



Austin Water Utility 2008 Cost of Service Study

Resource Management Commission Briefing

May 19, 2009

2008 Cost of Service Study

- Purpose and Goals
- COS Study Process
- Citizens Water Conservation Task Force
COS Recommendations
- Planned Implementation Schedule

2008 Cost of Service Study

- **Purpose:**

- Update and improve methods for determining fair and defensible rates for services

- **Goals:**

- Open and transparent process
- Fair to all customer classes
- Solidly defensible
- Implementable (using available resources)
- Generates sufficient revenue
- Reflects consensus
- Produces computer models that can be used for 7 to 10 years

2008 Cost of Service Study

- Process followed:
 - Hired consultant & residential customer advocate
 - Established Public Involvement Committee
 - Held 11 open PIC workshops (11/2007-10/2008)
 - PIC commented on:
 - Evaluation criteria
 - Issue Papers
 - What-if scenarios
 - Potential Rate Designs
 - Final recommendations
 - Documented Study with extensive website:
 - <http://www.ci.austin.tx.us/water/costofservice.htm>
 - Consultants are working on final reports

Water Conservation Task Force's Cost of Service Study Recommendations

- COS study
- 5th Block for residential water usage above 25,000 gallons
- Water budgeting rates for commercial customers
- Conservation rates for wholesale customers
- Irrigation water rates

Planned Implementation Schedule

Item Description	Status Quo	Recommendation
Implemented in November, 2008		
Subsidies for low-income customers	No subsidies	Waive customer charge
Planning to Implement in November, 2009		
Block rates for residential water	4 Blocks	5 Blocks
Postponed (pending economic recovery and stakeholder input)		
Water budgeting for commercial customers	Seasonal rates only	Transition to Excess Use Rates
Not Recommended for Implementation		
Conservation rates for wholesale customers	Uniform	Uniform
Separate class for irrigation accounts	No separate class	No separate class

Existing Retail Water Rates

METER SIZE SIZE (inches)	MONTHLY CUSTOMER CHARGE	METER SIZE SIZE (inches)	MONTHLY CUSTOMER CHARGE	MONTHLY CONSUMPTION	INSIDE CITY	OUTSIDE CITY
				CUSTOMER CLASS	(CHARGE PER 1,000 GALLONS)	
5/8	\$6.25	3	\$33.13	Single Family Residential:		
3/4	\$7.21	4	\$52.33	0 - 2,000 gallons	\$0.98	\$0.98
1	\$8.55	6	\$100.33	2,001 - 9,000 gallons	\$2.59	\$2.59
1 ¼	\$10.47	8	\$148.33	9,001 - 15,000 gallons	\$4.75	\$4.75
1 ½	\$12.39	10	\$196.33	over 15,000 gallons	\$8.50	\$8.50
2	\$16.23	12	\$225.13		<u>Off Peak</u> <u>Peak</u>	<u>Off Peak</u> <u>Peak</u>
				Multi-Family	\$3.54 \$3.88	\$3.58 \$3.92
				Commercial	\$4.20 \$4.58	\$4.29 \$4.69
				Large Volume/Industrial	\$3.93 \$4.28	N/A N/A
				Golf Courses	\$4.20 \$4.58	\$4.29 \$4.69
				Off Peak (Nov. 1st -- June 30th bills)	Peak (July 1st -- Oct. 31st bills)	

Examples of Excess Use Rate Methodologies

Peak / Off-Peak Rate Example:

	Multi-Family	Commercial
MONTHLY CONSUMPTION	(CHARGE PER 1,000 GALLONS)	
	Off Peak	Peak
0 - 100% of Normal Usage	\$3.15	\$3.35
101% - 200% of Normal Usage	\$3.65	\$3.90
201% - 300% of Normal Usage	\$4.40	\$4.65
Over 300% of Normal Usage	\$8.80	\$9.15

Annual Rate Example:

CUSTOMER CLASS:	Multi-Family	Commercial
MONTHLY CONSUMPTION	(CHARGE PER 1,000 GALLONS)	
0 - 100% of Normal Usage	\$3.30	\$3.00
101% - 200% of Normal Usage	\$3.85	\$3.50
201% - 300% of Normal Usage	\$4.60	\$4.18
Over 300% of Normal Usage	\$9.00	\$7.63

Note: Amounts listed are for demonstration purposes only. Actual rates will differ.