ISSUE PAPER #6

1. If AWU implements higher rates for irrigation users, how should the excess revenues generated by the higher rates be used?

I agree with the Consultant’s recommendation that if an irrigation rate will be adopted, that the excess revenues be dedicated for a specific purpose. Furthermore, I think a great use of the excess revenue would be for funding of the purchase and installation of more irrigation meters.

(However, I disagree with the Consultant's recommendation to continue AWU’s current practice and not adopt an irrigation rate because this recommendation seems shortsighted. Though AWU may not be poised at the moment to implement an irrigation rate with 100% full technical capacity, it is better to commit now to a policy that could accommodate future growth and conservation.)

2. What is an appropriate level for the irrigation rates?

I disagree with the Consultant’s recommendation that AWU adopt a cost-of-service rate for its irrigation customers because this approach does not support conservation efforts. Of the 3 available alternative methods presented, I prefer for AWU to set the irrigation rate equal to the highest residential block rate.

3. Should single-family residential customers with irrigation meters receive irrigation water at the block 1 and 2 rates?

I agree with the Consultant’s recommendation that AWU charge the block 3 rate for all consumption below 9,000 gallons per month for water through a dedicated irrigation meter for single-family residential customers.

Again, thank you for the opportunity to provide input!

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Dan Wilcox, Spansion, (On behalf of both Industrial PIC members and Large Volume Customer Group LVCG)
Submitted: 03/25/2008

RE: PIC ISSUE PAPER NUMBER SIX (6)

First, we would like to thank and commend the AWU staff and consultants for the well prepared and detailed Issue Paper #6 which included a wealth of meaningful and useful data.
**ISSUE 1: IF AWU IMPLEMENTS HIGHER RATES FOR IRRIGATION USERS, HOW SHOULD THE EXCESS REVENUES GENERATED BY THE HIGHER REVENUES BE USED?**

The LVCG does not support the consultants’ recommendation that AWU not adopt an irrigation rate. In the interest of long range water conservation for Austin, we think that the creation of an irrigation class with separate rate structures and use policies should be considered as part of these ongoing rate proceedings.

The use of an irrigation class for all customers will be beneficial for several reasons:

1. Separation of irrigation use from indoor water use will eliminate the need for wastewater bills based on winter averaging.
2. It should eventually translate to lower water bills as typically, the seasonal peak demands on the system are direct result of significant discretionary irrigation water use.
3. A cost based rate structure would encourage the use of individual alternative sources such as rainwater or groundwater.
4. It would provide revenues for and provide incentives for development of system wide irrigation alternatives such as the reclaim water conveyance system. Improvements to the reclaim water distribution system would allow connections for more customers which eventually reduces peak season loading on the domestic water system, and in turn delays the need for WTP#4.

We recognize that there may not be complete historical data now for development of a full cost of service based irrigation class, but we recommend the implementation now so that usage information, customer use policies and requirements, and customer incentives can move the class toward full activity within three years. It is recommended that over this period:

1. Develop policies to define what customers should be in the class:
   a. All residential customers with a service property over 1 ac in size.
   b. Optional for all other residential customers.
   c. All commercial accounts with any outdoor/irrigation uses be converted within the three year period.
   d. Those opting to remain on a single account will be given higher rates.
2. Provide incentives for all potential irrigation customers to convert such as no or reduced tap and extension fees, and rebates for converting existing irrigation systems to new irrigation tap.
3. Gather and develop information that will get both the irrigation and regular service classes closer to true cost of service rates.
4. Consider that in cases of drought or where there is need for use cutbacks or restrictions, irrigation customers could be considered as “interruptible” or secondary customers by imposing penalty fee’s or other disincentive policies.

**Summary**

Currently AWU combines domestic and irrigation cost of service which results in domestic water rates to be generally higher than true cost of service and irrigation rates to be generally lower than true cost of service. Since irrigation use is the main driver for peak system loads in the summer, the creation of a customer class for this service would shift cost of service towards the irrigation class and away from the domestic water service. Both domestic and irrigation class rates would result close to a true cost of service. In addition, higher irrigation rates would then limit discretionary water use and promote alternative sources for irrigation. We are suggesting that excess revenues captured from irrigation
customers be used to improve and extend the cities reclaim water distribution system. This would ultimately lead to a reclaim water system that is available to all customers leading to an extensive load reduction on the domestic water system further delaying the construction of WTP#4. Since debt recovery is the largest component of the AWU revenue requirements, a delay in major capital investment would have the most impact in minimizing future rate increases. We are suggesting immediate creation of an irrigation class for existing customers with irrigation meters and implement a 3 year phase in program for existing customers. If after 3 years an existing customer opts not to install an irrigation meter, they would be charged a rate above cost of service.

**ISSUE 2: WHAT IS AN APPROPRIATE LEVEL FOR THE IRRIGATION RATES?**

We recommend that the Water Conservation Task Force’s directive to use the third and fourth residential tiers in establishing the commercial irrigation rates. As noted above, the AWU can move toward true cost of service based irrigations rates in the future round of rate proceedings.

**ISSUE 3: SHOULD SINGLE-FAMILY RESIDENTIAL CUSTOMERS WITH IRRIGATION METERS RECEIVE IRRIGATION WATER AT THE BLOCK 1 AND 2 RATES?**

All customer classes should be treated equally. The LVCG agrees with the consultant’s recommendation that higher block rates be used for the irrigation customers. The rates should not be so prohibitive that customers reduce their use so much so that there is a revenue shortfall, but they should send a price signal that water for irrigation is secondary that needed for ordinary household use.

**ADDITIONAL RECOMMENDATIONS**

At the next meeting the consultants are to run and demonstrate the rate models at various scenarios. We have the following requests:

1. Please run the wastewater rate model comparing the alternatives for treatment of Infiltration / Inflow (I/I): by connections, by volume, and by a combination of the two.
2. Please run the water rate model comparing the rates for the industrial (or as we are now calling it – the large volume user class), both as a single class and as the disaggregated class as recommended by the executive team.
3. For both the water and wastewater models, please provide summary tables showing all proposed allocation factors for all classes including average, daily, and hourly peak factors.

**QUESTIONS FOR THE EXECUTIVE TEAM**

We have previously submitted several questions in our responses and still have the following:

1. What methodology will be used to determine day to day and hour to hour peaking factors by customer class? Please provide more details on how costs to the main customer classes will be allocated when using the daily and hourly peaks when disaggregating the Large Volume Customers? NOTE: These are related to our request No. 3 above.
2. What are the drivers for recommending the TKN and Phosphorus charges?
3. How will the BOD, TSS, TKN, and P contribution from the residential class be determined?
4. Please provide current data for TKN and P both entering and exiting the AWU wastewater treatment plants.
5. Please provide the current TKN and P limits and regulatory agency requirements the AWU is subject to.

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END OF PUBLIC COMMENTS FROM MARCH 17th PIC MEETING.