

Public Utilities Committee Meeting Transcript –5/20/2015

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>> Zimmerman: Hello, everybody, I'm John Zimmerman, vice-chairman of the public utility commission. I want to welcome you to our meeting. Delia Garza is out. We wish her well with her new baby. So I get to work the meeting here. We also have Ann kitchen with us and Ellen troxclair so we have a forum. I have the time as 3:14 P.M. We'll call this meeting to order. So far we have one person signed up. We have Mr. Paul Robbins, but I'm going to ask him to come, if there's no objection, during item 4. When we get to item 4 we'll have Mr. Robbins and we'll give him eight minutes to give us some background information. Are there any other speakers who have signed up? Anyone that wishes to address in citizen communication general? If so please see deny up at the front and fill out one of these forms and we'll get you here. The first item here is the approval of minutes, any suggestion on approval of the minutes? Is there a motion to approve the minutes? So moved and seconded? Thank you. All in favor? No objections. We'll move to item 2. Anyone here? Item number 2? We can get back to that later if someone comes in. Let's move to number three, consider recommendations relating to an amendment to foster relationship with century land holdings to consider the city's cost reimbursement in the amount of \$687,687 for a total contract amount not to exceed \$2,278,484. So thank you very much. And your name is?

>> My name is Bart Jennings with the Austin water service.

>> Zimmerman: Thank you, Bart, go ahead.

>> As you may remember from last month's episode of service extension requests, we covered that particular issue in terms of the basics of service extension requests.

[3:13:35 PM]

And that is just as a reminder when a developer wants to extend city of Austin water and wastewater services to their particular development, if the plan is greater than 100 feet away from it or the line is

not capable of providing the intended capacity that the development needs, a service extension request is required. In this particular presentation we're going to cover a different type of ser related to cost participation. And if you remember at the last meeting you indicated that you wanted to have all cost participation items brought to the P.U.C. For your review. Cost participation as we spoke last time is very infrequent. Last year we had about five percent of the total ser's that had cost participation. Five out of two hundred. Historically cost reimbursement has been done in different ways. There were cases in the 70's where you had the number of connections over time or a percent dollar per connection or some other type of arrangement. House bill 1835 in 2005 required cities and municipalities when you are doing cost participation to base it upon its roughly proportionate share of cost. So the city oversizes infrastructure when we need to have larger size to meet future development needs, and in this particular case for Pearson place the request for oversizing is needs to serve the remaining portion of the lake creek watershed wastewater

[indiscernible]. So it's based upon capacity as the oversizing reason why we've come back to you. Oversizing is subject to the city's cost participation ordinance ordinance , which was passed in 2013. And we will repay the developer for that portion of the infrastructure that is oversized.

[3:15:41 PM]

A little more specifics for water and wastewater mains, the way we do that participation is based upon the percentage of the size differential. And for mains that are 12 inches or greater, in terms of the utility, the smallest line generally is an eight inch line. In this particular table that you'll see if the city needed a 12-inch line and the development only needed an eight inch line the city would pay the oversizing cost of 33% of the hard construction cost for that particular wastewater main. Other infrastructure like basins are based upon the capacity differential between what the developer needs and what the city is desiring to be oversized. So for this particular development the percentage of the hard costs are going to be reimbursed to the developer for the oversizing of the mains. In addition we also pay 15 percent of that to cover soft costs. In particular with this ser, the ser was previously approved in 2009 by city council. Estimates were given based upon that particular time frame of what construction costs were for \$2.1 million. The development did not start until much later and this portion of the development received then bids in 2014 and there's a differential between that construction costs had gone up about \$713,000. So in trying to make that situation be as much as we can revenue neutral and not have to go back for additional funding, we changed the project scope, essentially took out the 24-inch wastewater line that we would have paid 100% of and reduced the amount by that.

[3:17:46 PM]

However, during construction they discovered several voids that were missed in geotechnical reduce. These were addressed by tceq and watershed protection as well as Austin water staff working very closely and it was done in a collaborative effort with all the code requirements and all the other requirements that tceq has. So now because of those expenses we are coming back and asking for an additional \$646,807.24 to be able to reimburse the developer for those oversizing costs related to the ser. Brief presentation. If you have any questions I'll be glad to answer those.

>> Zimmerman: Councilmember troxclair, any questions?

>> Troxclair: So you said that part of the reason for -- I guess the main reason for the cost delay was the delay in the project until 2014. What was that delay for?

>> They developed the upper portion of the tract first and that did not need to have these type of improvements that were done, identified for cost reimbursement and of at that particular time so they waited until the development was coming back closer down towards the tract and then the topography changes there since the flows at the top of the tract went one direction, the flows now on this lower part of the tract are going the direction towards lift stations and stuff that they needed to go ahead and build the infrastructure so they waited.

>> Troxclair: So it was the developer's choice to not build that until 2014? I'm trying to -- I'm trying to understand. There's a delay in the project because of something that the city caused I can understand the city then covering increased costs, but if it's something that the developer just chose to do --

[3:19:53 PM]

>> The developer chose the way to build out the tract. It was a natural consequence of as time has gone by that prices for construction had increased. If it was a different kind of decade or different years ago, actually you would have seen costs go down. And we would have paid whatever the actual costs that would have been lower than the authorization that city council paid. Mid.

>> Troxclair: So why do we not just be done with it when we enter into the original deal? Why don't we just say based on the 2009 estimate when the project is before us when we agreed to pay a portion of the costs here is \$2.1 million and that's the end of it?

>> You could do that, but then you're going to have legal issues from state law that requires you to pay roughly your proportionate share. So if costs have gone up and the developer is doing that and we have a potential legal claim to be made saying that the city is forcing the developer to pay more than their fair share.

>> Troxclair: Can you go back to a couple more slides to the one that had -- that one.

>> Zimmerman: Hang on a second. Is this related?

>> Kitchen: To follow up, could you tell us which state law that is?

>> What state law that is? I don't have the actual citation, but it's related to house bill 1835 in the 2005 session.

>> Kitchen: Maybe that's something you could get us later.

>> We'll be glad to do that.

[Buzzer sounds]

>> Oh, look, my time is up.

[Laughter].

>> Troxclair: Sorry if you said this and I missed it. The percentages that are laid out on this side, is that outlined in state law or is this what the city has?

>> It's outlined in the city code.

>> Troxclair: So the city came up with the percentages?

>> Yes, ma'am.

>> Troxclair: Is that -- so I understand that the difference -- that 33% -- the difference between eight inches and 12 inches is 33%?

[3:22:02 PM]

>> Yes, ma'am.

>> Troxclair: In the is a size, but is that directly related to -- is that proportional to the cost. Is it also 33 percent more expensive to use a 12-inch than an eight inch?

>> There's a difference -- in terms of the cost, you're -- because of that size you will probably use the same size bucket to dig the trench so there's not an additional hard cost related to that, it's just you have a little bigger pipe. There is an incremental cost associated with the cost of the type. In terms of the design you will have very little increased costs because you're doing a 12-inch instead of an eight inch. There's different ways historically to look at it. You could look at it from a capacity perspective. You could look at actual costs or you can take a look at it in the way that the city code currently states. And that research had been done prior to the code change in 2013 and from a utilities perspective this is the fairest way to deal with it where you if you did it on actual costs you'll get one answer. If you do it on capacity you could get another one. So this was a middle ground that the utility chose and it was vetted

through commissions and councils and public hearings and reaching out to development community, engineers and constructors, contractors.

>> Troxclair: So that choice of whether we do a percentage or actual cost or the method that we use to determine which portion we pay is city code, not state law?

>> Yes, ma'am, that's correct.

>> Troxclair: Yeah, I -- this is a new issue for me so I'm learning, but I would have thought not knowing the background that it would make sense to say well, how much would it cost to install eight inch and then how much would it cost to install 12-inch per project and the city would be responsible for that difference. My tendency would be to base it on actual costs, so I would be curious why the percentage was the best -- the utilities thought the percentage situation was the best choice.

[3:24:11 PM]

>> It was a simple way of communicating that and calculating that. What you would force developers to do is to go for two separate bids. They would have to bid one at an eight inch and one at a 12-inch. And from their perspectives, the feedback we got from the public hearing process was we don't want to do that double work. We would rather have a simple easy way of doing it because going through the city's purchasing process is difficult enough as it is as they prefer not to do it. Based on that feedback we chose this middle ground to be used.

>> Troxclair: Since that decision was made do you -- I guess we don't know. They didn't get two bids. We don't know whether the city ended up more under a percentage based system than we would have under actual cost-based system.

>> It depends on the timing of when you're getting bids and the particular project. Scenarios that were run back then in some cases showed, for example, I believe it was wastewater where if you used actual costs you would be paying more and on water you would be paying less. So it's just depends upon the project and what the costs were at that time, whether it was water, wastewater, where it was located, the topography, so we would get differentials there. Councilmember kitchen, I believe you asked it's in the local government code chapter 212.904. Related to the roughly proportionate share mandate by the state.

>> Troxclair: Thank you.

>> You're welcome.

>> Zimmerman: Do you need a few minutes? Councilmember kitchen, do you have any questions at this point? Okay. One quick question for you. Kind of what is the development status of the project here?

[3:26:13 PM]

I guess there were some delays and now there's some other infrastructure built out. What's it going to look like for the next couple of years as far as development in this area, as far as you know?

>> As far as we know the developer it ready now to proceed with platting and moving forward with development in the southern portion of the tract. The project itself is very close to completing. I would say in the next probably 60 days, 60, 90 days it will be done. So they've addressed the mitigation efforts and are essentially wrapping up the project. So what you will see is in that particular basin is growth coming down south. And we would expect along the northern side of 45 to start developing also. So that whole area we'll be developing out.

>> Zimmerman: Okay. And this other question is slightly off subject. You don't need to tell me if you don't know. You know what the status of that Nina road project is? There was an extension to Nina and then I guess Pearson ranch road was going to go down to 45?

