


Austin Water Utility

Joint Committee on AWU Financial Plan

February 15, 2012

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Presentation Outline

- Fixed Revenue Goals
- Volatility and Volumetric Rates


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Fixed Revenue Goals

3

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Basis for Fixed Revenue Goals

- Committee has general support for use of percent of total revenue
 - Fixed revenue goal based on specific percent of total revenue
 - Fixed revenue adjusts as total revenue increases
 - Committee wants to start with 20% but look at various options of fixed revenue goals

4

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Fixed Revenue Goal Current Fixed Revenue – 2012



Current Rates: 2012 Fixed Revenue

	2012 Revenue	Minimum Charge	Current Revenue Stability Fee		Total Fixed Revenue \$	Total Fixed Revenue %
	By Class	Revenue \$	\$	%		
Residential	\$ 103.7	\$ 15.7	\$ 10.5	61.4%	\$ 26.2	25.3%
Multifamily	\$ 42.8	\$ 3.2	\$ 2.5	14.6%	\$ 5.7	13.3%
Commercial	\$ 63.0	\$ 3.9	\$ 4.0	23.4%	\$ 7.9	12.5%
Large Volume	\$ 13.0	\$ 0.2	\$ 0.1	0.6%	\$ 0.3	2.3%
Wholesale	\$ 11.8	\$ 0.1	\$ -	0.0%	\$ 0.1	0.8%
Total	\$ 234.3	\$ 23.1	\$ 17.1	100.0%	\$ 40.2	17.2%

5

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Fixed Revenue Goal Cost of Service Allocation Option



AWU Preliminary Recommended Option: Based on Committee Feedback Percent of Total Revenue at 20% with allocation between classes based on Cost of Service %


	2012 Revenue	Minimum Charge	New Fixed Charge Component		Total Fixed Revenue \$	Total Fixed Revenue %
	By Class	Revenue \$	\$	%		
Residential	\$ 103.7	\$ 15.7	\$ 10.5	44.3%	\$ 26.2	25.3%
Multifamily	\$ 42.8	\$ 3.2	\$ 4.4	18.3%	\$ 7.6	17.8%
Commercial	\$ 63.0	\$ 3.9	\$ 6.4	26.9%	\$ 10.3	16.3%
Large Volume	\$ 13.0	\$ 0.2	\$ 1.3	5.5%	\$ 1.5	11.5%
Wholesale	\$ 11.8	\$ 0.1	\$ 1.2	5.0%	\$ 1.3	11.0%
Total	\$ 234.3	\$ 23.1	\$ 23.8	100.0%	\$ 46.9	20.0%

Notes / Rationale:

1. Total fixed revenue at 20% of total revenue which is Committee's general starting point.
2. \$6.7 million additional fixed revenue above current levels.
3. No additional fixed revenue from Residential class as compared to current fixed revenue.
4. Allocation between classes based on cost of service percentages.
5. Fixed revenue by class more consistent with volatility of revenue.

6

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Transition to Fixed Revenue Goals

- Implementing all increases in fixed revenue in one year could have significant bill impacts
- Any increases in fixed revenue for any class could be transitioned over more than one year
- Each class could have different transition period

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Questions and Discussion?

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**New Topic:
Volatility & Volumetric Rates**

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Current Volumetric Rate Summary

- Residential
 - 5 rate blocks – inclining rates for higher usage
- Non-Residential Retail
 - Uniform rates – same rate for each 1,000 gallon unit
 - Seasonal rates - 10% higher in peak season
 - Peak season: July to October
 - off peak season: November to June
- Wholesale
 - Uniform rates – same rate for each 1,000 gallon unit

