



# Austin Water Utility

## Joint Subcommittee on Financial Plan

January 18, 2012

## Fixed Fee Options

- New residential fixed fee component options
  - Revenue Stability Fee transformed into fixed fee component
  - \$10.5 million revenue based on current revenue allocation based on meter size
  - Fee based on monthly water usage
  - 5 blocks consistent with rate blocks
  - Monthly bill comparisons FY 2011 to FY 2012
  - Potential wet weather revenue loss from volatility of fixed fee

# Residential Water Bill Impacts

## Approved 2012 Revenue Stability Fee Residential Water Bill Comparison - FY 2011 to FY 2012

<b>Monthly Usage (Gallons)</b>	<b>FY 2011 Rates Water Bill</b>	<b>FY 2012 Rates Water Bill</b>	<b>\$ Variance</b>	<b>% Variance</b>
2,000	\$ 9.22	\$ 13.84	\$ 4.62	50.1%
5,000	\$ 17.56	\$ 23.08	\$ 5.52	31.4%
7,700 (Avg)	\$ 25.07	\$ 31.40	\$ 6.33	25.2%
15,000	\$ 71.58	\$ 82.92	\$ 11.34	15.8%
30,000	\$ 225.33	\$ 253.37	\$ 28.04	12.4%
60,000	\$ 555.03	\$ 619.07	\$ 64.04	11.5%

# Residential Water Bill Impacts – Option #1



## Residential Water Bill Comparison - FY 2011 to FY 2012

Tier 1 Rate Block 1 Up to 2,000	Tier 2 Rate Block 2 2,001 - 9,000	Tier 3 Rate Block 3 9,001 - 15,000	Tier 4 Rate Block 4 15,001 - 25,000	Tier 5 Rate Block 5 25,001 & Up
\$1.00	\$4.10	\$8.00	\$8.00	\$8.00
Monthly Usage (Gallons)	FY 2011 Rates Water Bill	FY 2012 Rates Water Bill	\$ Variance	% Variance
2,000	\$ 9.22	\$ 10.44	\$ 1.22	13.2%
5,000	\$ 17.56	\$ 22.78	\$ 5.22	29.7%
7,700 (Avg)	\$ 25.07	\$ 31.10	\$ 6.03	24.1%
15,000	\$ 71.58	\$ 86.52	\$ 14.94	20.9%
30,000	\$ 225.33	\$ 256.97	\$ 31.64	14.0%
60,000	\$ 555.03	\$ 622.67	\$ 67.64	12.2%

### Revenue Volatility

Dry Year (2011)	Wet Year (2010)	Budgeted Revenue	Wet Year Revenue Loss	% Variance
\$ 11,161,679	\$ 10,052,408	\$ 10,543,127	\$ 490,719	4.65%

# Residential Water Bill Impacts – Option #2



## Residential Water Bill Comparison - FY 2011 to FY 2012

Tier 1 Rate Block 1 Up to 2,000	Tier 2 Rate Block 2 2,001 - 9,000	Tier 3 Rate Block 3 9,001 - 15,000	Tier 4 Rate Block 4 15,001 - 25,000	Tier 5 Rate Block 5 25,001 & Up
\$2.40	\$4.65	\$6.00	\$6.00	\$6.00
Monthly Usage (Gallons)	FY 2011 Rates Water Bill	FY 2012 Rates Water Bill	\$ Variance	% Variance
2,000	\$ 9.22	\$ 11.84	\$ 2.62	28.4%
5,000	\$ 17.56	\$ 23.33	\$ 5.77	32.9%
7,700 (Avg)	\$ 25.07	\$ 31.65	\$ 6.58	26.2%
15,000	\$ 71.58	\$ 84.52	\$ 12.94	18.1%
30,000	\$ 225.33	\$ 254.97	\$ 29.64	13.2%
60,000	\$ 555.03	\$ 620.67	\$ 65.64	11.8%

### Revenue Volatility

Dry Year (2011)	Wet Year (2010)	Budgeted Revenue	Wet Year Revenue Loss	% Variance
\$ 10,782,080	\$ 10,331,854	\$ 10,543,127	\$ 211,273	2.00%

