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Setting Rates: Conservation & Affordability

October, 2009

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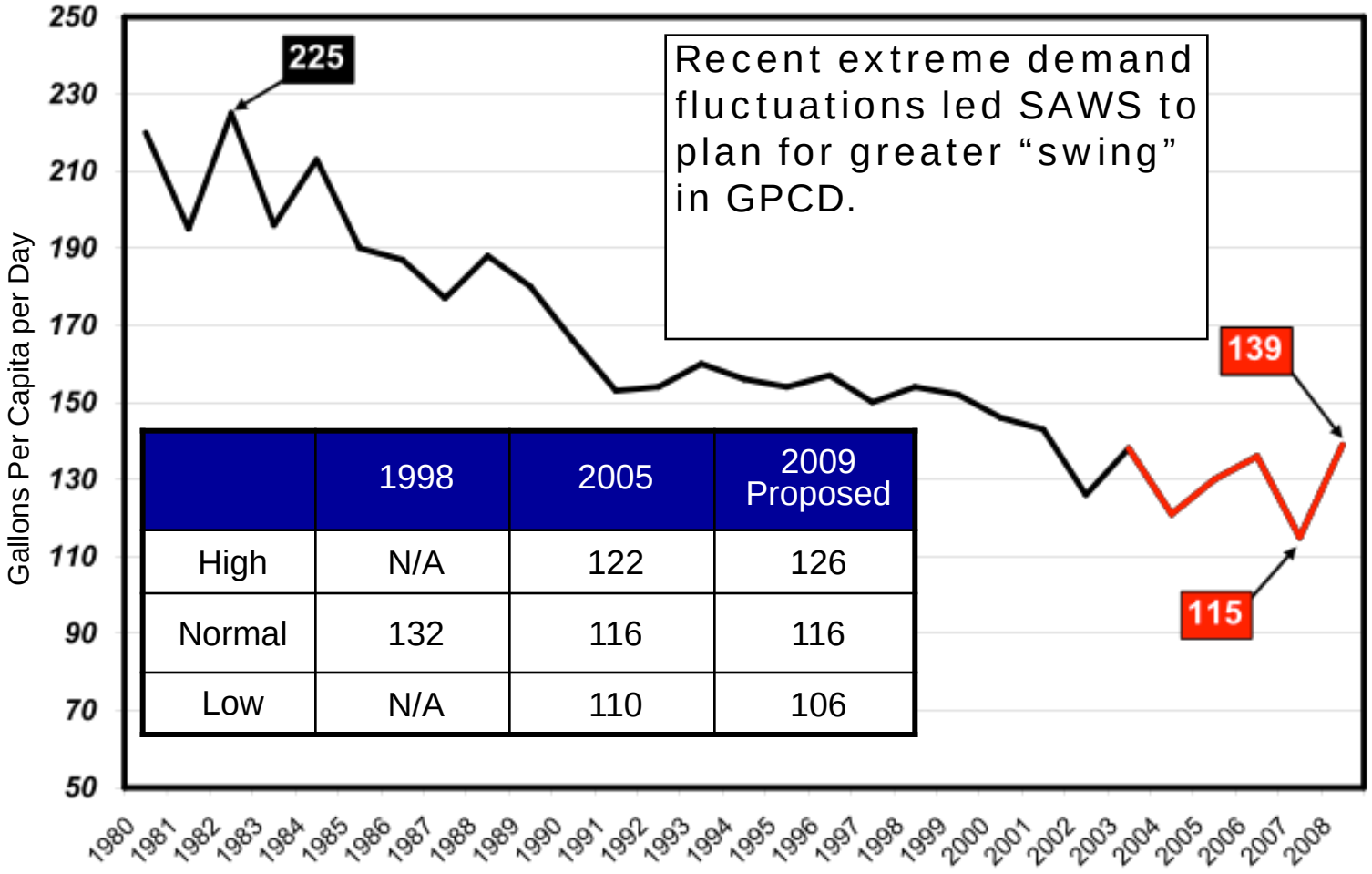
Topics

- How do rates fit in with overall water conservation goal strategy?
- Doesn't conservation cause increased rates?
- How do we quantify savings from water conservation programs?
- How do conservation driven rates impact low income customers?