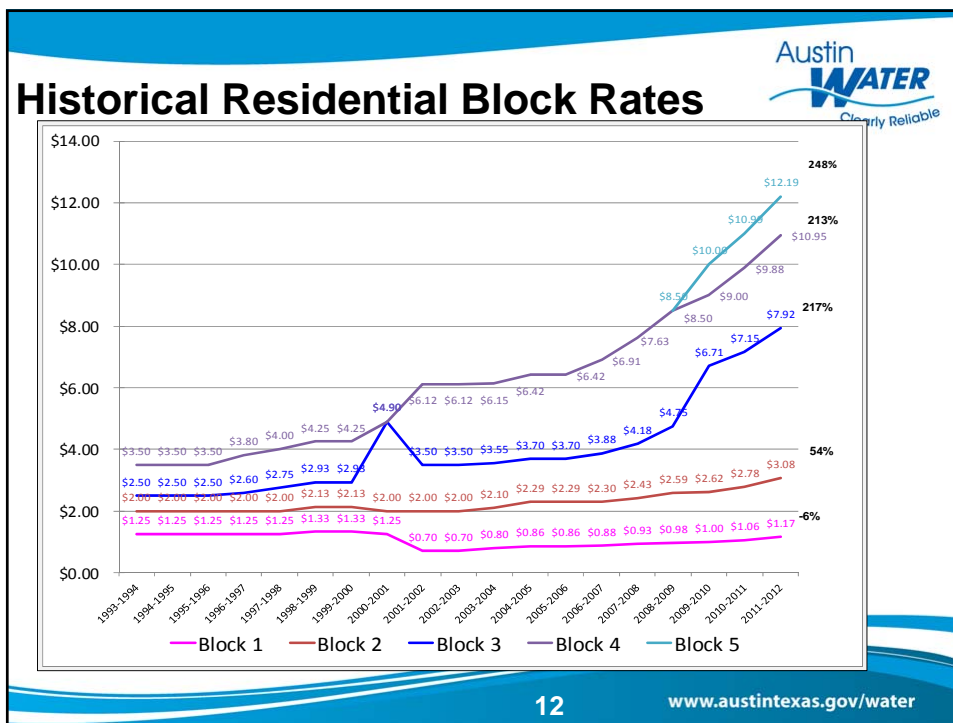
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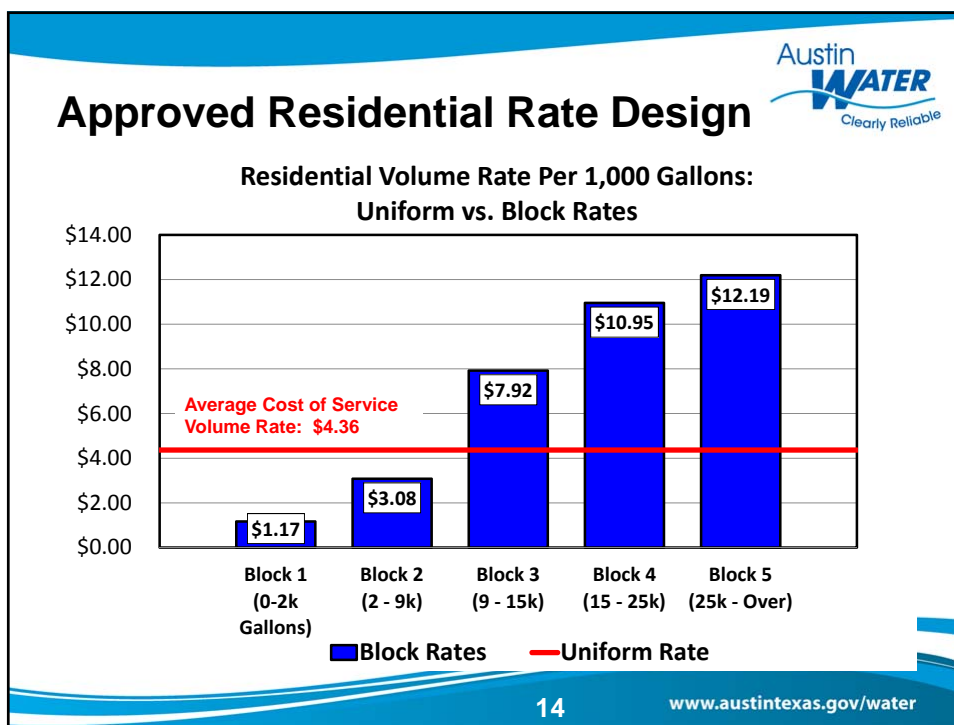
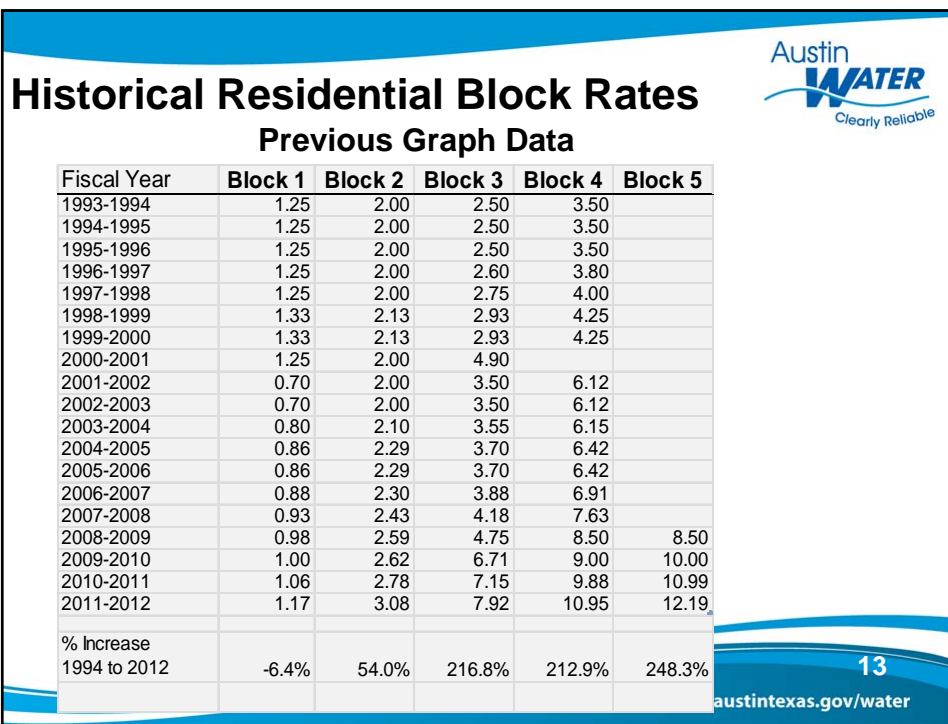
Austin WATER Clearly Reliable