# Residential Water Bill Impacts – Option #3



## Residential Water Bill Comparison - FY 2011 to FY 2012

Tier 1 Rate Block 1 Up to 2,000	Tier 2 Rate Block 2 2,001 - 9,000	Tier 3 Rate Block 3 9,001 - 15,000	Tier 4 Rate Block 4 15,001 - 25,000	Tier 5 Rate Block 5 25,001 & Up
\$1.00	\$3.80	\$8.00	\$8.00	\$12.00
Monthly Usage (Gallons)	FY 2011 Rates Water Bill	FY 2012 Rates Water Bill	\$ Variance	% Variance
2,000	\$ 9.22	\$ 10.44	\$ 1.22	13.2%
5,000	\$ 17.56	\$ 22.48	\$ 4.92	28.0%
7,700 (Avg)	\$ 25.07	\$ 30.80	\$ 5.73	22.9%
15,000	\$ 71.58	\$ 86.52	\$ 14.94	20.9%
30,000	\$ 225.33	\$ 260.97	\$ 35.64	15.8%
60,000	\$ 555.03	\$ 626.67	\$ 71.64	12.9%

### Revenue Volatility

Dry Year (2011)	Wet Year (2010)	Budgeted Revenue	Wet Year Revenue Loss	% Variance
\$ 11,286,776	\$ 9,846,633	\$ 10,543,127	\$ 696,494	6.61%

# Residential Water Bill Impacts – Option #4



## Residential Water Bill Comparison - FY 2011 to FY 2012

Tier 1 Rate Block 1 Up to 2,000		Tier 2 Rate Block 2 2,001 - 9,000		Tier 3 Rate Block 3 9,001 - 15,000		Tier 4 Rate Block 4 15,001 - 25,000		Tier 5 Rate Block 5 25,001 & Up	
\$1.25		\$4.15		\$7.25		\$7.25		\$10.00	
Monthly Usage (Gallons)	FY 2011 Rates Water Bill	FY 2012 Rates Water Bill	\$ Variance		% Variance				
2,000	\$ 9.22	\$ 10.69	\$ 1.47		15.9%				
5,000	\$ 17.56	\$ 22.83	\$ 5.27		30.0%				
7,700 (Avg)	\$ 25.07	\$ 31.15	\$ 6.08		24.3%				
15,000	\$ 71.58	\$ 85.77	\$ 14.19		19.8%				
30,000	\$ 225.33	\$ 258.97	\$ 33.64		14.9%				
60,000	\$ 555.03	\$ 624.67	\$ 69.64		12.5%				

### Revenue Volatility

Dry Year (2011)	Wet Year (2010)	Budgeted Revenue	Wet Year Revenue Loss	% Variance
\$ 11,094,569	\$ 9,998,657	\$ 10,543,127	\$ 544,470	5.16%

# Residential Water Bill Impacts – Option #5



## Residential Water Bill Comparison - FY 2011 to FY 2012

Tier 1 Rate Block 1 Up to 2,000		Tier 2 Rate Block 2 2,001 - 9,000		Tier 3 Rate Block 3 9,001 - 15,000		Tier 4 Rate Block 4 15,001 - 25,000		Tier 5 Rate Block 5 25,001 & Up	
\$2.75		\$4.25		\$5.75		\$7.50		\$9.25	
Monthly Usage (Gallons)	FY 2011 Rates Water Bill	FY 2012 Rates Water Bill		\$ Variance		% Variance			
2,000	\$ 9.22	\$ 12.19		\$ 2.97		32.2%			
5,000	\$ 17.56	\$ 22.93		\$ 5.37		30.6%			
7,700 (Avg)	\$ 25.07	\$ 31.25		\$ 6.18		24.7%			
15,000	\$ 71.58	\$ 84.27		\$ 12.69		17.7%			
30,000	\$ 225.33	\$ 258.22		\$ 32.89		14.6%			
60,000	\$ 555.03	\$ 623.92		\$ 68.89		12.4%			

### Revenue Volatility

Dry Year (2011)	Wet Year (2010)	Budgeted Revenue	Wet Year Revenue Loss	% Variance
\$ 11,036,427	\$ 10,178,353	\$ 10,543,127	\$ 364,774	3.46%

