Cost-of-Service Rate Study 2007

Public Involvement Committee
Workshop 1: Orientation

Austin Water Utility
November 27, 2007
Tonight’s Agenda

1. Introductions
2. Role of Public Involvement Committee (PIC) in Cost-of-Service Study
3. Review and discuss study objectives
4. Overview of cost-of-service approach
5. Executive Team’s evaluation criteria
6. Schedule of proposed workshops
7. PIC member comments and discussion
Public Involvement Committee Orientation Workshop
November 27, 2007
Executive Team

- Greg Meszaros
- Perwez Moheet
- David Anders
- Daryl Slusher

Roles

- Evaluate Red Oak analyses
- Consider PIC comments
- Prepare recommendations for Council consideration
City Project Team

- Rusty Coberb
- Mike Castillo
- Darrel Culberson
- Denise McDonald
- Jimmy Jackson

Roles
- Provide technical support and data resources
- Review all technical analyses
Our Red Oak Project Team

- Robena Jackson, Group Solutions RJW
- Red Oak, a division of Malcolm Pirnie
  - Rick Giardina
  - Paul Matthews
  - Jennifer Ivey
  - Charles Schoening
- Serve as public involvement consultant/facilitator
- Provide technical analyses
- Prepare cost-of-service analysis
Role of Public Involvement Committee

- Customer class and community representatives

- Roles:
  - Advise project team and utility
  - Represent the interest of their customer class
  - Seek areas of agreement on methodologies
Ground Rules

1. PIC members are responsible for attending meetings or providing a knowledgeable alternate
2. Meetings will be facilitated
3. Meetings are open to the public and include a period for public comment
4. Meetings will begin with a presentation by consultant on the decisions of the Executive Team and on the issue paper topic(s) of the workshop
5. PIC members will be able to ask questions and provide comments and concerns
6. Each meeting will end with a brief summary of decisions made, consensus achieved, and a preview of next meeting, etc.
7. A period for public comment will be provided at each meeting to allow input from non-committee members.

8. PIC members, and others in attendance, are responsible for limiting comments to matters within the scope of the study; comments will be limited to 5 minutes.

9. PIC members should provide formal written comments to the City for Executive Team review no later than 5 business days after the workshop.

10. Comments and materials will be regularly posted to the City of Austin website.

11. PIC committee members are responsible and strongly encouraged to share information with their constituents.
Planned Information Process

Red Oak Prepares Issue Paper on Technical Matters

Present Issue Papers in Workshops

PIC Provides Comments to Executive Team
Key Project Dates

- Final study report: May 31, 2008
- Presentations of final results: June 2008
- FY2008-2009 Operating Budget: August 1, 2008
- Rates effective November 1, 2008
PIC Workshop Topics and Dates

- PIC Orientation (11/27)
- Revenue Requirements (12/17)
- Water/Wastewater Allocation Methodologies (1/7)
- I/I Allocations and Fire Charges (1/21)
- Composition of Industrial Class (2/4)
- Rate Design (2/18 and 3/3)
Process for Developing Technical Recommendations

Criteria Development

Problem Identification

Evaluation

Analysis

Results

Pathways to Lasting Solutions
Project Goals and Objectives

- Prepare industry-standard cost-of-service analysis
  - Continue AWU’s practice of transparency in cost-of-service analysis
  - Address interclass, intraclass, intergenerational equity concerns
  - Conduct transparent review of critical methodologies and options
  - Leverage industry standards to enhance decision making
  - Investigate rate design options to enhance equity and conservation
- Conduct Public Involvement Program to ensure community input and dissemination of results
- Meet requirements of project schedule
Traditional Wastewater Cost-of-Service Analyses

- Cash Basis Revenue Requirements
- O&M
- Debt Service Cost
- Capital Expenditures

Allocation of Costs to Unit Process

Allocation of Costs to Customer Service Characteristic

- Flow
- BOD
- TSS
- NH3N
- Customer

Allocation of Costs to Customer Class

Design of Sewer Rates
Steps Required to Conduct Cost-of-Service Study

1. Determine user charge revenue requirements
2. Analyze customer characteristics
3. Allocate costs to functions / unit processes
4. Allocate costs to customer service characteristics (CSC)
5. Allocate costs by CSC to customer class
6. Select rate design
Objective Criteria Ensures Transparency

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Option 1</th>
<th>Option 2</th>
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<tbody>
<tr>
<td>Criteria 1</td>
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<td>Criteria 2</td>
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<tr>
<td>Criteria 3</td>
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The Wrong Way
Establish Evaluation Criteria

- Initial list of criteria prepared by Red Oak
- Criteria grouped by general area:
  - Implementation
  - Equity
  - Customer impacts
  - Conservation
  - Financial impacts
## Executive Team’s Evaluation Criteria

<table>
<thead>
<tr>
<th>Implementation</th>
<th>Equity</th>
<th>Customer</th>
<th>Conservation</th>
<th>Financial</th>
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<tbody>
<tr>
<td>Administrative Burden</td>
<td>Interclass</td>
<td>Affordability</td>
<td>Average-Day Savings</td>
<td>Revenue Sufficiency</td>
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<td>Public Understanding</td>
<td>Intraclass</td>
<td>Economic Development</td>
<td>Peak-Season Savings</td>
<td>Revenue Stability</td>
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<tr>
<td>Public and Political Acceptance</td>
<td>Intergenerational</td>
<td>Rate Shock/Volatility</td>
<td>Peak-Day Savings</td>
<td>Rate Stability</td>
</tr>
<tr>
<td>Risk of Implementation</td>
<td>Inside/Outside City</td>
<td>Understandability of Bill</td>
<td>Sustainability</td>
<td>Rate Predictability</td>
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<tr>
<td>Legal Defensibility</td>
<td>Industry Standards</td>
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<td></td>
<td>Financial Risk</td>
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## Sample Evaluation: Implementation Criteria

<table>
<thead>
<tr>
<th>Implementation</th>
<th>Status Quo</th>
<th>Alt. 1</th>
<th>Alt. 2</th>
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</thead>
<tbody>
<tr>
<td>Administrative Burden</td>
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<tr>
<td>Public Understanding</td>
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<tr>
<td>Public and Political Acceptance</td>
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- Rate Design (2/18 and 3/3)
PIC Member Questions, Discussion, and Comments

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Next Steps

- Written comments on tonight’s meeting due 12/4 (to Mike Castillo)
- Revenue requirements issue paper to PIC (12/10)
- PIC Workshop (12/17)
  - Public involvement plan
  - Revenue requirements
- Written comments on revenue requirements (12/24)