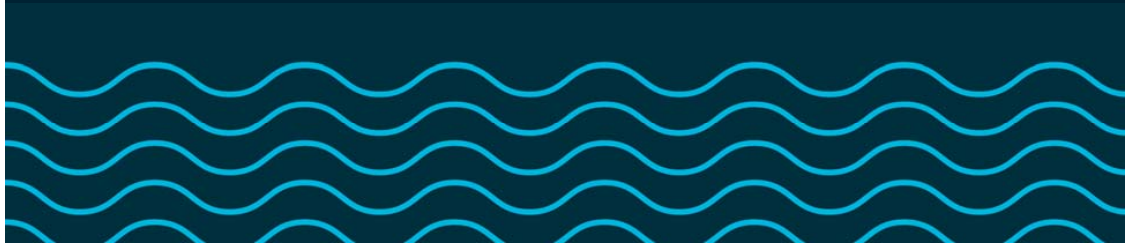
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TODAY'S PIC MEETING

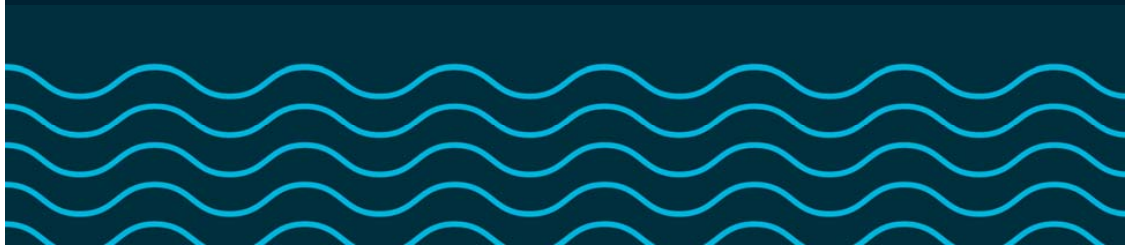
1. Welcome
2. Citizen Comment (Standard Format – 3 Min)
3. Executive Team Recap
4. Question and answer update
5. PIC comments from the last meeting
6. Customer Assistance Program, financial benchmarks and other decision points discussion
7. Summary of today's meeting and look ahead
8. PIC and Public Comments
9. Adjourn

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CITIZEN COMMENT



EXECUTIVE TEAM RECAP



QUESTION AND ANSWER UPDATE

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PIC COMMENTS FROM LAST MEETING

A decorative horizontal band featuring multiple parallel, wavy lines in a light blue color against a dark blue background.

RATES AND OTHER DECISION POINTS



Austin Water Rates and Other Decision Points

Joseph Gonzales, Utility Budget & Finance Manager



ALLOCATION OF DRAINAGE FEES TO WHOLESALE CUSTOMERS

| Disallowance | Definition/ Explanation | RFC Perspective |
|---------------------------|---|---|
| Drainage Fees (Issue #17) | City of Austin utility departments charge other City departments for utility services, including drainage fees for impervious cover at AW facilities. AW is charged using same formula/rates as all other properties. | <ul style="list-style-type: none"> Costs similar to other utilities' services, such as electricity and natural gas Cost of doing business Allocated to all customers |

Sample Calculation (Waller Creek Center Facility)

| Impervious Cover-SF (A) | Adjustment Factor (B) | Monthly Rate (C) | Monthly Charge (A x B x C) |
|-------------------------|-----------------------|------------------|----------------------------|
| 48,887 | 1.10 | .005 | \$268.88 |

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CUSTOMER ASSISTANCE PROGRAM

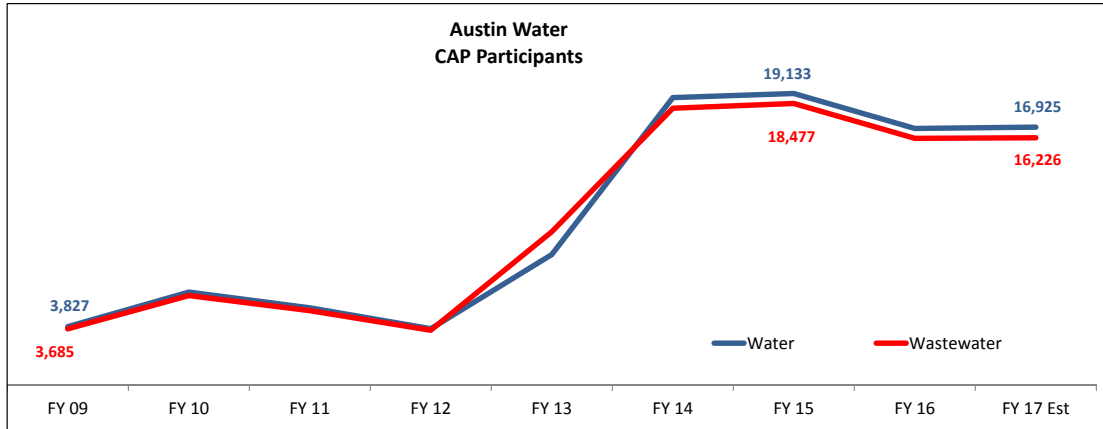
- Discount program administered by Austin Energy
- Austin Water participation began in FY 2009
- Approximately 17,000 CAP participants
- Waived monthly water meter charge
- Waived monthly water tiered fixed fee
- Discounted volumetric water rates
- Waived monthly wastewater customer charge

| | 2017 Average Monthly Bill Comparison: Non-CAP vs. CAP | | | |
|------------|---|----------|-------------|------------|
| | Non-CAP | CAP | \$ Discount | % Discount |
| Water | \$ 41.59 | \$ 22.86 | \$ 18.73 | 45.0% |
| Wastewater | 41.60 | 31.30 | 10.30 | 24.8% |
| Combined | \$ 83.19 | \$ 54.16 | \$ 29.03 | 34.9% |

Note: Bills based on 5,800 Gals water and 4,000 Gals. wastewater

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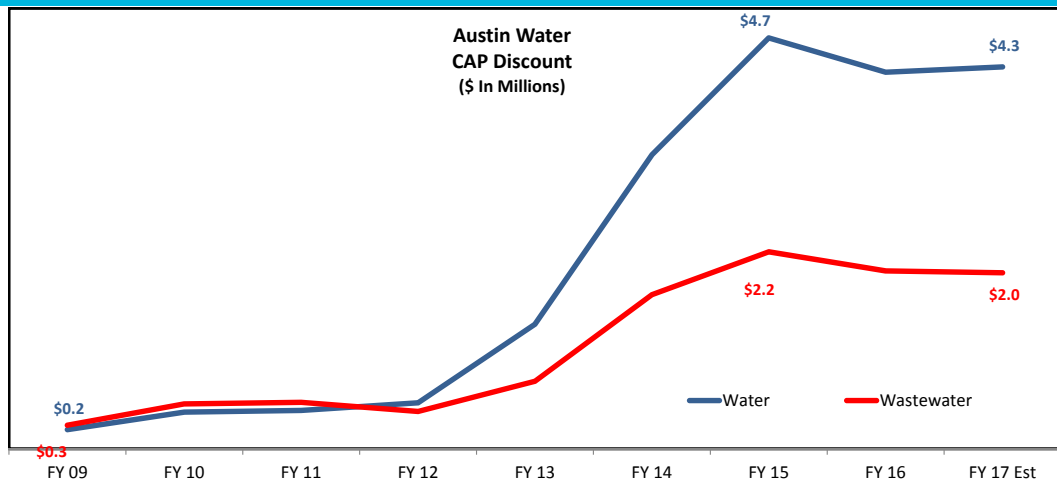
CUSTOMER ASSISTANCE PROGRAM



- Significant enrollment increase from FY 2012 – FY 2014
 - AE contracted with a third-party vendor to automatically enroll customers
- CAP enrollment peaked in FY 2015
- Drop in CAP enrollment due to changes in the admission and qualification criteria

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CUSTOMER ASSISTANCE PROGRAM



- AW COS discount target approximately 35%
 - FY 2017 COS discount is \$6.3 million
 - \$4.3 million water
 - \$2.0 million wastewater

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CUSTOMER ASSISTANCE PROGRAM

- CAP Program Cost Recovery
 - Current methodology - Higher volumetric rates for Non-CAP retail customer classes
- Alternative Recovery Options
 - Implement a volumetric surcharge, similar to the Community Benefit Charge (CBC) included in the electric component of the utility bill
 - Higher fixed fees for Non-CAP retail customer classes
- Decision Points
 - Level of CAP discount
 - AW initial recommendation is to implement CBC
 - More transparent
 - Statutorily defined usage
 - Separate water/wastewater rates
 - Rate neutral approach if implemented
 - Inclusion of other program costs

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FINANCIAL BENCHMARK TARGETS

| Debt Service Target 1.85 | Estimated 2016-17 | Projected 2017-18 | Projected 2018-19 | Projected 2019-20 | Projected 2020-21 | Projected 2021-22 | Projected 2022-23 | Projected 2023-24 | Projected 2024-25 | Projected 2025-26 | Projected 2026-27 |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| DSC | 1.75 | 1.73 | 1.74 | 1.76 | 1.78 | 1.79 | 1.80 | 1.81 | 1.82 | 1.83 | 1.85 |
| Days Cash (Including Reserve) | 274 | 288 | 286 | 289 | 300 | 304 | 312 | 322 | 333 | 343 | 350 |
| Equity Financing of Capital | 35.8% | 42.3% | 45.7% | 48.5% | 49.3% | 49.8% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% |

| Debt Service Target 1.50 | Estimated 2016-17 | Projected 2017-18 | Projected 2018-19 | Projected 2019-20 | Projected 2020-21 | Projected 2021-22 | Projected 2022-23 | Projected 2023-24 | Projected 2024-25 | Projected 2025-26 | Projected 2026-27 |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| DSC | 1.75 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |
| Days Cash (Including Reserve) | 274 | 227 | 166 | 116 | 73 | 21 | -26 | -71 | -119 | -166 | -216 |
| Equity Financing of Capital | 35.8% | 42.3% | 45.7% | 48.5% | 49.3% | 49.8% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% |

| Debt Service Target 1.60 | Estimated 2016-17 | Projected 2017-18 | Projected 2018-19 | Projected 2019-20 | Projected 2020-21 | Projected 2021-22 | Projected 2022-23 | Projected 2023-24 | Projected 2024-25 | Projected 2025-26 | Projected 2026-27 |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| DSC | 1.75 | 1.60 | 1.60 | 1.60 | 1.60 | 1.60 | 1.60 | 1.60 | 1.60 | 1.60 | 1.60 |
| Days Cash (Including Reserve) | 274 | 256 | 218 | 188 | 165 | 132 | 105 | 80 | 54 | 29 | -1 |
| Equity Financing of Capital | 35.8% | 42.3% | 45.7% | 48.5% | 49.3% | 49.8% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% |

- AW Debt Service Coverage Financial Policy – Debt service coverage of 1.50x shall be targeted
- 1.50x or 1.60x debt service coverage targets are insufficient to maintain adequate levels of cash reserves, infrastructure investments, and operations at the current level of debt service requirements

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FINANCIAL BENCHMARK TARGETS

| Debt Service Target 1.70 | Estimated 2016-17 | Projected 2017-18 | Projected 2018-19 | Projected 2019-20 | Projected 2020-21 | Projected 2021-22 | Projected 2022-23 | Projected 2023-24 | Projected 2024-25 | Projected 2025-26 | Projected 2026-27 |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| DSC | 1.75 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 |
| Days Cash (Including Reserve) | 274 | 291 | 281 | 275 | 274 | 263 | 252 | 241 | 228 | 215 | 198 |
| Equity Financing of Capital | 35.8% | 42.3% | 45.7% | 48.5% | 49.3% | 49.8% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% |

Rate Impact: 4% lower rate increases over 10 year period as compared to DSC target of 1.85 (or 3% lower with reduced equity financing)

| Debt Service Target 1.80 | Estimated 2016-17 | Projected 2017-18 | Projected 2018-19 | Projected 2019-20 | Projected 2020-21 | Projected 2021-22 | Projected 2022-23 | Projected 2023-24 | Projected 2024-25 | Projected 2025-26 | Projected 2026-27 |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| DSC | 1.75 | 1.73 | 1.74 | 1.74 | 1.75 | 1.76 | 1.76 | 1.76 | 1.77 | 1.78 | 1.80 |
| Days Cash (Including Reserve) | 274 | 288 | 286 | 285 | 292 | 288 | 288 | 289 | 291 | 293 | 292 |
| Equity Financing of Capital | 35.8% | 42.3% | 45.7% | 48.5% | 49.3% | 49.8% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% |

Rate Impact: 1.5% lower rate increases over 10 year period as compared to DSC target of 1.85

| Debt Service Target 1.85 | Estimated 2016-17 | Projected 2017-18 | Projected 2018-19 | Projected 2019-20 | Projected 2020-21 | Projected 2021-22 | Projected 2022-23 | Projected 2023-24 | Projected 2024-25 | Projected 2025-26 | Projected 2026-27 |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| DSC | 1.75 | 1.73 | 1.74 | 1.76 | 1.78 | 1.79 | 1.80 | 1.81 | 1.82 | 1.83 | 1.85 |
| Days Cash (Including Reserve) | 274 | 288 | 286 | 289 | 300 | 304 | 312 | 322 | 333 | 343 | 350 |
| Equity Financing of Capital | 35.8% | 42.3% | 45.7% | 48.5% | 49.3% | 49.8% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% |

- 1.70x debt service coverage target results in reduced levels of cash reserves
- 1.80x or higher debt service coverage target provides moderate financial benchmark improvement
- AW initial debt service coverage recommendation is 1.85x

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FINANCIAL BENCHMARK DECISION POINTS

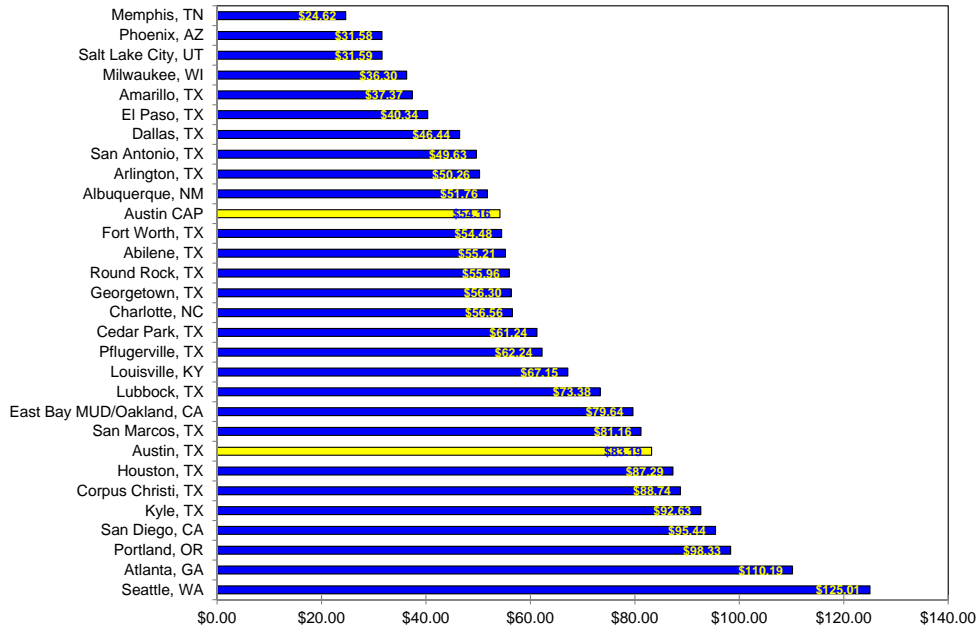
Appropriate financial benchmark targets:

- Debt Service Coverage
- Operating Reserves
- Revenue Stability Reserve Fund
- Capital Project Cash Funding

