

Control Number: 49189



Item Number: 51

Addendum StartPage: 0

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

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APPLICATION OF THE CITY OF § BEFORE THE STATE OFFICE
AUSTIN DBA AUSTIN WATER FOR § OF
AUTHORITY TO CHANGE WATER §
AND WASTEWATER RATES § ADMINISTRATIVE HEARINGS

**CITY OF AUSTIN D/B/A AUSTIN WATER'S
RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

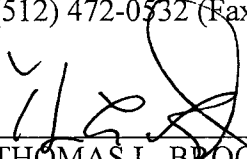
To: Public Utility Commission of Texas (Commission), by and through its attorney of record,
Eleanor D'Ambrosio, Legal Division, 1701 N. Congress Avenue, Austin, Texas 78701.

The City of Austin (City) doing business as Austin Water (Austin Water or AW) files its Responses to Public Utility Commission Staff's First Request for Information (RFI) to Austin Water received on August 20, 2019. This response is timely filed. Pursuant to 16 Tex. Admin. Code (TAC) § 22.144(c)(2)(F), Austin Water agrees and stipulates that all parties may treat the responses as if the answers were filed under oath.

Respectfully submitted,

**LLOYD GOSSELINK ROCHELLE
& TOWNSEND, P.C.**

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ATTORNEYS FOR CITY OF AUSTIN

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was served by email on September 9, 2019, to the parties of record.



THOMAS L. BROCATO

**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-1 Reference Schedule II-D-4. If the court costs listed are included in the allocations to wholesale customers, provide a detail of the services provided, including the subject related to the need for court costs.

RESPONSE: Austin Water had a total of \$9,901 in court costs for the test year. This included court preparation costs for Austin Water's on-going cases administrated by the City of Austin Law Department and Austin Water related court filing costs from the City of Austin Office of Real Estate Services.

Court preparation services for Austin Water included collection of medical records, court reporting, depositions, service of subpoenas, and court records filing. The largest share, or \$4,829, of the costs relates to the collection of medical records, typically for worker's compensation cases.

These costs were operating expenses related to the provision of water and wastewater services to all customer classes; therefore, the wholesale customers have been allocated their proportionate share within the cost of service models.

None of these costs are directly related to rate case expenses for Commission Docket No. 49189.

Please see Staff 1-1, Attachment 1, Detail Court Costs.xlsx, which provides detailed court costs information.

Prepared by: Pamela Jay
Sponsored by: Joseph Gonzales

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

**AUSTIN WATER'S RESPONSE TO
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Staff 1-2 Reference the Involvement Committees described in Mr. Anders' direct testimony in the application, bates pages 32-35. Were these committees involved in developing the specific debt service methodology used in this rate case?

RESPONSE: As part of the Cost of Service (COS) study conducted in 2016, Austin Water provided extensive opportunities for its retail and wholesale customers to participate in public meetings. Austin Water conducted twelve separate meetings of the Wholesale Involvement Committee (WIC), which included representatives from North Austin Municipal Utility District No. 1, Northtown Municipal Utility District, Travis County Water Control and Improvement District No. 10, and Wells Branch Municipal Utility District (collectively Districts). During these meetings, extensive discussions occurred related to Austin Water's proposed financial policies, including the debt service coverage policy. The issue discussed was whether it was appropriate for Austin Water to continue to include in rates the costs incurred to meet financial benchmarks such as debt service coverage.

There were five meetings where the debt service coverage financial policy was discussed: WIC Meeting No. 2 (10/5/2016), WIC Meeting No. 4 (11/29/2016), WIC Meeting No. 8 (1/31/2017), WIC Meeting No. 9 (2/21/2017), and WIC Meeting No. 10 (3/6/2017).

During these meetings, Austin Water presented information on its proposed financial policies and provided opportunities for the attendees to provide comments. Information from the rating agencies, such as provided in Austin Water's Response to Staff RFI No. 1-10, was also discussed. Additionally, each of the attendees had the opportunity to provide written comments. Austin Water has provided Staff 1-2, Attachments 1-5, which are excerpts of the presentation slides from each WIC meeting indicated above, regarding financial benchmarks including the debt service coverage policy.

