

Current 4-block Structure

- AWU's current methodology
- Easy to understand
- Less administrative burden
- Less potential for rate shock
- Less incentive for conservation

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5-block Structure

- Recommended by Water Conservation Task Force
- Intended to encourage conservation
- Increased administrative burden
- May be difficult to understand
- Increased potential for rate shock
- Decreased financial stability

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Revised 4-block Structure

- Can create similar incentive for conservation as 5-block structure
- Easy to understand
- Increased potential for rate shock
- Easy to implement
- Decrease financial stability
- Recommended by consulting team

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Issue 4: Conservation Incentives for Wholesale Customers

- Uniform rates by wholesale class*
- Seasonal rates
- Excess-use rates

*AWU's current methodology

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Uniform Rates

- AWU's current methodology
- Least administrative burden
- Low risk of implementation
- Most common rate structure for wholesale customers
- Less revenue volatility
- Recommended by consulting team

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Seasonal Rates

- Low administrative burden
- Moderate risk of implementation
- May increase incentive for conservation
- Increase revenue volatility
- Increase potential for rate shock
- More politically acceptable

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Excess-Use Rates

- Greatest administrative burden
- Highest risk of implementation
- May increase incentive for conservation
- Increase revenue volatility
- Increase potential for rate shock
- More politically acceptable

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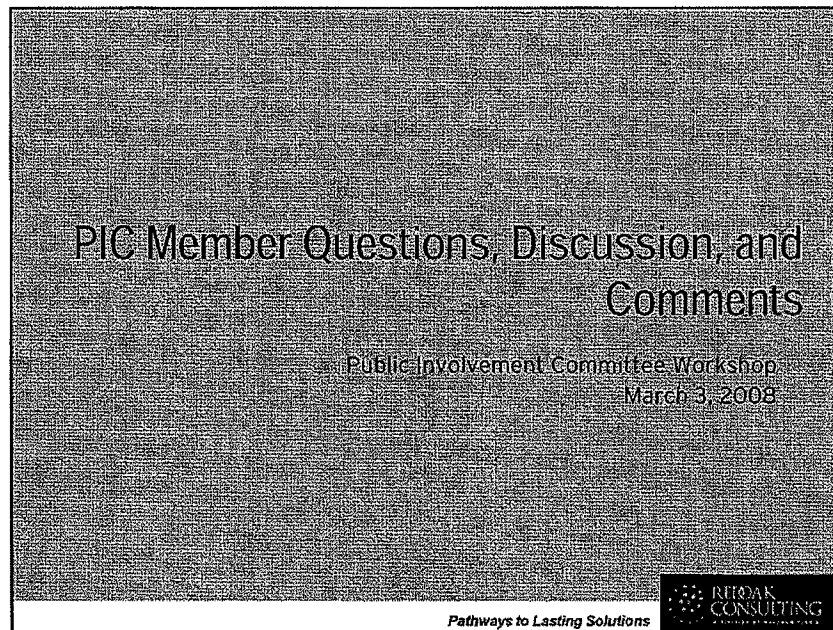
Issue 5: Irrigation Rates

To be presented in
Irrigation Rates Issue Paper and
at Rate Design Workshop 2
on March 17, 2008

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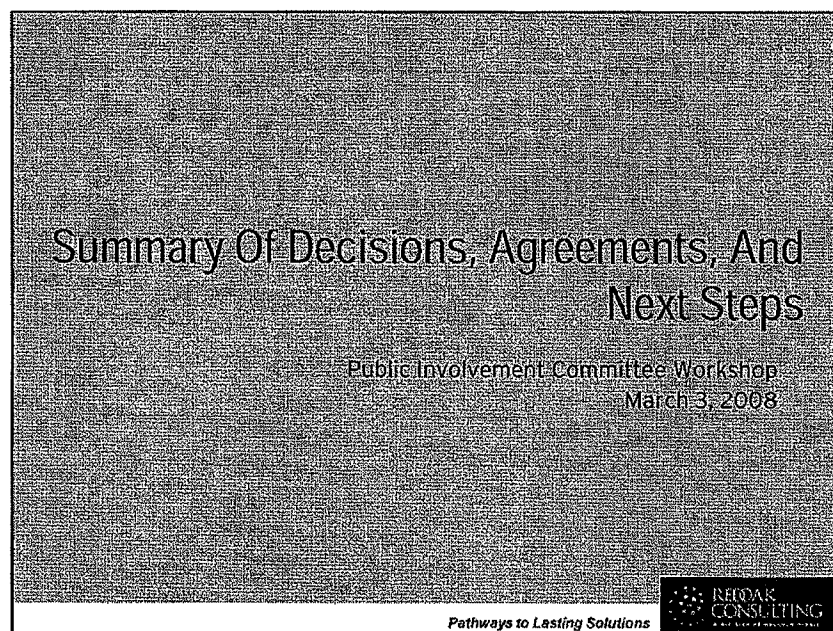


PIC Member Questions, Discussion, and
Comments

Public Involvement Committee Workshop
March 3, 2008

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Summary Of Decisions, Agreements, And
Next Steps

Public Involvement Committee Workshop
March 3, 2008

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Next Steps

- Written comments on tonight's meeting due 3/10 (to Mike Castillo)
- Irrigation Rates issue paper to PIC (3/10)
- Next PIC Workshop (3/17)

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Public Comment

Public Involvement Committee Workshop
March 3, 2008

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Cost of Service Rate Study 2007
Public Involvement Committee
Workshop 7: Irrigation Rates
Austin Water Utility
March 17, 2008