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RATE AFFORDABILITY

FY 17 Average Combined Monthly Residential Bill Comparison

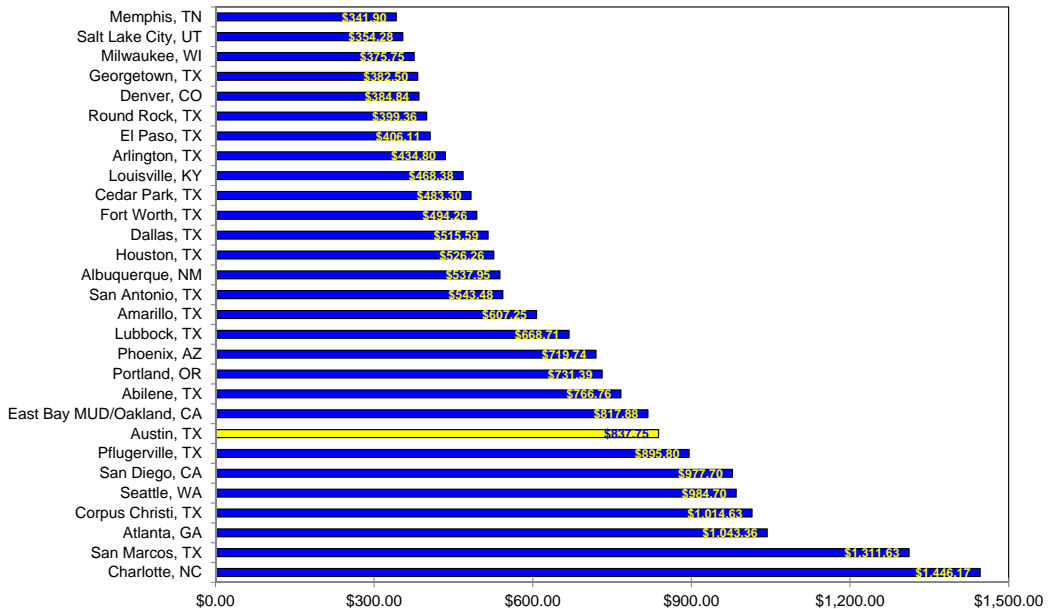


5,800 gallons water consumption and 4,000 gallons wastewater flows

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RATE AFFORDABILITY

FY 17 Average Monthly Multifamily Water Bill Comparison

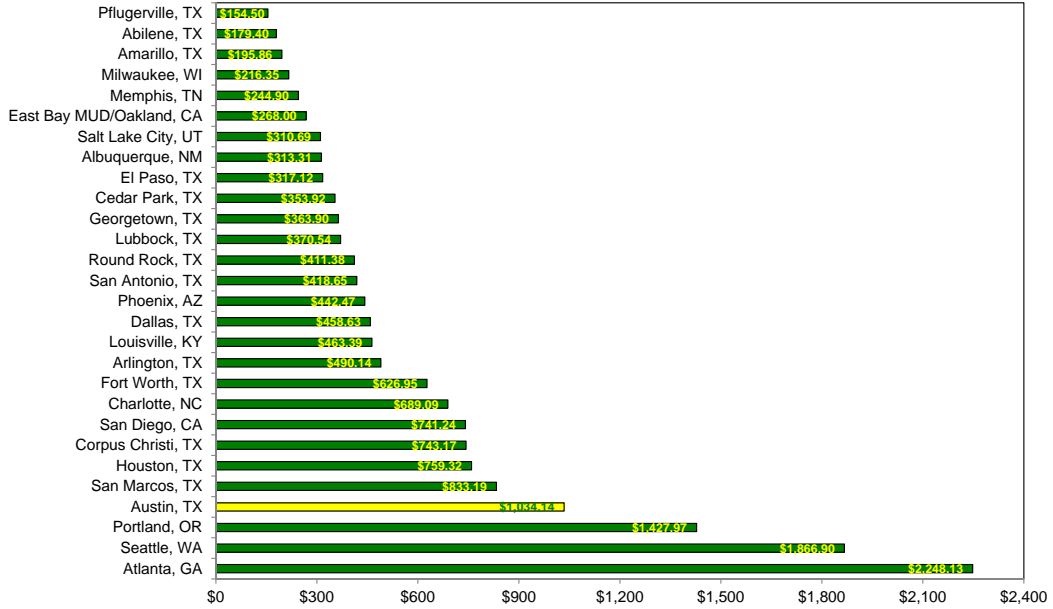


127,500 gallons water consumption

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RATE AFFORDABILITY

FY 17 Average Monthly Multifamily Wastewater Bill Comparison

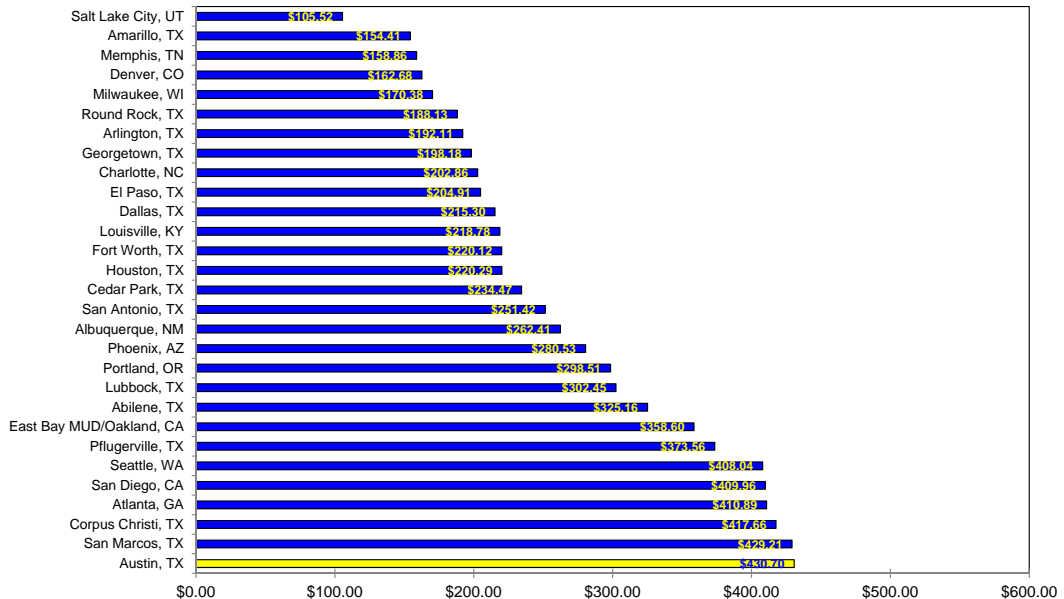


108,000 gallons wastewater flows

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RATE AFFORDABILITY

FY 17 Average Monthly Commercial Water Bill Comparison

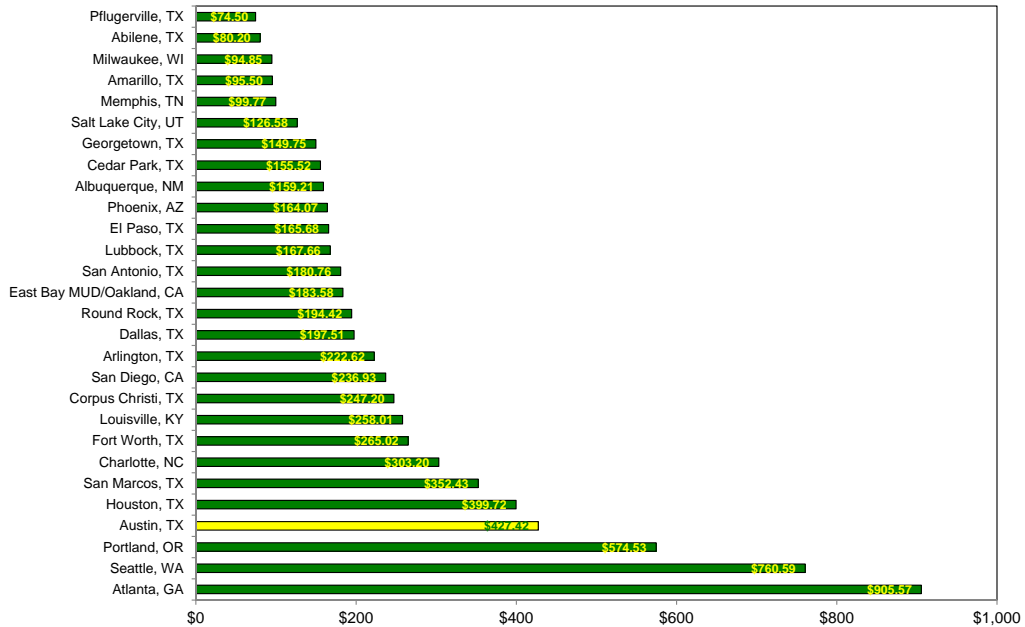


51,000 gallons water consumption

20

RATE AFFORDABILITY

FY 17 Average Monthly Commercial Wastewater Bill Comparison

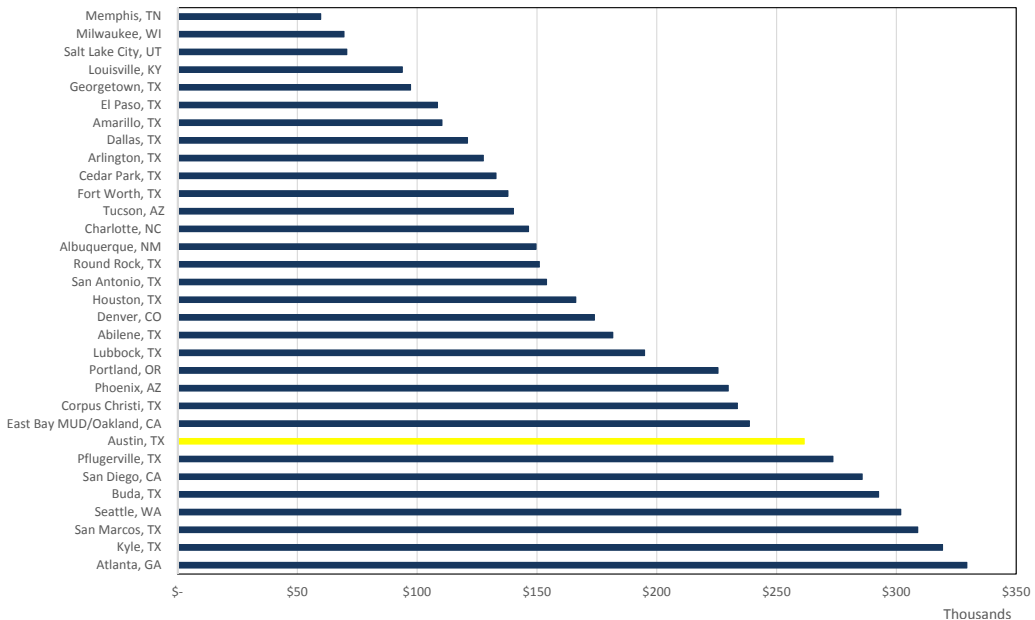


44,000 gallons wastewater flows

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RATE AFFORDABILITY

FY 17 Average Monthly Average Large Volume Water Bill Comparison

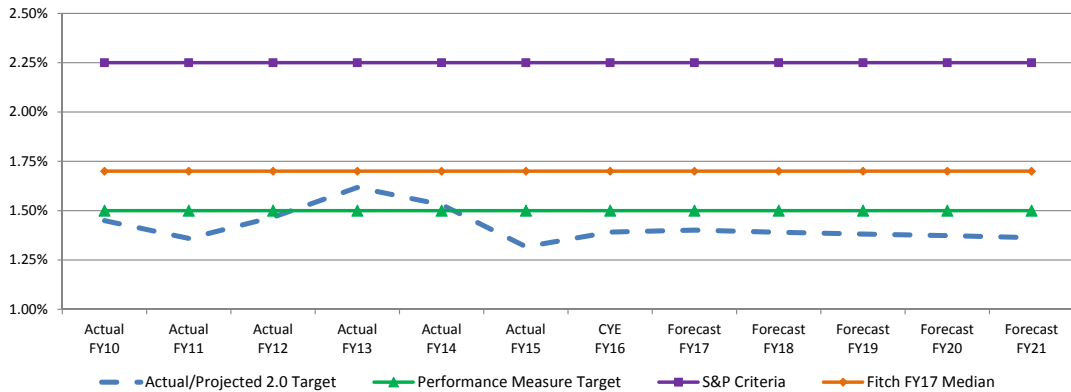


40.0 MG water consumption

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AUSTIN WATER AFFORDABILITY EFFORTS

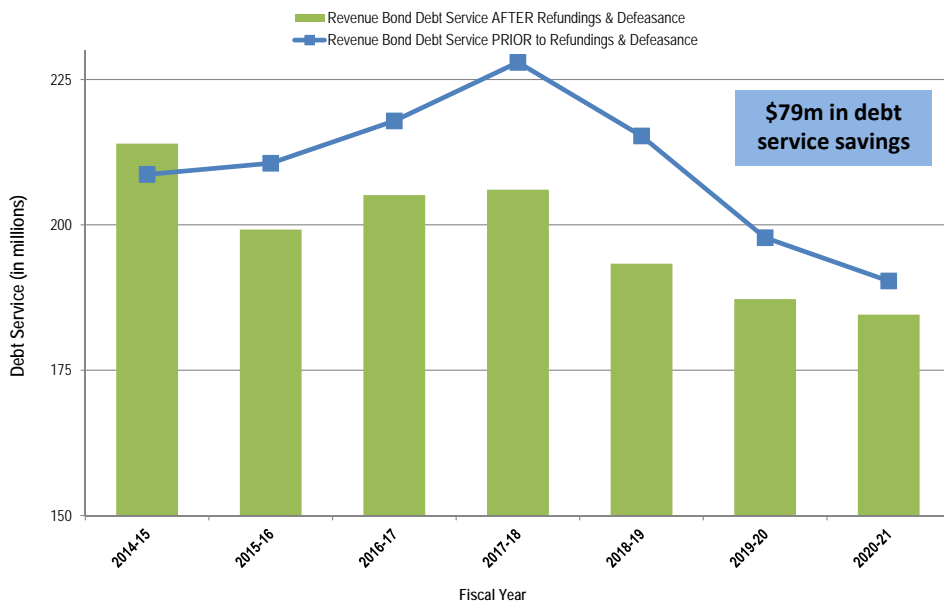
Average Annual Bill % of Median Household Income



- Proposed Performance Measure – FY 18
- Austin Median Household Income – \$11,000 higher than Texas/U.S. MHI
- Austin MHI increasing at faster rate than Texas/U.S.
- EPA recently increased affordability criteria from 2.25% to 4.5% of MHI for combined water/wastewater bill

AUSTIN WATER AFFORDABILITY EFFORTS

Debt Service Requirements, Before and After Debt Management Strategies



RESIDENTIAL RATE SUBSIDY

| Customer Class | Water COS 2009 Status | Water Current COS Status – 2017 |
|----------------|-----------------------|---------------------------------|
| Residential | 93% | 96% |
| Multifamily | 100% | 100% |
| Commercial | 109% | 104% |
| Large Volume | 109% | 104% |
| Wholesale | 100% | 100% |

- Elimination of Residential Rate Subsidy
 - City Council approved elimination of subsidy over a 5 – 7 year period following 2008 COS study
 - Wastewater subsidy fully eliminated in FY 10
 - AW initial recommendation is to fully eliminate residential rate subsidy

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FIRE DEMAND METER FIXED CHARGE

- Fire Demand Meter
 - Compound meter consisting of two or more meters
 - Smaller meter generally provides for daily domestic use
 - Larger meter sized for excess flow including fire demand
 - CRF fee based on domestic use; monthly fixed charge based on larger meter size



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FIRE DEMAND METER FIXED CHARGE

Multifamily

| Meter Size | 5/8" | 3/4" | 1" | 1-1/2" | 2" | 3" | 4" | 6" | 8" | 10" |
|------------------------------|---------|---------|---------|----------|----------|----------|----------|------------|------------|------------|
| 2008-09 | \$6.25 | \$7.21 | \$8.55 | \$12.39 | \$16.23 | \$33.13 | \$52.33 | \$100.33 | \$148.33 | \$196.33 |
| 2009-10 (COS - Fire Demand) | \$6.70 | \$7.91 | \$9.38 | \$14.52 | \$21.55 | \$39.32 | \$76.04 | \$152.05 | \$837.18 | \$875.94 |
| 2010-11 | \$7.10 | \$9.00 | \$11.00 | \$15.25 | \$25.00 | \$50.00 | \$90.00 | \$180.00 | \$800.00 | \$850.00 |
| 2011-12 (Add RSF) | \$11.50 | \$16.60 | \$21.50 | \$36.00 | \$53.00 | \$121.00 | \$205.00 | \$410.00 | \$1,170.00 | \$1,330.00 |
| 2012-13 (Remove RSF. Add JC) | \$16.05 | \$23.43 | \$36.38 | \$66.75 | \$106.60 | \$200.20 | \$332.75 | \$666.50 | \$1,462.00 | \$1,925.25 |
| 2013-14 | \$14.35 | \$22.00 | \$32.00 | \$59.00 | \$94.00 | \$176.00 | \$295.00 | \$594.00 | \$1,366.00 | \$1,780.00 |
| 2014-15 | \$17.67 | \$29.00 | \$40.00 | \$76.00 | \$121.00 | \$228.00 | \$382.00 | \$767.00 | \$1,722.00 | \$2,252.00 |
| 2015-16 | \$25.70 | \$41.00 | \$62.00 | \$118.00 | \$190.00 | \$366.00 | \$604.00 | \$1,213.00 | \$2,534.00 | \$3,375.00 |
| 2016-17 | \$24.35 | \$39.00 | \$58.00 | \$112.00 | \$180.00 | \$347.00 | \$567.00 | \$1,138.00 | \$2,296.00 | \$3,090.00 |

- Increased fixed fee % target heavily impacts low volume multifamily customers
 - Multifamily class target for fixed fee revenues equals 20.5% of total revenues
 - Actual % of fixed fee revenue for customers with fire demand meters is as high as 91% for low volume customers

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FIRE DEMAND METER FIXED CHARGE

Options to address fire demand meter fixed charge issue

- Set up separate meter structure for fire demand meters
 - Base fixed meter charges on smaller meter size
 - Base fixed meter charges on domestic use equivalent meter size
- Set up separate rate class for low volume multifamily customers

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SUMMARY AND LOOK AHEAD

RECAP OF TODAY'S DISCUSSION

- I. Drainage Fee
- II. Customer Assistance Program
- III. Financial Benchmarks
- IV. Affordability
- V. Residential Rate Subsidy
- VI. Fire Demand Meter Fixed Charge
- VII. Decision Points: PIC Input

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PIC - SCHEDULE & TOPICS

| Meeting | Day | Date | Objective |
|---------|-----|--------|--|
| 1 | Tue | 27-Sep | Orientation |
| 2 | Wed | 5-Oct | Revenue Requirements |
| 3 | Tue | 25-Oct | Revenue Requirements-Cont'd |
| 4 | Tue | 8-Nov | Revenue Requirements-Cont'd |
| 5 | Tue | 29-Nov | Revenue Requirements-Cont'd |
| 6 | Tue | 13-Dec | Water Cost Allocation |
| 7 | Wed | 4-Jan | Decision Points |
| 8 | Tue | 17-Jan | Decision Points |
| 9 | Tue | 31-Jan | Wastewater Cost Allocation/Financial Benchmarks |
| 10 | Tue | 21-Feb | Customer Assistance Program/Financial Benchmarks/Other Decision Points |
| 11 | Tue | 6-Mar | Decision Point Recommendations |
| 12 | Wed | 22-Mar | Decision Point Recommendations/Overview of Results |
| 13 | Mon | 10-Apr | Overview of Results and Wrap-up |
| 14 | Tue | 25-Apr | Overview of Results and Wrap-up (if necessary) |

**ADDITIONAL
COMMENTS**

ADJOURN



THANK YOU



CONTACT: RICK GIARDINA

rgiardina@raftelis.com

www.raftelis.com



Question & Answer Summary | PIC



Question & Answer Summary | PIC



Question & Answer Summary | PIC



Question & Answer Summary | PIC

Austin Water
 COS Rate Study 2016 - Q&A Summary
 As of 02/17/2017

| | |
|--|--|
| | New questions submitted since last PIC/WIC |
| | Information not yet available |
| | New responses posted since last PIC/WIC |
| | Responses previously posted on website |

| ID | Class | Topic | Requestor | Question | Status | Summary Response |
|-----|-------------|-------------------------|----------------|--|------------|------------------|
| 984 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 02/16/2017 Do you use a different income eligibility requirement than Austin Energy for your CAP customer bill discount program? If so,: a. What is your income eligibility requirement? b. How does Austin Energy implement that requirement? | InProgress | |
| 983 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 02/16/2017 Please tell me the family size you relied upon for developing your MHI CAP amount (\$ 54,265-adjusted for CPI inflation) in your response to Question No. 833. | InProgress | |
| 982 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 02/16/2017 You refer to MHI in response to Question No. 833. You provide \$ 67,831 for FY MHI for non-CAP customers. Please tell me the family size that you relied upon for developing your MHI non-CAP amount? | InProgress | |
| 981 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 02/16/2017 In your response to Question No. 865 you identify a bad debt expense (Account No. 6802) and a commission on debt (Account No. 6804). Please explain what is a commission on debt and how, if at all is it related to bad debt. In your explanation, please address whether you received revenues relating to a commission on debt expense, and if so, how those revenues were treated for COS purposes. | InProgress | |
| 980 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 02/16/2017 Please answer the following questions that derive from the 2017 Water and Sewer Medians report by Fitch ratings. In your responses please use data points, if possible, from the same time period. Please also identify the time period relied upon in your answers. In answering these questions, please rely upon the Fitch ratings report's definitions for their meaning. a. What is your water treatment capacity remaining (%)? b. What is your sewer treatment capacity remaining (%)? c. What is your age of plant (in years) involving the water utility? d. What is your age of plant (in years) involving the wastewater utility? | InProgress | |
| 979 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 02/16/2017 Please explain the inconsistencies in the levels of debt addressed in your answer to Question No. 942 and in your answer to Question No. 838. In addition to the timing (FY 2015 for Question No. 942 and FY 2016 for Question No. 838), please address whether different and/or additional source data were relied upon in deriving the different answers and what that source data were. | InProgress | |

Austin Water
 COS Rate Study 2016 - Q&A Summary
 As of 02/17/2017

| | |
|--|--|
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| | Information not yet available |
| | New responses posted since last PIC/WIC |
| | Responses previously posted on website |

| ID | Class | Topic | Requestor | Question | Status | Summary Response |
|-----|-------------|---------------------------------|----------------|---|------------|---|
| 978 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 02/09/2017 What is the status of the Austin Energy promised review of the utility billing system costs allocation that was to occur during FY 2017. (reference, your response to Question No. 840) If the review has been completed, please provide a copy of that review. | Posted | Posted: 2/17/2017 Austin Energy (AE) has submitted a Scope of Work to various firms and expects to receive proposals by the end of February. AE hopes to select a vendor to conduct the review of the Customer Care & Billing cost allocation model in early March. A timeline for the completion of this project will not be available until a vendor is selected. |
| 977 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 02/09/2017 Please provide both the budgeted and the actual costs incurred related to your utility-wide allowance fund for the following FYs: FY 2012, 2013, 2014, 2015, 2016. | InProgress | |
| 976 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 02/09/2017 Your response to Question No. 900, p. 4 reveals that the reclaimed water utility had an estimated 370 days of cash on hand, higher than the estimated days of cash on hand for WW or for the water utilities. Since the reclaimed water utility is currently being subsidized by the w and ww utilities, please explain how the reclaimed water utility can have days of cash on hand - especially greater than the w or ww utilities' respective days of cash on hand. | InProgress | |
| 975 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 02/09/2017 What research, if any, have you performed or received concerning water leaks involving your CAP customers? In your response, please provide any studies, reports, memos and such other written information prepared by or provided to you that address this issue. | InProgress | |
| 974 | Residential | Customer Demand Characteristics | Lanetta Cooper | Submitted: 02/09/2017 Without disclosing the identity of the customers please provide the workpapers relied upon by you in developing the peaking factors referred to in the previous question regarding CAP customer peaking factors. | InProgress | |

Austin Water
 COS Rate Study 2016 - Q&A Summary
 As of 02/17/2017

| | |
|--|--|
| | New questions submitted since last PIC/WIC |
| | Information not yet available |
| | New responses posted since last PIC/WIC |
| | Responses previously posted on website |

| ID | Class | Topic | Requestor | Question | Status | Summary Response |
|-----|-------------|---------------------------------|----------------|--|--------|--|
| 973 | Residential | Customer Demand Characteristics | Lanetta Cooper | <p>Submitted: 02/09/2017 The December 13, 2016 report provided the W/WW PIC at p. 22 (slide No. 35) revealed that residential CAP customers had higher retail peaking factors. Please explain how the values were derived. In responding to this question please address how billings, if at all, were utilized in developing the peaking factors.</p> | Posted | <p>Posted: 2/17/2017 Currently Austin Water uses the following method for calculating customer class peaking factors: "Class Peak Day Factor" = ((Class Peak Month Demand/Class Average Month Demand) X (System Peak Day Demand/System Peak Month Demand)) "Class Peak Hour Factor" = ((Class Peak Month Demand/Class Average Month Demand) X (System Peak Hour Demand/System Peak Month Demand)) Customer billing data for each class is extracted from the Customer Care and Billing system, (CCB) on a monthly basis and is used to populate the Utility's Cost of Service models.</p> |
| 972 | Residential | Allocation Methodologies | Lanetta Cooper | <p>Submitted: 02/09/2017 According to our October 5, 2016 meeting, the Texas PUC disallowed Green Water treatment plant capital costs. According to COA answers to a request for information (Question 920) the COA has no outstanding debt service obligations for this plant. Is the Green Water treatment plant decommissioned? If so, how are the costs relating to the Green Water treatment plant to be addressed under a ROR methodology. Specifically include addressing whether the treatment plant will be listed as a capital asset for purposes of deriving a ROR.</p> | Posted | <p>Posted: 2/17/2017 The Green Water Treatment Plant (GWTP) is decommissioned and the asset was removed from the general ledger at the time of decommissioning. Because the GWTP is no longer "used and useful", the plant would not be included as a capital asset under the Rate of Return (ROR) methodology.</p> |
| 971 | Residential | General Cost of Service | Lanetta Cooper | <p>Submitted: 02/09/2017 For the FY 2017 Reclaimed Water utility's COS, what was the amount of debt allocated to residential customers, if any? What was the debt-service coverage ratio you relied upon for the FY 2017 reclaimed water utility? In providing the answer, please do not include the estimated revenues transferred from the water utility and the wastewater utility in calculating the debt service coverage. Please identify the estimated revenues transferred from the water utility and from the wastewater utility for FY 2017.</p> | Posted | <p>Posted: 2/17/2017 Austin Water does not allocate Reclaimed debt to residential customers as the Reclaimed utility does not serve residential customers. The FY 2017 targeted debt service coverage for Reclaimed Water is 0.88x. Reclaimed debt service coverage only includes revenue collected in the Reclaimed water fund does not include Transfers In from the Water and Wastewater funds. The FY 2017 budget includes a transfer of \$3,400,000 to the Reclaimed fund which is an equal transfer of \$1,700,000 from the Water fund and the Wastewater fund.</p> |