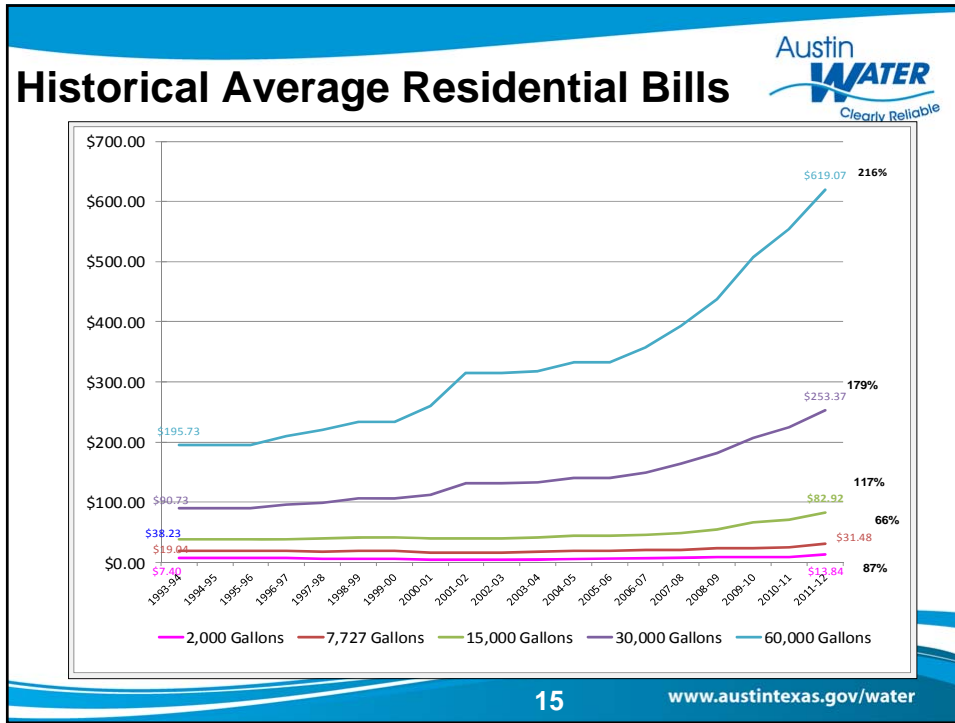
What Creates Revenue Volatility?