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Tonight's Agenda

1. Welcome
2. Decisions by Executive Team
3. PIC comments from last meeting
4. Presentation on irrigation rates
5. PIC member comments and discussion
6. Summary of decisions, agreements, and next steps
7. Public comment period

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Decisions by Executive Team

Public Involvement Committee Workshop
March 17, 2008

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Executive Team Decisions

- *Customer Classifications Issue 1 –*
Disaggregate large-volume
customer class
- *Customer Classifications Issue 2 –*
Deferred (large-volume class
threshold)
- *Customer Classifications Issue 3 –*
Deferred (irrigation customer class)

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PIC Comments From Last Meeting

Public Involvement Committee Workshop
March 17, 2008

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Comments from PIC Members

- Commercial representative disagrees with the recommendation to waive the fixed charge for low income customers
- Commercial representative disagrees with the recommendation to recover the low income subsidy from all classes
- Commercial representative prefers a seasonal rate structure

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Comments from PIC Members

- Commercial and industrial representatives agree with the revised 4-block rate structure for single family residential customers
- Industrial representative agrees with:
 - Waiving the fixed charge for low income customers
 - Recovering the low income subsidy from all classes
 - Charging wholesale customers a uniform rate

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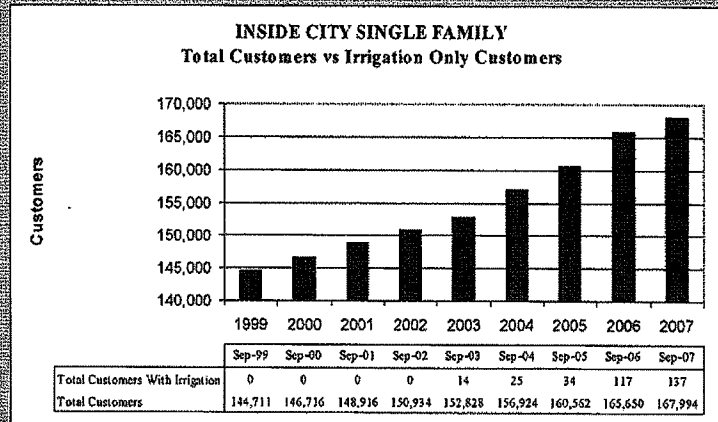
Irrigation Rates

Public Involvement Committee Workshop
March 17, 2008

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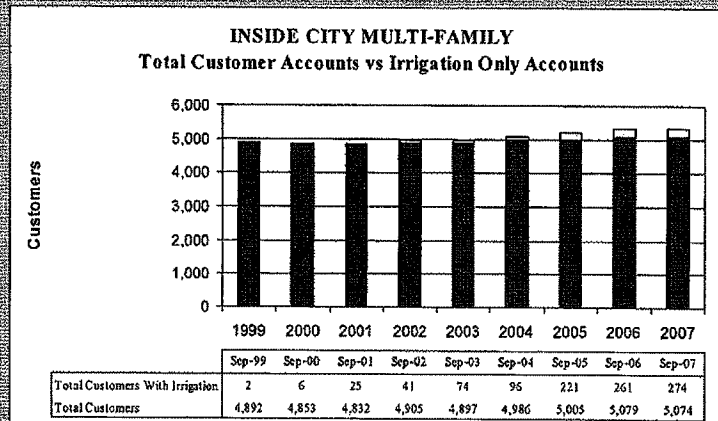
Single Family Irrigation Customers



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Multifamily Irrigation Customers

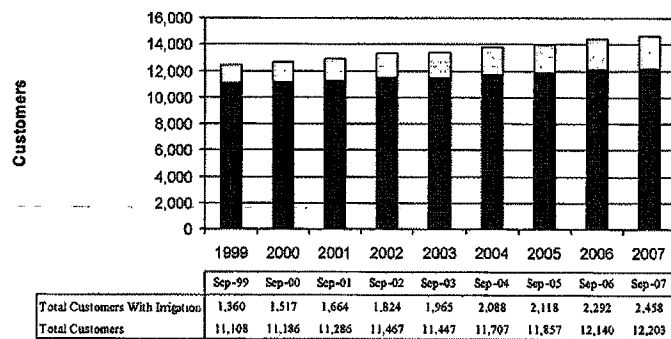


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Commercial Irrigation Customers

INSIDE CITY COMMERCIAL
Total Customer Accounts vs Irrigation Only Accounts



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Policies Reviewed

1. How should excess revenues from higher irrigation rates be used?
2. What is an appropriate level for irrigation rates?
3. Should residential irrigation meters receive water at Block 1 and 2 rates?

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Issue 1: Excess Revenues from Irrigation Rates

- Reduce the indoor water rate for irrigation customers
- Reduce rates for all customers
- Set irrigation rate at cost of service (no excess revenues)
- Set aside for other designated purposes
- Do not establish an irrigation rate*

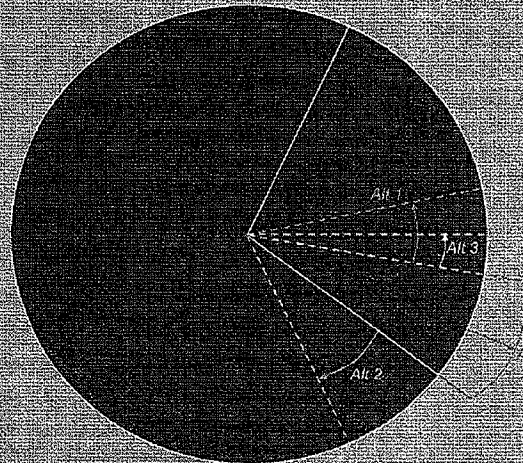
*AWU's current methodology

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Overview of Issue 1 Alternatives



