



MEMORANDUM

To: Mayor and Council

From: Greg Meszaros, Director, Austin Water

Date: September 14, 2015

Subject: Austin Water Customer Consumption and Billing Issues

As you know, there have been recent customer concerns regarding Austin Water consumption and billing. I am sending this memo to provide background on this issue, as well as detail our efforts to help mitigate customer concerns. Attached to this memo is a comprehensive report detailing historic water usage relative to recent trends. This information will help provide numerical context to the recent concerns.

Background

Customer bill concerns were first concentrated among residents of former municipal utility districts (MUDs)—specifically those in the River Place and Lost Creek areas. These former MUDs were added to our water and wastewater system within the last year. Further, a number of bill concerns are also coming from other areas of the city, resulting in significant calls and emails to your offices. The major bill concerns from customers and alleged causes are listed below:

Customer Bill Concerns	Alleged Causes
Higher-than-expected water usage amount, resulting in larger payment due	System-Wide Billing Error Individual Billing Error Broken Water Meter Pipe Leaking
Higher-than-expected payment due, despite comparable usage to previous billing cycles	

Actions Taken and Ongoing Efforts

Austin Water understands customer frustration associated with unanticipated usage or bill amounts. Our staff is committed to reviewing every bill concern to ensure accurate billing and correct any potential errors. Customer service personnel facilitate calls each and every day, helping customers resolve billing issues and learn more about our service. This most recent instance of customer concerns has involved a concerted effort to evaluate the concerns, investigate complaints, and determine the most appropriate outcome for each customer.

Specifically, Austin Water and Austin Energy have developed an internal team tasked with reviewing billing issues for customers who have contacted City customer service or Council offices. The team is making significant progress, and will continue to investigate each customer concern individually.

Austin Water specifically reviewed several customers' bills within the River Place MUD, recalculating each bill to ensure system accuracy. As a result, each bill reviewed for this area was determined to have been accurately generated by the City's billing system.

After reviewing some customer concerns in this area, some leaks have been found on customer's properties. These leaks can contribute significantly to increased water usage.

In others cases, a number of meters in the River Place area are being reread to ensure accuracy. If merited, billing adjustments will be made for inoperable meters.

Additionally, Austin Water has taken multiple steps to investigate all billing and usage concerns regardless of district. Over the last three weeks, staff has:

- Investigated the individual circumstance of hundreds of customer accounts to verify water billing accuracy, and track results
- Analyzed billing concern trends for particular streets and neighborhoods to verify specific problem areas
- Scheduled 37 Irrigation system audits in the last week alone to help customers' outdoor watering conservation
- Authorized overtime and shifted staff to help aid the efforts to give individual attention to each customer's concern

Austin Water is encouraging customers who believe they have been billed incorrectly to call Austin Energy customer care line at 512-494-9400, or email CustomerCare@COAutilities.com

Customers are also encouraged to review online resources related to Austin Water billing, which can be found at: <http://www.austintexas.gov/highwaterbill>

Staff is also communicating with other local governments who have had similar issues. The media have reported on complaints about large, unexpected bills in Round Rock, Cedar Park, and cities in North Texas as well.

While our investigation efforts continue, we also wanted to inform you of a number of determinations which have been made, as well as expand on likely factors contributing to these concerns.

Initial Determinations and Contributing Factors

As mentioned above, there are a number of individual causes for which customer bills could have reflected higher-than-expected usage or payment due. These include isolated billing errors, a broken water meter, or a leaky pipe. Austin Water will continue to identify and mitigate these individual cases, however there is no indication that the recent widespread customer concerns are attributable to these causes on any significant scale.

Given the unusually large amount of customer concerns that have been received, a large systemic error was among the first potential causes investigated by staff. Based on a thorough, system-wide review, there is no current evidence of a widespread, systematic billing issue within Austin Water and Austin Energy.

Rather, Austin Water believes that these concerns are the result of multiple converging factors, including recent weather conditions and a block rate structure, which is new to some Austin Water customers. The next section of this memo, as well as the attached report, will fully explain these factors and shed light on the likely source of many of these customer concerns.

Contributing Factors to Higher-Than-Expected Water Bills

After a thorough review, Austin Water believes there are two major contributing factors to recent customer billing concerns: 1) Increased Usage Due to Recent Weather Conditions, and 2) Austin Water's Block Rate System:

Customer Bill Concerns	Contributing Factors*
Higher-than-expected water usage amount, resulting in larger payment due	Increased Usage due to Weather Conditions
Higher-than-expected payment due, despite comparable usage to previous billing cycles	Austin Water's Block Rate System

****For more detailed information regarding these factors, please see the attached report from Austin Water.***

Factor #1: Increased Usage due to Weather Conditions

July and August have been significantly drier than normal this year, which has resulted in higher than normal water usage system-wide. Further, May and June usage was lower than normal across the system, likely due to wetter than normal conditions during those months. Spikes in usage during the summer are typical, however this year's spike is much more significant than in years past. In short, individuals are using more water system-wide.