Austin Water
 COS Rate Study 2016 - Q&A Summary
 As of 02/17/2017

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| 970 | Residential | Customer Demand Characteristics | Lanetta Cooper | Submitted: 02/09/2017 Please provide the billing frequencies for the CAP water utility customers for the following fiscal years: FY 2014; FY 2015; FY 2016; and FY 2017. Please provide the billing frequencies by the consumptions levels used to set the various tariffed rate levels for the residential customer class if possible. | Posted | Posted: 2/17/2017 Response provided historical actual bill frequency information by block for Customer Assistance Program customers for FY 2014, FY 2015, FY 2016, and FY 2017 year to date. Also provided forecasted residential class bill frequency information for the FY 2014, FY 2015, FY 2016 and FY 2017 used set rates for those years. |
| 969 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 02/09/2017 What was the debt-service coverage ratio you relied upon for the FY 2017 water utility's COS? What was the debt-service coverage ratio you relied upon for the FY 2017 wastewater utility's COS? | Posted | Posted: 2/17/2017 AW's FY 2017 budget targeted debt service coverage of 1.61x for the Water Utility and 1.82x for the Wastewater Utility. |
| 968 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 02/09/2017 For the FY 2017 wastewater utility COS, what was the amount of debt included in the utility's COS? | Posted | Posted: 2/17/2017 Austin Water's budgeted Wastewater debt service requirements included in the FY 2017 Cost of Service model were \$93,805,347. |
| 967 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 02/09/2017 For FY 2017 wastewater utility COS, what was the amount of debt allocated to residential customers? | Posted | Posted: 2/17/2017 Austin Water's FY 2017 Wastewater Cost of Service model included a debt service allocation of \$32,724,872 to the residential customer class. This amount includes \$29,779,150 for non-CAP residential customers and \$2,945,721 for CAP residential customers. |
| 966 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 02/09/2017 For FY 2017 water utility COS, what was the total amount of debt included in the water utility's COS? | Posted | Posted: 2/17/2017 Austin Water's budgeted Water debt service requirements included in the FY 2017 Cost of Service model were \$109,112,808. |
| 965 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 02/09/2017 For FY 2017 water utility COS, what was the amount of debt allocated to residential customers for the water utility? | Posted | Posted: 2/17/2017 Austin Water's FY 2017 Water Cost of Service model included a debt service allocation of \$41,328,905 to the residential customer class. This amount includes \$37,432,948 for non-CAP residential customers and \$3,895,957 for CAP residential customers. |
| 956 | Residential | General Cost of Service | Grant Rabon | Submitted: 01/04/2017 Please provide the recently released 2017 Fitch medians report. | Posted | Posted: 2/14/2017 Provided link to 2017 Fitch Ratings Water and Sewer Medians Report. |

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| 951 | All Classes | General Cost of Service | Lanetta Cooper | <p>Submitted: 12/29/2016</p> <p>“You” in these questions refer to Austin W/WW and its employees including the general manager, officers and consultants. “PIC” means Public Involvement Committee. “COS” means cost of service. “COA” means City of Austin. 1. How much O&M costs are related to the COA water utility’s transmission mains? 2. How are the O&M costs related to the COA water utility’s transmission mains allocated among the customer classes. In your response please include the \$ amount of costs assigned to each customer class, the methodology(ies) the utility relied upon in allocating the O&M costs among the customer classes, and the FY the utility used for its data. 3. How much of the O&M costs identified in No. 1 above are attributable to the “extra capacity costs” incurred by the COA water utility? In other words if the transmission main was constructed and maintained to handle only “base capacity” usage, what O&M costs would be avoided?</p> | Posted | <p>Posted: 1/11/2017</p> <p>The FY 2017 Cost of Service (COS) model includes O&M costs for water Transmission Mains totaled at \$16,424,157. Austin Water allocates these costs in accordance with the Principles of Water Rates, Fees and Charges (American Water Works Association M1 Manual).</p> |
| 950 | All Classes | Allocation Methodologies | Marcia Stokes | <p>Submitted: 12/29/2016</p> <p>Cost allocation: Please provide by meter size and customer class, the number of fire demand aka fire service meters which are 8x2”FD, 10x2”FD and 12x2”FD. In addition, for each fire service meter size and class, please provide how many meters are within each DOMESTIC USE equivalent meter size of 2”,3”,4”,6”or 8”. DOMESTIC USE equivalent meter size can be found by retrieving the CRF (capital recovery fee) paid and reverse lookup the service units and corresponding equivalent meter size. For example in 2007, a fire demand meter with domestic use of 8 service units which is equivalent to a 2” PD meter paid a \$5600 CRF in DDZ zone or \$12000 in a DWPZ zone; 16 service units (3” meter equivalent) paid a \$11,200 CRF (DDZ) or \$24,000 CRF (DWPZ); 25 service units (4” meter equivalent) paid a \$17,500 CRF (DDZ) or \$37,500 CRF (DWPZ), 50 service units (6” meter equivalent) paid a \$35,000 CRF (DDZ) or \$75,000 CRF (DWPZ).</p> | InProgress | |
| 949 | All Classes | Customer Demand Characteristics | Marcia Stokes | <p>Submitted: 12/29/2016</p> <p>COS Model and Cost Allocation: Please provide the external pivot table 'C:\Rates and Charges\COS\FY 2009-10 & COS Study\Water\[Meter Size Pivot.xlsx]Sheet1' which is referenced in the COS model provided under: spreadsheet “Water Option_01 Budget submittal, Characteristics worksheet, Table 58, Equivalent Meter schedule, Equivalent Fire Services Column. Also, explain the methodology and formula used for the overridden values of equivalent fire services for 8”, 10” and 12” meters changed May 7, 2012 by Michael Castillo.</p> | Posted | <p>Posted: 1/11/2017</p> <p>The equivalent meter analysis was completed as part of the 2009 Cost of Service Study by the previous COS rate consultant (Red Oak). This analysis was prepared in order to determine the average monthly adjusted consumption by meter size. An external pivot table is provided in the attachment as referenced in the FY 2017 COS model. The overridden values included in the COS model, are the result of an executive decision to implement adjustments to the 8”, 10” and 12” equivalent meters in order to reduce the fixed cost allocations.</p> |

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| 948 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 12/22/2016 (Question received via email on 12/22/16) 2. Does the COA W/WW department have a fiscal policy(ies) relating to debt levels, including debt equity ratios? If so please list each such policy. | Posted | Posted: 1/5/2017 Austin Water does not have a financial policy related to debt levels. Response provided a listing of Austin Water's debt related financial policies. |
| 947 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 12/22/2016 (Question received via email on 12/22/16) You" in these questions refer to Austin W/WW and its employees including the general manager, officers and consultants. "PIC" means Public Involvement Committee. "COS" means cost of service. How do you derive your level of budgeted revenues for purposes of setting water and wastewater rates for the FY budget year? (In other words, what calculations, assumptions, formulas, and such other methods do you rely upon in deriving the amount of revenues you estimate will be realized during the budget FY). In your explanation, please address how the calculated revenues are normalized, if at all, for weather. | Posted | Posted: 1/27/2017 Austin Water (AW) analyzes several factors when projecting the level of budgeted water and wastewater revenue. Historical monthly usage patterns of water consumption and wastewater flows by customer class are examined in order to weather-normalize the future demand projections. Adjustments are made to the demand projections to account for water conservation policy changes affecting customer behavior. Monthly growth trends by customer class are analyzed and adjustments are made to account for any known and measurable changes (i.e. new account growth, annexations, commercial or industrial expansion projects, etc.) for the upcoming budget fiscal year. |
| 944 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 12/19/2016 General fund transfer A. How is it considered in the COS? B. Should the current General Fund formula continue to apply to all revenues or should some revenues arising from certain costs be exempted because the costs incurred relate to the public good such as conservation lands or from costs related to excess capacity | Posted | Posted: 1/12/2017 The General Fund Transfer is set at 8.2% of the three-year average of Austin Water operating revenues. This three-year average is calculated using the year-end estimate at March 31st for the current year and the previous two years of actual revenue. Each customer class for Retail and Wholesale is allocated a proportionate share of the General Fund Transfer based on the percentage of revenue each customer class contributes in revenue. |
| 943 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 12/19/2016 How are grants and such other non-rate revenue infusions addressed in COS? | Posted | Posted: 12/29/2016 Non-rate revenue, including grants, is subtracted from the gross revenue requirement in the COS model in order to determine the net revenue requirement. |
| 942 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 12/19/2016 How is debt accounted for? A. d/s coverage ratio i.) What are the bond covenant requirements ii.) What are the COA financial policy requirements iii.) How is the COA's bond covenant requirements related to the general fund transfer, if at all? B. debt/equity ratio | Posted | Posted: 12/29/2016 AW's bond covenant requirements for debt service is to maintain a 1.25x coverage. AW's financial policy requirements for debt service is to target 1.50x coverage. The COA's bond covenant requirements are not related to the general fund transfer. The debt to equity ratio is calculated using the City's CAFR and reported at the combined utility basis. Debt service and debt/equity information as FY 15 was provided. |

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| 941 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 12/19/2016 Who can appeal a council decision on w/ww rates? A. What is the process? B. What is the regulatory standard applied by PUC on appeal? C. What is the status of customer refunds and/or surcharges should the PUC adjust the COA's revenue requirement and/or its COS on appeal? | Posted | Posted: 12/29/2016 Inside city customers can appeal their water and wastewater rates by contacting the Water and Wastewater Commission, City of Austin Public Utilities Committee, and the Austin City Council. Outside city and wholesale customers can appeal directly to Public Utility Commission of Texas (PUCT) . |
| 940 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 12/19/2016 Continued from above... D. How should prudence be considered when an investment is proposed that is replacing a current investment not fully depreciated? E. Should COS and/or the rate effect that is related to the timing of the financial commitment to investment be considered? In other words, should some investments be deferred or fast tracked because of the COS and rate effects of the investments? Is this a component of prudence? | Posted | Posted: 12/29/2016 Replacement of current investments/assets is based on operational needs and service demands as part of Austin Water's (AW's) Capital Improvement Project (CIP) program. Rate impact is considered to the extent that AW manages its CIP Spending Levels to balance asset and infrastructure needs with the fiscal impact on AW's budget and rates. |
| 939 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 12/19/2016 How does COA relate its investment decisions to the used and useful regulatory standard-in other words, is the COA prudent in its investment decisions to ensure that it is not creating excess capacity? A. Is COA investment decisions driven by customer demand or by utility supply? i.) What is the long term and short term cost/benefit analysis of marketing and acquiring wholesale water contracts to retail base customers? Should a different COA approach be used to ensure retail base customers are not harmed? ii.) How does our current policy of entering into wholesale water contracts or serve retail customers outside our city limits affect: 1. Affordable housing 2. Environment 3. Sprawl and other growth concerns 4. How does this tie in to COS B. What should be the regulatory standard to determine whether an investment is a prudent utility decision? C. How should the effect on utility rates affect if at all an investment decision? | Posted | Posted: 1/3/2017 Austin Water's infrastructure investments are based on operational needs and service demands as part of Austin Water's (AW's) Capital Improvement Project (CIP) program. Rate impact is considered to the extent that AW manages its CIP Spending Levels to balance asset and infrastructure needs with the fiscal impact on AW's budget and rates. |
| 938 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 12/19/2016 What is the amount of capital investment that is used and useful? | Posted | Posted: 1/11/2017 Response provided the Capital Plant in Service information from the Water and Wastewater Cost of Service Models. The net capital plant in service is \$1,607,078,593 for Water and \$1,435,204,022 for Wastewater. |

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| 937 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 12/19/2016 How are new service connections addressed in COS? | Posted | Posted: 12/29/2016 New service connections (i.e. Capital Recovery Fees) are considered non-rate revenue and are not based on the volume of water and wastewater sold in the COS analysis. Capital recovery fees are used to reduce debt service requirements associated with growth related projects, which reduces rate revenue required to cover revenue requirements. |
| 936 | All Classes | Allocation Methodologies | Lanetta Cooper | Submitted: 12/19/2016 What is the range of alternate COS methodologies? A. How was the range determined? B. How were the COS methodologies relied upon by consultants for residential customer classes determined? (what kind of vetting process was used to ensure the consultants that are relied upon for COS methodologies represented residential customer class in rate cases?). | InProgress | |
| 935 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 12/19/2016 How does the water conservation program factor into rates? Into the cost of service? | Posted | Posted: 12/29/2016 In the current COS model, the Water Conservation Program is allocated as a common to all (retail and wholesale) administrative cost. Costs associated with this indirect cost category are allocated based on the projected volume by customer class. |
| 934 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 12/19/2016 Does the COA have any customers who are not either within the city limits of Austin or within the service territory of AE? | Posted | Posted: 12/29/2016 Austin Water (AW) provides water and/or wastewater services to outside city and wholesale customers that are not within the city limits or within the service territory of Austin Energy (AE). A map is provided showing the current service territory for AW and AE. |
| 933 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 12/19/2016 How can we hold low income customers harmless for potential rate increases with the goal of maintaining affordability? | Posted | Posted: 12/29/2016 The volumetric rates for the water and wastewater CAP participants are designed to collect 60% of the revenue requirements for the class. Residential CAP participants receive an average combined bill discount of 34.9% compared to the Residential Non-CAP customers. |
| 931 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 12/19/2016 How consistent, if at all, is the w/ww reserve policies with AE's reserve policies? A. What are all of COA's reserves and what is the policy behind each reserve? B. Are nontraditional expenses such as specialized reserves considered O&M expenses for purposes of determining the needed level of COA reserves such as the amount needed for cash working capital? | Posted | Posted: 12/29/2016 Austin Water's (AW's) reserve policies are only consistent with AE's reserve policies as it pertains to debt service, specifically, the Combined Utility Reserve Fund which is a debt service reserve fund shared by both AE and AW. Other reserve funds are specific to each utilities master debt ordinance or financial policies adopted by City Council. |

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| 927 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 12/19/2016 What is the current low income bill discount program? | Posted | Posted: 12/29/2016 The City of Austin's Customer Assistance Program (CAP) provides waived water and wastewater customer charges to enrolled customers. In addition, volumetric rates are reduced for CAP participants. |
| 926 | Residential | Customer Demand Characteristics | Lanetta Cooper | Submitted: 12/19/2016 What is the amount of wastewater used for families meeting basic needs? | Posted | Posted: 12/29/2016 Austin Water (AW) considers the "winter average" of water consumption for residential customers, currently 4,000 gallons per month, as the amount of wastewater flows for families to meet basic needs since this period generally reflects the lowest level of residential consumption during the year. |
| 925 | Residential | Customer Demand Characteristics | Lanetta Cooper | Submitted: 12/19/2016 What is the amount of water needed for families meeting basic needs? | Posted | Posted: 12/29/2016 Austin Water considers the "winter average" of water consumption for residential customers, currently 4,000 gallons per month, as the amount of water needed for families to meet basic needs since this period generally reflects the lowest level of residential consumption during the year. |
| 924 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 12/19/2016 Except for low income customers participating in bill discount programs, are residential customers treated alike in w/ww rates? A. Do some residential customers have more than one meter that affects their usage characteristics for purposes of billing-that is do customers avoid conservation high tier rates by having a 2nd meter? If this is so, how are these customers billed for their water consumption and for "customer costs". B. How are tenants in multi-family structures charged for water/wastewater? I. If LL charges tenants a monthly amount for water, is the system fair? How does COA monitor? What utility costs are involved in providing w/ww to these tenants? II. If tenants water usage is individually metered, are there some COS savings? | Posted | Posted: 12/29/2016 All residential water and wastewater customers that do not participate in the Customer Assistance Program (CAP) are treated alike and pay the same fixed fees and volumetric rates for water and wastewater service. |
| 923 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 12/19/2016 What conservation studies have been done to justify conservation rates adopted by COA? What are their results? What reports have been done to verify estimated amounts of water conservation occurring as a result of rate structures? | Posted | Posted: 12/29/2016 Recent research indicates that the effect could be higher but due to the variability of rate structures, weather, and conservation measures between cities, it is difficult to specifically determine the impact of conservation based on customer consumption. A 2014 report produced by the UNC Environmental Finance Center and the Sierra Club provides a good summary of the issue specific to Texas, and links to available national research. |

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| 922 | All Classes | Cost Recovery Basis | Lanetta Cooper | <p>Submitted: 12/19/2016 Are the current rate designs reasonable and equitable? A. Do the rate designs include riders or surcharges? B. What are the policies behind the rate designs for each customer class and for each rider or surcharge that exist, if any? C. Are there differentials in rates based on geographic location? D. Fixed vs volumetric charges</p> | Posted | <p>Posted: 12/29/2016 Under the current rate design, water rates for the residential customer class do not fully recover the costs of providing service, while wastewater rates for the residential customer class are designed to recover the full revenue requirements. In addition, current water and wastewater rates for the Wholesale customer class are also below the calculated cost of providing the services, while rates for commercial, multifamily and large volume customers recover over 100% of the calculated cost of service for those classes.</p> |
| 921 | All Classes | Allocation Methodologies | Lanetta Cooper | <p>Submitted: 12/19/2016 How should excess capacity be addressed?</p> | Posted | <p>Posted: 12/29/2016 Excess capacity (i.e. Base Demand versus Max Day Demand and Max Hour Demand) costs are allocated based on the water demand parameters and usage characteristics of each customer class.</p> |
| 920 | All Classes | Allocation Methodologies | Lanetta Cooper | <p>Submitted: 12/15/2016 1. Do you have any debt service costs relating to facilities that have been decommissioned and are no longer used and useful in providing service? 2. If the answer is yes, please identify each facility and for each facility provide the following: a. The total amount of debt and the annual debt service requirement. b. How the costs were allocated, if at all, among the customer classes and please explain the methodologies along with the supporting reasoning utilized for the cost allocations.</p> | Posted | <p>Posted: 12/29/2016 Austin Water is not aware of any outstanding debt related to decommissioned facilities.</p> |
| 919 | All Classes | Allocation Methodologies | Lanetta Cooper | <p>Submitted: 12/15/2016 How were construction work in progress related costs allocated among the customer classes? In your answer, please explain the methodologies along with the supporting reasoning utilized for the cost allocations.</p> | Posted | <p>Posted: 1/3/2017 Austin Water includes construction work in progress in rates as debt service payments for either Revenue Bonds, Commercial Paper, Water District Bonds or Cash Funding. This is first allocated to "Key Water Service Functions" then each function is assigned to either common to all costs (both retail and wholesale), retail only, or wholesale only. The functioned costs are then allocated to demand parameters.</p> |
| 918 | All Classes | Allocation Methodologies | Lanetta Cooper | <p>Submitted: 12/15/2016 How were the capital and O&M costs relating to overhead and office costs for general plant executives and staff allocated in the FY 2017 COS</p> | Posted | <p>Posted: 1/11/2017 O&M overhead and office costs for general plant executives and staff are itemized as Administrative Support in the FY 2017 COS. These costs are allocated as "Common to All" expenditures that are jointly shared among the retail and wholesale customer classes based on their projected volumes. Capital overhead and office costs for general plant executives and staff is a part of the annual debt service.</p> |

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| 917 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 12/15/2016 Please identify when the load assumptions for planning identified in the previous question were developed. | Posted | Posted: 1/27/2017 The Living Unit Equivalent (LUE) guidance document used for infrastructure planning and sizing for Service Extension Requests was last updated in September 2014. |
| 916 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 12/15/2016 Please provide the load assumptions for planning a residential subdivision and for a multifamily building. To the extent load assumptions include recognition of water appliance assumptions, home size assumptions, and land assumptions, please include an explanation of all assumptions relied upon in developing the load assumptions for planning. | Posted | Posted: 1/27/2017 Austin Water uses different planning methods for different planning projects. Several criteria and data sets are used to determine the appropriate infrastructure sizing for planning projects. Typically peak loadings are most appropriate for infrastructure project sizing, but in some circumstances the more applicable loading for planning represents minimum or average flows. For water infrastructure, peak hour or peak day plus fire flow are often used. For wastewater infrastructure, peak loadings are often represented as peak wet weather flows related to inflow and infiltration. Response provides current living unit equivalent guidance document used for Service Extension requests. |
| 915 | All Classes | Allocation Methodologies | Lanetta Cooper | Submitted: 12/15/2016 1. How were, if any, extra capacity costs allocated to fire protection. Please explain why or why not extra capacity costs were allocated to fire protection. 2. How were the fire protection costs identified and quantified for the FY 2017 COS study the PIC is reviewing? 3. Please provide the load factors (base, extra day and extra hour) for fire protection for the three year interval studies for the FY 2016 COS and for the FY 2017 COS. | Posted | Posted: 12/29/2016 Fire demand costs are not allocated based on peak day or peak hour demands, consequently Austin Water does not maintain load factor information for fire protection. |
| 914 | Residential | Customer Demand Characteristics | Lanetta Cooper | Submitted: 12/15/2016 1. What is the total number of CAP customer relied upon in the cost of service study the PIC is reviewing? 2. For those customers identified in no. 1, please provide the bill frequency distribution for the CAP customers for each FY identified in the load data provide the PIC. (By this I mean the number of bills at the different rate levels of consumption by month and by year.) (If the request calls for inconsistent data - that is CAP customer come and go, please provide the data based on the CAP customers for the relevant requested FYs data) 3. What research, if any, have you performed or been provided that explains any large water consumption for any of the CAP customers including: peak day and peak hour consumption, if possible. 4. How many CAP customers had a consumption level for any month of the fiscal year used for the COS that were in the third tier, in the fourth tier, in the fifth tier? | Posted | Posted: 1/3/2017 Provided requested information related to number of CAP customers, including bill distribution detail based on consumption and number of accounts |
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| 913 | All Classes | General Cost of Service | Lanetta Cooper | Please identify and list each cost you have identified as non-volume related in your COS the Public Involvement Committee (PIC) is reviewing. For each cost identified, please provide the following: a. Whether the cost is customer, meter, or fire b. What amount you identified for that cost; and c. How that cost was allocated among the customer classes. Please explain the allocation method used. | Posted | Provided a list of costs Austin Water has identified as non-volume related costs. |
| 912 | Residential | Allocation Methodologies | Lanetta Cooper | Submitted: 12/15/2016 Please explain how you developed your peaking factors for the residential class. In your explanation, please identify how the load research was developed including: the number of accounts used in the sample; how the sample was determined for sampling and for the accuracy of the sample to the whole customer class load characteristics. | Posted | Posted: 12/29/2016 Customer class peaking factors are calculated as follows: "Class Peak Day Factor" = ((Class Peak Month Demand/Class Average Month Demand) X (System Peak Day Demand/System Peak Month Demand)) "Class Peak Hour Factor" = ((Class Peak Month Demand/Class Average Month Demand) X (System Peak Hour Demand/System Peak Month Demand)) |
| 909 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 12/07/2016 Questions relating to W/WW Cost of Service Submitted by Lanetta Cooper December 7, 2016, Prt.6 "You" in these questions refer to Austin W/WW and its employees including the general manager, officers and c16. Please provide you estimated typical monthly water consumption for each of the following residential family sizes including water used for a washing machine but not for lawn irrigation: a. Single member household b. Two person household c. Four person household d. Six person household e. Eight person household f. Ten person household g. 16 person household 17. Please provide a copy of your chart of accounts. 18. Is your chart of accounts consistent with the National Association of Regulatory Commissioners' Uniform System of Accounts? Please explain why or why not your consultants | Posted | Posted: 12/29/2016 Austin Water does not maintain customer household size information, consequently consumption forecasts are based on average consumption per account for each customer class, not on family size. Provided AW's chart of account elements. AW uses the City of Austin's standardized chart of accounts, which is not consistent with the National Association of Regulatory Commissioners' Uniform System of Accounts. |
| 908 | Residential | General Cost of Service | Lanetta Cooper | Submitted: 12/07/2016 Questions relating to W/WW Cost of Service Submitted by Lanetta Cooper December 7, 2016, Prt.5 "You" in these questions refer to Austin W/WW and its employees including the general manager, officers and consultants. 15. In your response to Grant Rabon requested on 10/18/2016 you provided the peaking factors by customer class. However, the residential customers apparently list both residential customers residing within Austin's city limits and residing outside Austin's city limits. Please break down the peaking factors for the residential class by inside the city limits and outside the city limits relying upon the same data, if able, you relied upon in your response to Mr. Rabon. | Posted | Posted: 12/29/2016 Separate NCP factors for the inside city and outside city customers are not calculated in the COS model and Austin Water currently does not maintain separate peaking factor information for outside city customers. |