>> Yes, that's up towards the north of the basin, but I am not certain of that specific project, the status of that.

>> Zimmerman: And this -- this is all Williamson county. This is city of Austin, Williamson county, not Travis county.

>> In E.T.J., yes. Or actually, this is in the corporate limits, the ser.

>> Zimmerman: Yeah, it is in the corporate limits. Any other questions? Let me give councilmember troxclair a minute to get back here because it's an expectation for us to have some motion on this and do something with it. Do you have anything? You're standing there with a piece of paper. I'll ask you to come forward.

>> I'm Jeff Howard. I represent the applicant.

[3:28:15 PM]

Perhaps I should wait for Ms. Troxclair to come back and answer some of her questions in the way that Bart did. I can wait or I can tell the two of you some of those answers.

>> Zimmerman: Well, one of them was back to the slide you just showed, it showed eight inch, 12-inch, 15-inch. There was no 24-inch on that table because --

>> Well, it depends on whether you're walking about water or wastewater. Some size lines, when you get to a big enough line it starts to become a capital size project. Remember this is going to serve the entire basin, not just this project. And on that particular difference between eight inch and 12-inch there's only a 33% cost to the city, but the difference in capacity is actually 77% because we're not talking about -- we're talking about area. When you increase it by four inches you're not just increasing the size by a third.

>> Zimmerman: That's right, it's not linear, it's geometric.

>> Correct. So the city for 33% of the cost is getting 77% of the capacity. And then as those lines get bigger that deference gets much, much bigger. Large enough projects become capital projects and you begin asking developers to build capital projects for the city. And there are some that think that maybe the city should build those capital projects and then the developer can pay a smaller percentage. What we've done here is we've built the capital projects and the city has agreed to pay a fair percentage of that. Now, when the project started, to answer councilmember troxclair's question, the way the property lays out it has access to Avery ranch boulevard to the north. These improvements are at the very bottom of the project where we have no roadway access. So we could not have developed them first. We could not have chosen to develop these later projects first. We had to develop at the north by Avery ranch and work our way down.

[3:30:16 PM]

As we worked our way south we transitioned into a new drainage area. That new drainage area got us these wastewater improvements that we now have to build. Again, they serve the entire drainage basin and they're oversized to meet the city's needs and the law requires that the city cost participate. The bulk of the increased cost, because we were able to alter the design of the project and lower costs, 88% or so of the costs that the city is going to pay is for these voids that were encountered. These voids are environmental features that we could not have detected because you cannot take geotechnical borings on every inch of the line. So being in a Karst environment we encountered voids. The city of Austin has very, very strict void mitigation requirements, environmental requirements, and we deployed with those. The city's cost participation of that was \$163,000 and that's 88% of the cost. That's the city's share. We still pay our share too. And so when voids are encountered we're paying our share of those costs. In fact, in the private development that we're doing in our private internal lines we pay 100% of the cost of, we've encountered numerous voids and our costs are in the millions. So this is just -- at the time the contract is written you haven't done the design, you haven't done the engineering, you haven't encountered any voids you will encounter in field. Now that we have done that, we've done the design, we've encountered conditions, costs are higher and those costs, the city pays its share and the developer pays its share. And I think that's what's before you is just getting the city's approval to pay its share. I hope I've answered your questions. If not I'd be happy to and thank you very much for your time.

>> Zimmerman: One of the reasons those are expensive, the mitigation is a steel cylindrical sleeve that's oversized for the pipe.

[3:32:20 PM]

>> Sylvia pope could probably answer that. Instead of filling in the hole with cement, putting in gravel, steel sleeves and other requirements to make sure that groundwater continues to flow and that we recognize the environmentally sensitive area that we're in.

>> Zimmerman: Any other questions? I guess we'll entertain a motion. We can do nothing, we can recommend this item to council. Would you -- is there a motion for what we should do with.

>> Kitchen: I'll make a motion that we recommend this item to council. I'm certainly open to discussing the -- the policy as councilmember troxclair raised for future reference it might be worthwhile to have a briefing and get into that, but for this particular item I would support going forward with the recommendation to council.

>> Zimmerman: There's a motion to recommend it as noted by councilmember kitchen. Is there a second? We'll take a vote in all in favor? It's unanimous with chair Garza off the dais as she will be the rest of the evening. That brings us to item 4. Consider and develop recommendations relating to an ordinance regarding Texas gas service's proposal to increase customer rates. And if there's no objection if Paul Robbins is here, we'll set the timer for eight minutes for you, Mr. Robbins. Thank you for coming. Or would it -- who is here? Is someone here from Texas gas service? Yes. Could you guys go ahead and come forward. Would you rather lay it out for us first? Would that be more effective. What do you think?

>> Kitchen: Let's lay it out first.

>> Zimmerman: Texas gas service, if you guys would come. And how much time should we give you just to keep on track? Is 10 minutes okay?

>> [Inaudible].

>> Zimmerman: Five minutes.

[3:34:21 PM]

Just a few remarks about what it is.

>> [Inaudible - no mic].

>> Zimmerman: Five minutes, 10 minutes? What would work?

>> I should take no more than five minutes.

>> Zimmerman: Okay. Thank you.

>> Okay. Good afternoon, councilmembers. Rondella Hawkins with the regulatory office. I'm here today as a follow-up to last month's briefing on the pending gas service interim rate adjustment otherwise known as grip. The gas reliability infrastructure program filing. And just as a reminder, the grip filing is provided under state law that allows gas utilities to recover the increase in their capital investment for gas mains, meters, compressors and other types of equipment. And it does not allow for operations or maintenance costs to be included. And the gas utilities can submit up to five grip rate filings, after which they have to file a full rate case, and Texas gas is required to file a full rate case in November of 2016. And we the city are a part of -- we headed a coalition of other cities in the central Texas service area and we hired a rate consultant to assist us in reviewing the rate filing. And the review found that there were no mathematical errors, that the allocation of assets and costs were accurate. And that the proposed rate increases to the customer classes were in line and what was approved in the 2009 rate case.

[3:36:45 PM]

This is this here is a chart which shows the history of the grip filings since 2009. That was the rate increase, the rate case. And for example, the residential customer charge for the -- what Texas gas proposed for 2015 was an increase of \$1.04. That will increase the monthly service charge for residential from \$14.24 to \$15.28. And this chart just shows what the rate impact will be to the various customer classes for gas sales. And in addition, Texas gas has transportation customers and those customers purchased their gas from a third party, and Texas gas transports. They transport the gas through their system. And this chart here shows what the proposed -- what the proposed and recommended increases are.

>> Zimmerman: Before you go on, could you back up? Do I read this correctly that going back to 2009, the first column there, the very last line, C in g-1 compressed natural gas, it says \$40 there in 2009. And then it's 58.70 as of 2015?

>> Yes. That would be the new rate for this year if approved. That's correct.

>> Zimmerman: That's pretty significant. Okay. I'm sorry, go ahead.

>> So as far as next steps, council suspended the effective date of the rate increase to may 27th. And we are scheduled for tomorrow for council to conduct a public hearing, which is required by city charter, and to take action on the new rates.

[3:38:51 PM]

And if we take no action, then the rates will go into effect by default. That concludes my presentation. Commitment thank you. Any questions?

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>> Zimmerman: Thank you, any questions. Hang on. It would be helpful if we could have some back and forth. Thanks. Mr. Robbins?

>> Good afternoon, I'm Paul Robbins. I'm appearing here today as a consumer advocate in a volunteer capacity to discuss the proposed rate increase for Texas gas service. Thanks for inviting me to give you my perspective on how to lower gas rates. There are about \$25 million in additional capital costs in just this last year, which is a 10 percent increase in plant costs. This amounts to a seven percent increase in the monthly service charge in the last year and a 57 percent increase in service charges since the last rate case in 2008. This does not amount to the same increase in bills because charges for fuel and transportation costs are separate. Still, it is about a 12-dollar a year increase in the last year and a 66-dollar increase since the last rate case in 2008. It would be relevant to know how much of this \$66 could have been prevented if growth had paid for itself and if Austin had not been subsidizing the service area outside of the city limits. My intuition is it would be a large percent. Now, a concession on my part, at the previous Austin -- at a previous Austin city council meeting I made some suggestions about how to introduce the interim rate increase that you are currently confronted with.

[3:41:05 PM]

Unbeknownst to me the way interim rate increases are devised, they use the original approved rate method as its basis, and this cannot be changed until the new rate case is created. Having said this I expect there to be another gas rate case filed during your term of office. So I will give you my perspective on how you can lower rates in the near future. First assess the capital recovery fee for new service to make sure that it is recovering 100% of the cost of growth in the system. Austin has gone to 100% of capital recovery for its electric water and wastewater utilities. There is no reason that existing gas customers should not have the same benefit. Interestingly these other utilities in Austin can raise their capital recovery fees without a rate case. Apparently private gas utilities are treated with different rules. Second, austinites are probably absorbing the expansion of the gas system outside of our city limits. For instance, the company's largest new pipeline project in 2014 was located near the city of Bee Cave. It is likely that a new rate that eliminated out of city costs would save austinites money. Third,

transportation rates are designed-- the natural gas transportation rates are designed differently than rates for other utilities in Austin.

[3:43:06 PM]

Austin's water, wastewater, electric and solid waste rates all reflect a tiered rate structure so that the more you use, the more you pay. Austin's latest gas rate however is flat. This discourages conservation and it has a negative impact on the poor. Finally I question how some past natural gas conservation money is being spent. The point of these programs, which I played a role in starting back in the 1980's, is that they are supposed to save gas cost effectively. At least three of these programs, rebates for dryers, central furnaces and efficient -- certain efficient water heaters are not remotely cost effective. The drier rebate is the worst example. There's almost no energy savings from this rebate. It appears to be a way to get people to switch from electric dryers. And if the company wants to spend its profits to do this, great. It should not spend ratepayer money for it. The rebate for central furnaces relates to equipment suitable in cold climates found in Minneapolis or is a save an, but not in Texas. So those are my suggestions and I think you could actually modify the conservation portion of the rates for the next -- for their next fiscal year and not have to wait for a rate case. And for the other suggestions you will probably have your chance to implement them during your terms of office.