# Residential Water Bill Impacts – Option #6



## Residential Water Bill Comparison - FY 2011 to FY 2012

Tier 1 Rate Block 1 Up to 2,000	Tier 2 Rate Block 2 2,001 - 9,000	Tier 3 Rate Block 3 9,001 - 15,000	Tier 4 Rate Block 4 15,001 - 25,000	Tier 5 Rate Block 5 25,001 & Up
\$1.00	\$2.30	\$8.00	\$15.00	\$20.00
Monthly Usage (Gallons)	FY 2011 Rates Water Bill	FY 2012 Rates Water Bill	\$ Variance	% Variance
2,000	\$ 9.22	\$ 10.44	\$ 1.22	13.2%
5,000	\$ 17.56	\$ 20.98	\$ 3.42	19.5%
7,700 (Avg)	\$ 25.07	\$ 29.30	\$ 4.23	16.9%
15,000	\$ 71.58	\$ 86.52	\$ 14.94	20.9%
30,000	\$ 225.33	\$ 268.97	\$ 43.64	19.4%
60,000	\$ 555.03	\$ 634.67	\$ 79.64	14.3%

### Revenue Volatility

Dry Year (2011)	Wet Year (2010)	Budgeted Revenue	Wet Year Revenue Loss	% Variance
\$ 12,025,813	\$ 9,067,903	\$ 10,543,127	\$ 1,475,224	13.99%

# Revenue Allocation of Tiered Fixed Charge Component

# Revenue Allocation

- Based on meter size revenue distribution
  - Approved fee revenue by class
- Based on cost of service allocation
  - Total cost of service percentage by class
- Based on specific percentage of fixed revenue
  - Consistent percentage of fixed revenue for all classes

# Revenue Allocation Alternatives

	Approved Fee Meter Size Based		Alternative #1 COS Allocation		Alternative #2 Fixed Revenue at 17%	
	Fee	% of Total	Approved Fee	% of Total	Approved Fee	% of Total
Residential	\$ 10.5	61.4%	\$ 7.6	44.3%	\$ 2.1	12.5%
Multifamily	\$ 2.5	14.6%	\$ 3.1	18.3%	\$ 4.1	23.8%
Commercial	\$ 4.0	23.4%	\$ 4.6	26.9%	\$ 6.9	40.1%
Large Volume	\$ 0.1	0.6%	\$ 0.9	5.5%	\$ 2.0	11.9%
Wholesale	\$ -	0.0%	\$ 0.8	5.0%	\$ 2.0	11.8%
<b>Total</b>	<b>\$ 17.1</b>	<b>100.0%</b>	<b>\$ 17.1</b>	<b>100.0%</b>	<b>\$ 17.1</b>	<b>100.0%</b>

# Questions & Discussion?

## Revenue Allocation

# New Topic: Fixed Revenue Goals

# Fixed Revenue Goals

Joint Subcommittee Meeting  
December 7, 2011

# What Is the Right Fixed Revenue Goal for Water and Wastewater Utilities?

California PUC (2006) – up to 50% of fixed costs

CUWCC BMP 1.4 – no more than 30% of total revenue

NYC DEP Survey – up to 25% of total revenue

MWDSC Survey – 1% to 93% of total revenue (most in 20% to 65% range)