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Impacts for Two Identical Commercial Customers

		Alternative Customer Classification		
Customer Classes	Current	One Class	Two Classes	Difference in Classifications
Rates				
Customer A (Combined Meter)	\$3.47	\$3.29	\$3.47	(\$0.18)
Customer B (Separate Meters)				
Indoor	\$3.47	\$3.29	\$2.13	\$1.16
Irrigation	\$3.47	\$7.63	\$7.63	\$0.00
Bills				
Customer A (Combined Meter)	\$2,765	\$2,614	\$2,765	(\$151)
Customer B (Separate Meters)				
Indoor	\$2,167	\$2,047	\$1,416	\$632
Irrigation	\$599	\$1,350	\$1,350	\$0
Separate Meter Total	\$2,765	\$3,397	\$2,765	\$632
Difference in Bills	\$0	(\$783)	\$0	

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Alternative 1: Reduced Indoor Water Rate for Irrigation Customers

- Requires creation of irrigation customer class
- Increased administrative burden
- Potential for high interclass equity
- Potential for low intraclass equity
- May encourage additional conservation
- Reduced revenue stability

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Alternative 2: Reduced Rates for All Customers

- May be less acceptable to public and political leadership
- Least legally defensible
- Greatest potential for interclass inequity
- Potential for intraclass inequity
- May benefit residential customers
- Reduced revenue stability

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Alternative 3: Cost of Service Irrigation Rate

- Requires creation of irrigation customer class
- Increased administrative burden
- Highest interclass equity
- Low rate shock

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Alternative 4: Set Aside for Designated Purpose

- May not be publicly acceptable
- Potential interclass inequity
- Potential for low intergenerational equity
- Increased conservation
- Increased revenue stability

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Alternative 5: No Irrigation Rate

- AWU's current methodology
- Least administrative burden
- Inconsistent with Water Conservation Task Force recommendations
- High interclass equity
- No rate shock
- No additional conservation incentive
- Recommended by consulting team until excess-use rates can be implemented

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Issue 2: Appropriate Level for Irrigation Rates

- Equal to highest residential block rate
- Equal to cost of service
- No irrigation rate*

*AWU's current methodology

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Highest Residential Block Rate

- Water Conservation Task Force recommendation
- Interclass and intraclass inequities
- Most affordable for residential customers
- Significant rate shock
- Greatest conservation incentive
- Increased revenue volatility

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Cost-of-Service Rate

- Greatest administrative burden
- Potentially more difficult to understand
- Most defensible
- Greatest interclass and intraclass equity
- Potential for rate shock
- Recommended by consulting team

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No Irrigation Rate

- AWU's current methodology
- Potentially less affordable for residential customers
- Least conservation incentive

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Issue 3: Residential Irrigation Usage at Blocks 1 and 2

- Price all residential irrigation water at Block 3 and above
- Provide Blocks 1 and 2 discounted water*

*AWU's current methodology

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Irrigation Usage Priced at Block 3 and Above

- Consistent with Water Conservation Task Force recommendations
- Increased interclass and intraclass equity
- More compliant with industry standard
- Increased conservation incentive
- Recommended by consulting team

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Discounted Water in Blocks 1 and 2

- AWU's current methodology
- Slightly less revenue volatility

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PIC Member Questions, Discussion, and Comments

Public Involvement Committee Workshop
March 17, 2008

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Summary of Decisions, Agreements, And Next Steps

Public Involvement Committee Workshop
March 17, 2008

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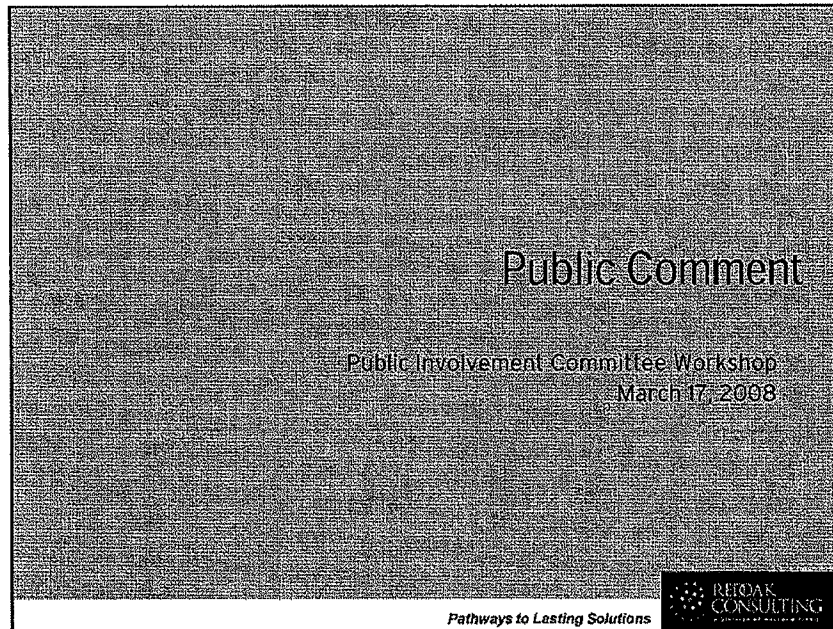
Next Steps

- Written comments on tonight's meeting due 3/24 (to Mike Castillo)
- Next PIC Workshops
 - March 31
 - April 21