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| 907 | Residential | General Cost of Service | Lanetta Cooper | <p>Submitted: 12/07/2016 Questions relating to W/WW Cost of Service Submitted by Lanetta Cooper December 7, 2016, Prt.4 "You" in these questions refer to Austin W/WW and its employees including the general manager, officers and consultants. 11. For the FY where the most recent data is available, what is the total amount of water treated on your peak day? On your peak hour day? 12. For each FY for the next ten years, please provide your estimates of water consumption during your peak day and during your peak hour. 13. In developing your peaking factors used to allocate costs, do you normalize the data for weather? Please explain. 14. How much reserve capacity do you have with your water treatment plants?</p> | Posted | <p>Posted: 12/29/2016 Provided FY15 peaking factor information used in the FY17 Cost of Service model.</p> |
| 906 | Residential | General Cost of Service | Lanetta Cooper | <p>Submitted: 12/07/2016 Questions relating to W/WW Cost of Service Submitted by Lanetta Cooper December 7, 2016, Prt.3 "You" in these questions refer to Austin W/WW and its employees including the general manager, officers and consultants. 7. Please provide documents in your possession, care, or control you are aware of that support your position that W/WW needs the level of reserves you have identified in No. 6 above. 8. Please identify each non rate-related revenue source you have. 9. For each source identified in No. 8 above, please provide the following: a) Description of the source; b) The amount budgeted for FY 2017; c) How the revenues realized from that source were incorporated into your cost of service. 10. What is the total capacity of water treatment W/WW has involving its water treatment plants currently; projected for FY 2017; projected for FY 2018; and projected for each FY over the next five years and over the next ten years?</p> | Posted | <p>Posted: 12/29/2016 Separate NCP factors for the inside city and outside city customers are not calculated in the COS model and Austin Water currently does not maintain separate peaking factor information for outside city customers.</p> |
| 905 | Residential | General Cost of Service | Lanetta Cooper | <p>Submitted: 12/07/2016 Questions relating to W/WW Cost of Service Submitted by Lanetta Cooper December 7, 2016, Prt.2 "You" in these questions refer to Austin W/WW and its employees including the general manager, officers and consultants. 4. Please explain how the revenue stability reserve costs were allocated among the various customer classes for FY 2017 or for the most recent FY available. 5. For each fiscal year since the creation of the revenue stability reserve to the present, please provide the amount of revenues W/WW realized from each customer class. 6. Please provide the total level of reserves W/WW opines it needs to maintain fiscal responsibility.</p> | Posted | <p>Posted: 12/22/2016 Provided the amount of Revenue Stability Reserve Fund revenues realized from each customer class and Joint Committee recommendations related to reserve fund targets.</p> |

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| 904 | Residential | General Cost of Service | Lanetta Cooper | <p>Submitted: 12/07/2016 Questions relating to W/WW Cost of Service Submitted by Lanetta Cooper December 7, 2016, Prt.1 "You" in these questions refer to Austin W/WW and its employees including the general manager, officers and consultants. 1. Please answer the questions I provided to you through the PIC meeting on September 27, 2016 and that are posted on your website. 2. Please provide the formula, calculation, model, and./or such other procedure you have/are using to determine what amount of revenue stability reserves is necessary to maintain the utility's fiscal soundness. 3. Please identify what water systems you are aware of operating in Texas that have revenue stability reserves.</p> | Posted | <p>Posted: 1/6/2017 The 2012 Joint Committee on Austin Water's (AW) Financial Plan (2012 Joint Committee) recommended that AW create a Revenue Stability Reserve Fund (Reserve Fund) with a funding target of 120 days of budgeted Water operating requirements by implementing a new volumetric surcharge. AW is not aware of any other water systems in Texas that has a revenue stability reserve fund or similar reserve.</p> |
| 900 | Residential | General Cost of Service | Grant Rabon | <p>Submitted: 12/01/2016 Please provide the following data for each of the last five (5) fiscal years and the estimates for the current budget by utility (i.e., water, reclaimed water and wastewater). a) Dollar amount of cash funded capital expenditures b) Dollar amount of total capital expenditures c) Total debt service (principal and interest) d) Debt to equity ratio e) Debt service coverage ratio f) Total cash reserves g) Days cash on hand</p> | Posted | <p>Posted: 12/29/2016 Provided 5 year history and FY17 budget for cash funded capital expenditures, total capital expenditures, debt service payments, debt to equity ratio, debt service coverage, total cash reserves and days cash on hand by utility (water, wastewater and reclaimed).</p> |
| 899 | Residential | General Cost of Service | Grant Rabon | <p>Submitted: 12/01/2016 Please indicate if the \$900,000 per year currently budgeted by Austin Water to support the Barton Springs/Edwards Aquifer Conservation District is a cost that has been specifically assigned to Austin Water by the Texas Legislature or, rather, was assigned to the City of Austin and the City decided that it should be paid by Austin Water.</p> | Posted | <p>Texas law under Chapter 8802 of the Texas Special Local Laws Code assesses the District fee to the City of Austin. Austin Water pays the annual fee.</p> |
| 896 | Outside | General Cost of Service | Chuck Loy | <p>Submitted: 11/30/2016 Regarding the current consideration of calculating the "Outside" rates using the Utility Method. Does AW have detailed records to be able to identify the plant that is providing service to outside customers? Or alternatively, can reasonable allocations be developed such as inch-feet, water produced or transferred, etc.? How would shared production facilities be allocated?</p> | Posted | <p>Austin Water operates a integrated system which serves all customers. We do not identify specific plant or assets serving each customer class.</p> |
| 891 | Wholesale | General Cost of Service | Jay Joyce | <p>Submitted: 11/22/2016 8. [Wholesale] According to the COA Purchasing Office's Scope of Work for the current COS study (Solicitation #RFP CDL2002), the consultant will have up to three meetings with PUC staff to assist AW in developing the wholesale rate filing package. Please describe how AW or the consultant is engaging the PUC and provide any documentation submitted to any PUC personnel on this topic. If the PUC has responded, please describe their response and provide all documents given to AW or its consultants by the PUC in their response(s).</p> | InProgress | |

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| 890 | Wholesale | General Cost of Service | Jay Joyce | Submitted: 11/22/2016 7. [Wholesale] According to the COA Purchasing Office's Scope of Work for the current COS study (Solicitation #RFP CDL2002), the consultant will "develop written process documentation of PUC rate filing requirements learned from any meetings with PUC staff." Please provide that document when available. | InProgress | |
| 889 | Wholesale | General Cost of Service | Jay Joyce | Submitted: 11/22/2016 6. [Wholesale] If AW changes the rate methodology for the wholesale customers from the current cash basis to a utility basis, how does AW propose to compensate or credit these customers for their historical debt service contributions used to retire principal on debt? How will AW avoid double-collecting since most assets have shorter debt repayment schedules than the corresponding depreciable lives for the same assets? | InProgress | |
| 888 | Wholesale | General Cost of Service | Jay Joyce | Submitted: 11/22/2016 5. [Wholesale] If AW changes the rate methodology for the wholesale customers from the current cash basis to a utility basis, how does AW propose to compensate or credit these customers for their historical contributions to cash-funded capital to avoid double-collecting? | InProgress | |
| 887 | Wholesale | General Cost of Service | Jay Joyce | Submitted: 11/22/2016 4. [Wholesale] Provide the contract (as defined in COA Purchasing Office's Standard Purchase Definitions) for AW's Impartial Hearing Examiner related to the current AW cost of service study. | InProgress | |
| 886 | Wholesale | General Cost of Service | Jay Joyce | Submitted: 11/22/2016 3. [Wholesale] Provide the solicitation (as defined in COA Purchasing Office's Standard Purchase Definitions) for AW's request for an Impartial Hearing Examiner related to the current AW cost of service study. | InProgress | |
| 885 | Wholesale | General Cost of Service | Jay Joyce | Submitted: 11/22/2016 2. [Wholesale] According to the procedural schedule adopted for Austin Energy's 2016 cost of service and rate review (shown in Impartial Hearing Examiner's Memorandum No. 8) the parties submitted prefiled direct written testimony, conducted discovery, submitted prefiled rebuttal testimony, participated in a four-day hearing, and filed closing arguments in a manner similar to those used in a contested case at the PUC. Does AW envision using substantially the same process as AE? If not, what is expected to be different, and why? | InProgress | |

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| 884 | Wholesale | General Cost of Service | Jay Joyce | <p>Submitted: 11/22/2016 1. [Wholesale] AW is required to submit a rate filing package to the PUC in order to change the rates of the four wholesale customers who were parties to the rate case (PUC Docket No. 42857), and the COA Purchasing Office's Scope of Work for the current COS study (Solicitation #RFP CDL2002) states that the COS consultant will be designing a working model for the PUC rate filing package concurrent with the preparation of this COS Study. Please provide this model when it is available.</p> | InProgress | |
| 881 | All Classes | General Cost of Service | Grant Rabon | <p>Submitted: 10/26/2016 Related to the FY 2017 Proposed O&M budget, for each line-item below please indicate what is driving the significant increase in this cost for the combined utilities (from the FY 2015 Actual) AND if the cost is expected to persist at the FY 2017 level into the future. a) Temporary Employees (acct 5006) b) Security Services (acct 5675) c) Other Services (acct 5860) d) Interdepartmental Charges (acct 6203) e) Legal Claims/Damages (acct 6355) f) Pipeline Maintenance (acct 6396) g) Commercial Incentives (acct 6811) h) Household Efficiency (acct 6813) i) Irrigation Efficiency (acct 6814)</p> | Posted | Response provides explanations for significant increases to the requested budget line items. |
| 880 | Large Volume | General Cost of Service | Jay Joyce | <p>Submitted: 10/26/2016 (This question was originally submitted as a comment on 10/24/16) Industrial/Large Volume: Please provide the proposal and the agreement with Raftelis Financial Consultants, Inc. to conduct this COS Study. How does AW propose to recover this cost from customers?</p> | Posted | Posted: 2/14/2017 |
| 878 | Large Volume | General Cost of Service | Jay Joyce | <p>Submitted: 10/26/2016 (This question was originally submitted as a comment on 10/24/16) Industrial/Large Volume: Please provide the following information pertaining to the sale(s) in FY 13, FY 14, FY 15, or FY 16 of any large AW assets (original cost greater than \$1,000,000): • original cost • net asset value when sold • gross and net proceeds from sale, and • explanation of difference in gross and net proceeds (e.g., decommissioning cost, remediation, etc.).</p> | Posted | Response provides information on the sale of the Lime Creek Quarry in September 2015 for \$4,100,000. |

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| 875 | Wholesale | General Cost of Service | Randy Wilburn | <p>Submitted: 10/25/2016 Why are the Wholesale and Out-of-City customers being excluded from the PIC? ALL customers, including wholesale and out-of-City customers, should be part of the PIC process.</p> | Posted | <p>Posted: 1/5/2017 Austin Water decided to hold separate meetings for its retail and wholesale customers to provide all interested wholesale customers an opportunity to participate in the public involvement process given recent wholesale rate challenges. In prior COS studies, wholesale customers were limited to two Public Involvement Committee representatives.</p> <p>Although, Austin Water decided to hold separate PIC and WIC meetings, all meetings are open public meetings. As such, all interested parties, including wholesale customer representatives, are invited to attend and participate in the Public Involvement Committee process.</p> |
| 874 | All Classes | General Cost of Service | Randy Wilburn | <p>Submitted: 10/25/2016 The Texas Public Utility Commission has already declared the following costs illegal for the COA to collect through water and wastewater rates: • General Fund Transfers; • rate case expenses; • reclaimed water (capital and O&M costs); • City's reclassification of SWAP and commercial paper administration costs from capital to expense; • drainage fee; • allocation of O&M expenses to the reclaimed water utility; • depreciation; • Green Water Treatment Plant capital costs; • Revenue Stability Reserve Fund; • Barton Springs/Edwards Aquifer Conservation District; • Govalle Wastewater Treatment Plant (capital costs/O&M costs); • utility-wide contingency; • Water Treatment Plant No. 4; and • Green Choice electricity When will AWU reduce all customers revenue requirements and rates in accordance with PUC Order?</p> | Posted | <p>Posted: 1/5/2017 The PUC Order made findings of fact based on evidence relating to the 2013 rates charged to four specific wholesale customers; the PUC Order did not declare these costs illegal. It is incorrect and misleading to imply that the PUC's order from the specific case, with its particular facts and particular parties, must be applied more broadly. It is also important to note that the PUC Order is on appeal.</p> |
| 871 | Large Volume | General Cost of Service | JAY JOYCE | <p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference p. 16 of the September 27, 2016, PIC meeting Agenda and Backup document (Slide #19) which indicates that AW has 1,170.00 FTE positions in FY 2017. Please separate this into water, wastewater, and reclaimed water. How many of these positions are vacant today, and what are the revenue requirements (budgeted payroll and benefits) associated with these vacancies? Please also separate vacancy count and revenue requirements into water, wastewater, and reclaimed water.</p> | Posted | <p>Table provides breakdown of 2017 Budget full time positions by utility, vacant positions, and vacant position budgeted salaries.</p> |
| 869 | Large Volume | General Cost of Service | JAY JOYCE | <p>Submitted: 10/24/2016 Industrial/Large Volume: Please provide the anticipated level of capital spending for each of the next ten fiscal years (or as many years as possible if ten years' data is not available) for each of the water, wastewater, and reclaimed water utilities.</p> | Posted | |

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| 868 | Large Volume | General Cost of Service | JAY JOYCE | Submitted: 10/24/2016 Industrial/Large Volume: Please provide the complete detailed wastewater asset listing (including original cost, accumulated depreciation, annual depreciation expense, and net asset value) that will be used in the FY 17 wastewater COS model. | Posted | Wastewater asset listing available electronically upon request. |
| 867 | Large Volume | General Cost of Service | JAY JOYCE | Submitted: 10/24/2016 Industrial/Large Volume: Please provide the complete detailed water asset listing (including original cost, accumulated depreciation, annual depreciation expense, and net asset value) that will be used in the FY 17 water COS model. | Posted | Water asset listing available electronically upon request. |
| 866 | Large Volume | General Cost of Service | JAY JOYCE | Submitted: 10/24/2016 Industrial/Large Volume: Please provide a listing of all of the revenue requirements inputs to the FY 17 wastewater COS model and compare those amounts to the same categories of input amounts in the FY 13 wastewater COS model. | Posted | Schedule includes FY 2013 and FY 2017 wastewater cost of service model revenue requirements. |
| 865 | Large Volume | General Cost of Service | JAY JOYCE | Submitted: 10/24/2016 Industrial/Large Volume: Please provide a listing of all of the revenue requirements inputs to the FY 17 water COS model and compare those amounts to the same categories of input amounts in the FY 13 water COS model. | Posted | Schedule includes FY 2013 and FY 2017 water cost of service model revenue requirements. |
| 863 | Large Volume | General Cost of Service | JAY JOYCE | Submitted: 10/24/2016 Industrial/Large Volume: Please verify that AW has properly booked the net proceeds of the sale of the Green Water Treatment Plant (\$34,765,000) into a capital account for future use in capital projects for AW as ordered by the PUCT in Docket No. 42857. How much of the \$34,765,000 booked amount will AW utilize for capital projects FY 17? | Posted | Response includes details of proper accounting for the resolution of the Green Water Treatment Plant decommissioning and sale of property. |
| 862 | Large Volume | General Cost of Service | JAY JOYCE | Submitted: 10/24/2016 Industrial/Large Volume: Please verify that AW is properly removing from the COS all amounts transferred to the capital infrastructure fund relating to the Capital Management Department (\$2.6 million in water O&M in FY 13 and \$1.4 million in wastewater O&M in FY 13) as ordered by the PUCT in Docket No. 42857. What are the amounts in AW's FY 17 budget for the Capital Management Department? | Posted | Capital Projects Management Fund budget for FY 2017 is \$1,173,937 for water, \$602,536 for wastewater and \$37,076 for reclaimed. |
| 861 | Large Volume | General Cost of Service | JAY JOYCE | Submitted: 10/24/2016 Industrial/Large Volume: What are the legal fees in the FY 17 budget associated with appeals of PUCT decisions or future PUCT rate cases? | Posted | No FY 2017 budget was included for the appeal of wholesale rate case as internal City Law Department is handling. |
| 860 | Large Volume | General Cost of Service | JAY JOYCE | Submitted: 10/24/2016 Industrial/Large Volume: Please provide a listing of all legal fees in the FY 17 budget and the purpose of each. | Posted | FY 2017 budget includes \$860,000 for outside legal services, without any specific purpose. A contract for \$700,000 for outside legal services for the Shady Hollow |

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| 859 | Large Volume | General Cost of Service | JAY JOYCE | Submitted: 10/24/2016 Industrial/Large Volume: Does AW agree that simply because an expenditure may be considered by some to be "good for society" does not mean that it is reasonable and necessary to recover the cost in utility rates? | Posted | Posted: 1/10/2017 Austin Water believes that its' revenue requirements are made up entirely of costs necessary to provide water and wastewater services to customers, to ensure long-term water supply adequacy and to maintain a high water quality water source. |
| 858 | Large Volume | General Cost of Service | JAY JOYCE | Submitted: 10/24/2016 Industrial/Large Volume: Has AW quantified the difference in rate case expenses required to defend a cash basis approach vs. a utility basis approach at the PUCT? The utility basis will require qualified outside experts to conduct and defend depreciation studies, cost of capital analyses, and cash working capital amounts. If yes, how much is that difference, and how much is included in the FY 17 budget? If not, why not, since AW has indicated that it is considering submitting a utility basis approach to the PUC. | Posted | Posted: 1/3/2017 Austin Water has not quantified the difference in rate case expenses required to defend a cash basis approach versus a utility basis approach at the Public Utility Commission of Texas (PUCT). Austin Water intends to select the method that best provides a fair and equitable allocation of costs between retail and wholesale customers irrespective of the outcome of the approach or the costs associated with defending the selected allocation basis. |
| 857 | Large Volume | General Cost of Service | JAY JOYCE | Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 25 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #39 and #40). In PUCT Docket No. 42857, AW spent over \$1.3 million in legal and consulting fees in order to defend its positions before the PUCT and convince the PUCT of the validity of its costs: (SEE LIST IN COMMENTS SECTION) In addition to incurring the outside legal and consulting expenses, AW spent considerable unquantified internal resources working on the case. According to AW staff at the October 5 PIC meeting, AW "may come back" and attempt to convince the PUCT that the PUCT's decisions were wrong and that the previously disallowed items should be included in cost of service. Please quantify the cost of this effort that is included in the FY 17 budget. | Posted | Posted: 12/29/2016 Other than COS expenses, budgeted at \$494,000 for the duration of the study, and staff salaries, no other costs have been budgeted to support the COS and PUCT rate approval process. However after the start of the new fiscal year, Shady Hollow Municipal Utility District filed a new rate challenge. On November 10, 2016, City Council approved a contract for outside legal service realted to the Shady Hollow rate case in amount not to exceed \$700,000. |
| 853 | Large Volume | General Cost of Service | JAY JOYCE | Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 25 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #39 and #40). Listed on those slides are the following PUCT revenue requirement disallowances with their FY 13 amounts added below: 1. Green Water Treatment Plant Costs (\$12,073,835 capital) 2. Revenue Stability Reserve Fund (\$5,516,300 O&M) 3. Barton Springs/Edwards Aquifer Conservation District (\$900,000 O&M) 4. Govalle Wastewater Treatment Plant (\$835,516 O&M and \$1,368,571 capital) 5. Utility-wide Contingency (\$176,175 O&M) 6. Green Choice Electricity (\$4,622,644 O&M increase vs. normal electricity costs) What are the FY 17 amounts for the above items? How are these being allocated among customer classes? | Posted | Response includes FY 2017 budget for all requested items and the allocation by customer class. |

