



**RCA
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 3
AGENDA DATE: Thu 09/30/2004
PAGE: 1 of 4**

SUBJECT: Approve an ordinance adopting the proposed water tariff and rate changes of Aqua Texas for water service provided to its customers residing in the eastern edge of Lake Austin on the west side of Loop 360 in the corporate limits of the City of Austin, Texas and repealing Ordinance No. 001102-9 establishing the previous rate for utility services for these customers.

AMOUNT & SOURCE OF FUNDING: N/A

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

REQUESTING Austin Water Utility
DEPARTMENT:

**DIRECTOR'S
AUTHORIZATION:** Chris Lippe

FOR MORE INFORMATION CONTACT: David Anders, 972-0323; Laura Wiley, 972-0104

PRIOR COUNCIL ACTION: Approval of prior rate increase on 11-2-2000

BOARD AND COMMISSION ACTION: Recommended by Water and Wastewater Commission

PURCHASING: N/A

MBE / WBE: N/A

Under Chapter 13 of the Texas Water Code, the Austin City Council has exclusive original jurisdiction over all water and sewer utility rates, operations, and services provided by a water and sewer system utility within its city limits. The Austin City Council is the regulatory authority for determining the just and reasonable rates, including maximum and minimum rates, to be observed and in force, and shall approve the rate by order to be served on the utility. The City's rules concerning non-municipal utilities are in Title 15-4 of the 2004 Austin City Code, as amended. Rivercrest Water Systems, Inc. owned by Aqua Texas is one of the non-municipal utilities serving customers within the city limits.

Aqua Texas (Aqua) filed with the Texas Commission on Environmental Quality (TCEQ) a proposed water tariff and 4-year phased rate changes for customers falling within TCEQ's jurisdiction. Aqua proposes to divide its customers into four separate rate groups, each group to receive an increase reflecting the costs of utility service for the area in question. Aqua also submitted a rate-filing package to the Director of the Austin Water Utility in accordance with Chapter 13 of the Water Code and Title 15-4 of the 2004 Austin City Code, as amended. The effective date of the proposed rate changes was July 13, 2004. Under Chapter 13 of the Texas Water Code, the Austin City Council, on its own motion, has up to 120 days after July 13, 2004 to approve the proposed rates. The Austin City Council has the authority to act on the rate proposal for the Aqua customers residing in the corporate limits of the City of Austin, Texas. Of the 215 customers residing in Aqua's certificated water utility service area, approximately 195 are within the Austin City limits depending upon the water meter location on each property. These customers receive only water service from Aqua. Aqua, in complying with the TCEQ rules, has notified each resident of the proposed rate changes through a separate mailing of the notice and has advertised a public notice concerning this matter. The City Clerk's office and the Austin Water Utility have received one protest from Aqua customers residing within the Austin city limits.



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In accordance with title 15-4 of the Austin City Code, the Austin City Council may consider Aqua's proposed water tariff and 4-year phased rate changes for the affected City of Austin residents through either:

1. Approval of the proposed water tariff and rate schedule by the Austin City Council for compliance with Chapter 13 of the Water Code and Title 15-4 of the Austin City Code; or
2. Conduct a public hearing to receive comments by the residents; or
3. Appointment of an examiner to hold a rate case hearing that would involve:
 - an in-depth analysis of whether the proposed water tariff and phased rate schedule is just and reasonable, and how the water rates and fees were calculated,
 - the potential hiring of an expert rate consultants and others to advise the Austin City Council;or
4. Deny the application completely or set rates different than what is proposed by Aqua.

The Austin Water Utility has completed its review of Aqua's rate filing and rate increase request and finds that the water tariff and rates proposed to be charged by Aqua are reasonable and in compliance with Chapter 13 of the Water Code and Title 15-4 of the 2004 Austin City Code, as amended. Below are highlights of the results and conclusions of our analysis:

The proposed rate structure consolidates 22 statewide rates into four regional rate structures.

For a private utility, cost increases are not recovered until a rate filing package is approved.

Aqua's revenues have not been adequate to recover costs from increased O&M and capital infrastructure fully while maintaining a sufficient rate of return since 1999.