Water Management Plan GPCD Goals

San Antonio Goals vary by demand conditions



	1998	2005	2009 Proposed
High	N/A	122	126
Normal	132	116	116
Low	N/A	110	106

2009 Goal Update

- Water Supply update for San Antonio underscored value of decreased GPCD
  - lower GPCD = less need for new water
  - new supplies are expensive
  - therefore accelerated goals set in motion
- Doubled Goals Proposed
  - Must lower GPCD by two per year
  - Requires 1 billion gallons of savings/year or 3,000 acre feet
  - Only 20% budget increase

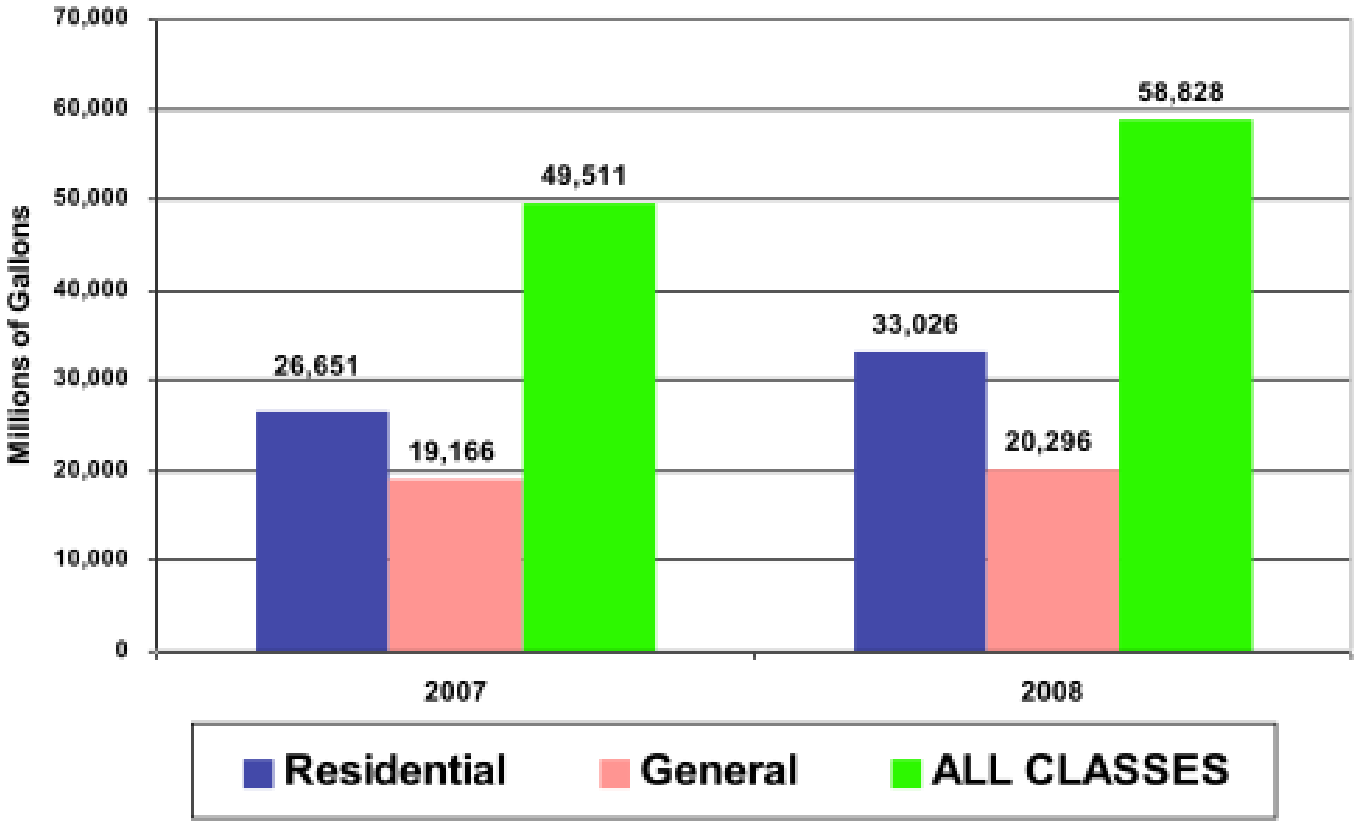
How to Meet New Goals?

- More Education & Outreach
  - Double outreach, even more partners
- More Reasonable Regulation
  - Change drought triggers
  - Add more year-round efficiency rules
- Additional Financial Incentives
  - Offer greater amount of all rebate programs and free product programs for secure savings
  - Reflect GPCD goals in updated rate structure
    - reward customers for staying within residential GPCD levels
    - discourage excess discretionary usage in

Why Target Outdoor Usage?

