

AGENDA



Recommendation for Council Action

AUSTIN CITY COUNCIL

Regular Meeting: May 10, 2018

Item Number: **015**

Law

Approve a resolution authorizing the City Manager to seek approval from the Public Utility Commission of Texas to increase wholesale water and wastewater rates charged to North Austin MUD, Northtown MUD, Travis County WCID No. 10, and Wells Branch MUD, and to negotiate and execute agreements necessary to request and obtain approval for the rate increase.

Lead Department	Law Department.
For More Information	Clark Cornwell, Assistant City Attorney (512) 974-2268.

Additional Backup Information:

Austin Water provides wholesale water and wastewater services to wholesale customers including water districts, water supply corporations, and other Austin-area municipalities. Four water districts (North Austin MUD, Northtown MUD, Travis County WCID No. 10, and Wells Branch MUD) petitioned the Public Utility Commission of Texas ("PUCT") asking the PUCT to review and reduce the wholesale rates they pay to Austin Water. By its final order in PUCT Docket No. 42857, the four districts were granted a reduction in their Austin Water rates as well as an order requiring Austin Water to seek PUCT approval before raising their PUCT-set rates.

Austin Water completed an updated cost of service study in November of 2017 indicating an overall utility system revenue requirement (water and wastewater) of approximately \$560 million, of which the revenue requirement attributable to wholesale services consisted of approximately \$19 million. To obtain payment for services that recoup its cost of service, Austin Water must increase rates charged to the four districts. In order to do so, Austin Water must obtain prior approval from the PUCT.

Staff recommends approving a resolution authorizing the City Manager to file for PUC approval and

negotiate and execute necessary agreements and agency filings. Austin Water staff has initiated discussions with the four districts in an effort to reach agreement on just and reasonable rates to be approved by the PUCT without opposition by the districts. If discussions with the four districts do not result in rates agreed to and supported by the four districts, rates that recoup Austin Water's cost to serve, the City Manager will proceed to file Austin Water's rate increase request with the PUCT without consensus by the districts and, if necessary, proceed through a contested proceeding to its conclusion.