

Cost-of-Service Rate Study 2007
Public Involvement Committee
Workshop 7: Irrigation Rates

Austin Water Utility
March 17, 2008

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

Decisions by Executive Team

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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)

PIC Comments From Last Meeting

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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

Comments from PIC Members

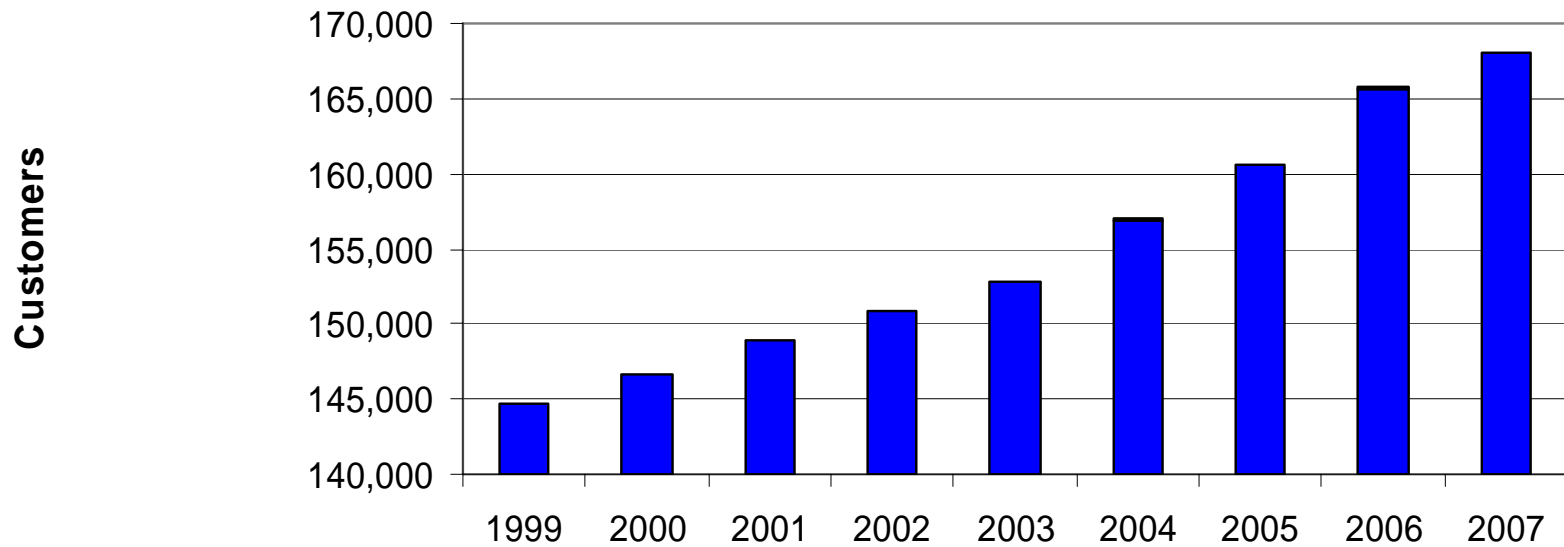
- Commercial and industrial representatives agree with the revised 4-block rate structure for single family residential customers
- Industrial representative agrees with:
 - Waiving the fixed charge for low income customers
 - Recovering the low income subsidy from all classes
 - Charging wholesale customers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

Irrigation Rates

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Single Family Irrigation Customers

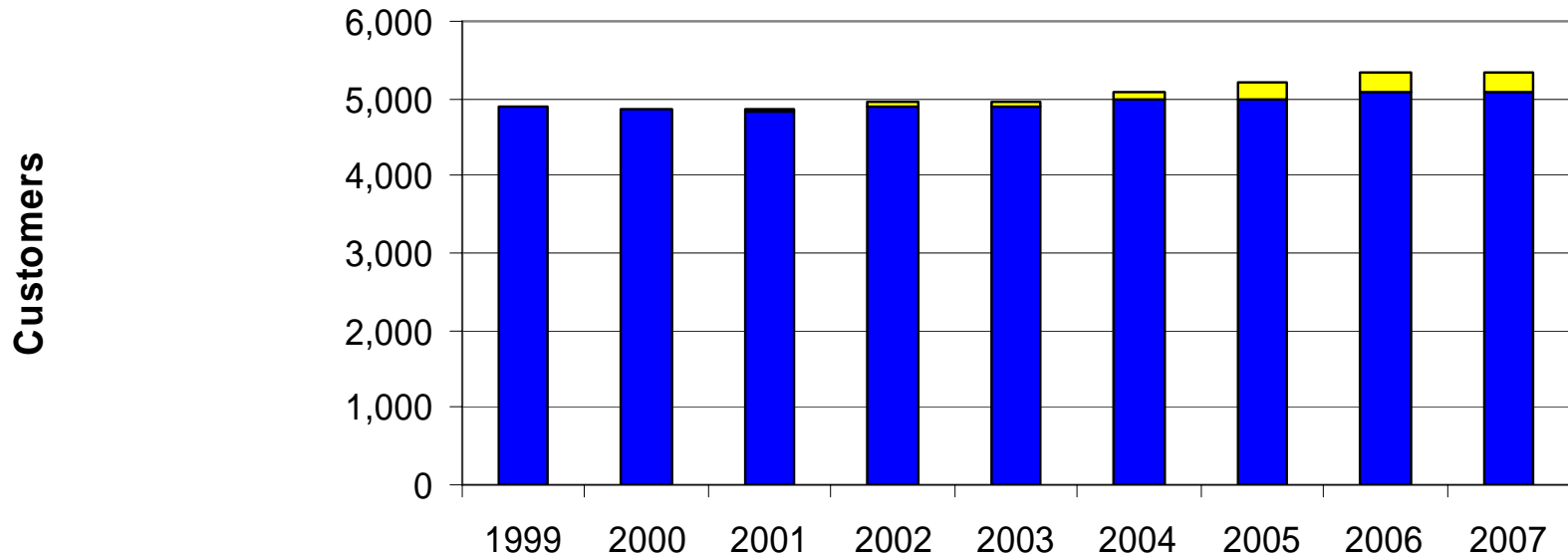
INSIDE CITY SINGLE FAMILY
Total Customers vs Irrigation Only Customers