[3:45:11 PM]

As I final note I would be glad to come back at another meeting with recommendations about how to save money for the water utility. Thank you.

>> Zimmerman: Hang on, Paul, before you go. I'm sure there are some other questions, but we've had a lot of discussion right about the capital recovery, capital cost for new infrastructure, for new customers and for expansions. I think part of what was going on here was there were some upgrades that were mandated by maybe new safety requirements, the existing infrastructure had to be replaced maybe before its useful life was over to comply with new mandates. So how do I know what percentage of that is driving this versus maybe new development or expanded infrastructure?

>> I've asked a similar question and I can't write we tell you. I'm sure the city has a very good consultant and she could probably tell you. I'm not sure she could tell you immediately, though. She's here.

>> Zimmerman: Any other questions for Mr. Robbins? Thank you. Thank you, very much. Ms. Hawkins, is there anything you can add to that? Some of the projects are when Texas gas has to relocate some of

their utilities for public, county, state of Texas projects, and that is a portion of it. Okay. Thank you. So I did distribute the responses to your questions from the last committee meeting for Texas gas service.

[3:47:18 PM]

According to them there's approximately 77% of the projects related to safety and reliability as far as the cost.

>> Kitchen: Just to remind me when another base rate case would come back.

>> Yes. Texas gas is required November of 2016.

>> Kitchen: I thought that's what you said. And the types of items that Mr. Robbins pointed to, those would be part of a discussion of that 2016 rate case?

>> That's correct. Pitched I wanted to see if --

>> Kitchen: I wanted to see if you were on the same page as Mr. Robbins said. Okay.

>> Zimmerman: Thank you, councilmember kitchen. Any other questions or comments? And if not, is there a motion regarding agenda item 4?

>> Kitchen: I have one other question. I would like to have a conversation about the conservation program, not as today obviously, but I would like to highlight that for a future agenda item. I think that would be something that useful for us to discuss and it's something we're looking forward to with regard to all the utilities. Perhaps we could put it on a future item --

>> Zimmerman: For public utilities?

>> Kitchen: Yes. I would like to go over them all at once.

>> Zimmerman: Would it be better to be on the economic development or audit and finance if we were going to do all of the --

>> Kitchen: It could be. Wherever it's appropriate. We'll follow up with that.

>> Zimmerman: Duly noted. Is there a motion?

>> Troxclair: First I want to ask, item number 4 and item number 5 are both grip cases for different companies.

>> So item 4 is with Texas gas service for the grip.

[3:49:24 PM]

Item number 5 is for Atmos energy. They filed a rate review mechanism, which is an annual adjustment rate adjustment. And so it's in lieu of the grip. The rate review mechanism for Atmos is an annual review adjustment, but it's not a grip.

>> Troxclair: Okay.

>> Troxclair: Are you also going to present information when we get to item number 5?

>> Yes, I am.

>> This takes us back to is there any motion for item 4.

>> Kitchen: I'll make a motion that we send this back to council with our recommendation to approve?

>> Zimmerman: With a recommendation to approve? Is that seconded? Is there any other discussion for that? No objection -- are there any objections? No objections, so it passes unanimously. And councilmember Garza is not present. That brings us to item 5. You can go ahead.

>> Thank you. Just as a reminder for Atmos energy, they're a natural gas distribution company in Austin and they have approximately 8200 customers, residential customers. And their service area is in the northeast like Parmer area as well as I believe it's in the Avery ranch area. And again the city has original jurisdiction over the utility rates charged by a private natural gas utilities. So what is a rate review mechanism filing? Known as an rrm. The rrm is a process to review Atmos energy's annual cost of service adjustments, and that's in lieu of the gas reliability infrastructure program. And the rrm allows Atmos to request rate increases to recover their annual costs in the years between its full rate case filings, very similar to the grip.

[3:51:35 PM]

And this current rrm was approved by city council back in 2013. It allows for Atmos to adjust its rates through --

>> Kitchen: Could you go back to the previous slide? Is this a choice to go rrm versus grip? What determines which route it goes.

>> So this rrm was the result of an appeal by cities to the railroad commission on a grip filing many years ago.

>> Kitchen: With this particular company?

>> With Atmos energy. It's the only company that we have this rrm. And the other two companies, Texas gas service and center point filed grip filings.

>> Kitchen: So this is the result of a settlement?

>> Yes. So the benefits. So the rrm does suspend the grip filings. Atmos does not file a grip. They just file the rrm. It provides for an annual review of known and measurable changes to operation expenses. The grip only focuses on capital investment. It -- the changes in the cost of capital of equity may not exceed 55%, so it sets a cap and it provides a three-million-dollar discount to the annual systemwide cost of service. It also limits the future growth of the residential customer charge. So -- the increase may not exceed 50 cents per year. So that is one of the benefits. The filing, it must reflect the same rate-making methodology that the railroad commission approved.

[3:53:36 PM]

It allows a more thorough review of the cost. It looks at operation and maintenance. It sets the cap on what the monthly service charge, the increase can be. The review process for this particular filing we must act on the rate request by June the first, which is the effective date. And again if we take in action the rates are implemented by default and any municipal rate ordinance is subject to appeal by the Texas railroad commission. In the summer of 2013 city of Austin and the coalition of cities, we are a part of a coalition because we have a customer base of 8,000. We are part of a coalition. This rate review mechanism was approved. \$27 million is an increase of five percent. And through settlement and negotiations the coalition and Atmos agreed to an increase of 16.6 million or an increase in revenue of about 3.7%. And again they made their annual 2014 rate filing and they proposed an increase of \$45.6 million or 9.2 percent. And we unsuccessfully appealed with the coalition of cities to the railroad commission.

[3:55:38 PM]

We denied and then Atmos appealed the denial to the railroad commission. And that case has been pending for quite some time and it was only just recently that the hearings examiner at the railroad commission approved 99 percent of Atmos' increase request. So for 2015, that's the third rate filing, Atmos requested an increase and this chart -- this slide here depicts what the increase according to -- amongst the customer classes for the residential, the typical increase was \$1.32 per month or two .26% overall. Commercial customers, 1.22% overall. And then for the industrial transportation customers it showed 1.73% and the industrial and transportation 3.09% overall. So the review process for Atmos back on may seventh you voted to set the public hearing for may 21st, tomorrow, to consider the

increase and it has to be acted on before June the 1st. As far as the recommendations from the coalition and the rate consultants, they reviewed the due diligence of the filing, of the pending -- both the pending 2014 filing and the 2015 filing. And what made this -- not difficult, so the review for the -- the current filing was underway with the pending 2014 matter at the railroad commission.

[3:57:49 PM]

And then the railroad commission came out with its order and approved 99 percent of the 2014 filing and the legal counsel from our coalition recommends that we resolve the 2014 filing and the -- the current filing into one single settlement. And that would result in this increase of 65.7 million over the 2013 proposed revenues for Atmos.

>> Zimmerman: Before you go on quickly, through the backup there are about 8,000 of the Atmos customers that are in the Austin area, is that right?

>> That's correct.

[Buzzer sounds]

>> Zimmerman: Sorry about the timer. What's the total number of customers here we're dealing with? We're only a small part of the total customer base?

>> Yeah. There's a mid-tex division of the system. And randy Hartford from Atmos is here, or Freddie. What's the total number of customers?

>> [Inaudible - no mic].

>> 1.5 million.

>> Zimmerman: But we're not 8,000 out of 1.5 million, are we? Wow. Sorry, go ahead.

>> They're on a system-wide. Mid-tex system is a very large system and that's how the rates are structured.

>> When you talk about the coalition of cities and the atm

>> There are two coalitions of cities, and the atm coalition -- we have about 55 cities? It's about 55 cities that are part of the coalition.

>> And how many customers does that represent?

>> I'm sorry?

>> How many customers does that represent? Roughly speaking. How many customers does the --

[3:59:55 PM]

>> 150,000? For those 55 cities or --

>> 150,000 out of the 1.5? Okay.

>> That still makes us a pretty small piece of that customer base. Okay. Go ahead.

>> I'm sorry. So this chart here, it shows what the proposed settlement increase is. Just keep in mind the 2014 rates were put into effect, even with the denial and appeal with the railroad commission. So for the residential customers, the increase will be \$1.14. This is just a typical, average monthly bill. Commercial, \$2.69. Industrial, \$30.82, and transportation customers, \$30.81. But this chart here shows the actual comparison, historically, both the commercial -- excuse me -- the fixed monthly charge, and again, that applies the interest, both the monthly fixed charge, as well as their volumetric. We're looking at, for 2015, the residential monthly fixed monthly charge would increase from \$18.20 to \$18.60.

>> Can you remind me where the 8,000 customers are located?

>> The 8,000 customers are primarily up in the northeast, like the Parmer lane. North Austin but our 8,000 customers are primarily Parmer lane, northeast.

[4:02:02 PM]

>> Kitchen: Northeast area? Okay.

>> So as far as the next step, we are scheduled tomorrow for a public hearing and also to take action on the proposed new rates. And just based on the recommendation from our coalition, the ruling by the railroad commission to approve the 2014 rates, the 2015 rates were filed just in the same manner and the methodology by Atmos, and we recommend approval of this proposed settlement.

>> Zimmerman: Are there any questions? Councilmember troxclair has got a question. Wait, let me ask you quickly, if I could, out of those 55 cities that were mentioned, do you know which few cities are the largest players in this? Do you have that information?