Based on these discussions, the Austin Water Executive Team's decision was to target a 1.85 times debt service coverage ratio. The costs associated with meeting the 1.85 times debt service coverage were intended to be included in revenue requirements. In the submission of Austin Water's Application for Authority to Change Water and Wastewater Rates (Application), the COS models were adjusted slightly to transparently provide the calculation of the revenue requirements associated with meeting the debt service coverage of 1.85 times debt service coverage. The debt service coverage calculations are shown on Water Cost of Service Model tab 94 – DSC Revenue Requirement and on the Wastewater Cost of Service Model tab 83 – DSC Calc.

Prepared by: David Anders
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**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-3 Were the rates for all of COA's customers (retail and wholesale, inside and outside city customers) set using the specific debt service methodology used in this rate case?

RESPONSE: Austin Water's last retail customer rate change was in May 2018. This rate change used a cost of service rate methodology, which included revenue requirements assuming a debt service coverage ratio target of 1.85 times debt service coverage. The cost of service models developed for Austin Water's Application for this case, included the addition of worksheet tabs that transparently calculated the debt service coverage requirements and eliminated the coverage related transfers.

Prepared by: David Anders
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SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-4 Will the COA be changing the rates of the retail and other wholesale customers to be equal to the rates determined using the specific debt service methodology used in this rate case? If so, when?

RESPONSE: Austin Water intends to use the cost of service rate models, which incorporates the debt service coverage methodology, for any future rate changes for other wholesale customers and retail customers. Austin Water anticipates that any rate or methodology changes ordered by the Commission following this rate case will be implemented for the four Districts within the next billing cycle.

For the other wholesale customers, Austin Water anticipates calculating the rates using the same methodology ordered by the Commission, and plans to submit these rates for approval by the City Council. Once approved by Council, the other wholesale rates would be adjusted within the next billing cycle.

For the retail customers, Austin Water anticipates updating the COS models for the most recent test year. Additionally, these retail rates would be the subject of an Independent Hearing Examiner process. This process will be conducted similar to the Commission filing processes and will allow retail customers to intervene and participate in the review of the retail rates. The process would generally take about nine months to complete. Once this process is completed, a recommendation for changing the retail rates would be presented to City Council for approval. The final approved rates would be generally implemented the following billing cycle. Under these circumstances, Austin Water anticipates that the rates would be implemented around November 2021.

Prepared by: David Anders
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**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-5 If the COA is using a different methodology to set the rates of its retail and other wholesale customers, please explain how the rates set in this case using a different methodology create rates that are not discriminatory or preferential.

RESPONSE: For the other wholesale rates, Austin Water anticipates the use of the same COS rate methodology ordered by the Commission for the Districts at the conclusion of this case. For retail rates, Austin Water would anticipate using the same general debt service coverage methodology, however, any costs disallowed for the wholesale customers would be allocated to the retail customers. Therefore, the rates set in this case will not create rates that are discriminatory or preferential, because going forward, Austin Water intends to use the methodology approved in this case.

Prepared by: David Anders
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**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-6 Reference Mr. Anders' direct testimony, bates page 40, lines 19-23. What is the total City's current two year average for acre feet of water used from LCRA?

RESPONSE: The total acre feet of water used from the Lower Colorado River Authority (LCRA) was 149,336 in 2017 and 148,708 in 2018. This is a two-year average of 149,022 acre feet of water used from LCRA.

Prepared by: Robert Rowan and Teresa Lutes
Sponsored by: David Anders

**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-7 Reference Mr. Anders' direct testimony, bates pages 42-44 regarding the interest rate swap. Please advise if the City is making money, or losing money on the swap; or provide the fixed rates versus the variable rates determined by the agreement for the last year.

RESPONSE: Please see Staff 1-7, Attachment 1, which provides the requested analysis. From its inception to date, the City is losing money on the SWAP.

Prepared by: Aurora Pizano
Sponsored by: David Anders

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-8 Reference Mr. Anders' direct testimony, bates pages 44-46.

- a) Provide the invoices for the drainage fee expense;
- b) Does the City pay the water system to treat drainage? If so, please provide the fees charged to the City for the service.

RESPONSE:

- a) Please see Staff 1-8, Attachments 1-61, which are invoices for the Austin Water test year monthly drainage fee expenses for 61 City of Austin Utility accounts. Additionally, please see Staff 1-8, Attachment 62, which provides a summary of these drainage fee expenses with a worksheet tab for each month during the test year.
- b) No, the City does not pay the water system to treat drainage. The drainage utility is a completely separate entity from Austin Water. All property owners within the City of Austin are assessed a drainage fee based on the impervious cover of their property. Austin Water pays the drainage fees assessed for each of Austin Water's properties according to impervious cover and the drainage fee calculation methodology.