Aqua's systemwide operations and maintenance costs have increased \$3.7 million or 33.0% since its 1999 rate filing.

Since 1999, capital costs related to Rivercrest have exceeded \$600,000, with an additional \$32,400 planned over the next two years.

Without a rate increase in the past 5 years, Aqua's systemwide rate of return has decreased to 2.19% and 0.76% within the Southwest Region. The current rate filing includes a systemwide rate of return of 8.44%, which is in accordance with TCEQ standards.

The regional rate proposal provides benefits to all customers within the region. The recovery of capital costs for each region is spread over a large customer base. Future capital costs within Rivercrest will be covered by all customers within the region.

The Austin Water Utility conducted a formal meeting for affected ratepayers of Aqua Texas on August 10, 2004 to discuss Aqua's rate increase proposal. No Aqua customer residing within the city limits attended the public meeting, nor did the Utility receive any comments or concerns. The Austin Water



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Utility recommends that the Austin City Council approve the proposed water tariff and rate schedule as proposed by Aqua Texas.

The monthly meter charges and water volumetric rates proposed by Aqua are as follows:

Monthly Meter Charges:

<u>Meter Size</u>	<u>Current Rate</u>	<u>Proposed Monthly Meter Charges</u>			
		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
5/8" x 3/4"	\$26.50	\$ 30.21	\$ 36.71	\$ 42.28	\$ 46.94
1 inch	44.25	75.53	91.76	105.71	117.34
1 1/2 inch	88.25	151.05	183.53	211.42	234.68
2 inch	141.25	241.68	293.64	338.27	375.48
3 inch	265.00	453.15	550.58	634.26	704.03
4 inch	441.76	755.25	917.63	1,057.11	1,173.39
6 inch	883.25	1,510.50	1,835.26	2,114.22	2,346.78
8 inch	1,413.25	2,416.80	2,936.41	3,382.75	3,754.85
10 inch	\$2,031.76	\$3,474.15	\$4,221.09	\$4,862.70	\$5,397.60

* The monthly meter charges become effective July 13th of each year.

Volumetric Rates: (\$ / 1,000 Gallons)

	<u>Current Rate</u>	<u>Proposed Rates</u>			
		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
0 - 20,000 Gallons	\$2.31	\$2.63	\$3.20	\$3.69	\$4.09
Over 20,000 Gallons	\$3.08	\$3.51	\$4.27	\$4.91	\$5.46

* The volumetric rates become effective July 13th of each year.

The miscellaneous fees proposed by Aqua are as follows:

	<u>Current</u>	<u>Proposed</u>
Tap Fee 5/8" or 3/4" Meter	\$500.00	\$500.00 ¹
Tap Fee (Larger Meter)	Actual Cost	Actual Cost
Reconnection – Non Payment	\$25.00	\$25.00
Reconnect – Customer's Request	\$25.00	\$45.00
Transfer Fee	\$25.00	\$45.00
Late Charge	\$5.00	\$5.00
Returned Check Charge	\$25.00	\$25.00
Deposit	\$50.00	\$50.00
Commercial/Non-residential	1/6 of estimated annual bill	1/6 of estimated annual bill
Meter Test Fee	\$25.00	\$25.00
Service Relocation	Actual Cost	Actual Cost
Standard Meter Installation	None	\$150.00
Seasonal Reconnect	None	Base rate times months off system,



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not to exceed 6 months
when customer leaves and
returns within 12 months

¹ Plus such costs as may be allowed by TCEQ such as road bores at their actual cost of installation

The monthly bill impact for Aqua customers residing within city limits is as follows:

	<u>Current Rate</u>	<u>2004</u>	<u>Proposed Water Rates</u>			<u>4-Year Impact</u>
			<u>2005</u>	<u>2006</u>	<u>2007</u>	
Average Monthly Bill	\$49.60	\$56.51	\$68.71	\$79.18	\$87.84	\$38.24
% Increase from previous year		13.93%	21.59%	15.24%	10.94%	77.10%
Bill Impact from previous year		\$ 6.91	\$12.20	\$10.47	\$ 8.66	\$38.24

*Average residential bill based on 10,000 gallons of water use per month.

