



MEMORANDUM

To: Mayor and City Council Members

From: Greg Meszaros, Director, Austin Water Utility

Date: September 4, 2009

Subject: Austin Water Utility Cost of Service Rate Study

Attached for your review are reports which detail AWU's recently completed Cost of Service (COS) Rate Study. The study began in November 2007 and was completed in April 2009. Included in the attachments are the Cost of Service Rate Study Volumes I and II along with the Residential Rate Advocate Report.

The Utility conducts a COS Study every 7-10 years to review and update its rate development methodologies and rate structures. The study utilized accepted cost of service principle to see the most equitable ways to link the cost involved in serving each customer "class" (e.g., residential, multifamily, commercial, large volume, or wholesale) with the amount each class pays. A Public Involvement Committee (PIC) of representatives from each customer class conducted an extensive public involvement process to garner stakeholder input. The PIC met eleven times between November 2007, and October 2008, to review a variety of key issues and to allow time for debate, questions, and comments. PIC meetings were open to the public; meeting times and agendas were publicized through press releases and posted on the project website. The result was a successful collaboration between the AWU's project team, the rate consultants, and the ratepayers. The attached reports and COS Study website (www.ci.austin.tx.us/water/costofservice.htm) contain a wealth of information regarding how the study was conducted, which issues examined, and the results of the study.

The Utility used the rate models produced from the COS Study to prepare the rates that were included in the FY 2009-10 Budget. The final COS report has been presented to several customer groups, the Citizen's Water Conservation Implementation Task Force, the Water and Wastewater Commission, the Resource Management Commission, and the Electric Utility Commission.

Should you require further information regarding the 2008 Cost of Service Study, please do not hesitate to contact me.

Greg Meszaros, Director
Austin Water Utility

cc: Marc A. Ott, City Manager
Rudy Garza, Assistant City Manager