Factor #2: Austin Water's Block Rate System

The August billing cycle is the first time in which Austin Water's conservation-based block rate structure has been in place for customers in newly annexed areas. The block rates rise significantly at higher levels of usage, thus increasing customer bills at a higher rate than under these areas' previous rates. Austin Water block rates are intended to encourage conservation and to help ensure that we continue to be good stewards of our water supply.

Working with customers to reduce water usage and bills

Austin Water recognizes how maintaining an extensive infrastructure, serving a large customer base, and conservation based rates can affect our customers. Therefore, we provide various programs through our Water Conservation program to assist our customers with methods to reduce their usage which can result in a lower water bill. In our communications to citizens raising issues about their bills, we have provided information and websites for them to visit to receive tips for ways to possibly reduce their water usage.

Our Water Conservation team also has licensed irrigators who are available to perform individual irrigation system evaluations for customers. These evaluations typically take about an hour and cover recommended run times, strategies to reduce run-off and identify system or programming issues to benefit the customers. There have been several irrigation evaluations performed already in these areas and more are scheduled. The Water Conservation Division has reassigned staff to expand the number of evaluations that can be done and overtime has also been authorized. Our team can also deliver a homeowner seminar in particular areas if there is significant interest. The seminars offer more detail about how irrigation systems operate, common design and mechanical problems, do-it-yourself (DIY) repairs, and information about recommended settings and strategies to lower use, and have been popular when held at our Waller Creek location.

While, as detailed, Austin Water and Austin Energy teams will continue to work with citizens on billing issues, the increasing water use raises another concern. Austin Water is proud of the gains that have been made in reducing water usage citywide. We think most of those gains are permanent, meaning the City will never return to previous levels of usage. The patterns in August, however, are concerning. While we have emphasized since the rains that the drought is not over and that we need to conserve the additional water our region now has, we are concerned about the uptick in usage and will redouble our conservation efforts.

If Council needs additional information on these issues, Austin Water will be glad to provide it to you.

-Attachment

cc: Marc A. Ott, City Manager
Robert Goode P.E., Assistant City Manager
David Anders, Assistant Director, Austin Water
Daryl Slusher, Assistant Director, Austin Water

Factor 1 | Weather Conditions and Increased Usage

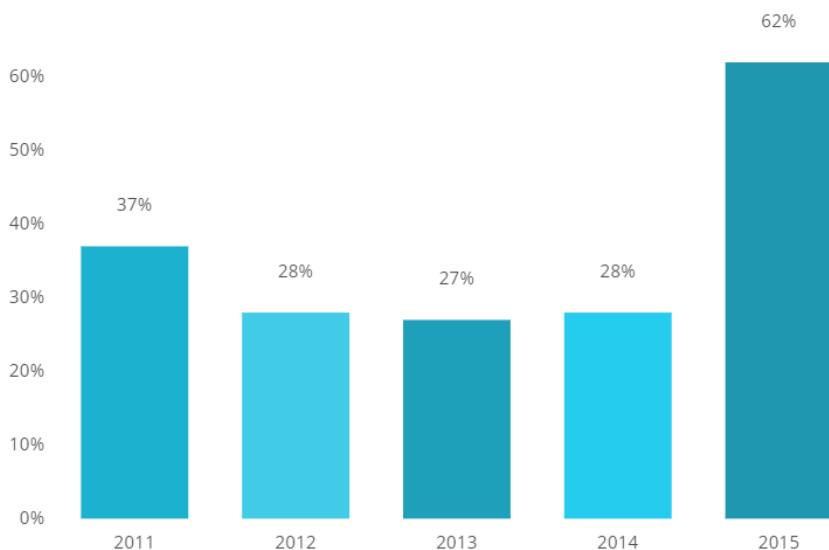
The chart below shows Austin Water pumpage, from all treatment plants combined, for the months of May through August, 2011-2015.

Total Pumpage (in millions)

Month	2011	2012	2013	2014	2015
May	4,637.54	4,028.26	3,815.01	3,766.52	3,222.41
June	5,283.14	4,794.52	4,286.62	3,731.65	3,379.15
July	5,953.89	4,640.93	4,432.47	4,291.33	4,415.87
Aug	6,373.17	5,165.21	4,851.73	4,847.90	5,236.86

Note that the pumpage in August of this year is 62% higher than May. In the other years the difference between May and August ranged from a high of 37% in 2011 to lows of 27% in 2012 and 2014. This illustrates the point about dramatic increases during August.