At the August 10, 2004 public meeting, the legal representative of Aqua Texas assured the city that in the event TCEQ approves a lower rate than what Aqua has currently proposed, then that lower rate will be offered to the City of Austin customers as well. At that time, a new rate filing package will be submitted by Aqua proposing the lower rates. The Austin City Council would then need to consider the new rates. Aqua will provide an official written agreement regarding the offer to submit an additional rate change request to the City of Austin in the event the TCEQ recommends a lower rate.

No.090104-B
WATER AND WASTEWATER COMMISSION RESOLUTION
**ADOPT AN ORDINANCE APPROVING THE PROPOSED WATER TARIFF AND RATE CHANGES OF
AQUA TEXAS FOR WATER SERVICE PROVIDED TO ITS CUSTOMERS RESIDING IN THE EASTERN
EDGE OF LAKE AUSTIN ON THE WEST SIDE OF LOOP 360 IN THE CORPORATE LIMITS**
SEPTEMBER 1, 2004
REGULAR MEETING
VOTE: 8-0-0-1

Motion made by: Coleman
Commissioners Consenting: Warner, Lee, Friese, Miller, Raun, Pool, Chan
Commissioners Dissenting:
Commissioners Abstaining:
Commissioners Absent: Kirfman

The Water and Wastewater Commission recommends the Council authorize adoption of an ordinance approving the proposed water tariff and rate changes of Aqua Texas for water service provided to its customers residing in the eastern edge of Lake Austin on the west side of Loop 360 in the corporate limits of the City of Austin, Texas.

Request that the Utility provide Council clear documentation on Aqua's capital cost in the area and how the rate is driven by capital cost.


Michael Warner Chairperson
Water and Wastewater Commission

9/1/04
Date

CITY OF AUSTIN, TEXAS AUSTIN WATER UTILITY

AQUA TEXAS RATE INCREASE APPLICATION: RIVERCREST WSC ANALYSIS SUMMARY

Background:

Under Chapter 13 of the Texas Water Code, the Austin City Council has exclusive original jurisdiction over all water and sewer utility rates, operations, and services provided by a water and sewer system utility within its city limits. The Austin City Council is the regulatory authority for determining the just and reasonable rates, including maximum and minimum rates, to be observed and in force, and shall approve the rate by order to be served on the utility. The City's rules concerning non-municipal utilities are in Title 15-4 of the 2004 Austin City Code, as amended. Rivercrest Water Systems, Inc. owned by Aqua Texas is one of the non-municipal utilities serving customers within the city limits.

Aqua Texas (Aqua) filed with the Texas Commission on Environmental Quality (TCEQ) a proposed water tariff and 4-year phased rate changes that would result in four regional statewide rates. Aqua also submitted a rate-filing package to the Director of the Austin Water Utility in accordance with Chapter 13 of the Water Code and Title 15-4 of the 2004 Austin City Code, as amended. The effective date of the proposed rate changes was July 13, 2004. Under Chapter 13 of the Texas Water Code, the Austin City Council, on its own motion, has up to 120 days after July 13, 2004 to approve the proposed rates.

The Austin City Council has the authority to act on the rate proposal for the Aqua customers residing in the corporate limits of the City of Austin, Texas. Of the 215 customers residing in Aqua's certificated water utility service area, approximately 195 are within the Austin City limits depending upon the water meter location on each property. These customers receive only water service from Aqua. Aqua, in complying with the TCEQ rules, has notified each resident of the proposed rate changes through a separate mailing of the notice and has advertised a public notice concerning this matter. The City Clerk's office and the Austin Water Utility have received one protest from Aqua customers residing within the Austin city limits.