- Compare 2007 to 2008
  - 2007 = very wet year
  - 2008 = very dry, no drought restrictions
  - What was difference in consumption and who used more for what?
  - How significant is the increase for the discretionary consumption?
  - Would a change in 2008 top tier consumption be significant difference in Total GPCD?

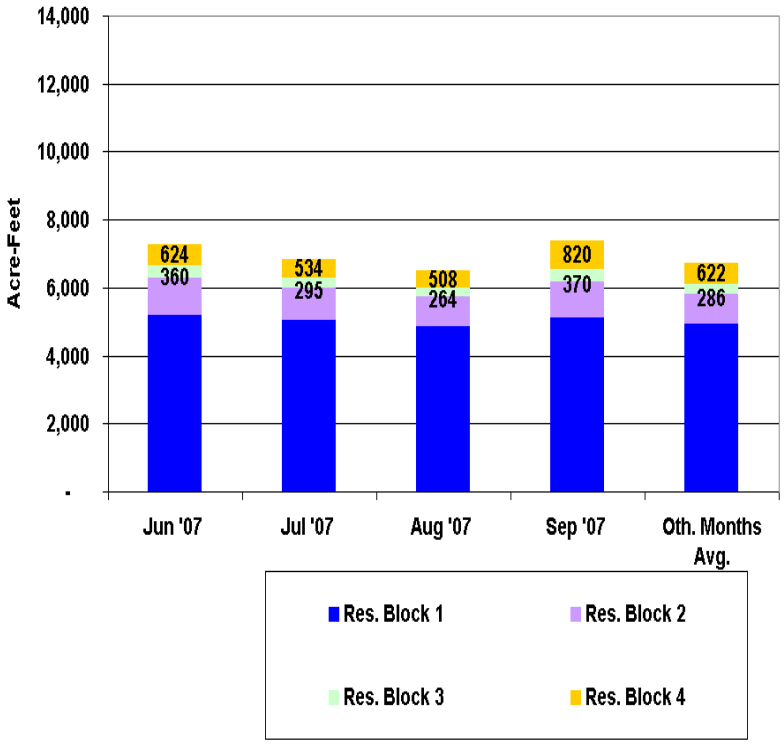
2007 to 2008 Consumption Increases



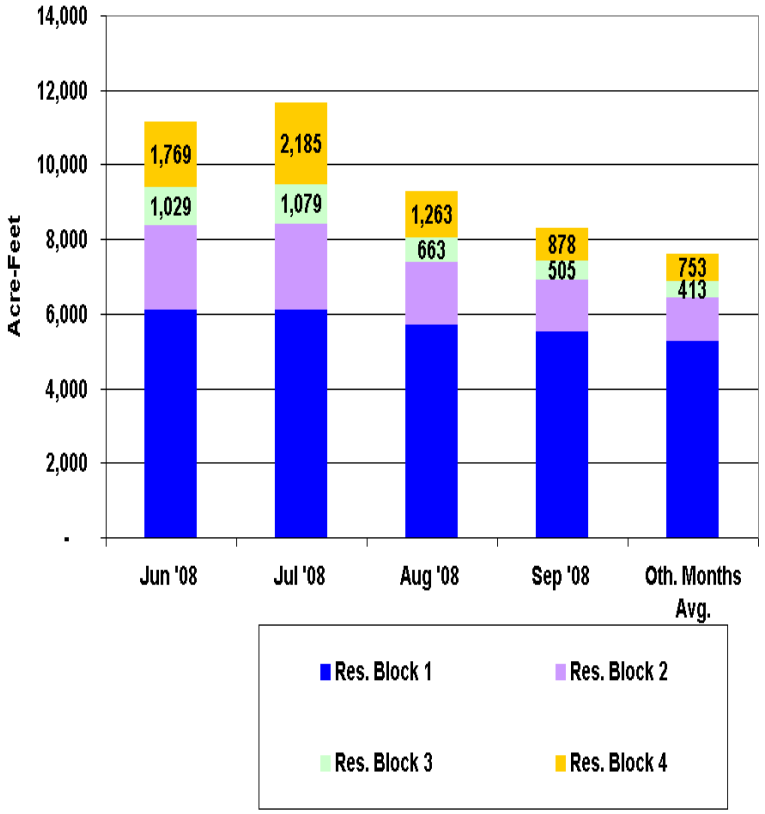
- Residential increased 23.9%, Irrigation meters up over 40%
- General increased 5.9%
- All Classes increased 18.8%

2007/2008; Where was change?(acre-feet)

2007 Acre Feet/Tier



2008 Acre Feet/Tier



Consumption Patterns

- During dry years more water is sold for outdoor irrigation
  - Through irrigation meters
  - Through residential meters; especially in 3rd and 4th block (4th = over 17,205 gallons)
- Even in very wet months there is still discretionary consumption in the top two blocks residential
- How much does this matter? Is it significant?