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Cost-of-Service Rate Study 2007
Public Involvement Committee
Workshop 8: Model Preview
Austin Water Utility
March 31, 2008

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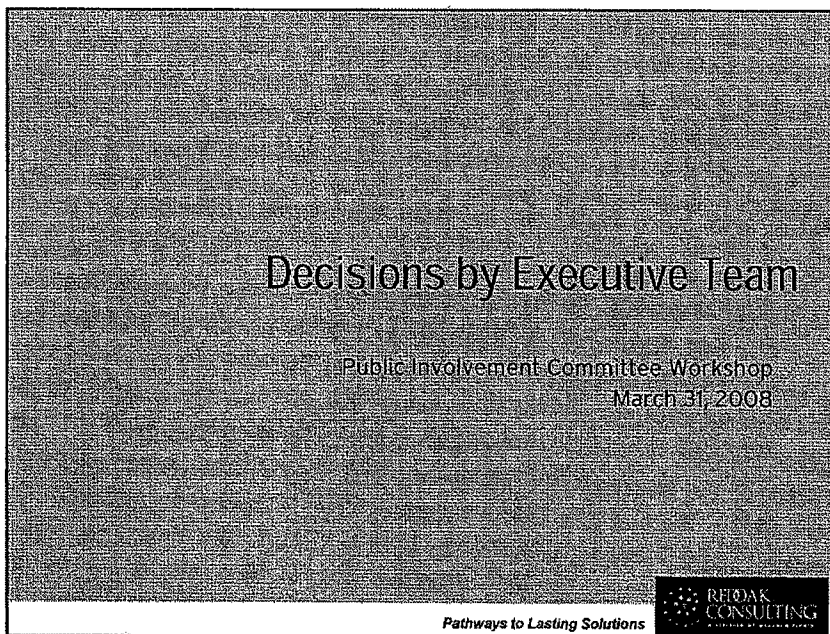


Tonight's Agenda

1. Welcome
2. Decisions by Executive Team
3. PIC comments from last meeting
4. Preview of cost-of-service model
5. Discuss desired "what if" scenarios
6. Public comments

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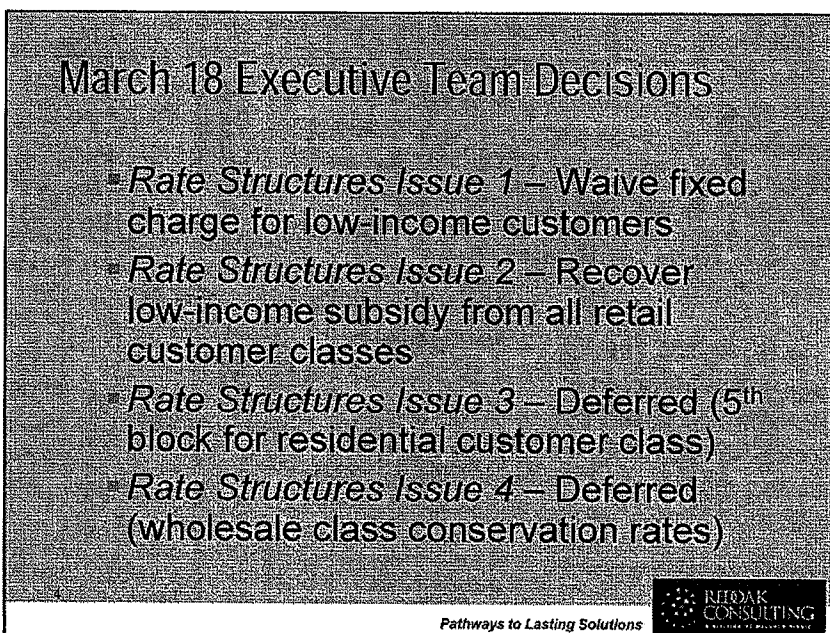