Prepared by: Li Yang and Debbie Perlman
Sponsored by: David Anders

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-9 Reference Mr. Anders' direct testimony, bates pages 50-51. Provide the following:

- a) The number of times during the test year the Govalle plant was used to train city employees;
- b) Percentage of city employees trained at the Govalle plant that are not employees of the water or wastewater systems;
- c) Detailed description of what training entails, including whether the entire system is brought online, or only a portion;
- d) The emergency diversion plan;
- e) Detailed description of what the emergency diversion entails regarding bringing the plant online (i.e. is the whole system brought online, or only a portion);
- f) Whether or not an operator is required to be present for emergency diversion, and if the emergency diversion is computer operated;
- g) The number of times during the test year the Govalle plant been used for emergency diversion; and
- h) A breakdown of the costs included in the test year for the Govalle plant.

RESPONSE: The former site of the Govalle Wastewater Treatment Plant is currently not a functioning treatment plant. The current site, however, still consists of all the buildings and structures from the former plant site. The administration building and other buildings are used primarily for training purposes. The former basins are used as an emergency diversion storage buffer for the South Austin Regional wastewater plant and tunnel.

- a) Govalle plant was used approximately 224 times during the test year to train city employees.
- b) The percentage of city employees trained at Govalle plant that are not employees of water and wastewater systems is 27%.
- c) The AW training classes held at Govalle are basic Safety Training classes utilizing the Administration and Maintenance Buildings as classrooms. Govalle Plant is not brought online for any of the classes. Please see Staff 1-9, Attachment 1 for a detailed description of classes.
- d) There are no official procedures to fill and drain Govalle after an event.
- e) Govalle plant is used occasionally as a storage buffer (during large rain events or when SAR Transfer Station has pumping bottlenecks), and then pumped back into the collection system at a later date. The diversion is automatic with water flowing over a weir gate into Govalle Facility storage as the level rises.

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

- f) Austin Water does have staff monitor emergency diversions during a major event, but they are not on site 24/7. It is manually pumped back into the collection system by portable diesel pumps when the storage need is over.
- g) Govalle plant was used twice during the test year for emergency diversion: December 2017, Govalle flow diversion project, line maintenance; and March 2018, 48" line maintenance.
- h) Breakdown of costs included in the test year were provided in file:
COS Model GL Account Crosswalk to II-D_8.16.19_Final.xlsx
(WW Text Year Tab -Column N Row 9 - 209), this file was included in Austin Water's response to Districts RFI No. 2-4 as Attachment 1.

Prepared by: Tammie Freeman
Sponsored by: David Anders

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-10 Regarding the debt service coverage ratio (DSCR) of 1.85 times, provide any evidence from rating agencies requiring the DSCR to be set at 1.85 times for the COA's water and wastewater systems.

RESPONSE: Austin Water obtains credit ratings from the three major rating agencies prior to the issuance of revenue bonds. These ratings are critical to the ultimate determination of the interest rates paid on the revenue bonds. These rating agencies are providing a report of their assessment of the credit worthiness of Austin Water, based on a thorough review of Austin Water's financial performance, financial metrics, financial margins, debt profile, rates and affordability, capital spending, economic conditions, water supply, treatment capacity, governance and management, and other factors. The reports from the rating agencies provide a sense of what might improve or weaken ratings, however, they do not provide specific goals or requirements for financial metrics. They are only assessing the entity's credit worthiness.

During the 2016 Cost of Service Rate Study, the AW Executive Team recommended a debt service coverage target of 1.85 times annual debt service requirements based on input from our customer class representative committees, our residential rate advocate, the public, and our cost of service rate consultant.

Austin Water issued bonds in 2014, 2015, 2016 and 2017. During this time frame, Austin Water's financial performance was strained due to significant impacts of the Central Texas drought. During 2014, two of the rating agencies, Fitch Ratings (Fitch) and Moody's, revised their outlooks for Austin Water from Stable to Negative. Additionally, the third rating agency, Standard & Poor (S&P), revised Austin Water from a Positive outlook to Stable. A positive outlook reflects expectations that a rating upgrade is possible, while a negative outlook reflects expectations that a rating downgrade is possible or likely without credit profile improvements.