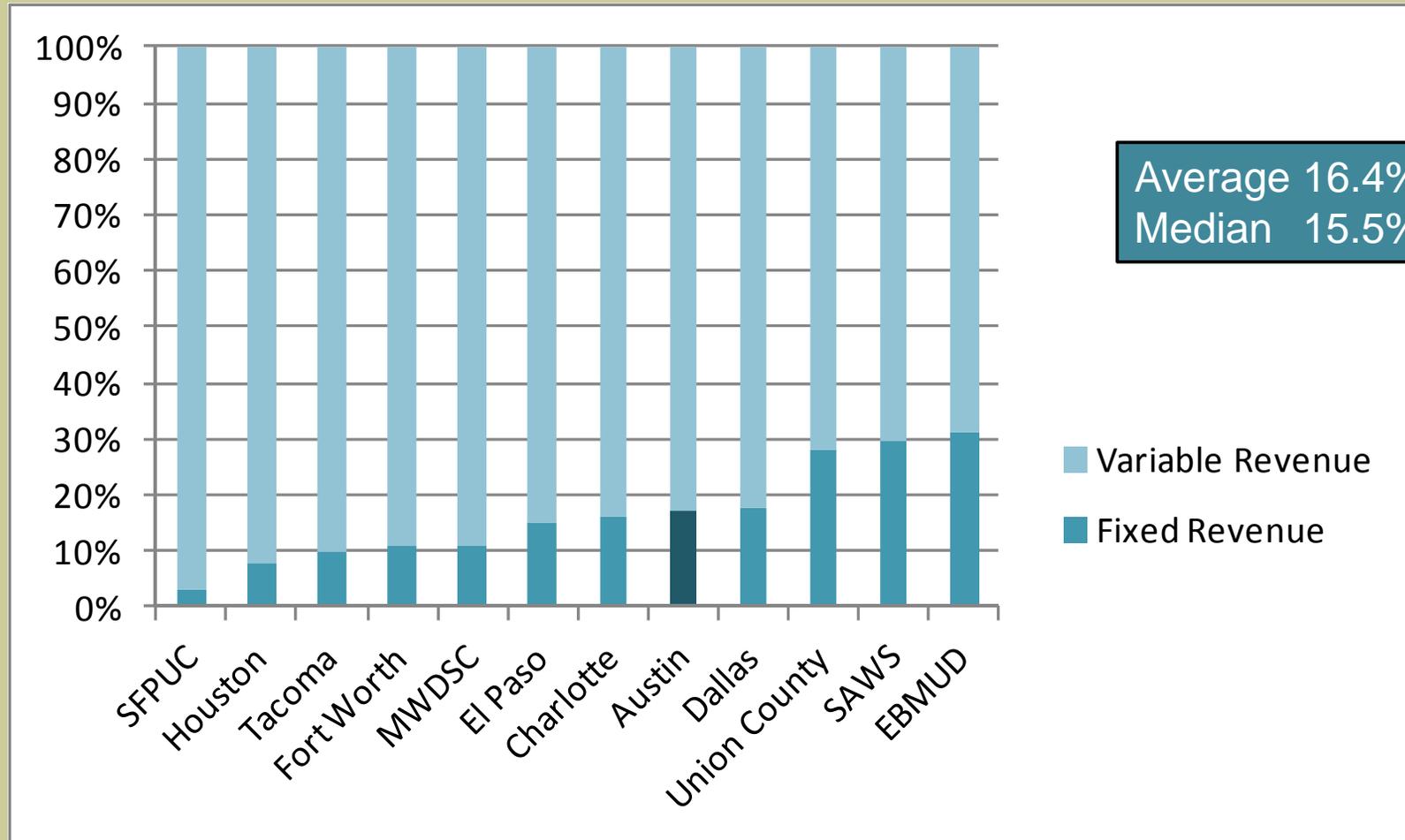
# What Is the Right Fixed Revenue Goal for Water and Wastewater Utilities?

Most utilities have no set goal for fixed revenue as percentage of total revenue

Charlotte-Mecklenburg adopted policy of recovering minimum of 20% of debt service costs from fixed revenues

Union County, VA, is proposing fixed revenue goal of at least 20% of total revenue