Overall Pumpage (comparing August to May)



This pattern can also be seen even more dramatically in the chart below which shows the pumpage from the River Place Water Treatment Plant since 2012.

Pumpage for River Place 2012 - 2015 (May – August each year)

River Place WTP Historical Summer Pumpage (MG)

Month	2012	2013	2014	2015
May	37.1	31.1	30.2	11.7
June	50.9	36.7	30.6	15.8
July	41.0	38.3	37.8	32.9
Aug	50.4	40.9	39.3	40.5

The River Place plant is now managed by Austin Water, but still supplies all of River Place's water. As can be seen in the chart, 11.7 million gallons were pumped from the plant in May 2015 and 15.8 million in June 2015. The numbers rose to 32.9 million and 40.5 million in July and August 2015 respectively. (Corresponding numbers for Lost Creek are not as readily available because the area is not served by a separate water treatment plant, but Austin Water staff is compiling similar available information for the area.)

It is also worth noting that pumpage in May and June of the other years was always over 30 million gallons, emphasizing the point that May and June usage this year was less.

Factor 2 | Customer's First Experience with Block Rate System

The table below provides the current Austin Water rates for water and wastewater service as well as the MUD rates that were in effect prior to these customers joining Austin Water in October and December of 2014. To aid in understanding the comparisons in the table the list immediately below is provided to show the charges in Austin Water's ascending rate blocks.

Austin Water Tiered Rate Structure July 2015

- **Tier/Block 1** (0-2,000 Gallons) (\$2.93 per 1,000)
- **Tier/Block 2** (2,001-6,000 Gallons) (\$4.49 per 1,000)
- **Tier/Block 3** (6,001-11,000 Gallons) (\$7.29 per 1,000)
- **Tier/Block 4** (11,001-20,000 Gallons) (\$11.03 per 1,000)
- **Tier/Block 5** (20,001 Gallons - Over) (\$13.93 per 1,000)

In comparison to the above rates, the former River Place MUD rates did not reach \$7.00 per 1,000 gallons until 30,000 gallons was used, and then remained at \$7 per 1,000 gallons – no matter how much was used. In contrast Austin Water's rates rise to \$7.29 per 1,000 gallons for volumes between 6,001 gallons and 11,000 gallons. Austin Water's rates continue to rise with the level of usage, reaching \$13.93 per 1,000 gallons for usage above 20,000 gallons. The differences in the rate structures can be further explored in the table below.

Austin Water Utility Water Rates		River Place Water Rates		Lost Creek Water Rates	
Meter Charge:	Current	Meter Charge:		Meter Charge:	
5/8"	\$7.10	5/8"	\$31.00	5/8"	\$14.50
Residential Tiered Minimum Charge:					
0-2,000 Gals	\$1.05				
2,001-6,000 Gals	3.00				
6,001-11,000 Gals	7.60				
11,001-20,000 Gals	23.75				
20,001 - Over Gals	23.75				
Volume Unit Charge: Per 1,000 gallons		Volume Unit Charge: Per 1,000 gallons		Volume Unit Charge: Per 1,000 gallons	
0-2,000 Gals	\$2.93	0-2,000 Gals	\$0.00	0-10,000 Gals	\$4.42
2,001-6,000 Gals	4.49	2,001-20,000 Gals	2.50	10,001-35,000 Gals	5.16
6,001-11,000 Gals	7.29	20,001-30,000 Gals	3.50	35,001 - Over Gals	7.20
11,001-20,000 Gals	11.03	30,001 - Over Gals	7.00		
20,001 - Over Gals	13.93				
Water Revenue Stability Reserve Fund Surcharge					
All Volumes per 1,000 Gals	\$0.19				

Austin Water Utility Wastewater Rates		River Place Wastewater Rates		Lost Creek Wastewater Rates	
Customer Charge:		Customer Charge:		Customer Charge:	
All Accounts	\$10.30	All Accounts	\$0.00	All Accounts	\$9.00
Volume Unit Charge: Per 1,000 gallons		Volume Unit Charge:		Volume Unit Charge:	
0-2,000 Gals	\$4.51	Per 1,000 gallons	\$3.14	Per 1,000 gallons	\$1.39
2,001-Over Gals	9.13				

Customers within these former MUD areas generally have higher average water consumption as compared to the Austin Water system-wide average customer. For example the average residential usage in Austin overall is 5,800 gallons per month while average usage in River Place is near 17,000 gallons per month. Furthermore, in July 2015, 67% of Austin Water's residential customers consumed less than 6,000 gallons per month (blocks 1-2), while 68% of River Place customers consumed more than 6,000 gallons per month (blocks 3-5). Additionally, more than 13% of River Place residents consumed more than 20,000 gallons – the point at which Austin's highest block rate begins compared to less than 3% for the City as a whole.

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