>> I'm going to defer to Fred Herrera, our coalition --

>> Zimmerman: That would be good. The other question I have, while he's walking down, kind of the same question I asked before, what the cost drivers are. You know, are the cost drivers again, you know, compliance with new mandates for safety, or is it something else or --

>> Good afternoon, councilmembers. My name is Alfred R. Herrera, with the law firm here in town, Herrera and Boyle, and we represented the city of Austin along with a number of other cities for years in these matters. The second question, what are the cost drivers? Part of it is the capital investments that the utility is making. In fact, that's probably most of it. And then you also have some increases in operations and maintenance expenses. Over the past, probably, seven to eight years, Atmos's o&m expenses have been relatively stable, two to five percent in that area.

[4:04:02 PM]

The capital expenses have been on the higher side, in part because of some mandatory investments they've had to make, not unlike Texas gas services, the discussions you were having with them. What the exact percentage is, I don't know. With regard to this case, for example, had they made just a grip filing, instead of a request for \$28 million, the request would have been \$38 million. So there are some gives and takes with regard to the increases. Here, the Rm provides you a review of all the pluses and all the minuses to get to a bottom line, whereas with a grip, what you're looking at are only the capital investments. So when Ms. Hawkins was talking about the Rm being in lieu of the grip filing, that was one of the benefits of the rrm package, with a date certain for when this particular type of tariff ends. In terms of the Numbers of cities involved, it's 50 to 55 cities. I don't have them memorized. I can tell you that they would be -- we'd consider the bid market cities. San Angelo is probably the largest city in terms of the Numbers of leaders that is in the coalition. But it stretches quite a bit. The midtex division for Atmos is quite large, stretching all the way out to longview, for example, Dallas, and points south. The Numbers of customers that are in Austin have really grown, one, because of the growth of Austin, and two, the expansion of Austin, as our city limits have grown. I'll be happy to answer any other questions that you may have regarding rrm.

>> Okay. So you said -- rondella, you said that as far as the increase that the customers would see, it would just be the difference between last year's and this years, even though the city didn't approve it and it went to the railroad commission, state law allows them to move forward with the rate and protest it, and I guess would require them to give the money back if it -- if the state -- if the railroad commission did not rule in their favor or something.

[4:06:21 PM]

>> Right.

>> Troxclair: But because of that, we're not looking at the entire nine percent increase this time, we're just looking at the differential between 2014 and 2015.

>> Let me try to take a crack at that. Under the rrm, if there's no agreement reached at the city level, Atmos has the right to appeal to the railroad commission and implement rates on an interim basis, pending the appeal. That's what happened in 2014. When you saw the 65-million-dollar number on the screen there, that is the difference between the 2013 rates and what's being implemented now. It's broken up into two chunks, if you will, one about \$40 million, one \$20 million, 2014 and 2015.

>> Troxclair: And was the reasoning that the city council did not approve the rate increase last year was because they thought it was too -- what was the reasoning?

>> The reason it was, based on our review of their records, we believed it was too high a request by Atmos. There were a number of issues that were in dispute in terms of the methodology that you would use to identify the costs that you include or exclude from rates. The commission's proposal for decision was issued probably about three weeks ago. I think it was April 28th, if I remember the date correctly, and in that proposal for decision, many of the issues that we were arguing, we lost in that proposal for decision. So in looking at that particular proposal, and then comparing it to the issues we had identified, which were very similar to what -- in 2015, that were similar to the ones we identified in 2014, our assessment was that the likelihood that the commission would change its mind with regard to those issues was fairly small, which is why you see the proposal that you see before you.

>> Troxclair: And so how much longer does Atmos operate under the rrm?

>> One more year.

>> Troxclair: One more year.

>> Yeah. And here's where there's a difference.

[4:08:23 PM]

There's another group of cities also served by Atmos. They have agreed to what I'll call an evergreen clause in their rrm, that it will go on until one of the parties decides to end it. The group of cities in which Austin is in, the atm, Atmos Texas municipalities, those cities wanted to take a step back and take a closer look at the rrm before agreeing to a longer term provision. But under the existing rrm, the one you're dealing with today, there's one more year left in it. And between now and then, we will be sitting down with Atmos to see -- and with the cities, of course, to see what direction you want to go.

>> Troxclair: Okay. So just so I understand the process, what would happen if, if, the city council did not approve this request?

>> If the city council doesn't approve the request, then Atmos has the right to appeal to the railroad commission. Then you would be dealing with not only the 2015 proceeding that we're in now, but also the 2014 proceeding, because the settlement, if you will, is a package deal that includes a 2014 right, as well as the 2015 right. If a city does not approve what's before them, then parties would exercise whatever procedural rights and substantive rights they have, with regard to the 2014 rrm, as well as the 2015 rrm.

>> Troxclair: Okay. And as far as -- my last question, as far as the comparison between the three companies, how -- how did he -- how do the rates or the rate increases compare?

>> That, I don't have. I don't have that information readily at my hands, but I'd be happy to try to get it to you or get it to Ms. Hopkins and she can present it to you guys.

>> Troxclair: Okay.

>> Zimmerman: Just before you go, just maybe -- maybe it's a legal question, if you're at liberty to ask, but I'm just curious, how does the cooperation work between, say, the 55 cities and your -- you know, you, trying to represent all these interests some because some of the parties, you know, could look at the situation and say, hey, we're okay with, you know, the rrm, we're okay with the settlement, but other cities would not be okay.

[4:10:36 PM]

So how would that work if --

>> It really works on a consensus basis. There was a steering committee for the 55 cities, obviously, a bit of herding cats, if you will, to deal with each and every city on each and every issue, you know on a weekly basis. But we deal through a steering committee that provides a recommendation to the remainder of the cities. And then each city gets to make its decision on which way it wants to go. If it decides that it does not like the consensus recommendation, it can go its own way if that's what it chooses. One of the things that mitigates against doing that are rate case expenses. The commission has recently decided that any city that appeals is the one that's going to bear the rate case expenses, and those can get, if you're dealing with one city with a small number of customers, that could be quite expensive for your rate payers and your citizens.

>> Zimmerman: So, in other words, the disincentive to a small city rejecting something that the larger group has agreed to is that they would have to bear the expense of appealing that and fighting a rate case on their own?

>> That would be the major disincentive.

>> Zimmerman: Major disincentive. Yeah. Okay. Are there any other -- any other questions here on item 5 or a motion? Is there a motion -- another question or --

>> No, I don't have a question.

>> I'm happy to send it back without a recommendation because we have our public hearing tomorrow, and --

>> Zimmerman: Okay. Sounds like there's a motion here to send item 5 and these issues back to council with no recommendation. Is that seconded?

>> I think that makes sense.

>> Zimmerman: Okay. Second.

>> Although are we going to have -- we're also having a public hearing tomorrow on the -- on item number 4? We did send that with a recommendation?

>> Yeah, I felt more comfortable with item number 4.

>> Okay.

[4:12:38 PM]

>> Whatever you all want to do is okay with me.

>> I'll second that.

>> Zimmerman: I'm in agreement with that as well. So if there's no objection, we'll recommend this item 5 to the full council with no recommendation for or against.

>> Okay. Thank you.

>> Zimmerman: Okay. That brings us to -- thank you very much for coming. That brings us to item 6. I think we're into briefings. It's a briefing on the 2014 Austin water resource planning task force, including reports and recommendations.

>> Good afternoon. I'm director of Austin water, and this was a request at the last PUC that we come and update you all on the task force last year and some of the recommendations and drought response strategies.

>> Me, I'm Teresa Luce with Austin water. I have a number of documents we provided as backup, and we -- I want to direct your attention to the monthly report for May of 2015. It's the drought status and water supply report, and I'm going to use that to walk you through the briefing today on the drought

and also on the task force recommendations from last summer. If you could look on page number 1 of that report, figure 1 shows a graph of the combined storage of Lakes Travis and Buchanan. This is a critical kind of indicator of the -- where we are in the drought. And right now the combined storage is about 41%. We've had some rains over the last few weeks in may, so it's -- the storage has risen about 50,000 acre-feet since the start of may, so that's very -- but as you can see, if you look at the graph --

>> Zimmerman: I'm sorry, I'm not finding -- I've got some materials here.

[4:14:38 PM]

I haven't found your graph. Do you have it on the -- can you put it on the overhead?

>> We don't have it cued up for the overhead. I have some extra copies.

>> Zimmerman: Okay. I thought I had it here but I'm not seeing it. Thank you.

>> Okay.

>> Zimmerman: I'm sorry. Go ahead.

>> So the -- if you can look at the graph, it goes back to 2005 but the official start of the drought is in early 2008. That's when the combined storage was last full, when the reservoirs were last at two million acre-feet. That was the full storage. As you can see, there were some significant drops in the intervening time between -- starting in about 2012 till -- until now. There were large-scale interruptible releases of water from Icra to downstream agricultural operations. As you can see by that blue arrow there on the graph, those have been cut off for the last several years. So starting in 2012, the combined storage has been running about between 600,000 and a million acre-feet. So we haven't really recovered from that 2011 when we had extremely low inflows. So that's kind of a good snapshot there of the storage in Lakes Travis and Buchanan, those are our major water supply reservoirs that Icra releases water from to provide water to Austin. Austin also has access to run of river water, which is water that occurs naturally in the stream, in addition to this water, but this is a key component of our water system supply, especially in dry times. Also, I want to point out quickly on that graph that the red line there, the 600,000 acre-foot line is highlighted there in red.

[4:16:40 PM]

That's a level at which time reservoir combined storage is 30%, and that's a key trigger for Icra to implement pro rata curtailment from water customers like Austin. So we got close to that level back in 2013. It got to just about 600,000 acre-feet. But fortunately we got a little rain, and Austin has been

doing significant conservation, and other customers have, too, and with the emergency orders cutting off agricultural releases, the storage stayed above 600,000 acre-feet. So pro rata curtailment wasn't triggered then, but we continue to monitor that because that's a key point, that 600 come on a 100,000 acre foot level. Page 2, there's a graph there, a bar chart, that shows the amounts of water flowing into the Lakes on a monthly basis. Excuse me, I want to give another councilmember one. I don't think she can find hers.