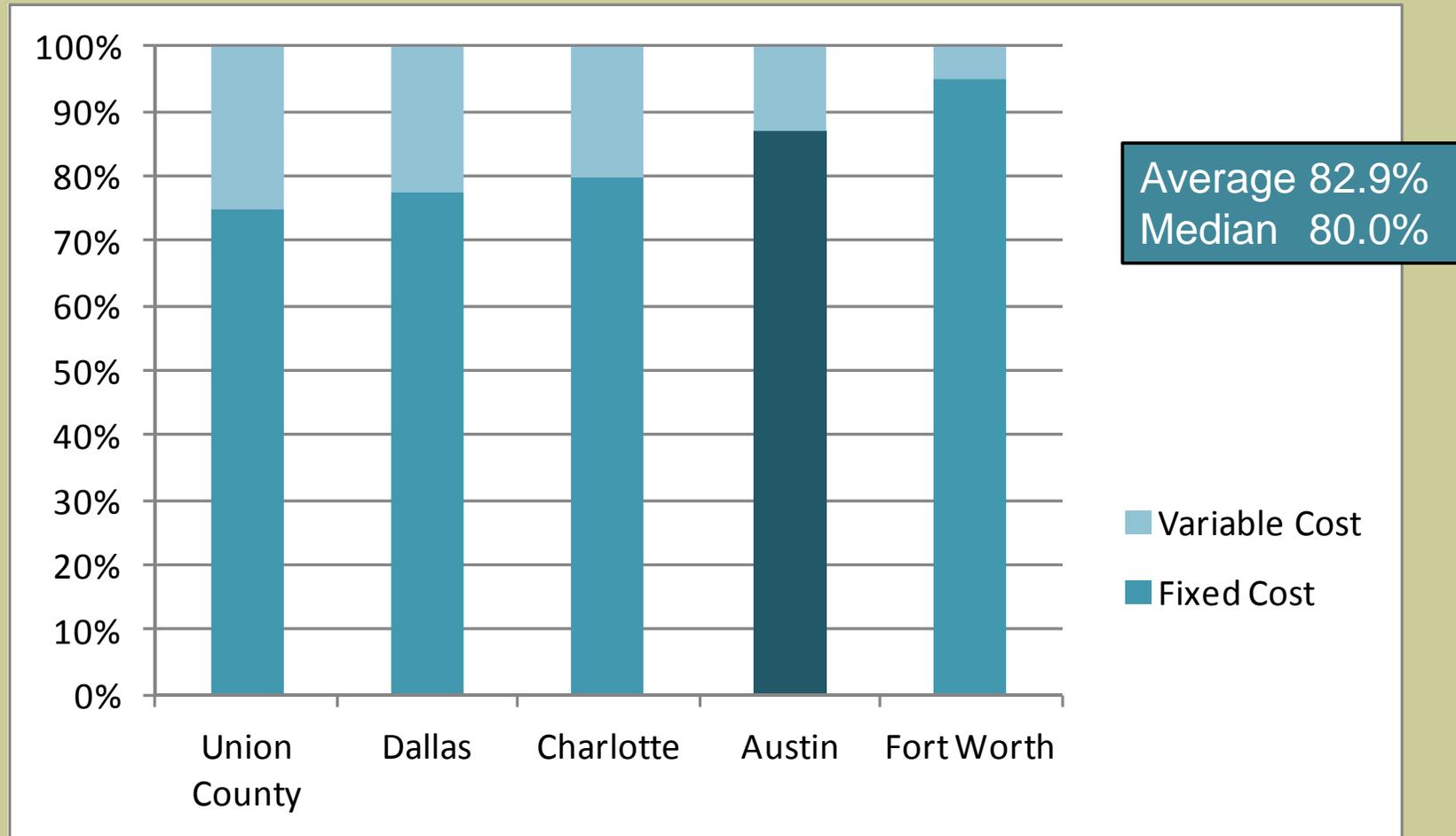
# Comparison of Fixed Revenues



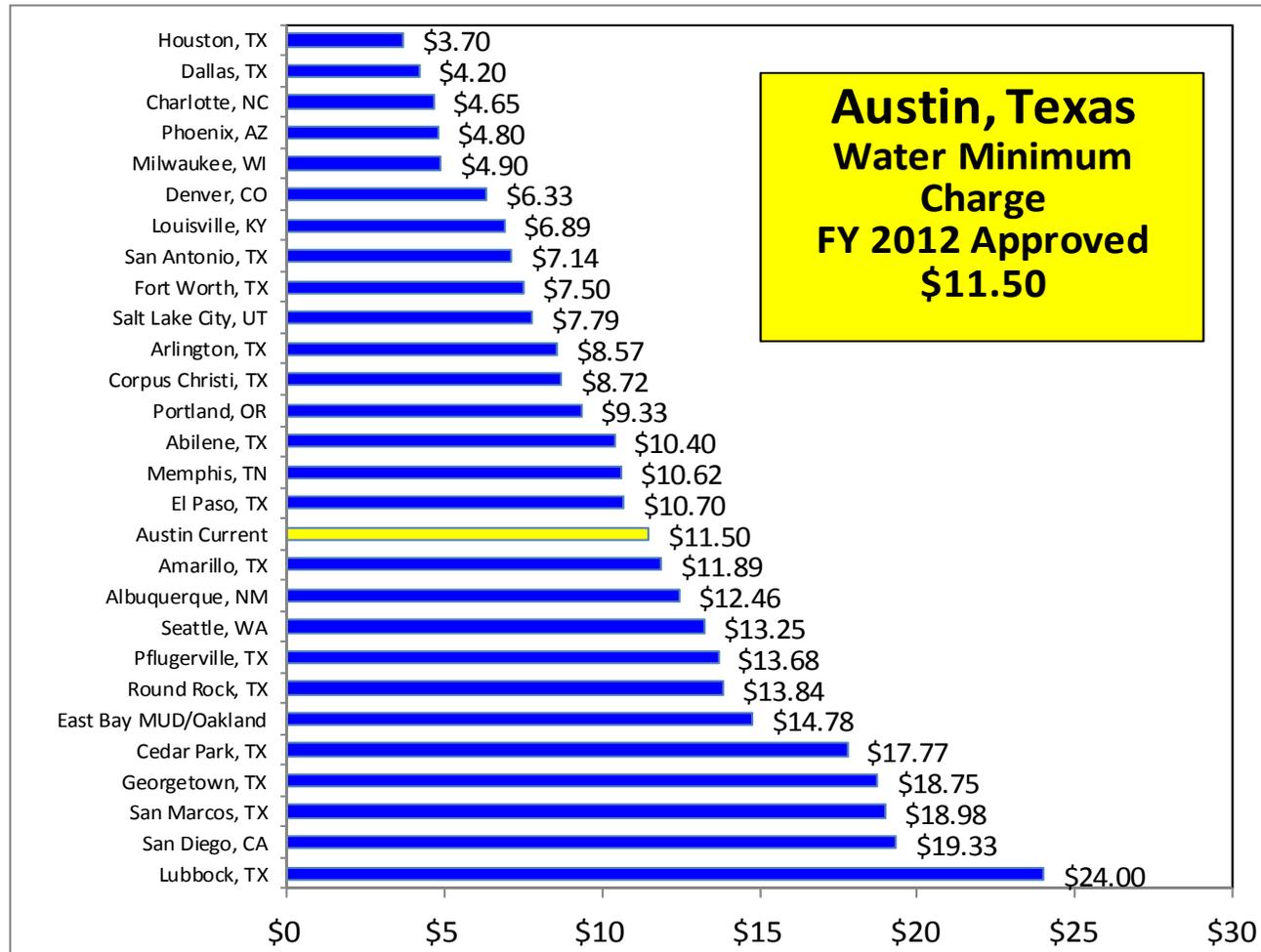
# Volumetric Rate Structure Will Impacts Need for Fixed Revenue