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| 852 | Large Volume | General Cost of Service | JAY JOYCE | <p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 25 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #39 and #40). Listed on those slides are the following PUCT revenue requirement disallowances with their FY 13 amounts added below: 1. General Fund Transfer (\$34,524,366 O&M) 2. Rate Case Expenses (\$641,811 O&M in FY 13 budget, \$1.3 million actual) 3. Reclaimed water system (\$960,000 O&M and \$960,000 capital) 4. Reclassification of SWAP and commercial paper costs from capital to operating expense (\$4,000,000 O&M) 5. Allocation of O&M expense to Reclaimed Water (\$4,857,528 O&M) What are the FY 17 amounts for the above items? How are these being allocated among customer classes?</p> | Posted | Response includes FY 2017 budget for all requested items and the allocation by customer class. |
| 851 | Large Volume | General Cost of Service | JAY JOYCE | <p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 24 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #37 and #38) which indicates that costs associated with the City Hall water feature will be allocated 100% to retail customers. In FY 13, capital costs for the City Hall water feature were \$450,000. What is the amount in FY 17? Is the City Hall water feature currently running? If AW sold the City Hall water feature, could AW still provide water, wastewater, and reclaimed water service?</p> | Posted | Austin City Hall water feature was cash funded by Austin Water in FY 2006. There are no ongoing operating or capital costs included in retail or wholesale revenue requirements. |
| 850 | Large Volume | General Cost of Service | JAY JOYCE | <p>Submitted: 10/24/2016 Industrial/Large Volume: What other costs on page 24 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #37 and #38) that are classified as "Budget Reduction" have simply been reclassified, renamed, or otherwise changed such that they remain in the FY 17 budget despite AW's statements that they should be and have been removed?</p> | Posted | 311 System Support costs were not eliminated, only reduced. Transfer to Economic Incentive Reserve fund was eliminated. Austin Water began funding a portion of the Economic Development Fund. |
| 849 | Large Volume | General Cost of Service | JAY JOYCE | <p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 24 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #37 and #38) which indicates that costs for 311 System Support has been classified as "Budget Reduction," which AW staff indicated in the PIC meeting meant that these costs were entirely eliminated from AW's FY 17 budget because they did not relate to AW. Page 30 of the October 5, 2016, PIC meeting Agenda and Backup document shows \$169,190 for Interdepartmental Charges for FY 17. According to the Austin Water Fund Line Item Description at the end of the same document, Interdepartmental Charges indicates that "...this requirement is AW's allocation to fund the 311 System Support..." Will this amount be eliminated from the Cost of Service as not necessary for AW to provide service?</p> | Posted | Schedule provides actual costs for 311 System Support for FY 2013 to FY 2016. FY 2017 budget for 311 System Support is \$169,190. |

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| 848 | Large Volume | General Cost of Service | JAY JOYCE | <p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 24 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #37 and #38) which indicates that costs for the Radio Communications Fund will be allocated 100% to retail customers. In FY 13, revenue requirements for the Radio Communications Fund were \$192,470 water and \$192,470 wastewater. What are the amounts in FY 17? If AW eliminated the costs for the Radio Communications Fund, could AW still provide water, wastewater, and reclaimed water service? If not, how much could AW reduce the expenditures relating to the costs for the Radio Communications Fund and still continue to provide water, wastewater, and reclaimed water service?</p> | Posted | Regional Radio System budget for FY 2017 is \$253,605 for water and \$0 for wastewater. |
| 847 | Large Volume | General Cost of Service | JAY JOYCE | <p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 24 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #37 and #38) which indicates that costs for Accounts Receivable Leak Adjustment will be allocated 100% to retail customers. In FY 13, revenue requirements for the Accounts Receivable Leak Adjustment were \$785,000 water and \$97,100 wastewater. What are the amounts in FY 17? What is the breakout of bad debt expense for each retail class?</p> | Posted | Accounts Receivable Leak Adjustments budget for FY 2017 is \$976,000 for water and \$60,100 for wastewater. Allocation by customer class is included in the schedule. |
| 846 | Large Volume | General Cost of Service | JAY JOYCE | <p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 24 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #37 and #38) which indicates that costs for Bad Debt Expense will be allocated 100% to retail customers. In FY 13, revenue requirements for the Bad Debt Expense were \$925,000 water and \$917,500 wastewater. What are the amounts in FY 17? What is the breakout of bad debt expense for each retail class?</p> | Posted | Bad debt expense budget for FY 2017 is \$2,508,825 for water and \$1,850,456 for wastewater. Allocation by customer class is included in the schedule. |
| 845 | Large Volume | General Cost of Service | JAY JOYCE | <p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 24 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #37 and #38) which indicates that costs for Reicher Ranch O&M and capital costs will be allocated 100% to retail customers. In FY 13, revenue requirements included \$105,770 in O&M and \$818,704 in capital costs. What are the amounts in FY 17? If AW sold Reicher Ranch, could AW still provide water, wastewater, and reclaimed water service?</p> | Posted | Reicher Ranch budget for FY 2017 is \$81,088. |

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| 844 | Large Volume | General Cost of Service | Jay Joyce | <p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 24 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #37 and #38) which indicates that costs for the Land Management Division will be allocated 100% to retail customers. In FY 13, revenue requirements for the Land Management Division were \$1,458,750. What is the amount in FY 17? If AW eliminated the Land Management Division, could AW still provide water, wastewater, and reclaimed water service? If not, how much could AW reduce the expenditures relating to the Land Management Division and still continue to provide water, wastewater, and reclaimed water service?</p> | Posted | Land Management budget for FY 2017 is \$1,446,357. |
| 840 | All Classes | General Cost of Service | Grant Rabon | <p>Submitted: 10/17/2016 Related to the FY 2017 Proposed O&M budget: a. The program costs for Water Resources Management in the water and wastewater budgets have increased significantly between FY 2014 (Actual) and FY 2017 (Proposed). Can you explain what is driving this increase? b. Were the transfers to Administrative Support in the FY 2017 budget formerly captured within the line item for transfers to Support Services Fund in the FY 2014 and FY 2015 actuals? c. Why is there a transfer to the Economic Development in the FY 2017 budget? Wasn't this a cost no longer to be recovered from Austin Water or did we misunderstand this treatment? d. The program costs for Utility Billing System Support in the wastewater budget have increased significantly between FY 2014 (Actual) and FY 2017 (Proposed). Can you explain what is driving this increase?</p> | Posted | Responses related to FY 2017 Proposed Operating Budget costs. |
| 839 | All Classes | General Cost of Service | Grant Rabon | <p>Submitted: 10/17/2016 What is the current cash balance for the water, reclaimed water, and wastewater utilities, segregated by purpose (e.g., Rate Stability Reserve, Operating Reserve, etc.)? Please identify any restricted amounts.</p> | Posted | Current restricted and non-restricted cash balances as of September 30, 2016 is \$256,611,614. |
| 838 | All Classes | General Cost of Service | Grant Rabon | <p>Submitted: 10/17/2016 Please provide the currently outstanding principal amount for any debt that will be repaid by the water, reclaimed water, or wastewater utilities, by series. For shared debt (e.g., General Obligation issues), please identify the percentage of the issue that is allocated to water, reclaimed water, or wastewater.</p> | Posted | Outstanding principal as of August 1, 2016 is \$2,325,094,000. |
| 837 | Residential | General Cost of Service | Grant Rabon | <p>Submitted: 10/17/2016 For the allocation of Customer Care costs between electric, water, wastewater, ARR (solid waste), drainage, transportation and code compliance, please explain the rationale for the following organization costs being allocated to electric, water and wastewater only. Please also provide a brief explanation for each cost. a. Bill Production (Org 8807) b. Revenue Measurement and Control (Org 8811) c. Bill Support (Org 8817) d. Quality Management (Org 8818) e. CCC-Small Commercial (Org 8820) f. Multi-Family Partnership Program (Org 8824)</p> | Posted | Response includes explanations for each of the requested Customer Care costs and why they were allocated to only electric, water and wastewater only. |

Austin Water
 COS Rate Study 2016 - Q&A Summary
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| | New questions submitted since last PIC/WIC |
| | Information not yet available |
| | New responses posted since last PIC/WIC |
| | Responses previously posted on website |

| ID | Class | Topic | Requestor | Question | Status | Summary Response |
|-----|-------------|---------------------------------|--------------------|---|--------|---|
| 836 | All Classes | Cost Recovery Basis | Grant Rabon | Submitted: 10/17/2016 Given that only monthly water consumption data is available, please provide the underlying assumptions that will be used to develop the peak day and peak hour water demands by customer class, as well as the basis for these assumptions, if this methodology is pursued. | Posted | Summary of peak day and peak hour calculation methodology. |
| 834 | Residential | General Cost of Service | Grant Rabon | Submitted: 10/17/2016 With as many specifics as possible, please provide Austin Water Utility's plans to address residential rate affordability and the disproportionate cost of water and wastewater service for residential customers as a percentage of MHI (as reported by Fitch). | Posted | Response provides historical cost reductions and debt management strategies to minimize rate increases. |
| 833 | Residential | Customer Demand Characteristics | Grant Rabon | Submitted: 10/17/2016 Currently, how much is the average annual residential wastewater bill for Austin Water Utility customers in dollars per month and as a percentage of MHI? | Posted | Average FY 2017 residential water bill of \$41.60 per month which is estimated to be 0.74% of adjusted MHI. |
| 832 | Residential | Customer Demand Characteristics | Grant Rabon | Submitted: 10/17/2016 Currently, how much is the average annual residential water bill for Austin Water Utility customers in dollars per month and as a percentage of median household income (MHI)? | Posted | Average FY 2017 residential water bill of \$41.59 per month which is estimated to be 0.74% of adjusted MHI. |
| 830 | All Classes | General Cost of Service | Dave Yanke | Submitted: 10/12/2016 Question submitted via 09/27/16 PIC meeting. "Can staff provide information as to what other cities are using as a policy for 'Operating Cash Reserves'. Top 30 cities for example." | Posted | Posted: 1/12/2017 Response provides reserve and debt service coverage policies and results where available for the top 35 cities ranked by population as of July 2014. |
| 829 | Wholesale | Revenue Requirements | Robert Anderson | Submitted: 10/12/2016 Question submitted via 9/27/2016 WIC meeting. "Please provide a listing of the 'Peaking Factors' for all customer classes". | Posted | Schedule showing FY 2013, FY 2014, FY 2015 and 3-year average peaking factors by customer class. |
| 828 | All Classes | General Cost of Service | Karyn Keese | Submitted: 10/12/2016 09/28/16 PIC Meeting questions submitted Via written document. | Posted | Posted: 1/12/2017 Response provides requested information related to expenditure cost categories, transfers, capital program funding, Public Utility Commission of Texas (PUCT) disallowed wholesale expense items and cash versus utility basis revenue requirement calculation. |
| 827 | All Classes | General Cost of Service | Amenity Applewhite | Submitted: 10/11/2016 How have you notified Austin residents about the series of public meetings? I polled 22 residents/customers in my neighborhood and 100% had not heard about the Service Rate Study and public participation options. Additionally, I would like information on how you recruited the Public Involvement Committee Members. Thank you. | Posted | Summary of Austin Water's cost of service rate study communication initiatives. |

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| | New questions submitted since last PIC/WIC |
| | Information not yet available |
| | New responses posted since last PIC/WIC |
| | Responses previously posted on website |

| ID | Class | Topic | Requestor | Question | Status | Summary Response |
|-----|-------------|---------------------------------|----------------|--|--------|--|
| 820 | All Classes | Cost Recovery Basis | Jim Schaffrath | Submitted: 09/30/2016 Why is it we always approach City utility rates from the revenue side of the ledger? Since we are going to computerized meters are we going to lay off the meter readers? If not, why not? Are there any other cost reducing measures that have been considered? Why haven't we an opportunity to comment on those? I do not want my water bill increased for any reason until we have exhausted cost saving measures. | Posted | Summary of Austin Water's cost reduction efforts over the past several years and impact on meter reading costs when changing to advanced metering infrastructure. |
| 818 | All Classes | General Cost of Service | Phil Howry | Submitted: 09/30/2016 Does the AWU pay a tiered-rate structure for water pumped from the LCRA system and by reason of the city's historic "riparian rights" to river water, at what extaction volume does the AWU begin paying the LCRA for water? Does the per unit water treatment costs rise or fall with volume? Please explain. How can AWU funds transferred per annum to the city's general fund be deemed a legitimate AWU "rate matrix expense"? | Posted | Summary of City of Austin water rights, Austin Water firm contract with LCRA, \$100M prepaid reservation and water use and the 201,000 acre feet trigger. |
| 817 | All Classes | General Cost of Service | Marcia Stokes | Submitted: 09/30/2016 Can staff provide an updated history of fixed & volumetric charges by customer class as provided in AWU 2012 Joint Subcommittee Financial Plan website question 208 2/24/2012? | Posted | Schedules showing historical fixed and volumetric charges by customer class for the first and final year of the previous cost of service model use time periods. |
| 816 | All Classes | Customer Demand Characteristics | Dan Wilcox | Submitted: 09/29/2016 Question submitted at 09/27/16 PIC meeting. "Can staff provide the revenue by customer class for FY 2015 in the same format as the consumption/flows by customer class?" | Posted | Schedule showing number of customers for August 2016, consumption/flows for FY 2015, and Actual Revenue for FY 2015. |
| 815 | Multifamily | Customer Demand Characteristics | Marcia Stokes | Submitted: 09/29/2016 Requested information during the 09/27/16 PIC meeting. "What are the population percentages for 'single-family' residential and 'multi-family' residential water and wastewater customer of Austin Water?" | Posted | Current population estimates include 56% single family and 44% multifamily |
| 814 | All Classes | General Cost of Service | Lanetta Cooper | Submitted: 09/28/2016 Water and Wastewater Cost of Service meeting questions to cover over the course of the study. Submitted by Lanetta Cooper during the Public Involvement Committee on Tuesday, September 27, 2016. | Posted | Questions submitted by Lanetta Cooper were subsequently separated into questions 921 to 944. |
| 805 | Wholesale | General Cost of Service | Clay Collins | Submitted: 09/27/2016 There was some mention at today's Wholesale Cost of Service meeting about the PUC settlement with some of the wholesale customers. My understanding is that part of this case dealt with costs that were included in the current cost of service model that were determined not to be applicable to wholesale customers. Can the costs that were disallowed by the PUC be identified and discussed at one of the next two Committee meetings? And can we be informed as to which of these costs COA intends to include in the 2017 Revenue Requirements for Wholesale Customers? | Posted | Revenue requirements disallowed by the PUC were discussed at the October 5, 2016 PIC and WIC meetings. Subsequent discussion took place at the November 29, 2016 PIC and WIC meetings and Raftelis provided their perspective. |

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| ID | Class | Topic | Requestor | Question | Status | Summary Response |
|-----|-------------|-------|---------------|--|--------|--|
| 804 | All Classes | | Martin Hodell | Submitted: 08/24/2016 Could you please share the historical rates and % change by year from ~1995 to 2016. Please indicate what level of consumption is assumed (e.g., 10k gallons/mo, 15k gallons...) | Posted | Schedule showing average monthly water bills at 10,000 and 15,000 gallons usage from 1995 to 2016 with % increase from prior year. |

Total Number of Questions Submitted: 120
Total Number Posted: 100
Total Number InProgress: 20



Decision Point Handout | PIC



Decision Point Handout | PIC



Decision Point Handout | PIC

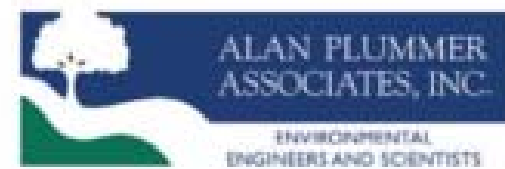


Decision Point Handout | PIC

Decision Point Handout

February 21, 2017

PIC and WIC Meetings



| Issue #1: Revenue Requirement Determination for Wholesale Customers | | | | | | |
|--|---|---------------------------------|--|--|---|--|
| Issue | Change? (Yes or No) | If Yes, Option for Change | Cash Basis | | Utility Basis (Option for Change) | |
| | | | Pros | Cons | Pros | Cons |
| <p>How should the revenue requirement for wholesale customers be determined?</p> <p>Status Quo: Cash Basis Revenue Requirement Determination</p> | | Utility Basis | <ol style="list-style-type: none"> Historically used – “generally” accepted by all customers Simple, easy to understand, determine, update and administer All customers treated the same; same methodology used for everyone Matches City’s budget and accounting methodology, i.e., cash method | <ol style="list-style-type: none"> O/C customers start paying for assets before placed into service No explicit return to I/C customers for investment and risk to serve O/C customers Potential for material rate changes based on capital financing decisions (e.g., debt vs. cash funding) | <ol style="list-style-type: none"> Provides explicit return to I/C customers for investment and risk to serve O/C customers (O/C rates are higher for the same level of service) Fairness and equity in terms of return provided to I/C customers (O/C rate are higher for the same level of service) Fairness and equity for O/C customers in terms of elimination of subjective decisions by AW regarding method of capital financing which can cause material rate changes Enhanced level of rate stability for O/C customers O/C customer do not pay a return on assets or depreciation until assets are in service Consistent with methodology used by PUCT in the regulation of investor-owned utilities Widely used by other local government utility providers across the US in O/C service arrangements The PUC is currently considering a Notice of Proposed Rulemaking that would require municipal/local government electric utilities to use the Utility Basis for O/C customers. This may indicate a preference that municipal water utilities will also be required to employ the Utility Basis for O/C customers. | <ol style="list-style-type: none"> New approach for customers to understand Absent an agreed upon methodology, potential exists for extensive debate regarding determination of the cost of equity capital Requires the determination of the used and useful rate base – potential for debate regarding in-service date and “usefulness” for assets under construction Represents costs in a manner different than the City’s current cash budget methodology Transitioning to the Utility Basis for O/C customers may raise questions regarding the recovery of capital-related costs. During WIC meeting discussions, concern was raised of “paying for assets twice”, based on the disconnect between financing periods and asset life, on which depreciation and rate of return is paid under the Utility Basis. When considering fairness of utility rates, PUC ruling guidelines may favor the consistency of method applied, regardless of the method in use. This “fairness” concern is a consideration when evaluating a move from the Cash to the Utility Basis. |
| PIC Meeting Dates: | PIC Meeting #2 on October 5, 2016 / PIC Meeting #3 on October 25, 2016 | | | | | |
| WIC Meeting Dates: | WIC Meeting #2 on October 5, 2016 / WIC Meeting #3 on November 8, 2016 | | | | | |
| Consultant Recommendation: | AW should use the utility basis method to determine the revenue requirement for wholesale customers (see consultant Technical Memorandum dated October 17, 2016) | | | | | |
| PIC & WIC Comments: | <p>Grant Rabon (PIC-Residential Rate Advocate) If Austin Water opts to utilize the utility basis for these customers (which I support).</p> <p>Chuck Loy (PIC-Multifamily) The multi-family recommends the outside rates be determined by the utility method. For two reasons. 1) it is a method that the Texas PUC is most familiar with and understands and 2) it will allow for some flexibility with the Rate Of Return to cover any subsidies that could occur as a result of the recent PUC case.</p> <p>Marcia Stokes (PIC-Multifamily) I agree with previous comments by residential rate advocate and multifamily PIC rep that the utility basis be used for wholesale and outside city customers while inside city remain cost basis.</p> <p>Jay Joyce (WIC-Wells Branch MUD): since there’s guarantee that either cash or utility basis will result in increase or decrease of cost of service, it will be tough for customer classes to decide without a rough estimate; I wouldn’t buy a car without knowing the cost and don’t think it would that difficult to do a rough estimate</p> <p>Gary Rose (WIC-Southwest Water Co.): preference for utility basis with caveats: capital expenses, used and useful, and reasonable rate of return concerns</p> <p>Howard Hagemann (WIC-Wells Branch MUD): It seems the utility basis is used by a number of utilities and AW seems to be leaning that way but I’m on the fence because precedent seems to say utility basis will be difficult to implement and transparency can be an issue with respect to handling assets</p> | | | | | |