>> We'll bring one more report up there. Sorry about that. We're on page 2, the monthly inflows, the conditions continue to be extremely dry and we've been experiencing very low inflows for the last several years through this drought. So the drought continues to rage on through this, and we've had extremely low conditions. 2011 was the all-time lowest. If you look at the table on the top of page 3, that's a ranking of the top ten lowest inflow years. 2011 only had about 128,000 acre-feet. And that's the water flowing into Lakes Travis and Buchanan that represent kind of a replenishment of that supply. So that amount was extremely low, and -- and the top five lowest have actually occurred since 2006.

[4:18:41 PM]

So we're in an extremely dry period, and so we've been working to develop strategies on how to respond to this. We've been implementing strategies to respond to this. Another indicator of how low and dry the conditions are, on page 4, if you look at that figure number 3, this is a cumulative inflow graph that shows, across the span of this drought, starting in early '08 till this point in the drought, we're at about 1.9 million acre-feet of less cumulative inflow to Lakes Travis and Buchanan than we were in the drought of the 1950s. The '50s drought is the yardstick by which water supply planning has been done in this basin, in most of Texas. The 1950s drought was an extremely dry period. If you look on that graph, the gray line shows a cumulative inflows across that drought period, and by this point in the drought in the 1950s, we are about 1.9 million acre-feet of combined inflow, cumulative inflow less than in that period. So we refer to this as an uncharted territory graph. So that's how far off we are, and it's continuing as the months roll by. The next page, on page number 5, is the combined storage projection that LCRA prepares on a monthly basis. It's a six-month-out projection. And you can see on this graph that the lowest line on there, that's the one especially that we've been tracking during much of the drought. We look at that forecast to see, is that lowest line, that extreme drought condition line -- where does that fall relative to the 600,000 acre-feet?

[4:20:42 PM]

It's pretty close to that, through the end of November, in this latest projection. With the rains that we've had, it's not really expected that we would drop below 600,000 acre-feet this year, in calendar year

2015. This is a lot more positive and favorable picture than we've been seeing during some of the course of this drought. So that's a good thing. El niño conditions are in effect right now, and we're having a little bit wetter conditions. But we continue to monitor this on a monthly basis because conditions can change rapidly. We've seen that happen in this drought. I also want to call attention, on page number 6, to lcra's announcement of a new critical period and a reduction of the firm yield. Lcra does the monitoring and planning for this -- for the Colorado system, including highland Lakes, and they represent a combined firm yield of the system, the highland lake systems a 600,000 acre-foot combined system firm yield. They have come out with an estimate that, through the course of this drought, including the conditions in 2014, that they think the system firm yield has been lowered down to 500,000 acre-feet. So this -- as I was pointing out before, the drought of the '50s is the yardstick by which the firm had been measured before. This drought has now entered into a critical period where they've determined that it's worse than the drought of the '50s in many yards, and this is based on some preliminary date. So it's expected, as the course of this drought continues, that may be revised some additionally. But this drought that we're in, we're expecting it will change the yardstick and the water supply planning to this new drought, it's been so severe.

[4:22:43 PM]

So we're in historic conditions. It's an epic drought, and this is happening, and it's continuing to happen now. On the demand management side, so page number 8, you'll see a cumulative graph that shows the amount of savings we've been able to accumulate since -- this is showing since 2011, when we went into stage two watering restrictions. So we've been in stage II water restrictions for most of the last three-plus years. That's no more than one day per week watering restrictions. Those amounts are represented by the red bars on the bar chart, on the cumulative savings graph here. Also, we have our ongoing savings from our conservation and reuse and leak reduction programs that are shown in blue. So those represent, over these last several years that we've saved a cumulative amount of over 180,000 acre-feet through those programs, and implementing stage II watering restrictions. Another way to look at how much the community has been responding to this drought and how we've been able to manage our -- manage on the water use side, is our gallons here capita per day. That graph shows that we've had some of the lowest -- we've had the lowest gallons per capita per day use that we've had in the history of going back many decades. We had 125 gallons per capita per day. That's an overall total amount. So that's taking all of the water that we pump into the system and dividing it by the population that we serve. We also look at just the residential piece of that, and that's about a 70 gallons per day per capita per day for the residential slice of that. Another key they think that's a really important part of how we've been working to respond to the drought and adapt and prepare for the future is relative to the lcra's water management plan.

[4:24:52 PM]

Lcra has a state-approved plan that they operate under to operate Lakes Travis and Buchanan, and it's been in -- as I had mentioned, lcra has been operating under tceq approved emergency orders to depart from the current water management plan because the current plan would prescribe large-scale releases of interruptible water, which could quickly drop the reservoirs down to the 600,000 acre-foot level and put us into even deeper emergency conditions. So the -- lcra has been seeking those emergency orders to depart from that, operating under the current plan, but those are difficult to get. They only last a short period of time, and there have been many, many of those requests that have had to happen over the last several years to depart from the current water management plan. So in a parallel effort, since about 2010, we've been, as part of a stakeholder group, very involved, heavily engaged in revisions to that water management plan that are pending at tceq now. We expect those -- the much improved water management plan to be issued for public comment here very soon, probably within the next couple weeks, hopefully from tceq, and we will quickly be reviewing that, and we're -- it's looking very positive for those revisions to get in place, and they'll be much more protective of firm water and would allow for a more tiered system to put on the brakes on interruptible releases much earlier in these kind of dry conditions. Let's see. In the -- also, as a part of our drought response, we were fortunate to work with 2014 task force last summer.

[4:26:56 PM]

The task force convened for about -- I think it was two or three months in the middle of last summer, and they made some -- a number of recommendations. We provided you a copy of the report in your backup. In September, we took that report and -- and prepared an implementation plan that we provided to council. And the in attachment to this monthly report, we have a summary of those strategies that were recommended, and we've broken them into five categories. We have short-term, demand side, and supply side strategies that were more the quicker turnaround, go, do, kinds of strategies. Those are categories 1 and 2. Then we also have some proposed code and rule changes in category 3, and some feasibility and engineering analyses in 4, looking at other water supply strategies that needed -- that need some additional engineering analyses. And then also the integrated water resources plan. That was a key -- key recommendation from the task force from last summer. So we generally refer to that one as the 2014 task force, and then the new task force, the 2015 task force is in the process of being created. We were able to have the first meeting of that task force in may, early may, may 5th. And so the next task force meeting is planned for June. So I thought we'd just -- I'd just familiarize you with this a little bit, kind of talk at a high level on these, and, you know, we'd be glad to answer any questions. I just want to point out on the feasibility and engineering analyses, these are some of the supply side strategies that we're looking at and doing some additional engineering work on to evaluate the feasibility of some of these. And they include things like the use of Decker lake as an off-channel reservoir, looking at indirect

[4:29:06 PM]

[inaudible] Through lady bird lake, and strategies such as that, there were four key strategies that came out. We're also looking to add an additional fea 5 study that we're working on to do some preliminary evaluation of asr, aquifer storage and recovery. So we're actively involved in doing -- implementing most of these strategies. We have some that are complete, some that will be coming to council for action over the next year or so, so -- and then, you know, we're striking up the iwrp process that will help us continue the planning effort, looking at the -- you know, continuing to respond to the drought, but also looking out very far in the future. That's a roughly two-year project that we're going to be working with the task force on. So I think that's kind of the high level overview, and I'd be glad to answer any questions.

>> Zimmerman: Okay. Councilmember kitchen will maybe give the first question here.

>> Kitchen: Well, I think it would be helpful if you -- you mentioned some items that will be coming back to council. And then also we have a category here that's proposed code and rule changes. So I imagine there's some overlap, perhaps, between those items.

>> Correct.

>> Kitchen: But could you -- could you walk us through -- well, why don't you start by walking us through the ones that you guys were anticipating coming back to council.

>> Sure thing. Yeah. I'll walk through and --

>> Kitchen: I'm assuming that's a relatively short list that you can highlight for us?

>> Sure. We can just go through one by one --

>> Kitchen: Okay.

>> If we could start on page 12 --

>> Kitchen: Okay.

>> There -- these are short-term demand side strategies. On that page, I think I'll call your attention to sd 3. That's the reclaimed water program, completing the core. We have some of the -- this is an ongoing construction program to extend reclaimed waterlines into the downtown area and make -- complete a loop through the central core of the city.

[4:31:20 PM]

So I anticipate that there will be -- there may be construction approvals that will be coming through council to work on completing the core projects and move forward with those.

>> Kitchen: Do you have an idea of timeline on that, or is that just --

>> It's an ongoing program. It's going to be completed over the next five to seven years.

>> Kitchen: Oh, I see. Okay.

>> So I think there -- they will be coming in the flow when they come to that point in each one of the projects. They're all in various states of being either designed or preliminary engineering being done on them. So I expect they will be paced out and staggered over that period.

>> Zimmerman: On him sorry, before you go on there, sd 3, talking about the reclaimed water --

>> Right.

>> Zimmerman: It's one thing to have, you know, initial capital projects. You make a big investment for infrastructure, treatment, whatever it is. But then there's also ongoing costs. Right? Operations and maintenance. In other words, you know, how much money it costs to produce, you know, one gallon of reclaimed water.

>> Uh-huh.

>> Zimmerman: And I really would like to see, you know, those kind of operating costs so we get an idea -- you know, if we take water out of the Lakes, you know, and we treat it, there's some energy costs and filtration and what have you, so we come up with a cost of that treated water. I'd like to see a comparable cost for the reclaimed water. What is that costing us in terms of the electricity we use and filtration methods, et cetera?

>> Okay.

>> Zimmerman: I really would like to see that.