- Rate Structure
 - Inclining block rates creates high volatility
 - Large variance between higher blocks increases volatility
 - Uniform rates provides less volatility
- Weather
 - Wet weather conditions, especially during the summer, significantly impact revenue volatility
- Economy
 - Economic conditions impacting growth in customers
- Water Conservation
 - Increased water conservation reduces water sales
 - Mandatory water restrictions during drought

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Historical Average Bill Previous Graph Data

Austin WATER
Clearly Reliable

Fiscal Year	2,000 Gallons	7,727 Gallons	15,000 Gallons	30,000 Gallons	60,000 Gallons
1993-1994	7.40	19.04	38.23	90.73	195.73
1994-1995	7.40	19.04	38.23	90.73	195.73
1995-1996	7.40	19.04	38.23	90.73	195.73
1996-1997	6.90	18.72	38.83	95.83	209.83
1997-1998	6.40	18.47	39.73	99.73	219.73
1998-1999	6.56	19.42	42.05	105.80	233.30
1999-2000	6.56	19.42	42.05	105.80	233.30
2000-2001	4.73	16.18	39.43	112.93	259.93
2001-2002	4.72	16.17	39.72	131.52	315.12
2002-2003	4.72	16.17	39.72	131.52	315.12
2003-2004	5.10	17.13	41.10	133.35	317.85
2004-2005	5.72	18.83	43.95	140.25	332.85
2005-2006	6.07	19.18	44.30	140.60	333.20
2006-2007	7.01	20.18	46.39	150.04	357.34
2007-2008	7.21	21.13	49.30	163.75	392.65
2008-2009	8.21	23.04	54.84	182.34	437.34
2009-2010	8.70	23.70	67.30	207.30	507.30
2010-2011	9.22	25.14	71.58	225.33	555.03
2011-2012	13.84	31.48	82.92	253.37	619.07
% Increase 1994 to 2012	87.0%	65.3%	116.9%	179.3%	216.3%

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Residential Water Bill Comparison