These actions were the result of Austin Water's strained financial performance. The table below provides the ratings for Austin Water from each agency over the last 5 years.

AW Separate Lien Utility Revenue Bond Rating					
	2013	2014	2015	2016	2017
Fitch	AA- Stable	AA- Negative	AA- Negative	AA- Stable	AA- Stable
Moody's	Aa2 Stable	Aa2 Negative	Aa2 Negative	Aa2 Stable	Aa2 Stable
S&P	AA Positive	AA Positive	AA Stable	AA Stable	AA Stable

Please see Staff 1-10, Attachments 1 through 16, which are the final rating agency reports for each of Austin Water's bond issues for 2014, 2015, 2016 and 2017. Analysis of these rating reports has informed Austin Water in determining the appropriate debt service coverage target.

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Excerpts from each of these reports are shown below. Also, the Cost of Service Rate Study public involvement committees spent significant time discussing the setting of the debt service coverage target as described in Staff RFI No. 1-2.

2014 Bond Issue

In June 2014, the City issued \$282,205,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2014. At the time, AW's revenues and cash reserves were significantly impacted by decreased water consumption in response to ongoing drought conditions. In 2013, AW experienced a \$28.7M revenue shortfall due to declining water consumption.

S&P assigned a rating of AA with a positive outlook for the Series 2014 bonds and outstanding parity water and wastewater revenue bonds based on expectations of financial performance improvements. This rating was unchanged from S&P's 2013 rating.

Both Fitch and Moody's also affirmed their prior year ratings of AA- and Aa2 respectively, however, both revised their rating outlook from stable to negative due to weak financial results.

Following is an excerpt from Fitch's 2014 rating:

The revision in Outlook to Negative from Stable on the water and wastewater bonds reflects the diminishing prospect of any material improvement in [Austin Water Utility (AWU's)] financial profile over the near term, due in part to ongoing drought conditions. Financial metrics remain weak for the rating category and further erosion in both debt service coverage (DSC) and liquidity is expected by the close of the current fiscal year based on year-to-date results. Additional negative rating action is likely absent a measured near-term improvement in AWU's financial profile, particularly its unrestricted cash balances, to a level more consistent with the current rating category.

2015 Bond Issue

In July 2015, the City issued \$249,145,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2015A. Severe drought conditions, which ended in May 2015, continued to impact AW's financial performance in 2014 and during the first half of fiscal year 2015. As a result, AW's financial performance "bottomed out" in 2014 with debt service coverage of 1.25, which is the minimum level required for compliance with AW's bond covenants. In addition, cash reserves fell to 35 days of operating cash, which is well below AW's financial policy goal of 60 days. This target was revised from 45 days to 60 days in 2015 to strengthen AW's cash reserve financial policy.

While AW's bond ratings from all rating agencies remained unchanged in 2015, low cash reserve levels and debt service coverage contributed to a lowered rating outlook from positive to stable by S&P and a continued negative outlook from Fitch and Moody's.

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI

Following is an excerpt from Moody's 2015 rating:

The negative outlook reflects a weakened liquidity position at fiscal year-end 2014. Future credit reviews will focus on the impact of recent rate increases, as well as other improvements of the system's financial plan, on the overall financial health of the system and near-term improvement in liquidity.

The financial performance of the system remains challenged. Recent and forecasted rate increases are anticipated to impact weak liquidity and narrowed debt service coverage. For fiscal 2014, operating revenues totaled a significant \$472.59 million, which was down slightly from \$476.78 million in the previous year. Operating expenditures also rose roughly \$10 million which contributed to a decline in net revenues available for debt service.

Following is an excerpt from S&P's 2015 rating:

The outlook revision for the separate-lien debt is based on our view that the utility's financial metrics are not yet commensurate with those of 'AA+' rated systems. While we acknowledge management's commitment, for example, to building and maintaining stronger cash reserves and the 2013 adoption of what we consider very robust financial management policies, it may still be several more years before the financial profile of the system – which does business as Austin Water Utility (AWU) - is more in line with that of higher-rated utilities. It is important to note that we view the slip in debt service coverage (DSC) in fiscal 2014 as an anomaly from a history of otherwise strong performance, attributable to a prolonged drought that only very recently lessened.