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| | <p>Don Conklin (WIC-North Austin MUD #1): I worry about transparency and am concerned about the continued reference to cash needs vs revenue requirements when the PUCT has repeatedly said rates should be cost of service based and not City of Austin revenue needs based.</p> <p>Lanetta Cooper (PIC-Residential/Low Income): Folks I/C can't intervene in PUCT cases, want clear delineation of wholesale vs retail costs. Recommend utility basis for wholesale.</p> <p>Dave Yanke (PIC- Residential Rate Advocate): Initially I prefer utility basis but don't know methodology assumptions so it's hard to be absolute. A conditional yes. Utility basis for wholesale is not atypical; Fort Worth does it for wastewater, too.</p> <p>Grant Rabon (PIC-Residential Rate Advocate): What Dave Yanke said.</p> <p>Todd Davey (PIC-Industrial/Large Volume): Splitting wholesale and retail will require additional policy. A conditional yes as we don't know the accounting, ie capital expenses funding vs debt funding. What is the rate of return? Less flexibility with utility basis equals less equitability for cash basis. Have concern with how any new rules will impact the retail side. Utility basis puts the onus on Austin Water to manage the rate of return. Cash is more flexible, susceptible to swings in costs, etc. I'm generally in favor of utility basis for all. Retail shouldn't pay for wholesale cost under-recovery.</p> <p>Chuck Loy (PIC-Multifamily): Utility basis would be most equitable. We need more details but I'm fairly firm in support/preference. I believe Austin Water would be in a better position with PUCT filings if they use utility basis for wholesale.</p> <p>Marcia Stokes (PIC-Multifamily): It doesn't really matter to retail, we will still be cash basis. Utility basis is lesser of two evils for wholesale. I prefer the path of least resistance.</p> <p>Dan Wilcox (PIC-Industrial/Large Volume): If I recall, there will be a minute change in revenue requirements because the wholesale percentage is so small, but a higher cost with utility basis? It may be more equitable but is it worth the effort, risk and cost for so little a revenue change? I have no preference, really, but feel cash basis is better in the long run but utility basis is more business-like.</p> <p>Mary Guerrero-McDonald (Commercial): I agree with Todd Davey. This issue is between Austin Water and wholesale customers. I only care how it impacts retail customers. I'm neutral. Find what's best for commercial.</p> <p>Jesse Penn (PIC-W/WW Commissioner): I'm neutral/lean towards utility basis. Rate of return is a way to mitigate investment risk. It's more business-like and straightforward.</p> <p>Luke Metzger (PIC-Environmental): I'm neutral. The change sounds like a hassle for a small benefit.</p> <p>Chien Lee (PIC-W/WW Commissioner): If wholesale goes with utility basis, why keep retail as cash basis? Keep it simple and straightforward. Utility basis seems more predictable, less risky.</p> |
| Executive Team Decision: | |

| Issue #2: Revenue Requirement Determination for Outside City Retail Customers | | | | | | |
|--|--|------------------------------------|------------------|------------------|-----------------------------------|------------------|
| Issue | Change? (Yes or No) | If Yes, Option for Change | Cash Basis | | Utility Basis (Option for Change) | |
| | | | Pros | Cons | Pros | Cons |
| How should the revenue requirement for outside city retail customers be determined? Status Quo: Cash Basis Revenue Requirement Determination | | Utility Basis | Same as Issue #1 | Same as Issue #1 | Same as Issue #1 | Same as Issue #1 |
| PIC Meeting Dates: | PIC Meeting #2 on October 5, 2016 / PIC Meeting #3 on October 25, 2016 | | | | | |
| WIC Meeting Dates: | WIC Meeting #2 on October 5, 2016 / WIC Meeting #3 on November 8, 2016 | | | | | |
| Consultant Recommendation: | AW should use the utility basis method to determine the revenue requirement for wholesale customers (see consultant Technical Memorandum dated October 17, 2016) | | | | | |
| PIC & WIC Comments: | <p>Grant Rabon (PIC-Residential Rate Advocate) If Austin Water opts to utilize the utility basis for these customers (which I support).</p> <p>Chuck Loy (PIC-Multifamily) The multi-family recommends the outside rates be determined by the utility method. For two reasons. 1) it is a method that the Texas PUC is most familiar with and understands and 2) it will allow for some flexibility with the Rate Of Return to cover any subsidies that could occur as a result of the recent PUC case.</p> <p>Marcia Stokes (PIC-Multifamily) I agree with previous comments by residential rate advocate and multifamily PIC rep that the utility basis be used for wholesale and outside city customers while inside city remain cost basis.</p> <p>Gary Rose (WIC-Southwest Water Co.): I agree that wholesale and O/C should probably be the same but have a hard time being okay with being lumped into someone else's rate class.</p> <p>Lanetta Cooper (PIC-Residential/Low Income): Will O/C customers become I/C customers? Can you leave O/C as cash basis? I'm on the fence. Keep a bright line and regulatory rate distinction. I share same concerns as Todd Davey regarding changing to utility basis ie factoring reserves, etc. Can those be recovered in the utility basis model? We need to clarify that what we're really talking about is preventing residual dumping on retail. I have no strong feelings but utility basis has clearer guidelines. The PUCT generally looks at rates on a system wide basis, so you will need to justify a change between O/C and I/C.</p> <p>Chuck Loy (PIC-Multifamily): Yes, keep O/C the same as wholesale. What costs do O/C incur that I/C don't? Higher risk for O/C being outside the city of Austin jurisdiction.</p> <p>Grant Rabon (PIC-Residential Rate Advocate): If you're not keeping assets segregated between I/C and O/C, you would be blind to the change between utility and cash. The assumption is that invested capital per O/C is higher than I/C.</p> | | | | | |
| Executive Team Decision: | | | | | | |

| Issue #3: General Fund Transfer in Wholesale Revenue Requirements | | | | |
|---|---|--|--|--|
| Issue | Change? (Yes or No) | If Yes, Option for Change | Reduce or Eliminate the General Fund Transfer (Option for Change) | |
| | | | Pros | Cons |
| Should the General Fund Transfer be a part of the revenue requirement for wholesale customers? Status Quo: Maintain General Fund Transfer in the Wholesale Revenue Fund Requirement | | Reduce or eliminate the General Fund Transfer and/or consider other forms of justification, e.g., PILOT, Franchise Fee, and/or Street Rental Fee | <ol style="list-style-type: none"> Wholesale customers received no benefit from the inside city governmental services funded by the transfer. | <ol style="list-style-type: none"> It is standard practice for municipal governments to earn a "profit" or "dividend" from the operation of municipal utilities. Payments to the General Fund can be structures in several ways: <ol style="list-style-type: none"> Direct transfer such as that made by Austin Water and Austin Energy Payment in lieu of taxes that is conceptually similar to the property taxes paid by investor-owned utilities Franchise fee that is conceptually similar to the fee also paid by investor-owned utilities Austin Energy makes an annual General Fund Transfer to the City of Austin - there is no reason for Austin Water to be different The General Fund Transfer is a cost of doing business that would be incurred by a private company providing water and wastewater services in the City and as such is a "cost of doing business" that should also be paid by wholesale customers The amount of the General Fund Transfer (8.2% of Gross Revenues) is a policy decision appropriately made by the Austin City Council. Council does not need to justify their reasoning for this or any other level of General Fund Transfer. |
| PIC Meeting Dates: | PIC Meeting #4 on November 8, 2016 | | | |
| WIC Meeting Dates: | WIC Meeting #5 on November 29, 2016 | | | |
| Consultant Recommendation: | General Fund Transfers, regardless of how they are structured or what they labeled, are a valid operating expense incurred by many municipal utilities and should be included in the revenue requirement of the wholesale customers. There is the possibility of restructuring the General Fund Transfer as a payment-in-lieu of taxes and/or a Franchise Fee. In the meantime, the Austin Water General Fund Transfer should continue in the amount specified by Austin City Council. | | | |
| PIC & WIC Comments: | <p>Gary Rose (WIC-Southwest Water Co.): it seems rate of return and General Fund Transfer is double dipping under a utility basis.</p> <p>Jay Joyce (WIC-Wells Branch MUD): if General Fund Transfer is profit, then it's not cost of service; I can't imagine the PUCT would allow both a rate of return and General Fund Transfer.</p> <p>Howard Hagemann (WIC-Wells Branch MUD): I see things not allocated to what they're actually expended for. Recommend against General Fund Transfer under utility basis.</p> <p>Robert Anderson (WIC-Norhttown MUD/Wells Branch MUD): The PUCT has disallowed this so I'm not sure why we're discussing it. Item #4 under Cons is a slap in the face.</p> <p>Don Conklin (WIC-North Austin MUD #1): I request the General Fund Transfer be withdrawn as part of the cost of service allocation as repeatedly ruled by the courts; that's at the heart of my skepticism about this process.</p> <p>Charles Winfield (WIC-City of Rollingwood): My preference is to not include the General Fund Transfer. There's already one included for Austin Energy which we pay.</p> <p>Luke Metzger (PIC-Environmental): Maintain the wholesale General Fund Transfer. They should pay their fair share.</p> <p>Todd Davey (PIC-Industrial/Large Volume): No change. They're different jurisdictions (city of Austin and PUCT). Set up those rates of return in another fashion. I don't think the city of Austin should mandate General Fund Transfer by wholesale. The city should recover funds that hit operating expenses. How does wholesale get their voice heard? General Fund Transfer and city of Austin don't apply to them.</p> <p>Lanetta Cooper (PIC-Residential/Low Income): I strongly support. I see the General Fund Transfer as profit. Austin Water is running a business and they deserve the chance to earn a profit. There are some expenses applicable to wholesale and they should bear their share. The General Fund Transfer shouldn't apply to costs borne by I/C only costs like CWIP/CIP.</p> <p>Todd Davey (PIC-Industrial/Large Volume): I agree with Lanetta but disagree with Con item #4.</p> <p>Chuck Loy (PIC-Multifamily): I agree. Those costs should be recovered in some way. Call them something else or the PUCT will challenge them.</p> <p>Dave Yanke (PIC-Residential Rate Advocate): I agree with Chuck Loy. You will need justification. There may be other mechanisms to recover costs and they must be defensible.</p> <p>Jesse Penn (PIC-W/WW Commissioner): What did the WIC say?</p> <p>Karyn Keese (PIC-Residential): You need some formula/mechanism other than a flat 8.2% and it should be part of wholesale revenue requirements.</p> | | | |
| Executive Team Decision: | | | | |

| Issue #4: Rate Recovery of Costs Incurred to Meet Financial Benchmarks | | | | |
|--|--|--|--|--|
| Issue | Change? (Yes or No) | If Yes, Option for Change | Reduce or Eliminate the Cost of Meeting Financial Benchmarks in Rates (Option for Change) | |
| | | | Pros | Cons |
| <p>Is it appropriate for Austin Water to continue to include in rates the costs incurred to meet financial benchmarks related to items such as Debt Service Coverage; Cash Reserves, and specific target levels of debt in the Austin Water capital structure?</p> <p>Status Quo: Continue to include the cost of meeting financial benchmarks in the rates paid by both retail and wholesale customers</p> | | Reduce or eliminate the cost of meeting financial benchmarks in the rates paid by both retail and wholesale customers. | <p>1. Austin Water should only include in rates the absolute minimum costs necessary to maintain contractually mandated debt service coverage requirements (nothing more), the minimum possible cash reserve levels. Austin Water CIP financing decisions should be made solely on the basis of what results in the lowest rates today. Consideration of long-term capital structure issues and the reduced risks of have lower amounts of debt should not be considered in CIP financing decisions.</p> | <p>1. Financially stable utilities must maintain debt service coverage and cash reserve levels above the bare minimum. This is the only way to protect ratepayers from emergency rate increases due to unforeseen events such as severe and prolonged drought and major infrastructure failures.</p> <p>2. Financially stable utilities must engage in CIP financing strategies that move toward an optimal capital structure with the appropriate balance of debt and equity. Such a capital structure limits the financial risk of too much debt and minimizes the rate increases caused by the use of too much cash funded CIP.</p> <p>3. Austin Water must compete for funds and issue debt in the capital markets. Including in rates the costs incurred to meet reasonable financial benchmarks is prudent because it lowers Austin Water's borrowing costs and ensures unfettered access to the debt markets.</p> |
| PIC Meeting Dates: | PIC Meeting #3 on October 5, 2016 / PIC Meeting #5 on November 29, 2016 | | | |
| WIC Meeting Dates: | WIC Meeting #2 on October 5, 2016 / WIC Meeting #4 on November 25, 2016 | | | |
| Consultant Recommendation: | The costs incurred to meet reasonable financial benchmarks should be included in rates and allocated to both retail and wholesale customers. | | | |
| PIC & WIC Comments: | <p>Jay Joyce (WIC-Wells Branch MUD): How do you propose to incorporate these costs into a utility basis?</p> <p>Howard Hagemann (WIC-Wells Branch MUD): Aren't impact fees intended to cover items like this?</p> <p>Gary Rose (WIC-Southwest Water Co.): Is Austin Water's bond rating separate from the city of Austin's and Austin Energy's bond ratings?</p> <p>Don Conklin (WIC-North Austin MUD #1): What is the required debt service coverage? Can we see it? Does it include reserves? Are reserves locked to Austin Water and unable to be siphoned off?</p> <p>Luke Metzger (PIC-Environmental): It's absolutely appropriate and good financial practice.</p> <p>Grant Rabon (PIC-Residential Rate Advocate): Certainly debt and bond covenants. What Austin Water is doing now far surpasses requirements. What level is an appropriate level? Please share the Fitch 2017 medians report.</p> <p>Karyn Keese (PIC-Residential): I totally agree with Grant Rabon. Certainly debt service coverage is important but at what level? I would like a more formalized policy. I would like to see a sampling of other debt service coverage plans.</p> <p>Todd Davey (PIC-Industrial/Large Volume): I don't believe you should recover any more than what is needed to operate the utility. I have concerns about pre-collecting for future rate increases. Your stated targets are way out of line. Austin Water's rates are already high. Operate more efficiently. They were able to find equitable rates/levels in the Austin Energy settlement. I contacted the Fitch analyst and there are more parts to a bond rating than what Austin Water is benchmarking. My baseline is how do your rates compare to others. Right now your benchmarks are out of alignment. Council is making decisions impacting your revenue and demand, more so than with Austin Energy. Austin Water should have an affordability goal like Austin Energy does.</p> <p>Lanetta Cooper (PIC-Residential/Low Income): I don't know if the PUCT would allow it under utility basis. Depreciation would have to cover these costs. I think Austin Water will have difficulty squeezing debt service coverage and reserves into a utility basis model. These are covered by the rate of return. Look at it as a rate design issue especially Revenue Stability Reserves. I share Todd and Grant's concerns for I/C – why do you need such a big piggy bank?</p> <p>Dave Yanke (PIC-Residential Rate Advocate): Debt service coverage and reserves are critical. If you want them to grow, provide a detailed longer term analysis on how you will incrementally get there without significant rate increases. The challenge is to define what are adequate levels.</p> | | | |
| Executive Team Decision: | | | | |

| Issue #5: Allocation of a Portion of Rate Case Expenses to Wholesale Customers | | | | |
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| Issue | Change? (Yes or No) | If Yes, Option for Change | Allocate a Portion of Rate Case Expenses to Wholesale Customers (Option for Change) | |
| | | | Pros | Cons |
| <p>The PUCT disallowed Austin Water's allocation of a portion of rate case expenses to the wholesale customers. Should Austin Water seek to include these costs in the wholesale customer revenue requirement in its next rate case?</p> <p>Status Quo: If Austin Water incurs rate case expenses in the future, they should continue to be excluded from the wholesale customer revenue requirement.</p> | | <p>If Austin Water incurs rate case expenses in the future, a portion of these costs should be allocated to the wholesale customer revenue requirement.</p> | <p>1. Rate case expenses are a valid operating cost that benefit all customers, retail and wholesale.</p> | <p>1. As the petitioning party challenging Austin Water's rates, wholesale customers should not pay any rate case expenses.</p> |
| PIC Meeting Dates: | PIC Meeting #5 on November 29, 2016 | | | |
| WIC Meeting Dates: | WIC Meeting #4 on November 29, 2016 | | | |
| Consultant Recommendation: | Rate case expenses are a natural outcome of the regulatory process that benefits both retail and wholesale customers. If incurred in the future, wholesale customers should be allocated a portion of Austin Water's rate case expenses. | | | |
| PIC & WIC Comments: | <p>Grant Rabon (PIC-Residential Rate Advocate) Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p> <p>Don Conklin (WIC-North Austin MUD #1): I don't think allowing any of these is a something we would support. Why do you repeatedly try to include costs that have been repeatedly disallowed by the PUCT? Best case scenario, negotiations result in agreement and a rate case is not necessary. Our concession would be what's included in rate case expenses. I/C elects the Council who sets rates, they have redress, O/C doesn't.</p> <p>Gary Rose (WIC-Southwest Water Co.): Rate case expenses can be included but you're not guaranteed to recover them; the PUCT occasionally disallows.</p> <p>Robert Wood (WIC-City of Westlake Hills): I/C should pay all rate case costs. Shareholders are city of Austin residents; if the argument for rate of return is that they bear the risk, then let them bear the risk.</p> <p>Charles Winfield (WIC-City of Rollingwood): Exclude them.</p> <p>Robert Anderson (WIC-Northtown MUD/Wells Branch MUD): Exclude them.</p> <p>Howard Hagemann (WIC-Wells Branch MUD): Exclude them.</p> <p>Jay Joyce (WIC-Wells Branch MUD): Yes, of course done properly evidence will be deliberated through judge and a decision will be reached.</p> <p>1/17/17 Grant Rabon (PIC-Residential Rate Advocate): Consistent with my prior comments, I recommend you endeavor to recover. Todd Davey (PIC-Industrial/Large Volume): The utility should operate with whatever is the accepted process.</p> | | | |
| Executive Team Decision: | | | | |

| Issue #6: Allocation of a Portion of Reclaimed Water Costs to Wholesale Customers | | | |
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| Issue | Change? (Yes or No) | If Yes, Option for Change | Allocate a Portion of Reclaimed Water Costs to Wholesale Customers (Option for Change) |
| | | | Pros |
| <p>The PUCT disallowed Austin Water's allocation of a portion of reclaimed water costs to the wholesale customers. Should Austin Water seek to include these costs in the wholesale customer revenue requirement in its next rate case?</p> <p>Status Quo: Continue to exclude reclaimed water costs from the wholesale customer revenue requirement.</p> | | Allocate a portion of Austin Water's reclaimed water costs to the wholesale customer revenue requirement. | <p>1. Reclaimed water is a cost effective source of supply that diversifies Austin Water's water supply portfolio and enhances the total amount of water available to all customers (retail and wholesale). Specifically, if more reclaimed water used, more of Austin Water's existing sources of supply are available for potable water customers, retail and wholesale. For this reason, both retail and wholesale customers should be allocated a portion of reclaimed water costs.</p> <p>1. Even though reclaimed water increases the overall amount of water available to all customers (retail and wholesale), wholesale customers do not use reclaimed water and therefore should not be allocated a portion of reclaimed water costs.</p> |
| PIC Meeting Dates: | PIC Meeting #2 on November 5, 2016 / PIC Meeting #3 on November 25, 2016 / PIC Meeting #5 on November 29, 2016 | | |
| WIC Meeting Dates: | WIC Meeting #2 on November 5, 2016 / WIC Meeting #3 on November 8, 2016 / WIC Meeting #4 on November 29, 2016 | | |
| Consultant Recommendation: | Reclaimed water is a valid source of supply that benefits the entire system. A portion of reclaimed water costs should be allocated to wholesale customers. | | |
| PIC & WIC Comments: | <p>Grant Rabon (PIC-Residential Rate Advocate) Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p> <p>Jay Joyce (WIC-Wells Branch MUD): I oppose based on testimony in the case. What are the changed circumstances since the ruling in this case? Ie are there any EPA or regulatory obligations?</p> <p>Robert Anderson (WIC-Northtown MUD/Wells Branch MUD): I agree with Jay. The PUCT has already ruled. Why is the city of Austin butting its head against the wall and increasing rate case costs?</p> <p>Howard Hagemann (WIC-Wells Branch MUD): I agree and oppose and we don't use any reclaimed water.</p> <p>Don Conklin (WIC-North Austin MUD #1): I recommend disallowing. Decisions are being made by I/C customers and we have no standing to address those choices.</p> <p>Charles Winfield (WIC-City of Rollingwood): I agree and oppose. Disallow. Does the PUCT give any reasons for disallowances?</p> <p>Randall Raemon (WIC-Marsha WSC): Does not support allocation to wholesale customers.</p> <p>1/17/17</p> <p>Dan Wilcox (PIC-Industrial/Large Volume): Is there a precedent saying you should go one way or another? Where did the PUCT decision come from? If most customers don't have access, why should wholesale be treated any differently? Include these costs. Response: There's no precedent that we know of. Wholesale didn't specifically benefit in that they're not connected to it, can't irrigate with it, etc. The majority of Austin Water customers don't have access to it as a water supply.</p> <p>Dave Yanke (PIC-Residential Rate Advocate): Was there a detailed explanation/background given during the rate case?</p> <p>Todd Davey (PIC-Industrial/Large Volume): If reclaimed is a benefit to the entire system, yes wholesale should pay. But another consideration is: is it a reasonable and necessary cost? Is a return on investment there? There are only 66 customers. LCRA is moving ahead with a downstream reservoir; they learned lessons from the drought. Wholesale should bear the burden of costs, too. Can we defer some of the capital to be invested in the near term if the need is pushed out? That adds to debt service, cost of service and rates.</p> <p>Dan Wilcox (PIC-Industrial/Large Volume): Is the rate of reclaimed water still subsidized? Response: Yes, about \$3.5 million per year subsidy from water and wastewater. When we hit 201,500 acre feet from LCRA, we start paying higher rates in perpetuity. Conservation and reclaimed water usage extends that timeline.</p> <p>Chien Lee (PIC-W/WW Commissioner): Is the statement 'wholesale customers do not use reclaimed water' true? Response: Yes. There is a difference between 'can I connect' and 'do I benefit'.</p> <p>Chuck Loy (PIC-Multifamily): Because reclaimed water benefits all customers, I think it should be included and you can probably make a good argument to the PUCT.</p> | | |
| Executive Team Decision: | | | |