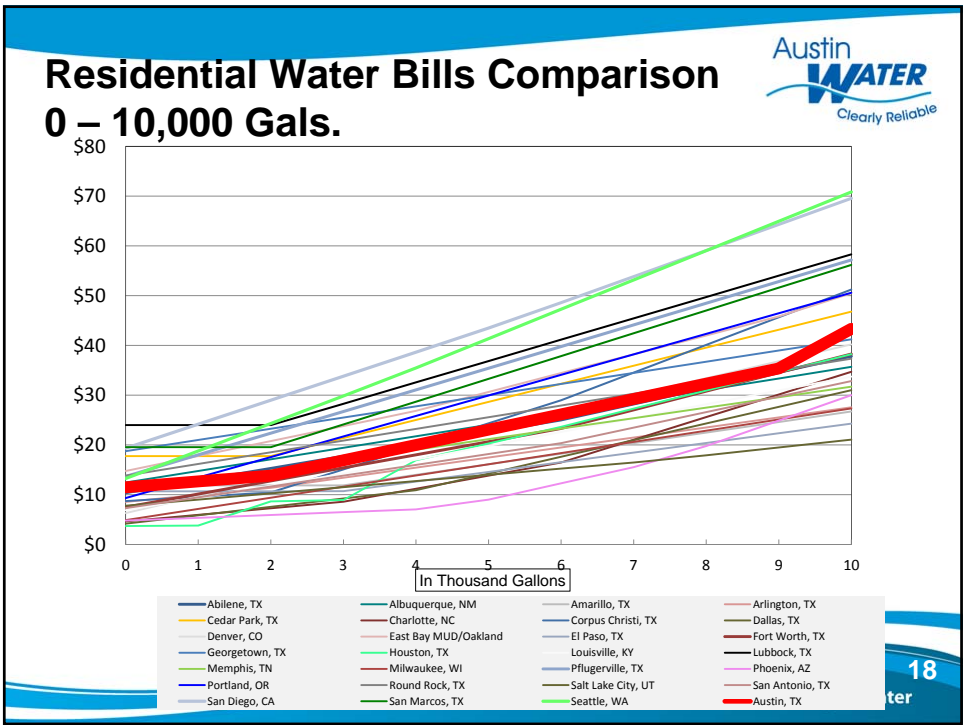


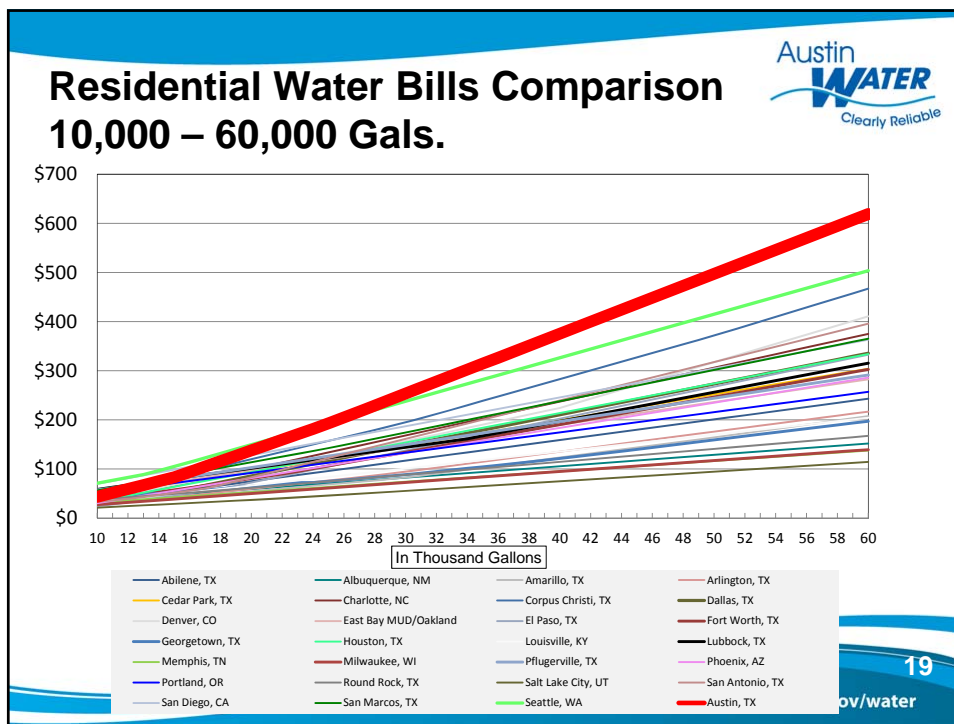
The following 2 graphs show residential water bills for various cities:

- Graph 1: bills from 0 gallons to 10,000 gallons
 - AWU rates show below average bills compared to other cities from 0 to 10,000 gallons

- Graph 2: bills from 10,000 gallons to 60,000 gallons
 - After about 25,000 gallons, AWU bills are higher than all other cities shown

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Comparison of Austin Water Rates with Other Cities' Rates