Decisions by Executive Team

Public Involvement Committee Workshop
March 31, 2008

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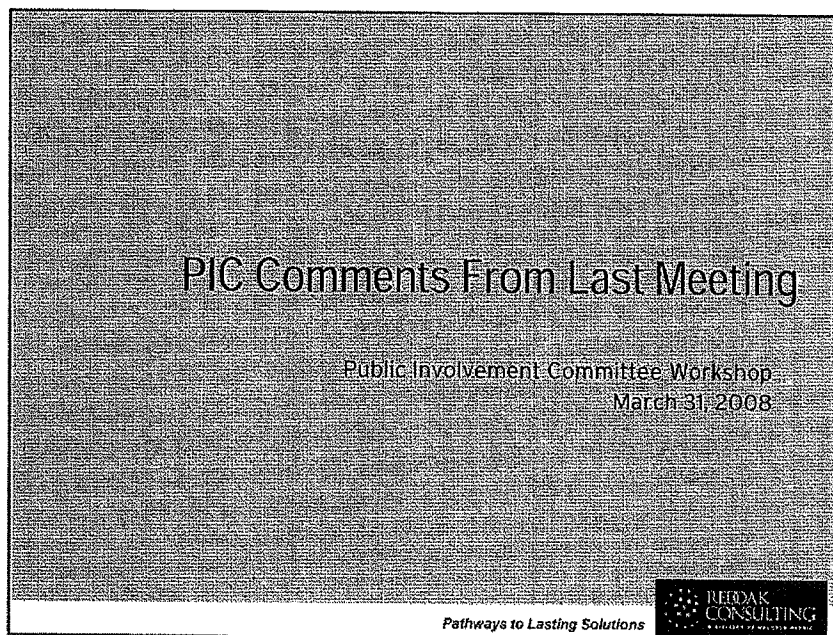
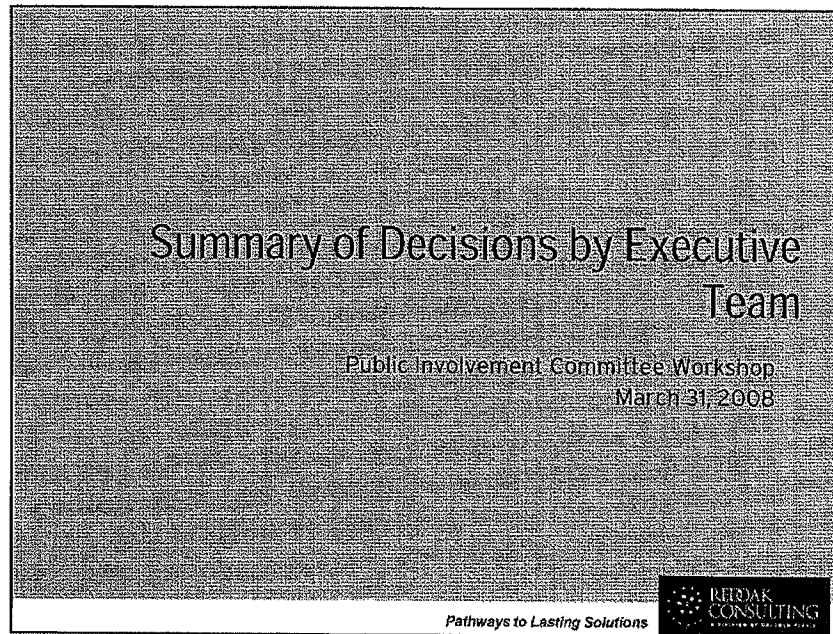


March 18 Executive Team Decisions

- *Rate Structures Issue 1* – Waive fixed charge for low-income customers
- *Rate Structures Issue 2* – Recover low-income subsidy from all retail customer classes
- *Rate Structures Issue 3* – Deferred (5th block for residential customer class)
- *Rate Structures Issue 4* – Deferred (wholesale class conservation rates)

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Comments from PIC Members

- Commercial and industrial representatives recommend that AWU implement an irrigation rate
- Commercial representative suggests that AWU use excess revenues from irrigation customers to install additional irrigation meters
- Industrial representative suggests that AWU use excess revenues from irrigation customers to improve reclaimed water system

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Comments from PIC Members

- Commercial and industrial representatives recommend that the commercial irrigation rate be set at the highest residential block rate
- Commercial and industrial representatives agree with recommendation to charge residential irrigation customers at Block 3 rate for all usage in Blocks 1-3

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Preview of Cost-of-Service Model

Public Involvement Committee Workshop
March 31, 2008

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Discuss Desired "What If" Scenarios

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March 31, 2008

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Identified "What If" Scenarios

- Executive Team
 - Fire protection (recover indirectly vs. fixed charge based on meter size)
 - Residential rate structure (5-block vs. modified 4-block)
 - Wholesale conservation rates
 - Rate design (above/below COS)
- Residential Advocate
 - Modified base/extra capacity method
- Industrial Advocate
 - I/I allocations

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Additional "What If" Scenarios?

Public Involvement Committee Workshop
March 31, 2008

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Next Steps

- Written comments due 4/7 (to Mike Castillo)
- Next PIC Workshop (4/21)

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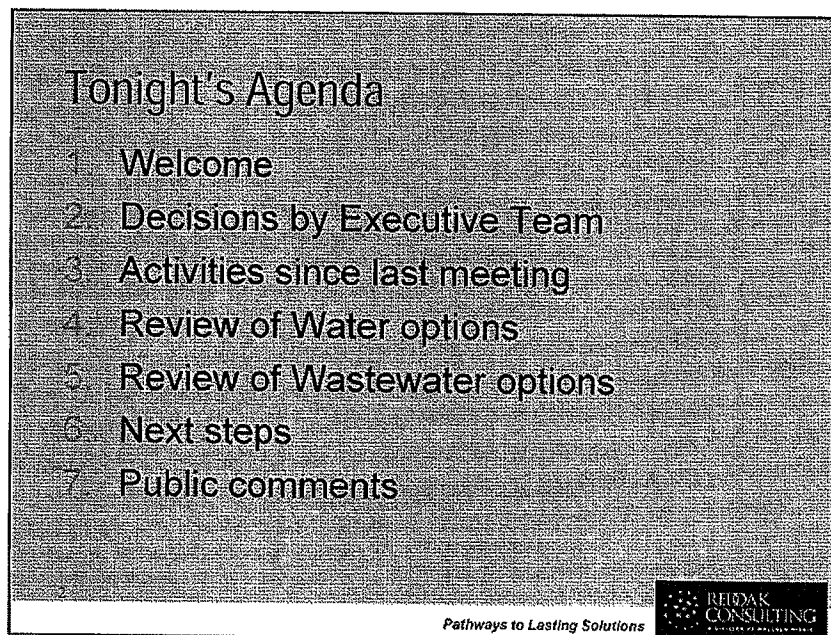
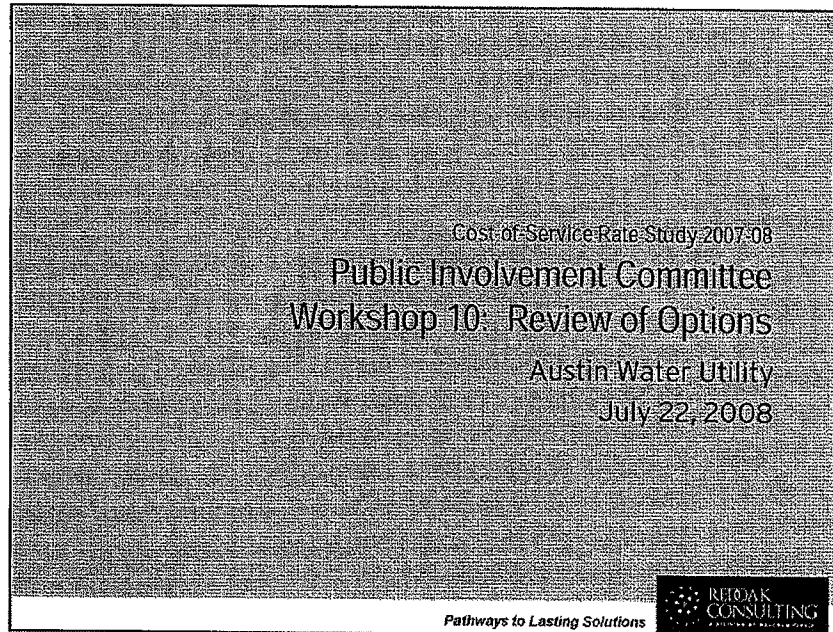
Public Comment