2016 Bond Issue

2015 brought an end to the worst drought on record for Austin and the Central Texas region. In June 2016, when the City issued \$247,770,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2016, AW's financial rebound had begun. AW ended fiscal year 2015 with improvements in cash reserve levels, with days cash increasing from 35 days of operating cash in 2014 to 85 days in 2015, and debt service coverage, improving from 1.25 in 2014 to 1.40 in 2015.

Overall, AW's financial improvement plan and debt management efforts have led to steady improvements in debt service coverage and cash reserves balances. For the 2016 bond series issuance, Fitch and Moody's revised their rating outlook from negative to stable based on

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

AW's financial performance improvements. In addition, S&P maintained the stable rating outlook for 2016. All three rating agencies commented on AW's financial improvements, particularly in reserve levels.

Following is an excerpt from Fitch's 2016 rating:

Fitch's revision of the Outlook to Stable from Negative reflects modest but notable improvement in AWU's financial performance. Fitch expects improvement to continue at least through the current forecast period ending in fiscal 2021. Financial metrics for the city of Austin's (TX) combined water and wastewater system remain weak for the rating category but are forecast to continue strengthening. Continued stability in the rating will be determined largely by AWU's ability to achieve and sustain projected financial targets.

Following is an excerpt from Moody's 2016 rating:

The stable outlook reflects rate increases that have resulted in a marked improvement in the system's financial performance in 2015 and year to date in 2016, boosting reserves and liquidity to healthier levels than in years past. The Aa2 rating on the system's separate lien (open lien) reflects strong system characteristics, improving cash and financial metrics bolstered by recent rate increases, and strong rate management and capital planning.

Following is an excerpt from S&P's 2016 rating:

The stable outlook reflects our expectation that the ratings are unlikely to change in the next two years. We recognize management's commitment to improving AWU's financial risk profile and maintaining it at current levels. We believe, however, that the improvements will be gradual. While the rating could still be raised higher, even with a stable outlook, an upgrade would be predicated mainly on the system continuing to improve its all-in coverage to a level more in line with an 'AA+' rating. Given that the system's largest projects have been completed and that the CIP is manageable despite stronger economic growth, we believe this is reasonably achievable.

2017 Bond Issue

In August 2017, the City issued \$311,100,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2017. During FY 2017, AW continued to see improvements in key

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

financial metrics, including debt service coverage, equity financing, and number of days cash on hand.

In FY 2017, all three rating agencies acknowledged AW continued financial performance improvements and maintained a stable rating outlook for AW.

Following is an excerpt from Fitch's 2017 rating:

Financial margins improved during the past two years to a level commensurate with the rating due to rate adjustments and water sales volumes stabilizing following a statewide drought. Fitch Ratings' calculated debt service coverage improved to 1.84x, or 1.62x, after the general fund transfer in fiscal year (FY) 2016 and days cash on hand increased to 181 days. AWU's financial forecast indicates coverage levels in the same range or slightly below the FY16 level and continued modest improvements in liquidity levels.

2018 Moody's Annual Surveillance on Austin Water

In December 2018, Moody's performed their annual surveillance on Austin Water, in which a credit opinion is published.

Following is an excerpt from Moody's 2018 rating:

The City of Austin (TX) Water and Sewer System's (Aa1 prior lien, Aa2 prior subordinate and separate lien; stable) credit profile benefits from a very large and diverse customer base, sufficient water resources and system capacity, as well as recent rate increases that have bolstered reserve levels. Challenges of the credit profile include an above average debt level as well as sizable capital improvement plan that calls for additional debt.

After declining debt service coverage and liquidity levels from fiscal 2011 to 2014, annual rate increases along with strong expenditure management helped boost annual financial metrics in fiscal 2015 and 2016. Although net revenues remained stable in fiscal 2017 at \$343 million, increasing annual debt service requirements dropped total system coverage to a still adequate 1.61 times, which is a solid improvement over fiscal 2014 and 2015 coverage levels of 1.21 and 1.42 times, respectively. Management projects fiscal 2018 coverage to improve to 1.83 times, which is nearly aligned with the long-term internal target of 1.85 times.

Fitch Medians Report

Fitch Ratings publishes an annual Water and Sewer Medians special report to provide transparency to bond issuers, financial consultants, analysts, and investors by providing a clear understanding of certain statistical ratios Fitch uses in the rating process for water and sewer

**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

sector bond issuers. AW reviews the annual medians report to compare AW's financial performance to other AA rated and large water and wastewater utilities.