	Sep-99	Sep-00	Sep-01	Sep-02	Sep-03	Sep-04	Sep-05	Sep-06	Sep-07
Total Customers With Irrigation	0	0	0	0	14	25	34	117	137
Total Customers	144,711	146,716	148,916	150,934	152,828	156,924	160,562	165,650	167,994

Multifamily Irrigation Customers

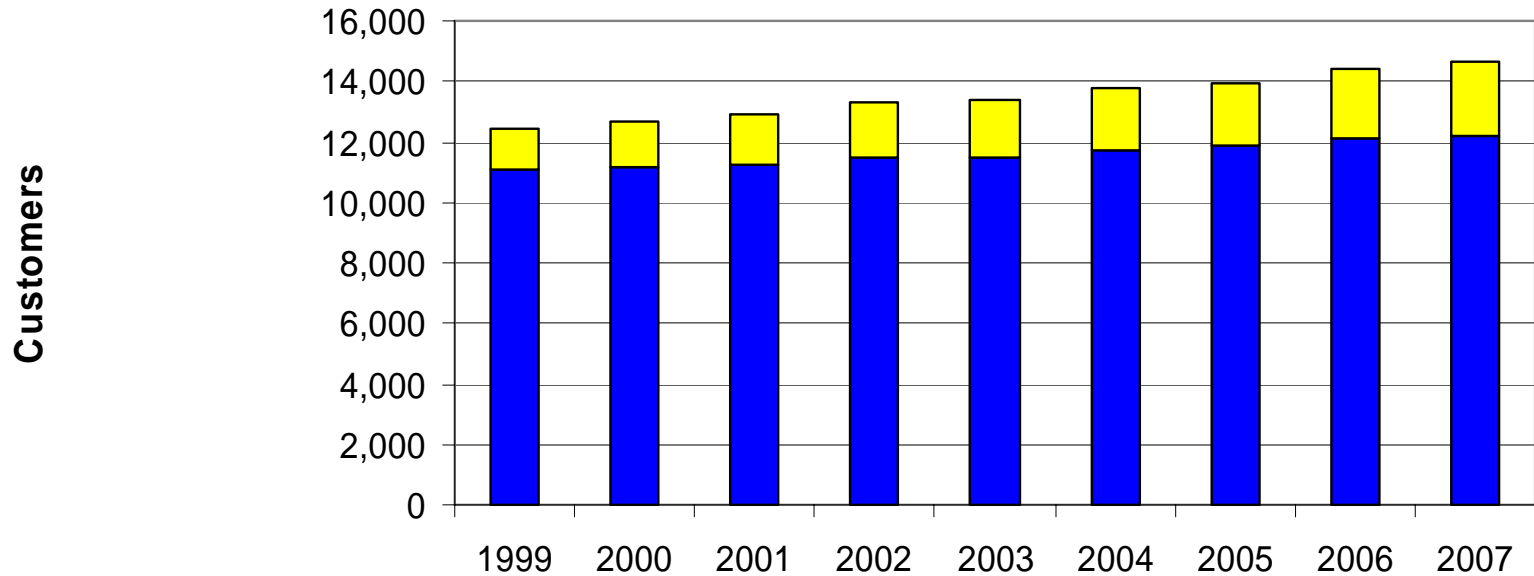
INSIDE CITY MULTI-FAMILY
Total Customer Accounts vs Irrigation Only Accounts



	Sep-99	Sep-00	Sep-01	Sep-02	Sep-03	Sep-04	Sep-05	Sep-06	Sep-07
Total Customers With Irrigation	2	6	25	41	74	96	221	261	274
Total Customers	4,892	4,853	4,832	4,905	4,897	4,986	5,005	5,079	5,074