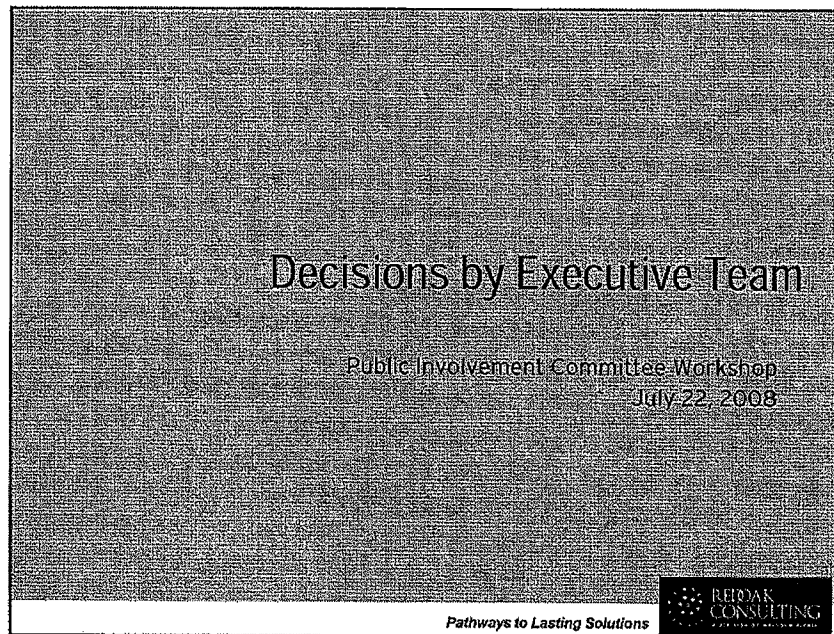
Public Involvement Committee Workshop
March 31, 2008

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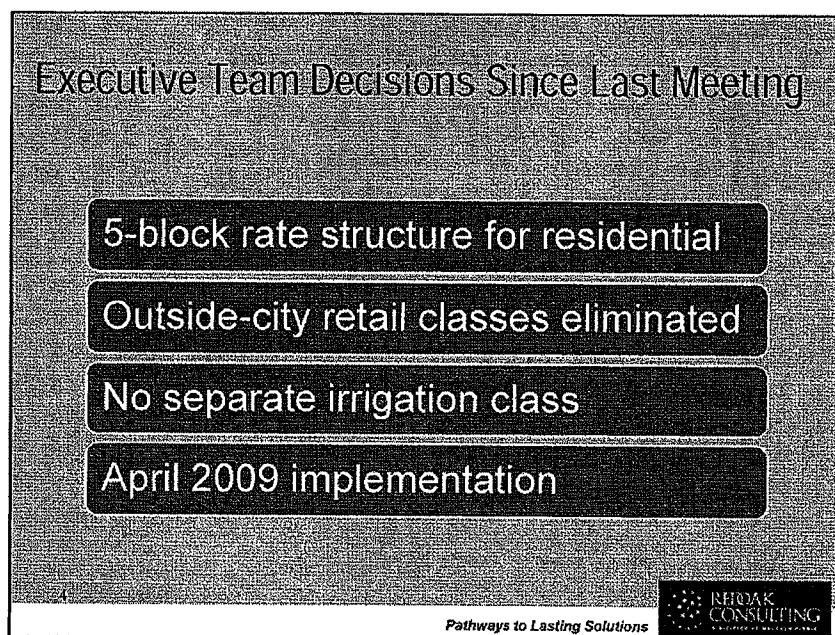


Decisions by Executive Team

Public Involvement Committee Workshop
July 22, 2008

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Executive Team Decisions Since Last Meeting

- 5-block rate structure for residential
- Outside-city retail classes eliminated
- No separate irrigation class
- April 2009 implementation

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Activities Since Last Meeting

Water Model

- Variable month implementation
- Excess-use rate design

Wastewater Model

- Re-constructed from water model to be consistent
- Updated cost allocations
- Developed extra-strength surcharge calculations

Other Activities

- Validated inputs
- Conducted staff training
- Developed "what-if" options

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Water and Wastewater Options