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20



Revenue Volatility – Rate Comparisons

Austin Water Residential Rates		San Antonio, TX Residential Rates		
			<u>Off-Peak</u>	<u>Peak</u>
Minimum Charge	\$ 11.50	Minimum Charge	\$ 7.31	\$ 7.31
0 – 2,000 Gals.	1.17	0 – 5,985 Gals.	2.17	2.17
2,001 – 9,000 Gals.	3.08	5,986 – 12,717 Gals.	3.07	3.19
9,001 – 15,000 Gals.	7.92	12,718 – 17,205 Gals.	4.26	4.54
15,001 – 25,000 Gals.	10.95	17,206 – over Gals.	7.32	8.53
25,001 – over Gals.	12.19			


21
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Revenue Volatility – Rate Comparisons

Austin Water Residential Rates		Dallas, TX Residential Rates	
Minimum Charge	\$ 11.50	Minimum Charge	\$ 4.20
0 – 2,000 Gals.	1.17	0 – 4,000 Gals.	1.68
2,001 – 9,000 Gals.	3.08	4,001 – 10,000 Gals.	3.35
9,001 – 15,000 Gals.	7.92	10,001 – 15,000 Gals.	4.63
15,001 – 25,000 Gals.	10.95	15,001 – over Gals.	6.25
25,001 – over Gals.	12.19		


22
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Revenue Volatility – Rate Comparisons

Austin Water Residential Rates	Fort Worth, TX Residential Rates
Minimum Charge \$ 11.50	Minimum Charge \$ 7.50
0 – 2,000 Gals. 1.17	0 – 5,984 Gals. 2.63
2,001 – 9,000 Gals. 3.08	5,985 – 14,959 Gals. 3.74
9,001 – 15,000 Gals. 7.92	14,960 – 22,438 Gals. 4.65
15,001 – 25,000 Gals. 10.95	22,439 – over Gals. 5.61
25,001 – over Gals. 12.19	

23
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Revenue Volatility – Rate Comparisons

Austin Water Residential Rates	Houston, TX Residential Rates
Minimum Charge \$ 11.50	Minimum Charge \$ 3.70
0 – 2,000 Gals. 1.17	0 - 1,000 Flat Bill 3.80
2,001 – 9,000 Gals. 3.08	2,000 Flat Bill 8.66
9,001 – 15,000 Gals. 7.92	3,000 Flat Bill 8.95
15,001 – 25,000 Gals. 10.95	4,000 Flat Bill 16.93
25,001 – over Gals. 12.19	5,000 Flat Bill 20.29
	6,000 Flat Bill 23.65
	6,001 – 12,000 add per Kgal 3.65
	Over 12,000 add per Kgal 6.01

Houston has an upcoming rate increase in April. Rates not posted yet.


24
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Revenue Volatility – Rate Comparisons

Austin Water Residential Rates	Arlington, TX Residential Rates
Minimum Charge \$ 11.50	Minimum Charge \$8.57
0 – 2,000 Gals. 1.17	0 – 2,000 Gals. 1.42
2,001 – 9,000 Gals. 3.08	2,001 – 10,000 Gals. 2.02
9,001 – 15,000 Gals. 7.92	10,001– 15,000 Gals. 2.98
15,001 – 25,000 Gals. 10.95	15,001 – 29,000 Gals. 3.41
25,001 – over Gals. 12.19	29,001 – over Gals. 4.08

25
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Revenue Volatility – Rate Comparisons

Austin Water Residential Rates	San Marcos, TX Residential Rates
Minimum Charge \$ 11.50	Minimum Charge \$19.55
0 – 2,000 Gals. 1.17	0 – 2,000 Gals.* 0.00
2,001 – 9,000 Gals. 3.08	2,001 – 10,000 Gals. 4.58
9,001 – 15,000 Gals. 7.92	10,001– 25,000 Gals. 5.74
15,001 – 25,000 Gals. 10.95	25,001 – over Gals. 6.37
25,001 – over Gals. 12.19	

* First 2,000 Gallons are included in customer charge


26
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Revenue Volatility – Rate Comparisons