According to the report, AW falls in the large system category, which Fitch defines as utilities serving 500,000 customers or more. All three credit rating agencies (Fitch, Moody's and S&P) closely monitor debt service coverage and level of operating reserves. According to Fitch's 2019 report, the median level of All-In Debt service coverage net of Transfers Out is 2.5x for AA rated utilities and 1.9x for large systems. The median level of Operating Days Cash on Hand is 591 days for AA rated utilities and 367 days for large systems.

In addition to debt service coverage and days cash on hand, AW closely monitors the level of cash funding of its capital program. While AW focus on the cash financing portion of its capital program, Fitch tracks the opposite measure percentage of CIP Debt Financed by the system. According the 2019 report, the median level of CIP Debt Financed for large systems is 52%, which means these utilities debt finance 52% of their capital projects and cash fund the remaining 48%.

S&P Rating Criteria Report

Similar to Fitch's Medians report, the S&P Rating Criteria report provides AW with insight into the bond rating process and helps determine appropriate financial benchmark targets. In assessing credit risk, S&P uses an analytical framework consisting of an "enterprise" and "financial" risk profile assessment. The following factors in each profile are evaluated with respective weights in parentheses:

Enterprise Risk Profile

- Economic fundamentals (45% of the enterprise risk profile assessment);
- Industry risk (20%);
- Market position (25%); and
- Operational management assessment (10%).

Financial Risk Profile:

- Coverage metrics (40% of the financial risk profile assessment);
- Liquidity and reserves (40%);
- Debt and liabilities (10%); and
- Financial management assessment (10%).

S&P's financial risk assessment places a heavy emphasis on debt coverage metrics and levels of reserves as exhibited by the 40% weighting for coverage and liquidity performance.

Moody's Medians Report

Similar to both Fitch and S&P's reports, the Moody's Medians Report for 2017 provides insights into the financial performance of water and wastewater utilities which Moody's has rated. Analysis includes medians of debt service coverage, liquidity, leverage, operating expenses, system condition and other aspects.

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI

The sector-wide median of debt service coverage is 2.3x for water and sewer utilities, which is slightly improved from prior year. The sector-wide median for days cash on hand has also increased to 440 days. For AA rated water and sewer utilities, the median debt service coverage is 2.4x and days cash on hand is 492.

Debt Service Coverage

Debt service coverage is the ratio of net revenues available for debt service (revenues less operating requirements) over annual debt service requirements. This metric provides an indication of the Utility's financial flexibility or capacity.

During the 2016 Cost of Service Rate Study, the AW Executive Team recommended a debt service coverage target of 1.85 times annual debt service requirements based on input from our customer class representative committees, our residential rate advocate, the public, and our cost of service rate consultant. As shown in the chart below, the median all-in debt service coverage according to the 2019 Fitch Median Report is 1.9x for large water and wastewater utilities, while S&P assigns the highest assessment to utilities with all-in debt service coverage of 1.60x or higher, while adjusting for total transfers out.

Rating Agency Debt service coverage Rating Guidance	
Fitch-Water/Wastewater Utility Median (Large Systems)	1.90x
Fitch – Water/Wastewater Utility Median (AA rated)	2.50x
S&P Rating Criteria (Strong, after total transfers out)	1.60x
Moody's Water/Wastewater Utility Medians	2.30x
Moody's Water/Wastewater Utility Medians (Aa rated)	2.40x

It should be noted that S&P's all-in coverage calculation reduces revenues available for debt service by total transfers out as highlighted below:

$$[(\text{Revenues} - \text{Expenses} - \text{Total Net Transfers Out}) + \text{Fixed Costs}] / (\text{All Revenue Bond Debt Service} + \text{Fixed Costs} + \text{Self Supporting debt})$$

This calculation differs from AW's debt service calculation, which includes operating transfers out for services as operating expenses, such as Administrative Support Transfer and the Communication Technology Management Transfer (CTM), but does not reduce revenues available for service for transfers to the General Fund, the Economic Development Fund and the Capital Project Management Fund. Transfers between AW funds are excluded from both calculations. The table below shows AW's projected debt service coverage using the AW/Fitch methodology and the S&P methodology.