>> Okay. Certainly, we can add that to the report, and we can include that additional detail. I should mention, too, that this report is posted on a monthly basis on Austin water's website under the drought update. There's a drought update button, so you should be able to find it there in the future. Certainly will under -- on page 13, the leak and water loss reduction efforts, actually there's an item on council tomorrow that is in this arena for pure technologies, but this is, again, an ongoing program that is aimed at reducing leaks and getting at our did you understand, looking for, detecting them, and then fixing the leaks that we find in the system.

[4:33:50 PM]

So that one will have -- I anticipate also will have -- this is an ongoing program much like, you know, in the manner of the reclaimed program, where there will be item that come before council on a regular basis.

>> Kitchen: Could you give us an idea of the scope of the problem? You know, in terms of the water loss through this -- through this?

>> I -- yes. We do an annual water loss audit and accounting of our water loss, and it -- our water loss has ranged in -- I want to say probably in the range of about eight percent to about 13 or so -- 13 or 14%. I just use a general rule of thumb, about 10%, but it really varies. I think last year it was closer to 13%. So it varies. The percentage varies on an annual basis. So if you look at an overall percentage -- or an overall amount, it's probably in the range of about 10 to -- 10 to 14 or so,000 acre-feet, somewhere in that kind of range is what we amount. Acre-feet of water. For reference, we used about 137,000 acre-feet total last year. But it's -- our water loss and on you are leak our leak reduction efforts have really lowered that amount over the last number of years. There's been a major focus on reducing leaks, and we've stepped up our leak response time, and so our amount that we're losing in the system has significantly come down and is -- consistently, we're able to account for that water and have much less water loss than we have, you know, prior to those stepped-up efforts.

>> Zimmerman: Council, that's a great question. I had the same question. Very good. I'd like to see those Numbers too.

[4:35:51 PM]

And that's water loss before we hit a customer meter. So there could still be losses, but those are paid for by customers; right? If they lose water on the other side of the meter.

>> Yes. A little more maybe perspective there. First, we do produce this annual water loss report. It's very comprehensive, and I think, you know, we'll get you a copy of that and could go over that. We dial in the measure a little more, as opposed to just a broad percentage, the really key industry measure is something called a leak index, ini. It's a more precise measure. You, in essence, take your system, how it's constructed, the number of service connections you have, and you develop a theoretically kind of perfect system, a 1.0 system that every system has a certain amount of loss you can't prevent, and if that were perfect, and then you rank a ratio of how high you are above that. We typically, our goal is to be below three, and we're typically right at three or a little below. Anything below three is considered a utility that is under significant water constraints and needs to actively manage its water leak system, and so, you know, we're right in that top tier of performance. But we have more work to do. I think in the future here, we've done a really good job over the course of the drought of ramping up our leak response. We've added accrues, we added a night shift. The bulk of our leaks are responded to within a

couple of hours and repaired within the same day. I think the challenge for the future is the detection of leaks that don't come to the surface, that a lot of our leaks, particularly in limestone structures and others, where water is getting away, it never comes to the surface. You don't know that leak is there unless you do more technology-driven and innovative techniques for determining those leaks. And Teresa mentioned one of them, peer technologies, we now run little smart balls, they're little balls you run down large transmission mains and they send down waves and look for leaks you don't know are there.

[4:38:04 PM]

Those are some of the examples of techniques we want to do. They're very time consuming and expensive, but, you know, it's a necessary part of what we need to do. You know, the other part is main replacement, to upgrade infrastructure that maybe is undersized, may have water quality problems, and is likely to leak and break. But, again, that's very expensive. You know. In an urban setting, it takes about \$300 to replace one foot of waterline. In our utility, we have 7,000 miles of pipe. And you can imagine at two or three hundred dollars per foot, even replacing a small percentage each year, you know, gets very expensive. But we do have programs where we do main replacement and hope to increase that more in the future. I think the other part of actively managing leaks is modernizing our metering system. We have a pretty traditional meter system in Austin water, traditional analogue meters that we read once a month and send you a bill. And as the electric industry has changed and gone to a smart grid system, I think that's the future of Austin water, is where we would switch to more of a digital meter system where customers would get perhaps daily feedback or hourly feedback on how they're using water, if they have a leak on their private plumbing, more of a smart grid system for water. And that's a longer term project, again, probably in the 75-million-dollar range to modernize our meter infrastructure system. But I do see if we're here five years from now, ten years from now, we're going down the path with that modernization. All of those things and more have to come together for you to manage your leaks and reduce them.

>> Kitchen: Is there any difference across -- it would be interesting to understand different parts of town. I mean, is there any difference in terms of the rate of leakage or -- yeah, or the status of infrastructure or any of those kinds of issues in different districts?

>> From a leak and break perspective, you certainly -- your older infrastructure, your smaller diameter cast iron water mains, also asbestos concrete water mains, they break a lot and leak a lot, so, you know, if you look at a map of breaks on our system, I mean, you can tell right away where those parts of our system are.

[4:40:25 PM]

You know, more modern materials, plastics, htpes, even Irons are much more flexible materials, they don't break anywhere near like these brittle, older systems. So from that perspective, you see it. We do know from our transmission mains, you lose a lot of water from your big transmission mains, that we have some transmission mains that are at higher risks for leaks and breaks, and we're targeting those. Particularly often where you get clay soils that swell and move a lot, they can cause problems. As a matter of fact, we have a problem on one of our transmission mains that we suspect has a large leak, and we're investigating that right now. It hasn't come fully to the surface, but we just believe from some of our analysis that it's there. Other techniques, we're going to be doing more with pressure management in the future, better managing our pressure because that can have a significant impact on reducing leaks. Every part of the utility is involved in managing lost water. You know, engineering operations, cip planning, everything, it really takes a collective effort for that to happen.

>> So the eight to 14 percent of water loss we're experiencing per year, it sounds like that number really is mostly only taking into account the big breaks, where you're sending out someone to repair it, rather than a continual slow, deterioration of infrastructure that we may not know about that might require more expensive technology.

>> Well, it's all of that added together. It's all sources of water that -- that goes into that system. And some of it is even meter inaccuracies. It's water that may be used for productive purposes, but the meter is inaccurate so you're not sure where it went. Some is theft, people stealing water. An issue we have for us.

[4:42:26 PM]

Some of it is just measurement inaccuracies, measuring high volumes of water coming out of our plant is a very technically demanding aspect of metering, and even a small tiny quarter percent difference, when you, you know, treat billions of gallons a year, can make a difference in your lost water measurements. So it's a whole combination of that. Reductions in lost water is going to be a very slow process. It's not something that you go from -- from, you know, 10,000 acre-feet to 1,000 acre-feet. It's just going to be a slow progression of managing that risk.

>> Troxclair: Right. So I think I'm understanding better now that that percentage probably comes from knowing the amount of water that we're sending out, versus the amount of water that we're billing for? So we know at some point along the way --

>> Yes.

>> Troxclair: -- Water was lost.

>> Then you try to categorize it where you think it was going, and there's other terminology. There's apparent loss and there's real loss. When we give you the report, I think you might get a better flavor. It's not like a huge report. It's a smaller report, and I think if you read it -- we could even do maybe an executive summary. We'll get with Strube, and that will give you a little richer sense of what we're talking about here.

>> Troxclair: And then one last question, is that percentage pretty comparable to what other cities are experiencing, or do we face different challenges here?

>> As I mentioned, we perform in a -- in a 3.0 or less infrastructure link index, which is considered top tier, best performing. And if you compare to certainly even other Texas cities, we perform very well with that regard. But let me be clear. I'm not saying we don't need to improve a lot here. I'm just saying, you know, we -- and we need to invest money in here. And so, you know, I'm not leaving you with a sense that we shouldn't care about this. We need to do more. But relatively speaking, you know, we do really well. It's not uncommon in the industry for utilities to perform and have 20% losses, 30% losses.

[4:44:29 PM]

Some of our sister cities in Texas have very high loss rates.

>> Troxclair: Okay. One more. Last one. I thought that was the last one.

>> No, no, you keep going.

>> Troxclair: I'm interested to hear, I'm glad to hear, that you're thinking about moving towards utilizing some of the technology in regards to, you know, individual use and metering and so people can monitor their water usage, et cetera. But -- so -- and the reason that that's more of a long-term project is, number one, probably because the technology is still progressing quickly, and number two, is it just a prioritization of your capital expenses and which projects are more urgent?

>> You mean on the meter?

>> Troxclair: Yeah.

>> It's cost. I mean, taking on 75 million right now, you know, we're -- that's -- you know, it's too much for us to take on. In part, it's -- it's also caution. The water industry technology standards for metering has not fully consolidated yet. There's a lot of proprietary standards. There's also a lot of demands on water metering that is a little different than the electrical side. If you think about electric meters, they're up above ground, mounted on a house. Water meters are underground, in boxes that have ants and wasps, and flood. You might have a metal lid, the signal is hard to travel through. There's been really sour experiences with utilities that have gone through -- they've been too early and they spent a lot of money and it didn't work the way they thought it would. So we've been cautious in that regard. But I

think the industry has, you know, certainly been coming a long way, more and more of the utilities are converting to this, including big utilities. And, you know, we've kind of put our foot in our water, we meet with other utilities.

[4:46:30 PM]

I do see this technology, you know, more sooner rather than later for us. And it will probably be a phased in thing. It's not something we would do all in one year. We'd probably phase it in. We might even start adapting it as we're replacing meters. I would mention one other thing for you on water losses in our annual audit, and those type of items, is the city auditors office periodically performance an audit on our water audit, and they completed one a few years ago and made some recommendations. And they're concluding a review on it as we speak. So we would expect sometime in the next -- I would couple of months, that they'll be reporting out to audit and finance on that audit. And so you'll get another kind of update and perspective on some of that at audit and finance.

>> Mayor Adler: And I would think that upgrading to more smart water meter system would be something individuals would probably be willing to pay more for, as a benefit, as you roll that. Oh I would think it's similar to, you know, someone going out and paying a hundred or \$200 for a nice thermostat, or some of the other things -- or -- gosh, you know, hot water heater, you know, things that people are willing to take on, to lower their own usage and have better understanding of -- of their usage. I mean, just a suggestion.