Public Involvement Committee Workshop
July 22, 2008

Pathways to Lasting Solutions



Water Options to be Reviewed

Black and Veatch	• Current approach
Option 1	• Red Oak Base
Option 2	• Seasonal rates for wholesale customers
Option 3	• Recover fire protection through fixed charges
Option 4	• All classes at cost of service
Option 5	• Residential Advocate Hybrid allocation approach



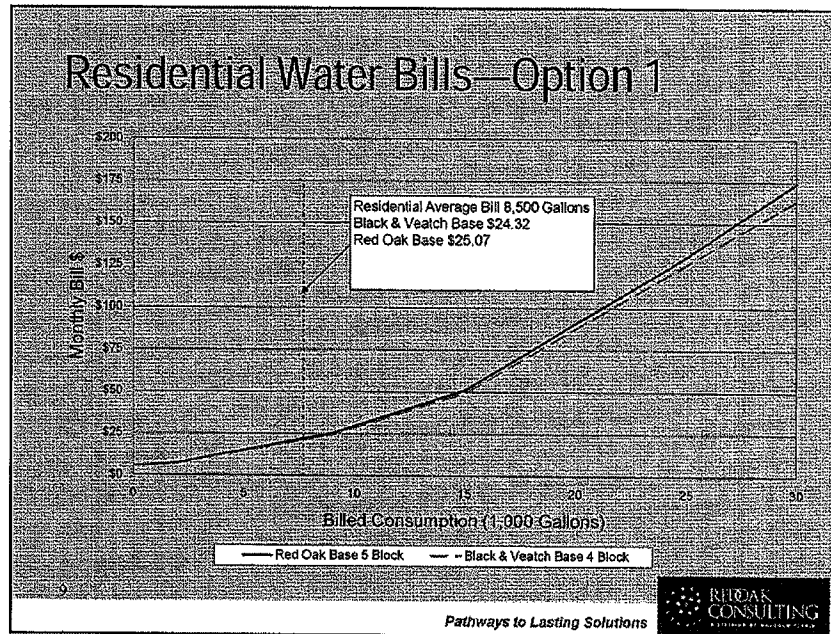
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Option 1: Red Oak Base

- 5-block rate structure for residential
- Large-volume customers disaggregated
- 10% above cost for commercial and large-volume customers
- Low income waiver of minimum charge
- Base/extra-capacity allocation method



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Option 2

Seasonal Rate Design for Wholesale Customer

- 10% differential
- No impact on cost of service

Other classes remain the same

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Option 3

Fire protection in minimum charges

- Minimum charges vary by meter size

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Option 4

All classes at cost of service

- Eliminates 10% subsidy from commercial and large volume customers

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Option 5

Residential Advocate Hybrid Allocation

- Cost allocated using base/extra-capacity
- Customer responsibility allocated based on commodity/demand method
- Mutes the impact of peaking

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Water Summaries

Revenues from Rates

- Compares revenues by option
- Compares to B&V

Cost of Service

- Allocated costs by class
- Ignores subsidies

Rates

- Presents blocks and seasons
- Selected fixed monthly charges

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Wastewater Options to be Reviewed

Black and Veatch	Current approach
Option 1	- Red Oak Base - Includes I&I as a system cost
Option 2	I&I allocated based on 50% customer and 50% flow
Option 3	All classes at cost of service



Option 1: Red Oak Base

- Large-volume customers disaggregated
- I&I allocated as a system-wide cost based on flow
- 10% above cost for commercial and large-volume customers; 2.8% above cost for multifamily
- Low income waiver of minimum charge
- Hybrid allocation method (O&M based on function; capital costs based on design)



Option 2

Alternative I&I Allocation

- 50% customer
- 50% contributed flow

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Option 3

All classes at cost of service

- Eliminates subsidies:
 - Commercial and large-volume customers currently 10%
 - Multifamily currently 2.8%

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Wastewater Summaries

Revenues from Rates	- Compares revenues by option - Compares to B&V
Cost of Service	- Allocated costs by class - Ignores subsidies
Rates	- Presents blocks and seasons - Selected fixed monthly charges

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Next Steps

PIC Meeting #10: Review "what-if" options and model printouts

PIC member review of options and provide comments – Due August 12th

Executive Team review of PIC member comments and decisions on remaining issues – 2 weeks (depending on comments)

Update models based on FY08-09 Approved Budget – 2 weeks

PIC Meeting (to review "final" Executive Team decisions and "final" model) – Late September or Early October

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Next Steps (Continued)

Submission of final comments by PIC members – 3-4 weeks

COS Presentation to Water and Wastewater Commission –
November or December meeting

COS Presentation to Citizen's Water Conservation Implementation
Task Force – November or December meeting