| Issue #7: Allocation of a Portion of the Reclassified SWAP and Commercial Paper Costs to Wholesale Customers | | | | |
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| Issue | Change? (Yes or No) | If Yes, Option for Change | Allocate a Portion of SWAP and Commercial Paper Costs to Wholesale Customers (Option for Change) | |
| | | | Pros | Cons |
| <p>The PUCT disallowed Austin Water's allocation of a portion of SWAP and commercial paper costs to the wholesale customers.</p> <p>Status Quo: Continue to exclude SWAP and commercial paper costs from the wholesale customer revenue requirement</p> | | Allocate a portion of Austin Water's SWAP and commercial paper costs to the wholesale customer revenue requirement. | <p>1. SWAP and commercial paper costs are valid debt issuance costs that are incurred by Austin Water to fund CIP projects that provide service to all customers. These costs were previously amortized over the life of each debt instrument. The Governmental Accounting Standards Board now requires these costs to be expensed in the year incurred. It is appropriate for all customers, both retail and wholesale, to be allocated a portion of SWAP and Commercial paper costs.</p> | <p>1.</p> |
| PIC Meeting Dates: | PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016 | | | |
| WIC Meeting Dates: | WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016 | | | |
| Consultant Recommendation: | SWAP and commercial paper costs are a valid operating cost. | | | |
| PIC & WIC Comments: | <p>Grant Rabon (PIC-Residential Rate Advocate) Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p> <p>1/17/17 Jay Joyce (WIC-Wells Branch MUD): When did GASB make the pronouncement? Response: 2013-14 Howard Hagemann (WIC-Wells Branch MUD): If we go to a utility basis, would this still be separate from depreciation? Response: It would be part of O&M regardless because of GASB it's in addition to depreciation. Don Conklin (WIC-North Austin MUD #1): I have concern regarding the lack of level of detail and breakout. The PUCT has ruled against these costs previously – we do not want these costs included. If more conversation is needed, then more detail is needed. I am concerned the city of Austin is trying to add disallowed costs. I feel like the previous costs were set, then the PUCT ruled, and now you're trying to insert them again. Avoid litigation and save money by reaching an agreement on what regulatory costs need to be included. Grant Rabon (PIC-Residential Rate Advocate): GASB indicates this is an operating expense under both cash and utility bases so there's no rational reason to exclude it. Todd Davey (PIC-Industrial/Large Volume): Agree. Chuck Loy (PIC-Multifamily): Agree. Dan Wilcox (PIC-Industrial/Large Volume): Agree. Marcia Stokes (PIC-Multifamily): Agree. Jesse Penn (PIC-W/WW Commissioner): Agree.</p> | | | |
| Executive Team Decision: | | | | |

| Issue #8: Allocation of a Portion of the Green Water Treatment Plant Capital Costs to Wholesale Customers | | | |
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| Issue | Change? (Yes or No) | If Yes, Option for Change | Allocate a Portion of Green Water Treatment Plant Capital Costs to Wholesale Customers (Option for Change) |
| | | | Pros |
| <p>The PUCT disallowed Austin Water's allocation of a portion of Green Water Treatment Plant costs to the wholesale customers. Green Water has been decommissioned by Austin Water for treatment service.</p> <p>Status Quo: Continue to exclude the Green Water Treatment Plant costs from the wholesale customer revenue requirement.</p> | | Allocate a portion of Green Water Treatment Plant costs to the wholesale customer revenue requirement. | <p>1. The Green Water Treatment Plant has been decommissioned but there may be some debt service outstanding related to the Green WTP improvements.</p> <p>1. The Green Water Treatment Plant does not pass the "used and useful" test.</p> |
| PIC Meeting Dates: | PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016 | | |
| WIC Meeting Dates: | WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016 | | |
| Consultant Recommendation: | A portion of these costs should be allocated to wholesale customers. | | |
| PIC & WIC Comments: | <p>Grant Rabon (PIC-Residential Rate Advocate) Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p> <p>1/17/17 Shirley Ross (WIC-Wells Branch MUD): Is it still being used for training? Green WTP has never been used to supply water to us? Response: Yes, it was used before WTP4 was put into service as part of an integrated system. Howard Hagemann (WIC-Wells Branch MUD): Since it's not being used, and we're not receiving a benefit, and we've paid on the debt service, how can you say a plant not being used has any costs allocated to wholesale? It's a far reach. I don't see this as having any bearing on water flowing to us. Stay with the status quo and exclude. Response: Costs are allocated through the normal cost of service process; debt service costs are common to all. Jay Joyce (WIC-Wells Branch MUD): The city of Austin sold a revenue producing asset that still had revenue bonds payable? Response: Austin Water did not own the land, the city of Austin did. Austin Water used cash to deconstruct the plant for the City's sale of the land. The city of Austin paid Austin Water for those costs but per IRS rules Austin Water didn't use the cash to pay off the debt. Don Conklin (WIC-North Austin MUD #1): I'm concerned you acknowledge these costs don't pass the used and useful test. I'm concerned you didn't use the funds for paying off debt but rather for other purposes. Because O/C doesn't have a voice, I strongly encourage the status quo. Chuck Loy (PIC-Multifamily): Was the plant retired early? Response: We could have kept using but it was the oldest in Texas and is hard to maintain; it would have required significant capital investment to extend its life. Chien Lee (PIC-W/WW Commissioner): What is the amount of outstanding debt? Response: I don't recall exactly. A couple million dollars of debt, a small fraction of which is debt service. Jesse Penn (PIC-W/WW Commissioner): Does used and useful apply in this situation? Response: If using the utility basis, yes. If using cash basis, it's been fully depreciated. Todd Davey (PIC-Industrial/Large Volume): The debt has probably been refinanced and bundled. It's difficult to trace to a specific asset. Sounds like you've tried – can revenue from the sale of other assets be used to pay this off? It sounds like an immaterial amount. For simplicity, I support requiring wholesale to pay, too. Response: We always look at defeasing debt when we have the cash to do so. Chuck Loy (PIC-Multifamily): It sounds like everyone benefited from the decommissioning, deconstructing and sale of the land so all should pay. Allocate it.</p> | | |
| Executive Team Decision | | | |

| Issue #9: Allocation of Revenue Stability Reserve Fund Costs to Wholesale Customers | | | | |
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| Issue | Change? (Yes or No) | If Yes, Option for Change | Allocate a Portion of Revenue Stability Reserve Fund Costs to Wholesale Customers (Option for Change) | |
| | | | Pros | Cons |
| <p>The PUCT disallowed Austin Water's allocation of a portion of Revenue Stability Reserve Fund costs to the wholesale customers. Should Austin Water seek to include these costs in the wholesale customer revenue requirement in the next rate case?</p> <p>Status Quo: Continue to exclude Revenue Stability Reserve Fund costs from the wholesale customer revenue requirement.</p> | | <p>Allocate a portion of the Revenue Stability Reserve Fund costs to the to the wholesale customer revenue requirement.</p> | <p>1. The Revenue Stability Reserve Fund protects the financial integrity of Austin Water caused by revenue fluctuations. This is a valid operating cost that accrues to the benefit of all customers, both retail and wholesale.</p> | <p>1. The entire risk of revenue fluctuations should be borne by Austin Water's retail customers. Therefore, no portion of these costs should be allocated to wholesale customers.</p> |
| PIC Meeting Dates: | PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016 | | | |
| WIC Meeting Dates: | WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016 | | | |
| Consultant Recommendation: | The maintenance of a Revenue Stability Reserve Fund is a valid operating cost that benefits all customers. Wholesale customers should be allocated a portion of these costs. | | | |
| PIC & WIC Comments: | <p>Grant Rabon (PIC-Residential Rate Advocate) Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p> <p>1/17/17 Don Conklin (WIC-North Austin MUD #1): When you look at Austin Water's responsibility to operate the utility, you expect Austin Water to save money in years when revenue is over and above requirements, not peel it off and do something else with it. In wet years when you have more revenue than intended, is the extra revenue used to expedite funding of the Revenue Stability Fund? Every dime of additional revenue should go to the Revenue Stability Fund, not to any other expense/activity/cost of service. Response: A combination of transfers from operating and surcharges is used. We have slowed down the rate of surcharge increases because of extra transfers from operating revenue. All extra revenue goes to the operating reserve fund. 400 days of operating revenue is our goal and we're not to 200 days yet.</p> <p>Gary Rose (WIC-Southwest Water Co.): I recommend against including the Revenue Stability Fund. The Revenue Stability Fund gives Austin Water the option to not collect the full cost of service from I/C. Assume wet and dry years will happen and manage it. Cost of service and revenue requirements encourage I/C conservation which leads to reduced revenue which shouldn't be passed to wholesale. I oppose allowing.</p> <p>Jay Joyce (WIC-Wells Branch MUD): Volatility is a product of steep inverted blocks (?) on the retail side, not wholesale. Response: The Revenue Stability Fund has been reduced for wholesale customers and has always been common to all to meet the required floor of the fund. Is it true the Council can do whatever they want with this money? Response: That was initially a concern when the fund was established but its use is part of Austin Water's financial policy and is strictly limited.</p> <p>Andrew Hunt (WIC-): It should not be allowed. Is there a number goal for the fund? Does the city of Austin use drought surcharges or pull from this fund? Response: Yes, the rate of surcharge decreases when the fund goal is met. We must have a budget variance of greater than 10% to even access the fund and Council must approve. When nearing Stage 3, the city did create Stage 3 and Stage 4 surcharges but these have not been implemented.</p> <p>Todd Davey (PIC-Industrial/Large Volume): I have concerns about the levels of the funds. Is the value of the reserves that there won't be vast fluctuations in rates? If there's no perceived value for wholesale to benefit, they don't benefit from revenue stability funded by the retail class.</p> <p>Grant Rabon (PIC-Residential Rate Advocate): What do you feel are the prospects for success at the PUCT if allocated to wholesale? How will you defend at the PUCT? We all understand the importance of reserves and applaud their growth. While they may not be at the levels of others, they seem to be more than sufficiently addressing the issue. Now we need to balance with the affordability of rates. By number of days cash on hand and total value dollar-wise of the reserves, Austin Water ranks #1 on S&P rating. Response: More than anything, debt service coverage has been driving rates. We need to improve on 1.25 coverage ratio and by reducing that percentage of budget rates can be refined.</p> <p>Dave Yanke (PIC-Residential Rate Advocate): If debt can be reduced and reserves are between 180-270 days, would that help affordability? Response: Debt management is a big portion of our operating strategy.</p> <p>Todd Davey (PIC-Industrial/Large Volume): How accurate is your revenue forecasting ability? Response: The budget is based on a normalized year of the last 5-10 years.</p> <p>Dan Wilcox (PIC-Industrial/Large Volume): If 180 days is your target, do you shoot for 220 days so you never go below 180? How does this work for Austin Water? Response: Days cash on hand is one metric. Ratings agencies look for plans for recovery. A 1-year dip won't be an issue but several years would be. We're on much stronger footing than we have been previously. We only have reserves on the water side, not wastewater. We're finally seeing some recovery unlike past several years.</p> | | | |
| Executive Team Decision: | | | | |

| Issue #10: Allocation of a Barton Springs/Edwards Aquifer Conservation District Costs to Wholesale Customers | | | | |
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| Issue | Change? (Yes or No) | If Yes, Option for Change | Allocate a Portion of Barton Springs/Edwards Aquifer Conservation District Costs to Wholesale Customers (Option for Change) | |
| | | | Pros | Cons |
| <p>The PUCT disallowed Austin Water's allocation of a portion of Barton Springs/Edwards Aquifer Conservation District costs to wholesale customers. Should Austin Water seek to include these costs in the wholesale customer revenue requirement in the next rate case?</p> <p>Status Quo: Continue to exclude Barton Springs/Edwards Aquifer Conservation costs from the wholesale customer revenue requirement</p> | | <p>Allocate a portion of Barton Springs/Edwards Aquifer Conservation District costs to the wholesale customer revenue requirement.</p> | <p>1. The fee paid by Austin Water for the Barton Springs/Edwards Aquifer Conservation District was mandated by State of Texas legislation.</p> | |
| PIC Meeting Dates: | PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016 | | | |
| WIC Meeting Dates: | WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016 | | | |
| Consultant Recommendation: | The Barton Springs/Edwards Aquifer Conservation District costs, which are paid by AW as mandated by City Council, are a valid operating expense that should be recovered from all customers. Wholesale customers should be allocated a portion of these costs. | | | |
| PIC & WIC Comments: | <p>Grant Rabon (PIC-Residential Rate Advocate) Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p> <p>1/17/17 Jay Joyce (WIC-Wells Branch MUD): Austin Water shows \$900,000 budget for this fee, but BSEACD only shows \$700,000 from Austin Water. Response: I believe \$900,000 is the cap of what can be paid, not what is paid. Howard Hagemann (WIC-Wells Branch MUD): I'm in agreement with excluding this from wholesale. Todd Davey (PIC-Industrial/Large Volume): Generally, I support trying to recoup costs from wholesale but this brings up the reasonable and necessary hurdle to jump. Dave Yanke (PIC-Residential Rate Advocate): I agree with Todd. This seems like an uphill battle but go for it. Chuck Loy (PIC-Multifamily): Are costs charged by BSEACD based on volume? Does it benefit Austin Water customers? Response: No, it's not based on volume. For nearly a decade, we drew water from Lady Bird Lake which is recharged by Barton Springs so you could make the argument it's a utility cost. Dan Wilcox (PIC-Industrial/Large Volume): You should attempt to allocate. Marcia Stokes (PIC-Multifamily): Why is it other cities who are wholesale customers don't pay? Response: If you're part of the district, you pay.</p> | | | |
| Executive Team Decision | | | | |

| Issue #11: Allocation of a Portion of the Govalle Wastewater Treatment Plant O&M and Capital Costs to Wholesale Customers | | | | |
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| Issue | Change? (Yes or No) | If Yes, Option for Change | Allocate a Portion of Govalle Wastewater Treatment Plant O&M and Capital Costs to Wholesale Customers (Option for Change) | |
| | | | Pros | Cons |
| <p>The PUCT disallowed Austin Water's allocation of a portion of Govalle Wastewater Treatment Plant costs to the wholesale customers. Should Austin Water seek to include these costs in the wholesale customer revenue requirement in the next rate case?</p> <p>Status Quo: Continue to exclude the Govalle Wastewater Treatment Plant costs from the wholesale customer revenue requirement</p> | | Allocate a portion of Govalle Wastewater Treatment Plant costs to the wholesale customer revenue requirement. | <p>1. Although the Govalle Wastewater Treatment Plant has been decommissioned, it is still being used for purposes that benefit all customers, both retail and wholesale. This includes various treatment support functions, emergency wastewater flow diversion, and for storage of treatment plant and infrastructure assets.</p> | <p>1. The Govalle Wastewater Treatment Plant does not pass the "used and useful" test and should not be allocated to wholesale customers.</p> |
| PIC Meeting Dates: | PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016 | | | |
| WIC Meeting Dates: | WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016 | | | |
| Consultant Recommendation: | The Govalle Wastewater Treatment Plant capital should be allocated to wholesale customers. | | | |
| PIC & WIC Comments: | <p>Grant Rabon (PIC-Residential Rate Advocate) Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p> <p>1/17/17 Gary Rose (WIC-Southwest Water Co.): If we use the utility basis, obviously this is not used and useful, so exclude it. I can see why the administrative building is legitimate but the old building for training isn't because training can be done at other sites. Response: Plant assets that aren't used and useful wouldn't apply but administrative services are used and useful, especially trainings. Howard Hagemann (WIC-Wells Branch MUD): To determine the percentage allocations, etc., would require an inordinate amount of effort and research. What is the percentage usage by wholesale customers? Transparency is a concern that some of these points bring out. How will we get to a dollar amount that would be agreed upon? Don Conklin (WIC-North Austin MUD #1): Is there any current/ongoing indebtedness with Govalle even though it's decommissioned? I recognize that administrative and training costs are real costs – do they need to be associated with a decommissioned plant? Is there a more cost effective place for them? We need more detail. I withhold my support until we have more information. Response: I don't know. It was decommissioned less than 30 years ago; there might be a small portion left but we haven't identified any ongoing costs. Chuck Loy (PIC-Multifamily): Costs should be allocated. Marcia Stokes (PIC-Multifamily): Yes. Todd Davey (PIC-Industrial/Large Volume): It's a hurdle to overcome but yes you should try to include. Dan Wilcox (PIC-Industrial/Large Volume): I agree. You should attempt to charge to wholesale. Grant Rabon (PIC-Residential Rate Advocate): I agree and don't find it particularly hard to sell to the PUCT. Chien Lee (PIC-W/WW Commissioner): Yes, include it. Jesse Penn (PIC-W/WW Commissioner): It should be included. What type of training takes places and should that be included? Response: High risk, confined space training, sometimes with APD and AFD. The facility is used on a regular basis and two staffers are permanently stationed there.</p> | | | |
| Executive Team Decision | | | | |

| Issue #12: Allocation of a Portion of the Utility-Wide Contingency to Wholesale Customers | | | |
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| Issue | Change? (Yes or No) | If Yes, Option for Change | Allocate a Portion of the Utility-Wide Contingency to Wholesale Customers (Option for Change) |
| | | | Pros |
| <p>The PUCT disallowed Austin Water's allocation of a portion of its utility-wide contingency to the wholesale customers. Should Austin Water seek to include these costs in the wholesale customer revenue requirement in the next rate case?</p> <p>Status Quo: Continue to exclude the Utility-Wide Contingency from the wholesale customer revenue requirement</p> | | Allocate a portion of the Utility-Wide Contingency to the wholesale customer revenue requirement. | <p>1. The utility revenue requirement item designed to provide funds in case of emergency repair or other unplanned contingency. This is a valid operating cost that benefits all customers, both retail and wholesale.</p> <p>1. Austin Water maintains other reserve funds and the use of a utility-wide contingency cost is redundant.</p> <p>2. Austin Water must ensure that the amount of the contingency included in its revenue requirement is appropriate based on its actual history of expenditures.</p> |
| PIC Meeting Dates: | PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016 | | |
| WIC Meeting Dates: | WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016 | | |
| Consultant Recommendation: | Austin Water must demonstrate why its requested contingency is appropriate to be included in the revenue requirement. If justified, a portion of this cost should be allocated to wholesale customers. | | |
| PIC & WIC Comments: | <p>Grant Rabon (PIC-Residential Rate Advocate) Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p> <p>1/17/17 Don Conklin (WIC-North Austin MUD #1): Is this a fund? Continue to disallow it. See Con #1. Absent this being allocated specifically to a contingency fund, I oppose. Response: It's an annual line item. If it doesn't get spent on contingency issues, it doesn't get spent anywhere. It's about \$1 million of a \$200 million budget. Gary Rose (WIC-Southwest Water Co.): You've set rates based on the test year. Including contingency plans in a test year lets you get around the cost of service and charge customers more. In my business we push back into future years if something unexpected happens. Exclude it. Grant Rabon (PIC-Residential Rate Advocate): Does this issue go away if you used actuals and not a fund? Response: Yes. Dan Wilcox (PIC-Industrial/Large Volume): It should be allocated to the wholesale class. Would it be a factor if they used utility vs cash? Response: No, it wouldn't be a factor. It would be O&M expenses at that point. Todd Davey (PIC-Industrial/Large Volume): I agree. You should try to allocate it. Try to not take on debt.</p> | | |
| Executive Team Decision | | | |

| Issue #13: Allocation of Water Treatment Plant No. 4 Costs to Wholesale Customers | | | | |
|---|--|--|--|---|
| Issue | Change? (Yes or No) | If Yes, Option for Change | Allocate a Portion of Wastewater Treatment Plant No. 4 Costs to Wholesale Customers (Option for Change) | |
| | | | Pros | Cons |
| <p>The PUCT disallowed Austin Water's allocation of a portion of Water Treatment Plant No. 4 costs to the wholesale customers. Should Austin Water seek to include these costs in the wholesale customer revenue requirement in the next rate case?</p> <p>Status Quo: Continue to exclude Water Treatment Plant No. 4 costs from the wholesale customer revenue requirement</p> | | Allocate a portion of Water Treatment Plant No. 4 costs to the wholesale customer revenue requirement. | <p>1. At the time of Austin Water's 2013 rate case, Water Treatment Plant No. 4 was not in service. Water Treatment Plant No. 4 is now in service. Austin Water operates a fully integrated utility system and all customers, including both retail and wholesale, benefit from Water Treatment Plant No. 4.</p> | <p>1. Water Treatment Plant No. 4 is not specifically dedicated to wholesale customer service. Therefore, no portion of these costs should be allocated to wholesale customers.</p> |
| PIC Meeting Dates: | PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016 | | | |
| WIC Meeting Dates: | WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016 | | | |
| Consultant Recommendation: | Water Treatment Plant No. 4 related costs are a valid and benefits all customers. Wholesale customers should be allocated a portion of these costs. | | | |
| PIC & WIC Comments: | <p>Grant Rabon (PIC-Residential Rate Advocate) Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p> <p>1/17/17 Gary Rose (WIC-Southwest Water Co.): On a peak day, is WTP4 used? If yes, it's a legitimate cost. Response: All 3 plants are used on peak days. Randy Wilburn: The more appropriate question is: is it necessary to operate WTP4? No. It's a \$1 billion boondoggle. We have survived for 50 years with two plants. Response: Without WTP4, if one plant is out of service, we cannot satisfy demand. We need it to provide service to the north and west sides of town. Jay Joyce (WIC-Wells Branch MUD): I have no opinion on whether to include it; it certainly could be a discussion regarding used and useful. The PUCT will conduct a prudence review. They will quantify the amount that should apply to all. Grant Rabon (PIC-Residential Rate Advocate): You can't possibly spend too much time defending how this is a prudent and necessary investment in system planning for current and future customers. Allocate it to all. Dan Wilcox (PIC-Industrial/Large Volume): I agree. It should be included. Chien Lee (PIC-W/WW Commissioner): WTP4 is partially to replace the capacity of decommissioning other plants. Jesse Penn (PIC-W/WW Commissioner): I agree. Todd Davey (PIC-Industrial/Large Volume): I agree. It's used and useful, reasonable and necessary. You should try to recover. If not, revisit reasonable and necessary for retail as this shouldn't only be the responsibility of retail. Chuck Loy (PIC-Multifamily): I agree. Include it and allocate. Marcia Stokes (PIC-Multifamily): I agree.</p> | | | |
| Executive Team Decision | | | | |