>> Yeah, there's a value-added aspect to that. You're not just replacing the metering system with the same thing. You're getting better data for your own personal water use.

>> Troxclair: Yeah. So from a financial perspective that could be one option you could consider, making it an optional benefit for people to opt into if they are willing to pay for it.

>> I think that's the kinds of things we'll work through. But you ultimately want to get where you have a common metering system. One of the benefits to us would be to phase out our meter reading tracts and things like that.

[4:48:31 PM]

We'd eventually want to get on from one system to another, but, you know, there might be a way to kind of do it that way.

>> Kitchen: So what is the timeline then? I mean, is it just something that's on hold at the moment, to wait a few more years before you consider it again, or is there actual timeline for that project?

>> We don't have that detailed yet.

>> Kitchen: Okay.

>> I would consider us kind of in a planning mode with that ward.

>> Kitchen: Okay. Well, is it even in a planning mode?

>> Well, we have a group of employees that are investigating these technologies.

>> Kitchen: Okay.

>> And, you know, we routinely engage with our peers, go to conferences and learn about this. I'll say it's not in our capital plan right now. We do -- we do work, like, for example, the pecan street project has been focusing not only on innovative electric metering and usage patterns, but also water. So we've been partnered with them, and we have an agreement, it may even be getting renewed, where they're going to install some of these meters as part of the pecan street project, then we can start to see how these meters work, how much do they really influence personal behavior changes, you know, how does realtime data change how people use water. So we'll incorporate some of that feedback into our strategies. So, you know, it's active, but not like where we know we have an end date where we're going to get to a certain full replacement.

>> Zimmerman: I think we're on -- were we on page 13?

>> 13.

>> Zimmerman: Now? Okay. Let's continue. >>

>> Kitchen: I'm sorry. I got caught on this thank you for moving this along.

>> If you could go to, I guess, page 15, that's the next place where we made note that I think we would anticipate coming to council with code amendments for some of these proposed code and rule changes that involve various strategies, looking at making water use more efficient in the system. So those will -- we anticipate towards the latter part of this year, some of those coming through.

[4:50:41 PM]

Then --

>> Kitchen: Which ones of these do you consider to be the biggest impact?

>> Biggest impact, I think they're all ones we want to, you know, pursue.

>> Kitchen: Okay.

>> And follow through with. I think the -- some of the key ones are the cooling tower condensate, we anticipate coming there, and then the irrigation-related measures, we anticipate coming back to council with some recommendations there. But they're all important.

>> I would consider the landscape change one probably the most important, from a water saving potential over the long run. And as our notes say, we've been working closely with the home builders association to kind of jointly come out with a standard where future homes would start off with more drought tolerant landscaping and not start off in more traditional heavy grassed-based approaches. I think we're either there or close to a joint announcement on that. Sure.

>> [Inaudible].

>> Can't hear you.

>> Yeah. The home builders -- like Greg said, we've been working with the home builders association on their developing -- have now developed a manual on drought tolerant landscapes. They're going to offer various different tiered, as far as prices, options. That was just rolled out to their membership yesterday. That's something that they prefer -- they want to move forward on themselves, with our help, rather than be regulated. That's, we think, a very significant development. This is one, for instance, with our water restrictions, we can water only one day a week, that's quick to happen, where this will build basically yard by yard, over time, but it really [inaudible] Thanks.

[4:52:42 PM]

By the way, if I could also -- some of these -- not all of these on this page 15 will come to the council. For instance, the drought response stages, that's something that the council has already passed. For instance, the stage II that we've been in for a little over three years now. And if we go to stage III, we're looking at -- if we go to stage III, some additional measures. Between stage III and stage IV, that was a task force recommendation. We've had a stakeholder process on that, and we're in the midst of discussing exactly what we're going to recommend or -- recommend to Greg on that, and the city manager. But those don't come to the council because it's operating within an ordinance the council has already approved.

>> Kitchen: Okay. Thank you.

>> One item I did want to mention, we'll just back up to page 14, the third item there, ss 3 lake Austin operating level. While not imminent, that is a strategy that we had recommended and our task force had agreed with. And I'd want -- because it would have significant impacts on lake Austin. I want to

explain that one a little bit because ultimately we may have to deal with this issue. If the Lakes were to fall to that critical 600,000 acre-feet storage level, they've never been there. As Teresa said, we came close a couple years ago. But at 600,000 acre-feet, you're really in a flat-out emergency mode. You're down to a 30% storage level. We had proposed a strategy that during non-recreational months, roughly September through may, you would lower lake Austin and operate it at a -- I think it was three to five feet lower than you normally would and idea would be, the fall through the winter and spring is when you typically get most of your rain, and that lake Austin would act like a small extra reservoir, that it could capture three to five thousand acre-feet additional each year, if we were to operate it at that lower level.

[4:54:42 PM]

Now, it depends on rainfall patterns. You know, if it doesn't rain, that wouldn't happen. But just the way the rain has been happening, as you've been living here, we typically have been getting much more rain over Austin to the east, as opposed to the west over the highland Lakes. So, you know, theoretically, our modeling suggests that this strategy would produce, you know, really measurable results. You know, three to five thousand acre-feet a year is not a small amount of water. But it would have impacts on how lake Austin looks and would be used when it's at a lower elevation level. But I think maybe -- you know, the nuance to this strategy, we would only recommend this during the non-recreational season, that that would not apply during the traditional recreation months from roughly memorial day to labored. Hopefully, we never have to do this, that we never get to that 600,000 acre-feet storage level, but if the drought were to reassert itself strongly, lake levels were to fall rapidly, which could happen again this summer, or next year, then, you know, we would -- we would be wanting to implement this kind of strategy.

>> Zimmerman: So, quickly, all of that is pretty rational and makes sense, but I thought Icra -- aren't they the authority that gets to decide these policy issues of what levels will be and what flow rates are? Isn't that Icra? I mean, if Austin water says, hey, we want you to do this, they might say, well, I've got other downstream customers, I can't manipulate the level the way you ask.

>> We would coordinate with them and, you know, we work very closely with them, but we do have ownership of lake Austin, and that is something that -- that is -- we have an operating agreement with them. But, Teresa, you probably have to jump in here a little bit.

>> Zimmerman: Yeah. Help me understand that. Who has the legal authority? Because I thought Icra -- they have customers, right, all the way down the river, and they have commitments they've made outside of Austin, right, to other customers.

[4:56:46 PM]

>> Right. And like Greg said, we would definitely need to coordinate with them. That's part of the operational plan development, and we've had meetings with them and they're needing to have that information, that kind of operational plan type information. But as Greg mentioned, you know, we're the owners of lake Austin, but we would coordinate that operation with lcra so that it would be done in a way that would benefit the system. An agreement in place that allows for operating in these kinds of levels. It's been done in the past, lake lowerings for control of things, prior to the drought, those have all been suspended because of the drought and use of the water. But as a practical matter, with the potential to actually save water in the system, this is something that we think we can do and we've -- we would definitely need to coordinate that with them. But we think it's within our agreements and our authority to ask lcra to do that under these conditions that we would propose.

>> Zimmerman: Okay.

>> And there's more work to do here, and there's more complexities to this strategy than I'm indicating right now, including, there's work to be done on the dam, and it may reinclude this strategy, when that work on the dam has been going on. So, you know, I'm just kind of getting on your radar screen, it's a potential -- hopefully we never have to do it, but ...

>> Okay.

>> On page 16, these are the fea studies, the feasibility and engineering analysis work on these different supply site strategies. At this point, I think the -- depending on some of the outcome of this information, and as time progresses and the drought may progress, we may be coming back to council for authorizations relative to these, but we're in a -- kind of a study and analysis mode at this time on these.

[4:59:00 PM]

>>.

>> I think it would be helpful for the council at -- to give them a high level of these. There are capital investment required. They have some potential to read bigger gains, 20, 30,000-acre feet. Maybe plain high level.

>> Sure, high level, fea one is the Austin enhanced high strategy that has a 20-acre feet -- decker lake, lake long. This is a 20,000-acre feet yield strategy. It involves adding infrastructure to be able to discharge treated effluent, reclaimed water from the walnut creek plant to decker lake to augment the ability to get water into it, but then also improve the current pump station that pumps water from the lake up into -- from the river into the lake. Austin energy operates that as part of the decker power station. So the idea would be to be able to improve the way we can get water into the lake and then also

we would be fluctuating the lake up to a range of 25 feet in -- in a release mode to help as a drought strategy and release that water back down to the river so it could be used as a storage facility in lieu of using water from Lakes Travis and Buchanan. We would be coordinating with Icra to bring that storage of Decker Lake into the Highland Lakes MIX where we can help save more water up in Lakes Travis and Buchanan up in the storage of Decker Lake. So that one would require some major infrastructure requirements and capital improvements to extend those lines and make those improvements -- to facilitate that.

[5:01:08 PM]

That would also require not operating the current Decker power station when that would be fluctuated that much. The Fea Two, Potable Reuse, that would have extended water lines already in our master plan, but oversize a bit from our South Austin regional wastewater plant reclaimed water into -- with a potential to discharge into Lady Bird Lake at the bottom end near Longhorn Dam. Then we would be able to install a floating barge pump station up near Tom Miller Dam and insert -- and extend a line into the Ulrich water treatment plant intake line and take water out there. We would be putting water in at the southern part or the downstream part of the lake and then taking it out up at the upstream part of the lake and getting that water to Ulrich so we could supplement the supply. That's something we would not want to do unless it was at a very late stage. The taskforce recommended that be looked at 400,000-acre feet storage amount. So that's a 20% storage in Lakes Travis and Buick. That's a deep down strategy, but it would be using infrastructure that could have a longer term purpose. It would be part of our reclaimed master plan, but it would provide us that emergency strategy where we could get some of that water that we're currently discharging downstream, get that water back up to an intake, into our plants and be able to augment the supply that way. The Fea Three is another strategy a little bit more of a midterm strategy that could take some more time to develop this one. Where we would do reclaimed water infiltration, the idea there is to have the reclaimed water at the South Austin regional plant into -- go into spreading basins and spreading into alluvial aquifers into the river and take the wells and withdraw that water and pump that water back up into Lady Bird Lake or up into our water plants so that we could retrieve that water and pump it into our distribution system through treatment plants.