COS Presentation and adoption by the City Council – January or
early February

Implementation of rates based on new COS methodology – April 1,
2009

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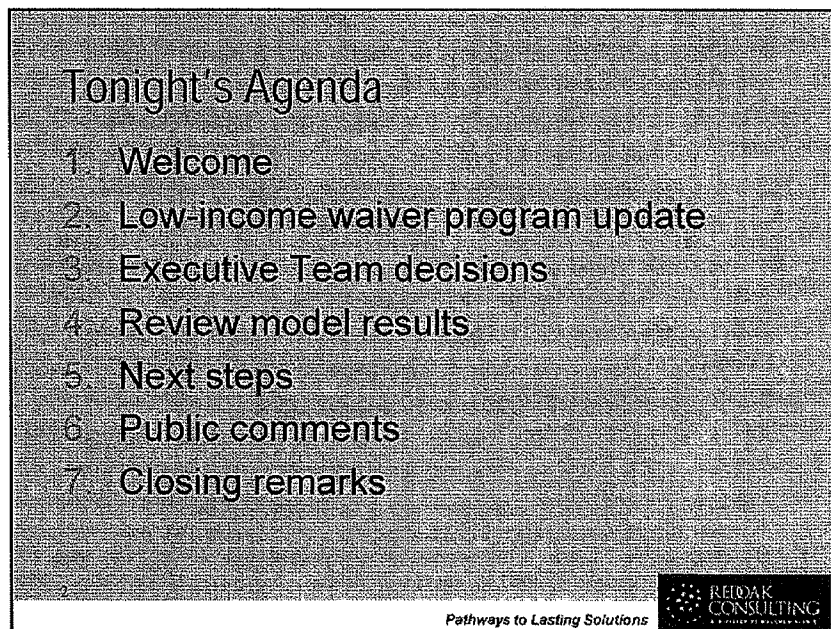
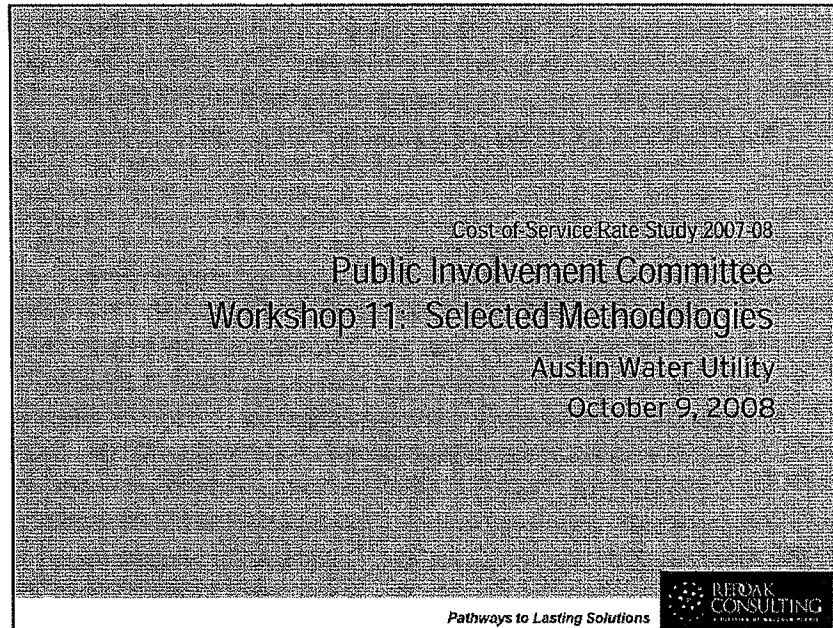
Public Comment

Public Involvement Committee Workshop
July 22, 2008

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Executive Team Decisions

Water

- Water cost allocation approach
- Recovery of fire protection costs
- Allocation of general fund transfers
- Allocation of treatment plant maintenance costs

Wastewater

- Allocation of costs for I/I
- Large volume wastewater strengths

Rate Design

- Definition of large-volume customer
- Conservation rates for wholesale customers
- Residential subsidies

Water Cost Allocation Approach

Options

- **Base/Extra Capacity**
- Commodity/Demand
- Rubottom Hybrid

Basis for Decision

- Consistent with industry standards
- Promotes conservation during peak periods

Recovery of Fire Protection Costs

Options

- Recovered indirectly
- Fixed charge based on property value or fire customer class
- **Fixed charge based on meter size**

Basis for Decision

- More equitable allocation of public fire costs
- Increase revenue stability

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Allocation of General Fund Transfers

Options

- **Revenue-based**
- Capital investment-based

Basis for Decision

- Consistent with how the amount of the transfers are determined

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Allocation of Treatment Plant Maintenance Costs

Options

- **Base cost only**
- Base and maximum-day costs

Basis for Decision

- Aligns maintenance costs with usage

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Allocation of Costs for I/I

Options

- **Contributed volume**
- Number of connections or land area
- Combined connections and volume

Basis of Decision

- Recognizes that I/I is a system cost
 - Individual customers cannot control I/I
 - I/I consumes flow-related capacity

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Large Volume Wastewater Strengths

Options

- Annual sampling
- **3-Year Average**

Basis for Decision

- Reduce volatility in charges while maintaining equity

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Definition of Large Volume Customer

Options

- **85 MG/Year**
- 50 MG/Year
- 100 MG/Year

Basis for Decision

- Consistent with a natural break in the consumption patterns for AWU's customers

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Conservation Rates for Wholesale Customers

Options

- **Uniform Rates**
- Seasonal Rates
- Excess-Use Rates

Basis for Decision

- Wholesale customers have individual rates that already provide conservation incentives
- Other options increase revenue volatility

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Residential Subsidies

Options

- Subsidy for residential customers
- **Transition to cost of service**
- Immediate elimination of subsidy

Basis for Decision

- Achieves cost of service while reducing rate shock

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Summary of Executive Team Decisions: Water Options

Option	Status Quo	Proposed
Water cost allocation approach	Base/Extra	Base/Extra
Recovery of fire protection costs	Indirect	Fixed Charge
Allocation of general fund transfers	Revenue	Revenue
Allocation of treatment plant maintenance costs	Base	Base

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Summary of Executive Team Decisions: Wastewater Options

Option	Status Quo	Proposed
Allocation of costs for I/I	50% Customer 50% Flow	System Cost
Large volume wastewater strengths	Prior Year Sample	3-Year Average

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