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

	AW/Fitch Calculation	S&P Calculation
FY 2018 Debt Service Coverage Calculation		
Revenues Available for Debt Service	\$592,737,664	\$592,737,664
Less Total Operating Requirements	248,947,192	248,947,192
Less Non Operating Transfers Out	0	51,555,569
Net Revenues Available for Debt Service	343,790,472	292,234,903
Existing Revenue Bond Debt Service	198,274,655	198,274,655
Debt Service Coverage Ratio - Combined	1.73	1.47

Based on AW's consultant recommendation and the input from the retail and wholesale customers during the 2016 COS Study, the AW Executive Team recommended a debt service coverage target at 1.85x. A target of 1.85x is below the Fitch Median for large systems and generally in line with the S&P strong rating criteria of 1.60x.

Prepared by: David Anders
Sponsored by: David Anders

**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-11 Reference Schedule II-E-4.4. Provide any rate case expenses incurred since the filing of this application, including a similar table as that on bates page 1118, and associated detailed invoices.

RESPONSE: Please see the responsive information, provided in Staff 1-11, Attachments 1 through 7.

Prepared by: W. Patrick Dinnin
Sponsored by: David A. Anders

**SOAH DOCKET NO. 473-19-6297.WS
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**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-12 Please provide the contracts between Austin Water and the Intervenors.

RESPONSE: The contracts between Austin Water and the Intervenors, Districts, are included as the following attachments:

- Staff 1-12, Attachment 1, Creation Agreement - North Austin Growth Corridor MUD #1 (Wells Branch) (4-13-81)
- Staff 1-12, Attachment 2, Creation Agreement - North Austin MUD #1 (5-20-83)
- Staff 1-12, Attachment 3, Creation Agreement - Northtown MUD #1 (1-6-86)
- Staff 1-12, Attachment 4, Water Agreement - Water Control and Improvement District #10 (6-13-57)

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Staff 1-13 If there were no contracts, provide Austin Water's policy on when customers (retail and wholesale) would be charged for the diversion fee charged by LCRA for water used over 201,000 acre-feet per year.

RESPONSE: The contracts for the Intervenors, Districts, are included in response to Staff RFI No. 1-12. The contracts do not specifically address when the Intervenors would be charged for their proportionate share of the LCRA diversion fee for water used over 201,000 acre-feet per year. Austin Water anticipates charging all customer classes their proportionate share of any LCRA raw water costs when Austin Water begins paying, after reaching the 201,000 acre-feet trigger. At this time, Austin Water does not anticipate reaching the 201,000 acre-feet trigger until after 2030 or further, depending on conservation and reclaimed effort success.

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Staff 1-14 Reference Mr. Ander's direct testimony, bates page 41, lines 13-19. Has the City done a comparison between the costs a customer will pay in the future for diversion fee for additional water capacity beyond the 201,000 acre-feet per year versus the current costs they will be paying for the reclaimed water system to which they are not directly connected? If so, please provide the analysis.

RESPONSE: Austin Water has not completed such an analysis.