Commercial Irrigation Customers

INSIDE CITY COMMERCIAL
Total Customer Accounts vs Irrigation Only Accounts



	Sep-99	Sep-00	Sep-01	Sep-02	Sep-03	Sep-04	Sep-05	Sep-06	Sep-07
Total Customers With Irrigation	1,360	1,517	1,664	1,824	1,965	2,088	2,118	2,292	2,458
Total Customers	11,108	11,186	11,286	11,467	11,447	11,707	11,857	12,140	12,203

Policies Reviewed

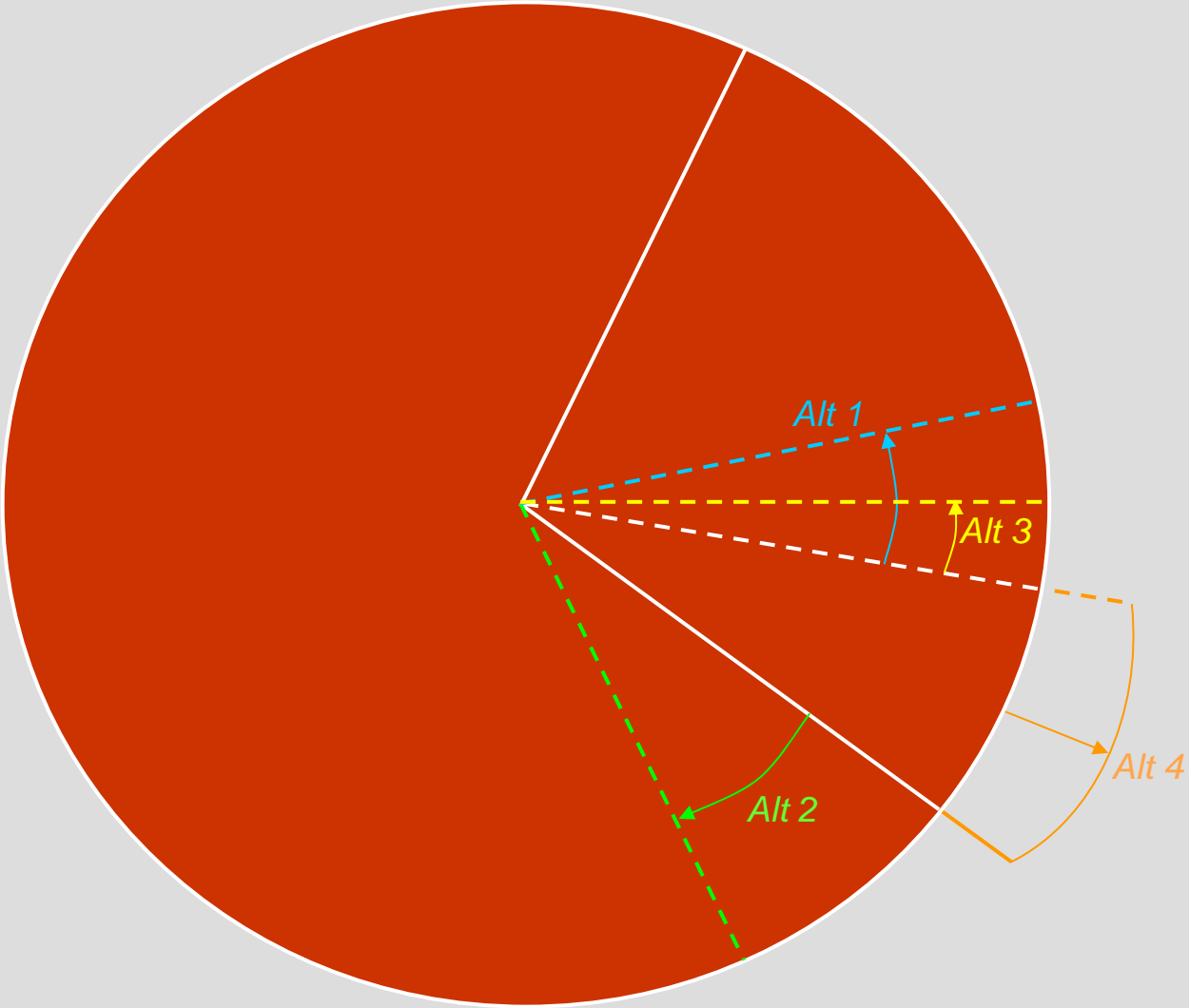
1. How should excess revenues from higher irrigation rates be used?
2. What is an appropriate level for irrigation rates?
3. Should residential irrigation meters receive water at Block 1 and 2 rates?

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

Overview of Issue 1 Alternatives



Impacts for Two Identical Commercial Customers

Customer Classes	Current	Alternative Customer Classification		Difference in Classifications
		One Class	Two Classes	
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
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Separate Meter Total	\$2,765	\$3,397	\$2,765	\$632
Difference in Bills	\$0	(\$783)	\$0	

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

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

Alternative 3: Cost of Service Irrigation Rate

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

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

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

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

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

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

No Irrigation Rate

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

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

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

Discounted Water in Blocks 1 and 2

- AWU's current methodology
- Slightly less revenue volatility

PIC Member Questions, Discussion, and Comments

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Summary of Decisions, Agreements, And Next Steps

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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

Public Comment

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