- More revenue volatility in volumetric rates impacts the need for more fixed revenue
- Residential Volumetric Water Block Rates
  - SFPUC \$3.47 to \$4.63 per 1,000 gallons
  - Tacoma \$1.82 to \$2.27 per 1,000 gallons
  - Fort Worth \$2.62 to \$5.59 per 1,000 gallons
  - El Paso \$1.93 to \$6.48 per 1,000 gallons
  - Dallas \$1.68 to \$6.25 per 1,000 gallons
  - San Antonio \$0.94 to \$4.60 per 1,000 gallons
  - Austin \$1.17 to \$12.19 per 1,000 gallons

# Comparison of Fixed Costs



# Residential Fixed Charge Comparison



\* Austin Texas FY 2012 rate (includes RSF).  
Other utility minimum fixed charges based  
on rates as of January 2012.

# Fixed vs. Variable Revenue History

## FY 2011 Actual Water Service Revenue\*:

Fixed Revenue:	\$23.7 M	10.2%
Variable Revenue:	\$207.9 M	89.8%
Total Revenue:	\$231.6 M	100.0%

## FY 2012 Budget Water Service Revenue:

Fixed Revenue:	\$40.2 M	17.2%
Variable Revenue:	\$194.1 M	82.8%
Total Revenue:	\$234.3 M	100.0%

\* FY 2011 actual water service revenue Close 2 unaudited

# Fixed Revenue By Customer Class

AWU 2012 Approved Water Budget (In Millions)

		<u>Fixed Revenue</u>	<u>Variable Revenue</u>	<u>Total Revenue</u>	<u>Volatility 2010 Revenue Loss %</u>
Residential	\$	\$ 26.2	\$ 77.5	\$ 103.7	-22.0%
	%	25.3%	74.7%	100.0%	
Multifamily	\$	\$ 5.7	\$ 37.1	\$ 42.8	-5.4%
	%	13.3%	86.7%	100.0%	
Commercial	\$	\$ 7.9	\$ 55.1	\$ 63.0	-23.1%
	%	12.5%	87.5%	100.0%	
Large Volume	\$	\$ 0.3	\$ 12.7	\$ 13.0	16.0%
	%	2.3%	97.7%	100.0%	
Wholesale	\$	\$ 0.1	\$ 11.7	\$ 11.8	-10.2%
	%	0.8%	99.2%	100.0%	
Total Revenue	\$	<u>\$ 40.2</u>	<u>\$ 194.1</u>	<u>\$ 234.3</u>	-18.5%
	%	17.2%	82.8%	100.0%	
Total Non-Resider	\$	\$ 14.0	\$ 116.6	\$ 130.6	
	%	10.7%	89.3%	100.0%	