Proposed Rates:

The monthly meter charges and water volumetric rates proposed by Aqua are as follows:

Monthly Meter Charges:

<u>Meter Size</u>	<u>Current Rate</u>	<u>Proposed Monthly Meter Charges</u>			
		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
5/8" x 3/4"	\$26.50	\$30.21	\$36.71	\$42.28	\$46.94
1 inch	44.25	75.53	91.76	105.71	117.34
1 1/2 inch	88.25	151.05	183.53	211.42	234.68
2 inch	141.25	241.68	293.64	338.27	375.48
3 inch	265.00	453.15	550.58	634.26	704.03
4 inch	441.76	755.25	917.63	1,057.11	1,173.39
6 inch	883.25	1,510.50	1,835.26	2,114.22	2,346.78
8 inch	1,413.25	2,416.80	2,936.41	3,382.75	3,754.85
10 inch	2,031.76	3,474.15	4,221.09	4,862.70	5,397.60

* The monthly meter charges become effective July 13th of each year

Volumetric Rates: (\$ / 1,000 Gallons)

	<u>Current Rate</u>	<u>Proposed Rates</u>			
		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
0 – 20,000 Gallons	\$2.31	\$2.63	\$3.20	\$3.69	\$4.09
Over 20,000 Gallons	\$3.08	\$3.51	\$4.27	\$4.91	\$5.46

* The volumetric rates become effective July 13th of each year.

Cost of Service Analysis:

The Austin Water Utility has completed its review of Aqua's rate filing and rate increase request and finds that the water tariff and rates proposed to be charged by Aqua are reasonable and in compliance with Chapter 13 of the Water Code and Title 15-4 of the 2004 Austin City Code, as amended, based upon the following:

- The proposed rate structure consolidates 22 statewide rates into four regional rate structures. The regional rate proposal provides benefits to all customers within the region. The recovery of capital costs for the regions are spread over a larger customer base. Capital costs in a small water system can be a significant driver of rate increases. There is not a sufficient customer base to cover the high costs of capital improvements. In a regional rate, the larger customer base helps reduce the rate impact to the smaller system within the region. Since 1999, capital costs related to Rivercrest have exceeded \$600,000, with an additional \$32,400 planned over the next two years.
- For a private utility, cost increases are not recovered until a rate increase request is approved by the TCEQ. Aqua's last rate increase request was in 1999. Aqua's system-wide operations and maintenance costs have increased \$3.7 million or 33.0% since its 1999 rate filing. Cost increases incurred by Aqua since 1999 have not been recovered. The current rate increase request to TCEQ fully covers Aqua's operation and maintenance costs.
- Aqua's revenues at existing rates have not been adequate to recover costs from increased O&M and capital infrastructure fully while maintaining a sufficient rate of return since 1999. As costs have increased, Aqua's rate of return has been reduced. Without a rate increase in the past 5 years, Aqua's system-wide rate of return has decreased to 2.19% and 0.76% within the Southwest Region. The current rate filing includes a system-wide rate of return of 8.44%, which is calculated in accordance with TCEQ requirements.
- Based on Aqua's increased operations and maintenance costs, increased capital costs, and reduced rate of return, the proposed water rate increase is reasonable and in compliance with TCEQ standards.

Monthly Bill Comparison:

The monthly bill impact for Aqua customers residing within city limits is as follows:

	<u>Current Rate</u>	<u>2004</u>	<u>Proposed Water Rates</u>			<u>4-Year Impact</u>
			<u>2005</u>	<u>2006</u>	<u>2007</u>	
Average Monthly Bill	\$49.60	\$56.51	\$68.71	\$79.18	\$87.84	\$38.24
% Increase from previous year		13.93%	21.59%	15.24%	10.94%	77.10%
Bill Impact from previous year		\$6.91	\$12.20	\$10.47	\$ 8.66	\$38.24