Prepared by: David Anders
Sponsored by: David Anders

VOLUMINOUS ATTACHMENTS PROVIDED ON CD

SOAH Docket No. 473-19-6297.WS
PUC Docket No. 49189

September 9, 2019

City of Austin's
Response to Staff's
First RFI

- Staff 1-1, Attachment 1, Detail Court Cost.xlsx
- Staff 1-2, Attachment 1, WIC Meeting 7 Presentation 10 05 2016 FINAL slides 31-35.pdf
- Staff 1-2, Attachment 2, WIC Meeting 4 Presentation 11 29 2016 FINAL slide 34.pdf
- Staff 1-2, Attachment 3, WIC Meeting 3 Presentation 1 31 2017 FINAL slides 19-28.pdf
- Staff 1-2, Attachment 4, WIC Meeting 5 Presentation 02 21 2017 FINAL slides 14-16.pdf
- Staff 1-2, Attachment 5, WIC Meeting 10 Presentation 03 06 2017 slides 14-18.pdf
- Staff 1-7, Attachment 1, SWAP Analysis for the 2008 Variable Rate Refunding Bonds.xls
- Staff 1-8, Attachment 1, 03530 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 2, 04711 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 3, 05136 04619 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 4, 05148 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 5, 05884 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 6, 07416 55522 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 7, 09200 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 8, 10790 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 9, 17987 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 10, 22469 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 11, 23062 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 12, 25362 01545 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 13, 25311 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 14, 28129 48554 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 15, 28880 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 16, 33265 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 17, 33544 20000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 18, 34536 10000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 19, 38199 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 20, 38717 20000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 21, 43248 30000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 22, 44378 10000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 23, 47204 20000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 24, 55697 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 25, 60134 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 26, 60397 80000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 27, 60821 40592 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 28, 61645 70000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 29, 66884 30000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 30, 70890 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 31, 73301 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 32, 74236 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 33, 75131 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 34, 75507 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 35, 81956 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 36, 83291 10000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 37, 86467 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 38, 88379 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 39, 88847 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 40, 89275 10000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 41, 91209 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 42, 91875 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 43, 93727 20000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 44, 93707 70000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 45, 94445 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 46, 95533 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 47, 99707 00000 (Oct 2017-Sep 2018).pdf
- Staff 1-8, Attachment 48, 0677504-162 Oct 2017-Sep 2018.pdf
- Staff 1-8, Attachment 49, 1543204390.pdf
- Staff 1-8, Attachment 50, 1660200000.pdf
- Staff 1-8, Attachment 51, 16602110000.pdf
- Staff 1-8, Attachment 52, 2938832981.pdf
- Staff 1-8, Attachment 53, 3270887993.pdf
- Staff 1-8, Attachment 54, 5351100000.pdf
- Staff 1-8, Attachment 55, 5551409287.pdf
- Staff 1-8, Attachment 56, 7257840000.pdf
- Staff 1-8, Attachment 57, 8613105895.pdf
- Staff 1-8, Attachment 58, 5842510000.pdf
- Staff 1-8, Attachment 59, 2312500000.pdf
- Staff 1-8, Attachment 60, 1953000000.pdf
- Staff 1-8, Attachment 61, 94044 00000.pdf
- Staff 1-8, Attachment 62, FY2018 Test Year Drainage spreadsheets.xlsx
- Staff 1-8, Attachment 1, Govalle FY18 Training Data.xlsx
- Staff 1-10, Attachment 1, Final Fitch Rating Report AW 2014.pdf
- Staff 1-10, Attachment 2, Final Fitch Rating Report AW 2015.pdf
- Staff 1-10, Attachment 3, Final Fitch Rating Report AW 2016.pdf
- Staff 1-10, Attachment 4, Final Fitch Rating Report AW 2017.pdf
- Staff 1-10, Attachment 5, Final Moody's Rating Report AW 2014.pdf
- Staff 1-10, Attachment 6, Final Moody's Rating Report AW 2015.pdf
- Staff 1-10, Attachment 7, Final Moody's Rating Report AW 2016.pdf
- Staff 1-10, Attachment 8, Final Moody's Rating Report AW 2017.pdf
- Staff 1-10, Attachment 9, Final Moody's Rating Report December 2018.pdf
- Staff 1-10, Attachment 10, Final S&P Rating Report AW 2014.pdf
- Staff 1-10, Attachment 11, Final S&P Rating Report AW 2015.pdf
- Staff 1-10, Attachment 12, Final S&P Rating Report AW 2016.pdf
- Staff 1-10, Attachment 13, Final S&P Rating Report AW 2017.pdf
- Staff 1-10, Attachment 14, Final 2019 Water and Sewer Medians.pdf
- Staff 1-10, Attachment 15, Moody's Water and Sewer Utilities Medians 2017.pdf
- Staff 1-10, Attachment 16, S&P US Public Finance Waterworks, Sanitary Sewer, And Drainage Utility Systems.pdf
- Staff 1-11, Attachment 1, Invoice No. 97500562.pdf
- Staff 1-11, Attachment 2, Invoice No. 97501616.pdf
- Staff 1-11, Attachment 3, Invoice No. 97502351.pdf
- Staff 1-11, Attachment 4, Invoice No. 97503073.pdf
- Staff 1-11, Attachment 5, 116094943.PDF
- Staff 1-11, Attachment 6, Refrills Invoices - April, May, July.pdf
- Staff 1-11, Attachment 7.pdf
- Staff 1-12, Attachment 1, Creation Agreement - North Austin Growth Corridor MUD #1 (Wells Branch) (4-13-81).pdf
- Staff 1-12, Attachment 2, Creation Agreement - North Austin MUD #1 (5-25-83).pdf
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