# Fixed Revenue Goals – Decision Points

## Basis for Goal

- Specific costs
- Percentage of total revenue
- Percentage of fixed costs
- Set dollar amount

## Determination of Goal

- Target level by customer class

## Funding Timeline

- Number of years to reach targeted level

# Basis for Fixed Revenue Goal

## Specific Costs

- Fixed revenue based on the levels of specifically identified costs or a percentage of those costs
  - Percentage of debt service or operations costs
- Fixed revenue goals would adjust as those costs increase or decrease over time

## Percentage of Total Revenue

- Fixed revenue goal based on a specific percentage of total revenue
  - 20% of total revenue
- Current overall fixed revenue is 17% of total revenue
- Fixed revenue goal would adjust as total revenue increases over time

# Fixed Revenue Goal Summary

	<b>Fixed Revenue</b>	<b>Variable Revenue</b>	<b>Total Revenue</b>	<b>Current Fee Equivalent (5/8" Meter)</b>
<b>FY 2012: Budget</b>				
\$ Revenue	\$ 40.2	\$ 194.1	\$ 234.3	\$ 4.40
% Revenue	17.2%	82.8%	100.0%	
<b>FY 2012: 20% Fixed Option</b>				
\$ Revenue	\$ 46.9	\$ 187.4	\$ 234.3	\$ 6.10
% Revenue	20.0%	80.0%	100.0%	
<b>FY 2012: 25% Fixed Option</b>				
\$ Revenue	\$ 58.6	\$ 175.7	\$ 234.3	\$ 9.10
% Revenue	25.0%	75.0%	100.0%	
<b>FY 2012: 30% Fixed Option</b>				
\$ Revenue	\$ 70.3	\$ 164.0	\$ 234.3	\$ 12.10
% Revenue	30.0%	70.0%	100.0%	

## Percentage of Fixed Costs

- Similar to percentage of total revenue but based on percentage of fixed costs
  - 30% of fixed costs
- Fixed costs make up between 80% to 90% of total costs
- Would need to define fixed and variable costs more specifically

# AWU 2012 Fixed Costs Summary

	<u>Fixed Costs</u>	<u>Variable Costs</u>	<u>Total Costs</u>
Personnel Costs	\$ 78.1	\$ 5.3	\$ 83.4
Contractuals	\$ 50.1	\$ 39.0	\$ 89.1
Commodities	\$ 0.1	\$ 16.5	\$ 16.6
Expense Refunds	\$ -	\$ (0.4)	\$ (0.4)
Non-CIP Capital	\$ -	\$ 0.6	\$ 0.6
Debt & Transfers	<u>\$ 276.5</u>	<u>\$ -</u>	<u>\$ 276.5</u>
Total Costs	<u>\$ 404.8</u>	<u>\$ 61.0</u>	<u>\$ 465.8</u>
Percentage of Total	86.9%	13.1%	100.0%

## Set Dollar Amount

- Fixed revenue goal set at a specific dollar amount
  - \$50 million in fixed revenue
- Relationship to total revenue would decrease over time unless specific dollar amount adjusted over time

# Questions and Discussion? Basis for Goal

# Determination of Goal

# Fixed Revenue Goal Determination

- Target level dependent on choice of basis of goal
- Should be easily calculated and understood by customers
- Customer class goal determination needed

## Customer Class Goals

- More revenue volatility in rates could require higher fixed revenue goals
  - Residential has volatile rates and revenue and therefore could have a higher fixed revenue goal
  - Large volume customers have less volatile rates and revenue and could have a lower fixed revenue goal
- Each customer class could have their own fixed revenue goals based on revenue volatility of class

# Questions and Discussion?

## Determination of Goal

# Timeline to Achieve Goal

# Timeline for Fixed Revenue Increases

- One Year Implementation Timeline
  - FY 2013 Budget proposal could include changes
- Multi-Year Transition
  - Any large fixed revenue increases for customer classes could be transitioned over several years to minimize bill impacts
  - Large volume customers could be implemented in a shorter time frame since these customers have individualized rates
  - Wholesale customers with individualized cost of service rates could be implemented in a shorter time frame

# Questions & Discussion? Timeline to Achieve Goal

## Future Meetings

- February 1<sup>st</sup>
  - New topic: Revenue Volatility
- February 15<sup>th</sup>
  - New topic: Revenue Stability Reserve Fund

# End of Presentation