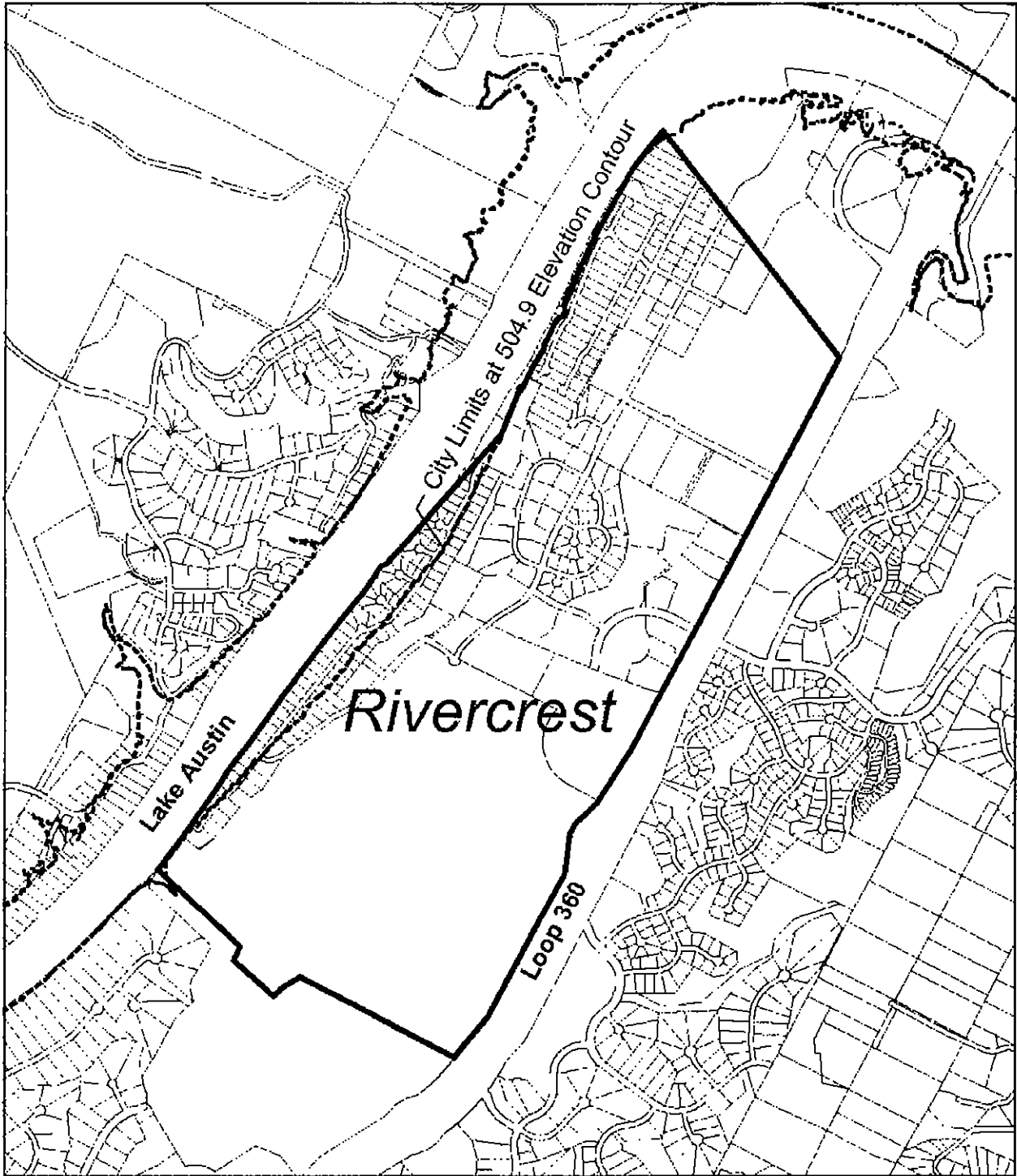
*Average residential bill based on 10,000 gallons of water use per month.

Public Meeting:

The Austin Water Utility conducted a formal meeting for affected ratepayers of Aqua Texas on August 10, 2004 to discuss Aqua's rate increase proposal. According to Title 15-4 of the 2004 Austin City Code, the Austin Water Utility published notice of the time, date, and location of the meeting in the Austin American-Statesman more than 7 days before the meeting. The City Clerk also posted notice of the meeting. In addition to these required notifications, the Utility also contacted representatives of the homeowners association in the Rivercrest area. No Aqua customer residing within the city limits attended the public meeting. There were several customers that were not in the City's jurisdiction that attended the meeting. The Austin Water Utility presented information regarding Aqua's rate increase request.

Recommendation:

The Austin Water Utility recommends that the Austin City Council approve the proposed water tariff and rate schedule as proposed by Aqua Texas.



RIVERCREST

City of Austin Full-purpose City Limit

*Aqua Texas
Rate Case*