| Issue #14: Allocation of Green Power Costs to Wholesale Customers | | | | |
|---|--|--|---|---|
| Issue | Change? (Yes or No) | If Yes, Option for Change | Allocate a Portion of Wastewater Treatment Plant No. 4 Costs to Wholesale Customers (Option for Change) | |
| | | | Pros | Cons |
| <p>The PUCT disallowed Austin Water's allocation of a portion of Green Choice electricity costs to wholesale customers. Should Austin Water seek to include the cost of "green power" in the wholesale customer revenue requirement in the next rate case?</p> <p>Status Quo: Continue to exclude the cost of green power from the wholesale customer revenue requirement.</p> | | Allocate a portion of green power costs to the wholesale customer revenue requirement. | <ol style="list-style-type: none"> At the time of Austin Water's 2013 rate case, Austin Water purchased electric power from Austin Energy under the Green Choice electricity tariff. The PUCT disallowed the estimated cost of the Green Choice electricity in excess of standard Austin Energy electric rates. Austin Water is now purchasing electricity from Austin Energy under the Commercial Energizer rate. The Commercial Energizer rates are lower than the rates charged under the Green Choice program but are still in excess of standard Austin Energy rates. If the Austin City Council wishes Austin Water to purchase electricity produced by green power sources, this is a valid operating cost that should be allocated to all customers, both retail and wholesale. | <ol style="list-style-type: none"> Wholesale customers should not be required to pay for green power costs in excess of standard electric rates because of the City of Austin's environmental/sustainability concerns. These excess costs should only be borne by retail customers located within the jurisdictional boundaries of the City of Austin. |
| PIC Meeting Dates: | PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016 | | | |
| WIC Meeting Dates: | WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016 | | | |
| Consultant Recommendation: | Austin Water's purchase of green power electricity is a valid operating costs that benefits all customers. Wholesale should be allocated a portion of these costs. | | | |
| PIC & WIC Comments: | <p>Grant Rabon (PIC-Residential Rate Advocate) Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p> <p>1/17/17 Don Conklin (WIC-North Austin MUD #1): See Con #1. This is a city of Austin choice. Wholesale is O/C so we have no standing. I recommend we continue to exclude. Todd Davey (PIC-Industrial/Large Volume): I don't think Green Choice should be part of anything that's not reasonable and necessary. It's a City Council decision and the premium shouldn't be paid by any customer. It's discretionary and an added expense. But it retail has to pay it, all should pay. Chuck Loy (PIC-Multifamily): Allocate it. Dan Wilcox (PIC-Industrial/Large Volume): Allocate it. I second Todd's comments. Grant Rabon (PIC-Residential Rate Advocate): Allocate to all. Jesse Penn (PIC-W/WW Commissioner): I generally agree with an allocation to all. It affects all customers regardless of I/C or O/C. Marcia Stokes (PIC-Multifamily): I agree. Chien Lee (PIC-W/WW Commissioner): Allocate it to all but you will have a hard time defending a decision made by the City Council.</p> | | | |
| Executive Team Decision | | | | |

| Issue #15: Modify the Peaking Factor Methodology Used in the Water Cost of Service Model | | | |
|--|--|--|---|
| Issue | Change? (Yes or No) | If Yes, Option for Change | Modify the Peaking Factor Methodology Used in the Water Cost of Service Model (Option for Change) |
| | | | Pros |
| <p>Representatives of large industrial customers have stated that the current method used by Austin Water to estimate customer class maximum day and maximum hour peaking factors does not adequately reflect the nuances of large industrial customer water use and results in an overstatement of the industrial class revenue requirement.</p> <p>Status Quo: Maintain the peaking factor methodology currently used in the water model.</p> | | <p>Modify the peaking factor methodology currently used in the water model to reflect data provided by the industrial customers.</p> | <p>1. The current peaking factor methodology used in the water model does not reflect the actual daily or hourly water consumption of any customer in any retail customer class. To the extent customer-specific data is available it should be used; this would allow for customer-specific peaking factor determinations.</p> <p>1. Austin Water uses an industry standard methodology to estimate customer maximum day and maximum hour peaking factors. This methodology is recommended in AWWA Manual M1, Principles of Water Rates, Fees, and Charges. This industry standard methodology is used for all retail and wholesale customer classes.</p> <p>2. Unless and until Austin Water installs advanced metering technology that records individual customer water consumption on an hourly basis, the peaking factor methodology used by Austin Water is a fair and equitable method for assessing customer class water consumption characteristics and allocating costs between customer classes.</p> <p>3. Modifying the current methodology to estimate peaking factors would inappropriately benefit large industrial customers by shifting costs to other retail and wholesale customer classes. In order to maintain fairness, the same peaking factor methodology should be used for all customer classes.</p> |
| PIC Meeting Dates: | December 13, 2016 | | |
| WIC Meeting Dates: | December 13, 2016 | | |
| Consultant Recommendation: | Continue to use the industry standard peaking factor methodology currently employed by Austin Water (do not modify the current methodology to estimate customer class peaking factors). | | |
| PIC & WIC Comments: | <p>Howard Hagemann (WIC-Wells Branch MUD): The solution seems to be a better metering process, to continue with the status quo. Debating this issue is essentially moot as we don't have enough information to gauge against.</p> <p>Jay Joyce (WIC-Wells Branch MUD): The method Austin Water is following is not in the AWWA Manual; the Manual doesn't endorse a rote mechanical method. We'll present at the PUCT and their engineers will say it's not the right way to do it. I recommend the methodology be modified to be in conformation with the AWWA Manual and appendix.</p> <p>Gary Rose (WIC-Southwest Water Co.): I appreciate the 3-year smoothing for peaking.</p> <p>Don Conklin (WIC-North Austin MUD #1): I appreciate that Austin Water is working with unusual circumstances. If the issue is specific to large volume, each major stakeholder having separate smart meters will help. Each major stakeholder should have a separate peaking factor like their separate rates. If data and evidence show large volume aren't contributing to peaking and retail rates will increase because large volume pays less, that's legitimate and fair. I favor tweaking the methodology as it applies to large volume customers and think we can all together come up with that. I make the argument that we alone should be excluded from peaking factors altogether because we had storage but traded with the city of Austin for consideration of a lift station. We have overpaid our share of the bonds by paying for storage we never got.</p> <p>Randall Raemon (WIC-Marsha WSC): How many meters are we talking about for wholesale and large volume customers to get more accurate data? Response: We have a CIP planned to install more than 200,000 residential smart meters. If peaking decreases for one customer, all others will share the necessary increase. Data may show more usage and higher rates.</p> <p>Dan Wilcox (PIC-Industrial/Large Volume): The method doesn't actually follow the AWWA Manual exactly and doesn't represent actuals. If the data on meters are available and would be helpful, customers can provide it. Each class should have its own metering/rate/method.</p> <p>Todd Davey (PIC-Industrial/Large Volume): The application isn't consistent with the AWWA Manual. Our consumption patterns are more consistent and predictable. Use available data and allocate accordingly.</p> <p>Grant Rabon (PIC-Residential Rate Advocate): Any data should be collected by Austin Water and not supplied by customers. Until we're at the point data is readily available, treat all classes the same.</p> <p>Chuck Loy (PIC-Multifamily): Do you have any data available at this point? Wait until everyone can use data. I recommend modification. Response: No. Austin Water has a 5-7 year plan to install them. We have about 150 meters installed in River Place but they must still be manually tracked and analyzed.</p> <p>Todd Davey (PIC-Industrial/Large Volume)/ Dan Wilcox (PIC-Industrial/Large Volume): We recommend the methodology be modified.</p> <p>Marcia Stokes (PIC-Multifamily): This is an opportunity because most peaking is due to irrigation during the summer, and large volume and residential usage drive it. Compare peak days to what class is allowed to water on those days. It's worth looking at modifying the methodology. Up to what size meter will be changed out? Response: All of them.</p> <p>Chuck Loy (PIC-Multifamily): If you change the methodology, how will it work? Will wholesale and large volume provide hourly, daily data, etc.? This would probably need a demand study. Response: Residential has the highest peaking factor. Commercial and multifamily are less. Wholesale has high use. Large volume is lower and more consistent.</p> <p>Chuck Loy (PIC-Multifamily): I'm concerned this could really swing costs. Response: We would consider a transition period especially if a large change is expected.</p> | | |

| | |
|-------------------------|---|
| | <p>Dan Wilcox (PIC-Industrial/Large Volume): Look at targeting the largest 6-7 industrials with meters first to begin to get an idea of what the data will show. Response: Austin Water would value being able to analyze that data but expect we would get different amounts of data from some of the 6-7 as not all could do hourly, daily, etc.</p> <p>Grant Rabon (PIC-Residential Rate Advocate): If there are going to be winners and losers, I would like to be assessed with the same method/rules for all.</p> <p>Chuck Loy (PIC-Multifamily): I could support large volume having a different hourly/daily peaking if the data is available, but generally I agree with Grant.</p> |
| Executive Team Decision | |

| Issue #16: Retail Small Multi-Family Customer Rate Design Issues | | | | |
|--|--|---|--|------|
| Issue | Change? (Yes or No) | If Yes, Option for Change | Modify the Small Multi-Family Fixed Charge Rate Design | |
| | | | Pros | Cons |
| Retail small multi-family customers must currently pay fixed charges that contain a potentially high allocation of public fire protection costs. Status Quo: Maintain the current small multi-family fixed charge rate design. | | Modify the current small multi-family fixed charge rate design. | | |
| PIC Meeting Dates: | | | | |
| WIC Meeting Dates: | | | | |
| Consultant Recommendation: | | | | |
| PIC & WIC Comments: | Todd Davey (PIC-Industrial/Large Volume): This is a portion of a larger rate design issue and should be discussed during rate discussion. Marcia Stokes (PIC-Multifamily): I have already submitted comments on how to fix this. This is an issue that not only affects multifamily but all classes with fire demand meters | | | |
| Executive Team Decision | | | | |

| Issue #17: Allocation of Drainage Fees to Wholesale Customers | | | | |
|--|--|--|--|---|
| Issue | Change? (Yes or No) | If Yes, Option for Change | Allocate a Portion of Wastewater Treatment Plant No. 4 Costs to Wholesale Customers (Option for Change) | |
| | | | Pros | Cons |
| <p>The PUCT disallowed Austin Water's allocation of a portion of drainage fees to wholesale customers. Should Austin Water seek to include the cost of "green power" in the wholesale customer revenue requirement in the next rate case?</p> <p>Status Quo: Continue to exclude the drainage fees from the wholesale customer revenue requirement.</p> | | Allocate a portion of drainage fees to the wholesale customer revenue requirement. | <ol style="list-style-type: none"> The drainage charge is calculated individually for Austin Water's facilities, based on the amount and percent of impervious cover to address flooding, erosion and water pollution within the City of Austin. Austin Water is charged at the same rates as other properties within the City. | <ol style="list-style-type: none"> Wholesale customers do not receive any direct benefits from the City of Austin drainage utility. These costs should only be borne by retail customers located within the jurisdictional boundaries of the City of Austin. |
| PIC Meeting Dates: | PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016 | | | |
| WIC Meeting Dates: | WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016 | | | |
| Consultant Recommendation: | Drainage fees charged to Austin Water are a cost of doing business and is a valid operating cost required to be recovered from all AW customers. | | | |
| PIC & WIC Comments: | | | | |
| Executive Team Decision | | | | |

| Issue #18: Financial Benchmarks - Debt Service Coverage | | | | |
|---|--|---------------------------------|---|--------------|
| Issue | Change? (Yes or No) | If Yes, Option for Change | What level of debt service coverage should AW target? | |
| | | | Pros | Cons |
| Debt Service indicates the financial margin to meet current debt service with current revenues available for debt service Status Quo: 1.50x | | | See issue #4 | See issue #4 |
| PIC Meeting Dates: | January 31, 2017 | | | |
| WIC Meeting Dates: | January 31, 2017 | | | |
| Consultant Recommendation: | See issue #4 | | | |
| PIC & WIC Comments: | <p>Clay Collins (WIC-Sunset Valley): My thought is the policy says you should have 1.5x, but staff says we need something else. The policy needs to be changed, but the policy is vague. If the policy said you should never drop below 1.5x, then we need to change it.</p> <p>Gary Rose (WIC-Southwest Water Co.): If 1.85x makes the rating agencies comfortable, then it would be an adequate reserve fund level.</p> <p>David Yanke (Residential): It should be relatively straight forward to perform a 5-year forecast and how it affects the cost of service with rates by customer class.</p> <p>Todd Davey (PIC-Industrial/Large Volume): I called the Fitch representative to ask about the ratings. You are stacking cash reserves. Some of the volatility is created by the rate design in the residential customer class, some is created by policy. Ratings can be improved in other methods, other than increasing the debt service coverage. It's a little misleading to compare the Fitch medians with Austin Water. As a fixed cost dependent utility, the focus needs to be less about cash on hand and more about surcharges needed at the time. More important to focus on how to bring the rates down, look at capital spending plans to get costs more in line.</p> <p>Grant Rabon (PIC-Residential Rate Advocate): In the past, when you have had financial hardships some of that was driven of the level of fixed costs recovered. Currently, the percentage is higher. I am going to suggest that it would take a much more significant level of drought to take you down to the revenue loss level of 2010 and 2014.</p> <p>Lanetta Cooper (Residential): I want to see the rate difference between different debt service coverage. Assume the debt equity and debt service coverage at minimum levels to see the rate differences. It seems like we are changing policy from what city council has recommended.</p> | | | |
| Executive Team Decision | | | | |

| Issue #19: Financial Benchmarks – Cash Reserves Target: Days Cash of Operating Requirements | | | | |
|---|--|---------------------------------|---|--------------|
| Issue | Change? (Yes or No) | If Yes, Option for Change | What level of cash reserves should AW target? | |
| | | | Pros | Cons |
| Operating cash reserves (days cash) measures an entity's available resources to meet short-term liabilities, particularly in the event of unforeseen hardships or difficult operating conditions. Status Quo: 60 days | | | See issue #4 | See issue #4 |
| PIC Meeting Dates: | January 31, 2017 | | | |
| WIC Meeting Dates: | January 31, 2017 | | | |
| Consultant Recommendation: | See issue #4 | | | |
| PIC & WIC Comments: | <p>Lanetta Copper (Residential): There seems to be more piggy banks than needed due to negative watch</p> <p>Todd Davey (PIC-Industrial/Large Volume): Bond convent is not on the graph, which is relative high to other systems and income. Volatility is created by Residential Rate design and policy. Also, ratings can be improved without coverage for example Fitch customer classes are more rate sensitive. AW should not focus on raising cash to reach 2.0 coverage ratio, but rather wait till there is an issue. The focus should be to bring rates down to a 1.5-1.6 level and use excess cash to fund capital.</p> <p>David Yanke (Residential): There is a lot that goes into a rating and AW suggestions are reasonable. A 1.85 over 10-years is a reasonable range for me. It would not impact affordability.</p> | | | |
| Executive Team Decision | | | | |

| Issue #20: Cash Financing of CIP Target | | | | |
|--|--|---------------------------------|---|--------------|
| Issue | Change? (Yes or No) | If Yes, Option for Change | What level of cash financing of CIP should AW target? | |
| | | | Pros | Cons |
| <p>Capital Project Cash funding measures the degree to which an entity limits debt exposure by utilizing cash funding for a significant portion of its' capital program.</p> <p>Status Quo: Current target is 20%</p> | | | See issue #4 | See issue #4 |
| PIC Meeting Dates: | January 31, 2017 | | | |
| WIC Meeting Dates: | January 31, 2017 | | | |
| Consultant Recommendation: | See issue #4 | | | |
| PIC & WIC Comments: | <p>Robert Wood (WIC-City of Westlake Hills): Do any of the financial policies have a ceiling? Is there any sort of prioritization given (coverage vs. cash financing).</p> <p>Gary Rose (WIC-Southwest Water Co.): I think anything more than 50% is putting too much burden on the customers. With excess cash you could always reduce rates.</p> <p>Clay Collins (WIC-Sunset Valley): Could CRFs also be used for infrastructure improvements? Answer: If we have a new utility connection by contract, we're going to charge them to the new resident. If that new customer puts new demands on the system into the future, those funds may have already been used for debt service or defeasance.</p> <p>Howard Hagemann (WIC-Wells Branch MUD): What do you mean by a 50% credit for the CRF calculation? Calculation CRF \$50,000 system use must give revenues adjustment to calculation for future revenue 1) new customers and revenue 2) reduce 50% CRF prove appropriate reduction.</p> | | | |
| Executive Team Decision | | | | |

| Issue #21: Inflow/Infiltration cost determination and allocation to customer classes | | | | |
|--|--|---------------------------------|--|---|
| Issue | Change? (Yes or No) | If Yes, Option for Change | | |
| | | | Pros | Cons |
| <p>Austin Water currently allocates I/I to customer classes based on 100% volume in wastewater COS model.</p> <p>Status Quo: Allocate I/I flows to customer classes based on 100% volume.</p> | | | <p>1. I/I is a flow related cost. Allocation of costs to customer class flow provides the appropriate link for cost causation.</p> | <p>1. Charging I/I by 100% flow allocation reduces costs for the residential class.</p> |
| PIC Meeting Dates: | January 31, 2017 | | | |
| WIC Meeting Dates: | January 31, 2017 | | | |
| Consultant Recommendation: | I/I is essentially a hydraulic cost, most directly linked to volumetric flow, and thus it is appropriate to recover 100% by volume. | | | |
| PIC & WIC Comments: | <p>Lanetta Cooper (Residential): I see the change, but it would make a difference. Some wholesale customers could be double counted for I&I (with flow meters).</p> <p>Shirley Ross (WIC-Wells Branch MUD): In addition to TVing our lines, we inspect our manholes. It would be nice to consider giving a credit to wholesale customers who maintain their wastewater lines.</p> <p>Clay Collins (WIC-Sunset Valley): Right now the 10.5% is being allocated based on contributed flow. It's really just a mathematical calculation for allocation.</p> <p>Andrew Hunt (WIC-North Austin MUD #1): North Austin TVs their lines yet we don't get any credit from the city for reducing the Inflow & Infiltration.</p> <p>Karyn Keese (PIC-Residential): Recommend the maintaining the status quo. In San Diego Wholesale customers are metered to give an incentive to tighten up their system. Austin needs to meter WW flows.</p> <p>Todd Davey (PIC-Industrial/Large Volume): People should be rewarded for taking care of their issues. Agree with the current system.</p> <p>Marcia Stokes (PIC-Multifamily): We have a private water line and private sewer line. We get charged 100% of our water usage regardless if it's going into the sewer system. Allocate costs based upon system usage.</p> <p>Dave Schneider (Industrial/Large Volume): You're allocating on the same percentage, regardless of I&I contributed flow by class. If there are holes in the wholesale system, you are assuming their Inflow & Infiltration is consistent.</p> | | | |
| Executive Team Decision | | | | |

| Issue #22: Adding additional wastewater strength parameters | | | | |
|--|---|---------------------------------|------|--|
| Issue | Change? (Yes or No) | If Yes, Option for Change | | |
| | | | Pros | Cons |
| <p>AW wastewater COS model assumes that most customer classes have the discharge strengths.</p> <p>Status Quo: AW BOD of 200 mg/L and TSS of 200 mg/L</p> | | | | <p>Adding strength parameters would require sampling and setting standard limits for typical customer flow. It would also increase complexity in the cost of service cost allocation process. Treatment costs related specifically to the treatment of the additional strength parameters would need to be identified and segregated in the process.</p> |
| PIC Meeting Dates: | January 31, 2017 | | | |
| WIC Meeting Dates: | January 31, 2017 | | | |
| Consultant Recommendation: | AW should not incorporate any additional strength parameters until there is cost causation, such as inclusion in enhanced permit requirements. | | | |
| PIC & WIC Comments: | <p>Lanetta Cooper (Residential): If the TCEQ increases the treatment requirements, we are already treating these. Should we add additional cost allocation parameters? Then yes.</p> <p>Dave Schneider (Industrial/Large Volume): Stay with status quo.</p> | | | |
| Executive Team Decision | | | | |

| Issue #23: CAP Customer Costs, Allocation to Classes, and Recovery Method (Community Benefit Charge) | | | | |
|--|------------------------|--|------|------|
| Issue | Change? (Yes or No) | If Yes, Option for Change | | |
| | | | Pros | Cons |
| <p>Austin Water's Customer Assistance Program currently provides discounted rates for eligible customers.</p> <p>Status Quo: Maintain current level of CAP discount and do not implement CBC.</p> | | <p>Add volumetric discount for wastewater service and/or implement Community Benefit Charge to fund program.</p> | | |
| PIC Meeting Dates: | January 31, 2017 | | | |
| WIC Meeting Dates: | January 31, 2017 | | | |
| Consultant Recommendation: | | | | |
| PIC & WIC Comments: | | | | |
| Executive Team Decision | | | | |

| Issue #24: Elimination of Commercial and Large Volume Subsidy of Residential Water Customers | | | | |
|--|------------------------|--------------------------------------|------|------|
| Issue | Change? (Yes or No) | If Yes, Option for Change | | |
| | | | Pros | Cons |
| Residential rates currently subsidized by commercial and large volume customers. Status Quo: Maintain current level of rate subsidy. | | Eliminate residential rates subsidy. | | |
| PIC Meeting Dates: | January 31, 2017 | | | |
| WIC Meeting Dates: | January 31, 2017 | | | |
| Consultant Recommendation: | | | | |
| PIC & WIC Comments: | | | | |
| Executive Team Decision | | | | |