



Water and Wastewater Commission

December 13, 2017

COS Results and Next Steps





Outline

- COS Rate Study Background
- Revenue Requirements Update
- Cost of Service Results
- Average Customer Bill Impacts
- Next Steps
- Questions and Discussion



COS Rate Study Background

- Cost of Service Rate Study and Residential Rate Advocate reports have been completed and are online
- Public Involvement Committees participation to develop cost of service methodologies
- Report compares 2017 requirements under old methodologies versus new methodologies
- Changes in cost allocations between models were minimal
- New Cost of Service Model
 - Major change was all classes at their identified cost of service
 - No residential subsidy by Commercial and Large Volume customer classes



Revenue Requirements Update

- AW updated its revenue requirements
 - 2016 actual expenses
 - 2017 & 2018 known and measurable changes
- 2018 total revenue requirements:
 - \$294.7 million for water
 - \$268.1 million for wastewater
- Revenue requirements allocated using new COS model



Cost of Service Results

- Retail Customers
 - \$14.6 million rate revenue reduction for retail customers
 - Reductions to retail water and wastewater rates
 - Reduction to Revenue Stability Reserve Fund Surcharge from \$0.19 to \$0.09 per 1,000 gallons
 - All retail customer classes would have a reduction to their current rates
 - 2.5% overall retail rate reduction
- Wholesale Customers
 - Almost all wholesale customers would have a significant increase to their current rates
 - Current rates set below 2012 rates for Petitioners and at 2015 rates for non-Petitioners



Cost of Service Results

Customer Class	Water COS % Rate Revenue Change	Wastewater COS % Rate Revenue Change	Total COS \$ Rate Revenue Change
Residential	-0.7%	-0.9%	(\$1,651,758)
Residential – CAP	-1.6%	-11.4%	(\$824,184)
Multifamily	-3.7%	-1.9%	(\$4,058,385)
Commercial	-6.8%	-1.6%	(\$6,864,878)
Large Volume	-5.7%	-0.1%	(\$1,232,873)
Total Retail	-3.5%	-1.6%	(\$14,632,078)
Wholesale	44.1%	46.1%	\$6,044,455
Net Change	-2.2%	-0.7%	(\$8,587,623)



Average Customer Bill Impacts

Average Customer Monthly Bill Impacts: 2017 Rates vs. 2018 Proposed Rates

Customer Class	Average Monthly Usage W / WW (1,000 Gals.)	2017 Existing Rates	2018 Proposed Rates	\$ Variance	% Variance
Residential	5.8 / 4.0	\$83.19	\$82.59	(\$0.60)	-0.7%
Residential - CAP	5.8 / 4.0	\$54.16	\$48.86	(\$5.30)	-9.8%
Multifamily	128.0 / 128.0	\$1,991.91	\$1,894.82	(\$97.09)	-4.9%
Commercial	51.0 / 47.0	\$822.87	\$786.43	(\$36.44)	-4.4%
Large Volume:					
Novati	5,417 / 3,640	\$66,480.78	\$64,852.69	(\$1,628.09)	-2.4%
NXP – Ed Bluestein	35,125 / 19,528	\$395,557.27	\$388,937.84	(\$6,619.43)	-1.7%
NXP – Wm Cannon	24,367 / 20,226	\$348,985.64	\$337,377.88	(\$11,607.76)	-3.3%
Samsung	135,550 / 113,008	\$1,881,305.91	\$1,813,391.10	(\$67,914.81)	-3.6%
Spancion	25,183 / 16,062	\$303,887.88	\$298,253.28	(\$5,634.60)	-1.9%
Univ. of Texas	33,642 / 15,449	\$389,254.74	\$379,920.06	(\$9,334.68)	-2.4%



Residential – Bill Impacts

Water

Usage	2017	2018	\$ Variance	% Variance
1,000	\$11.72	\$11.71	(\$0.01)	-0.1%
2,000	15.09	14.92	(0.17)	-1.1%
5,000	33.11	32.88	(0.23)	-0.7%
6,000	38.35	38.10	(0.25)	-0.7%
9,000	70.30	70.02	(0.28)	-0.4%
15,000	160.74	160.38	(0.36)	-0.2%
25,000	299.39	298.51	(0.88)	-0.3%
30,000	372.49	371.16	(1.33)	-0.4%
60,000	811.09	807.06	(4.03)	-0.5%

Wastewater

Usage	2017	2018	\$ Variance	% Variance
1,000	\$15.60	\$15.51	(\$0.09)	-0.6%
2,000	20.90	20.72	(0.18)	-0.9%
3,000	31.25	30.98	(0.27)	-0.9%
4,000	41.60	41.24	(0.36)	-0.9%
5,000	51.95	51.50	(0.45)	-0.9%
6,000	62.30	61.76	(0.54)	-0.9%
8,000	83.00	82.28	(0.72)	-0.9%
10,000	103.70	102.80	(0.90)	-0.9%
15,000	155.45	154.10	(1.35)	-0.9%



Residential CAP – Bill Impacts

Water

Usage	2017	2018	\$ Variance	% Variance
1,000	\$2.69	\$2.58	(\$0.11)	-4.1%
2,000	5.38	5.16	(0.22)	-4.1%
5,000	18.34	17.82	(0.52)	-2.8%
6,000	22.66	22.05	(0.61)	-2.7%
9,000	43.45	42.54	(0.91)	-2.1%
15,000	104.39	102.90	(1.49)	-1.4%
25,000	236.34	233.17	(3.17)	-1.3%
30,000	309.44	305.07	(4.37)	-1.4%
60,000	748.04	736.47	(11.57)	-1.5%

Wastewater

Usage	2017	2018	\$ Variance	% Variance
1,000	\$5.30	\$4.50	(\$0.80)	-15.1%
2,000	10.60	9.00	(1.60)	-15.1%
3,000	20.95	17.80	(3.15)	-15.0%
4,000	31.30	26.59	(4.71)	-15.0%
5,000	41.65	35.39	(6.26)	-15.0%
6,000	52.00	44.18	(7.82)	-15.0%
8,000	72.70	61.78	(10.92)	-15.0%
10,000	93.40	79.37	(14.03)	-15.0%
15,000	145.15	123.35	(21.80)	-15.0%

Next Steps

- AW Initial Plan
 - Impartial Hearings Examiner (IHE) Process
 - Rate filing in January 2018
 - 9 month legal process and Council consideration
 - Expected rate changes in January 2019
- AW Recommendation: Immediate Retail Rate Reduction
 - Reduction in rates according to COS results
 - Work with retail committee on final proposal
 - Determine need to continue IHE process or not
 - Possible Commission action in January 2018
 - Public hearing and amend 2018 budget and rates
 - Expected rate change in March-April 2018
- Work toward wholesale customer rate resolution

Questions? Discussion?