[5:03:45 PM]

And Fea IV is a related project. This is just adding the intake downstream of Tom Miller Dam so we would have an intake, a floating barge type intake in Lady Bird Lake so that we could use some of the water that flows in naturally through Lake Barton Springs, Barton Creek, how it discharges into Lady Bird Lake and some of the tributaries and creeks that flow into Lady Bird Lake. We don't currently have a water plant

intake on lady bird lake. So it would be putting the infrastructure in so we could use the lady bird lake inflow water into Ulrich treatment plant. So this is included as a standalone, but it is also a part of some of the other strategies as well. So these are some augmentation projects that came out of the process from last year looking at drought strategies and the taskforce process. These had some natural alignments with each other so we kind of bundled them into do some additional feasibility and engineering on them to get a better handle on the costs, how they would operate, what the key elements to these are and how much they could save -- how much water they can save.

>> Zimmerman: Okay. I appreciate it. Let me say quickly, this is terrific. I really like the budget side. You put some Numbers in there from what we're talking about and I guess for feasibility studies, but what I need added to the project description here is the number of acre feet per year that we might get.

>> Kitchen: In other words, how does this help?

>> How much. In other words, this is all kind of qualifying things. We've got to add quantities, quantities.

>> Just help us understand the order of magnitude.

>> Zimmerman: The magnitude. Quantify what these things could benefit us with.

[5:05:47 PM]

>> Do you want us to do that now?

>> Zimmerman: I'd like to see it on here next time.

>> The faei and. li are about 20,000-acre feet in our current thinking and feea III is more than that. Fea IV is only about 1 to three thousand acre feet. It's only a small amount on its own. But fea IV is part of two and three.

>> Zimmerman: That's important to understand the cost benefit ratio. There's a lot of money associated with the piping and what have you. We're not getting that much water. It puts it in context.

>> Kitchen: That would be helpful for all of these strategies. Just in -- not right this minute, but this is an ongoing report, right? It would be helpful to add a column. It helps us understand from the order of magnitude how helpful the strategies are.

>> Will do.

>> Zimmerman: Appreciate that a lot. Are there any other questions? One other thing, I'll just mention this, the idea of diversity, I guess I kind of don't see it here because everything is still about the lake or it's about lake Travis, Colorado river, decker lake. It's good to have better ways to utilize this one source of water, but is there still nothing looking out in the future since diverse phiing the water supply.

>> Your point is well taken and that was another recommendation that we're following up on and that's the integrated water resource plan. That's the current taskforce that they're really wrapped around helping us with that iwrp. And that process we anticipate about two years will be working with that taskforce.

[5:07:48 PM]

That is an item that will be coming to council, will be in a few months will be at a higher team of experts to help us with the integrated water resource planning. That would take a much longer term look at water supply planning, risk, climate considerations, water supply scenarios and alternatives, costs, diversification strategies, that that process would all unfold through that process.

>> One more point, we anticipate coming to council probably in early 2016 or so by the time we are ready to hire the consultant for that, but we'll be in the process of conducting that consultant selection and coming to council with approval for hiring that consultant for that probably within the next six to seven months or so.

-- Seven months or so.

>> Zimmerman: Okay. If there are no other questions on item 6, we're ready to move to item 7, a briefing on water well fees. Mr. Slusher, you will brief us on the water well fees?

>> I think this is my shortest presentation ever, I only have two slides. I'm Darryl Slusher, assistant director at Austin water. Councilmember Zimmerman, you had asked about this -- we'll get specifically to your question on the sdslide. Just want to talk a little bit about the ordinance we have requires drillers and pump installers to register with the city and part of that is they must be currently licensed by the Texas department of licensing and regulation. Another thing we require is advanced notice of any activity, drilling, drilling a well, plugging or capping and within 70 days after they engage in that activity they have -- specifically they have to register the well with us.

[5:10:01 PM]

The history of this was passed back in 2012. There was a lot of well drilling taking place in the city. The council wanted to get a better idea of how much activity it was and also and very importantly, we need to protect against cross-connections when somebody has a well -- if they have it hooked into their irrigation system, that can flow into the city system and people will be drinking water that's not treated at one of our treatment plants. So that's the safety precaution there. So the fee \$90 a year divided up into 12 months. The fee is there to defray the cost of implementing the program because we had to go

and get a lot of wells registered that were existing, but hadn't been registered before. And if customers have dry wells what we do is we charge until they cap the well. They would have to notify us that they were going to have cap it or plug it. And then once we go out and verify that they've done that then they wouldn't be charged anymore. As long as it's not capped or plugged then they're still registered a a well and have to pay the fee. So that's the independent R. End of my -- so that's the end of my presentation.

>> Zimmerman: That is terrifically short. I appreciate that a lot. I guess I've got some constituents in district 6 in the northwest and they're telling me with the Austin water utility with maybe some registered professionals, licensed companies, consultants, I don't know, but they're saying that this is an expensive process for you to prove that your water well is dry. We have some people that were annexed into the city of Austin and -- in fairly recent years and their wells have already been dry for years.

[5:12:03 PM]

>> Are you talking about Anderson mill estates?

>> Zimmerman: There's some people in there that they're still getting these bills, but they're water wells are dry and they're complaining they can't afford one or two thousand dollars to come out and prove that the well is dry.

>> Well, they wouldn't have to really prove that it's dry, they would just have to cap or plug it and they wouldn't be charged this fee anymore.

>> Zimmerman: I guess I could take this up with you offline. I'm glad you're the person to consult with this. We do have some issues out there.

>> I'll be happy to talk with you if you want and we have some staff from that division too.

>> Zimmerman: Maybe you're not the right person to ask, but is there a penalty right now for people who have not registered existing wells?

>> No, we just require them to register.

>> If they don't register -- is there anybody here that could tell me where we are on that? Again, differential some digging on this and it sounded like the city was saying because we're a home rule city we can impose the fees. I think that's what I heard from somebody from Austin water. There's not a state statute that authorizes the municipality do this, to charge these fees.

>> Well, this is -- I'm not going to speak for the law department. We did work closely with the law department in developing and implementing and passing the ordinance. So this is what we're allowed to do under state law. For instance, the city couldn't regulate how much is pumped out of those wells or

anything of that nature. I can let Mr. Smith from our special service division address your other question.

>> I'm sorry, give me the question one more time. I want to make sure I'm answering it correctly.

>> Zimmerman: Mr. Smith, I think you did respond to me back in the summer. I think I sent you an inquiry on this. So the question is for people who had water wells prior to annexation, if they do not register these wells -- these are not new wells that they need permits for, just existing wells.

[5:14:20 PM]

If they don't register those wells what happens? Right now any existing well we're past the deadline that the city would impose to register. We're actively seeking those wells out. When we find them we send them a notification letter and we give them a minimum of 180 days to become compliant with the registration and with any other requirements based off of that registration. If at any time during that process we discover that they don't have an active well, again they're removed from that process. There is an administrative penalty on it. There is a penalty on there if they're not, but we have yet to pursue any customers and take them to court and try to file charges on them or fine them or anything like that. Again, we try to give them as much flexibility. We have some customers that it's taken them close to 18 months to get their sites compliant and again we try to be flexible given the conditions on the site and some are under construction. There are all these variables that we try to address each side individually and deal with those. But again we have yet to have to actually take anyone and deal with any type of penalty with them.

>> Zimmerman: What is the penalty? Is it in the ordinance somewhere?

>> It is in the ordinance and forgive me for not having it. I have it on my tablet if you want me to grab it.

>> Zimmerman: It would be probably better if you send me an email and tell me what an ordinance is and we can take this offline. Any other questions questions?

>> Troxclair: You said they don't have to pay the fee anymore. Someone with a dry well does not have to pay the fee but they have to go cap or plug the well. So how much does it cost to cap or plug a well?

>> I'm not sure about that. That would be on the property owner. We can give you an approximate number, but that's a requirement under state law for safety.

>> I'm just curious.

>> I can give you an approximate number. For plugging according to the tdlr's rules it could be upwards of several thousand dollars.

[5:16:20 PM]

It requires removal of all well equipment as well as backfilling the well with concrete or approved materials. It's quite an in-depth process. For capping it involves severing the pipe and putting a cap. It can be done for as little as about a buck 50 from Home Depot. We in Austin require them to disconnect the electrical because if you turn on the electrical and the pump is capped you will burn up the pump and cause problems. We do that as a safety issue for the customer. We don't want them to lose a very expensive pump. Capping is very easy. It's just severing a visible pipe outside of the system.

>> Troxclair: And my other question is your slide said that the 90-dollar per year fee was to defray costs of administering the program. Does the 90-dollar fee cover the cost of your program?

>> No, it doesn't. I think we've taken in about \$9,800 this year and we have two employees who are working on this. Clearly it doesn't cover that.

>> Troxclair: Thank you.

>> Zimmerman: If there are no other questions, I guess item eight is our discussion of future agenda items. Anybody have anything to discuss there?

>> Kitchen: Just what I had mentioned before, that it be potentially useful to go over the conservation programs.

>> Zimmerman: That sounds like a briefing, the conservation program briefing. I'll make a note of that. I'm not the chair here. Does anybody know when our next meeting would be scheduled?

>> Kitchen: Don't know. I guess they're monthly, huh?

>> Zimmerman: We'll have time to post. Any other items? No? Well then, with that I've got 5:18 P.M., so if there's no objection, we'll be adjourned and thank you for coming.

[5:18:22 PM]