Austin Water Residential Rates	Phoenix, AZ Residential Rates
Minimum Charge \$ 11.50	Minimum Charge \$ 4.36
0 – 2,000 Gals. 1.17	Oct – May 4,487 Kgal in min chg
2,001 – 9,000 Gals. 3.08	Jun– Sep 7,479 Kgal in min chg
9,001 – 15,000 Gals. 7.92	All Volume not included:
15,001 – 25,000 Gals. 10.95	Dec – Mar \$ 4.21
25,001 – over Gals. 12.19	Apr - May & Oct - Nov 4.49
	Jun – Sep 6.16


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Revenue Volatility – Rate Comparisons

Austin Water Residential Rates	Portland, OR Residential Rates
Minimum Charge \$ 11.50	Minimum Charge \$ 9.33
0 – 2,000 Gals. 1.17	All Volume 4.13
2,001 – 9,000 Gals. 3.08	
9,001 – 15,000 Gals. 7.92	* Historically had inclining block structure as aggressive as Austin's
15,001 – 25,000 Gals. 10.95	
25,001 – over Gals. 12.19	

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Revenue Volatility – Rate Comparisons

Austin Water Residential Rates		Seattle, WA Residential Rates		
			<u>Off-Peak</u>	<u>Peak</u>
Minimum Charge	\$ 11.50	Minimum Charge	\$ 13.25	\$13.25
0 – 2,000 Gals.	1.17	0 – 3,740 Gals.	5.40	5.80
2,001 – 9,000 Gals.	3.08	3,741 – 9,723 Gals.	5.40	6.89
9,001 – 15,000 Gals.	7.92	9,724 – over Gals.	5.40	15.78
15,001 – 25,000 Gals.	10.95			
25,001 – over Gals.	12.19			

Off Peak = Mid September to Mid May
Peak Season = Mid May to Mid September


29
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Revenue Volatility – Rate Comparisons

Austin Water Residential Rates		San Diego, CA Residential Rates	
Minimum Charge	\$ 11.50	Minimum Charge	\$ 19.33
0 – 2,000 Gals.	1.17	0 – 10,500 Gals.	4.83
2,001 – 9,000 Gals.	3.08	10,501 – 21,000 Gals.	5.24
9,001 – 15,000 Gals.	7.92	21,001 – over Gals.	5.88
15,001 – 25,000 Gals.	10.95		
25,001 – over Gals.	12.19		


30
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Revenue Volatility – Rate Comparisons

Austin Water Residential Rates	Atlanta, GA Residential Rates
Minimum Charge \$ 11.50	Minimum Charge \$ 6.56
0 – 2,000 Gals. 1.17	0 – 4,000 Gals. 3.65
2,001 – 9,000 Gals. 3.08	4,001 – 8,000 Gals. 7.34
9,001 – 15,000 Gals. 7.92	8,001 – over Gals. 8.44
15,001 – 25,000 Gals. 10.95	
25,001 – over Gals. 12.19	

31
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Revenue Volatility – Rate Comparisons


Austin Water Residential Rates	Denver Water Residential Rates
Minimum Charge \$ 11.50	Minimum Charge \$6.33
0 – 2,000 Gals. 1.17	0 – 11,000 Gals. 2.54
2,001 – 9,000 Gals. 3.08	11,001 – 30,000 Gals. 5.09
9,001 – 15,000 Gals. 7.92	30,001– 40,000 Gals. 7.63
15,001 – 25,000 Gals. 10.95	40,001 – over Gals. 10.17
25,001 – over Gals. 12.19	

32
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Questions & Discussion?


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**Decision Points
Volatility & Volumetric Rates**

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Decision Points
Volatility & Volumetric Rates



- Residential rate blocks
 - Differentials between blocks
 - Amount of subsidy of blocks 1 and 2
 - Costs funded from only blocks 1-4
- Non-residential rates
 - Current uniform seasonal rates
 - Excess use or block rates for non-residential
- Transition to meet goals
 - Number of years to make changes to rates

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Decision Points
Volatility & Volumetric Rates



- Transition to meet goals
 - Number of years to make changes to rates

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Questions & Discussion?