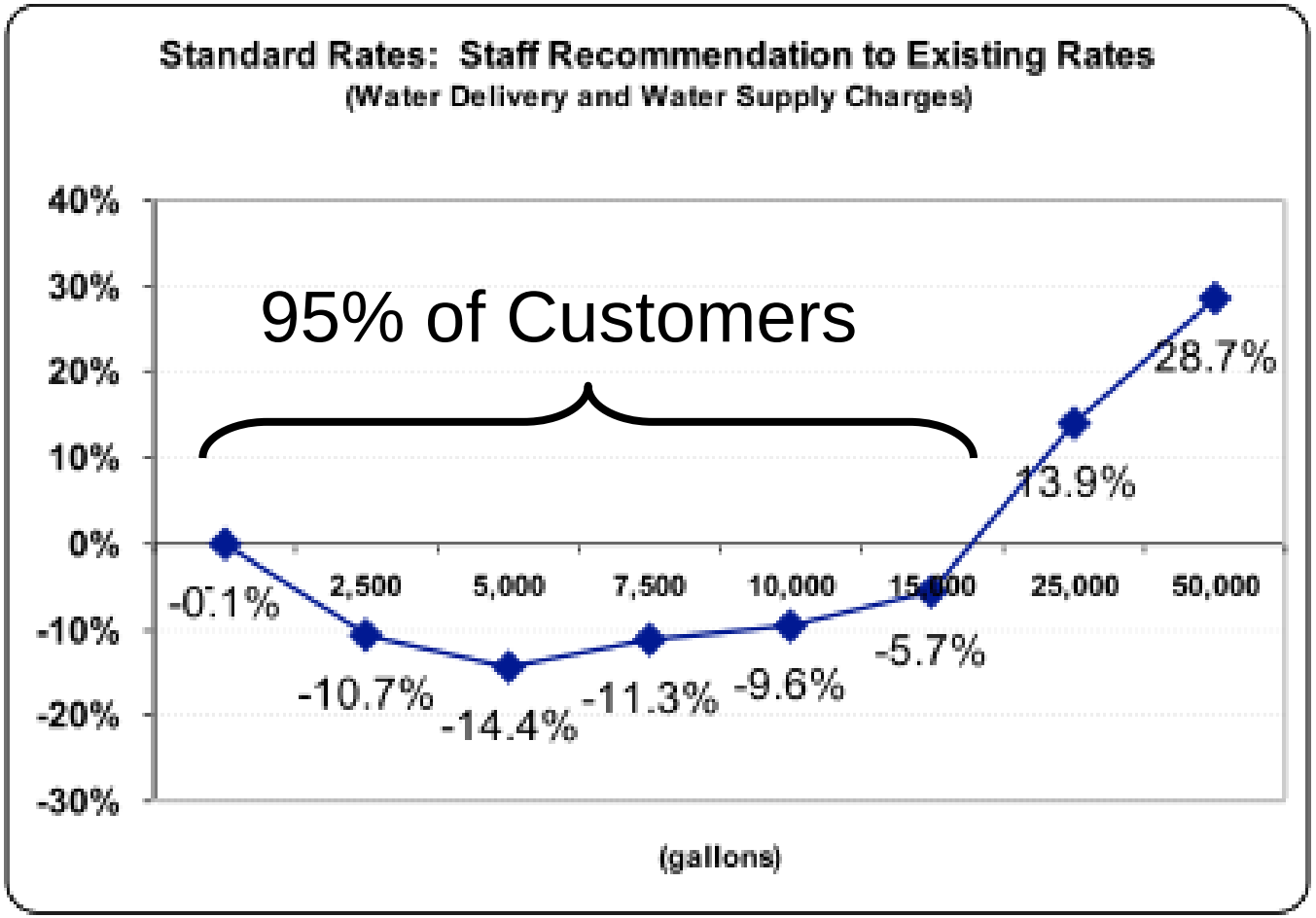
Reduction of 10%

- 2007 Reduction of 10% in 3rd and 4th block usage would have resulted in:
  - 359.7 million gallons
  - 1,103.9 acre feet
- 2008 Reduction of 10% in 3rd and 4th block usage would have resulted in:
  - 609.3 million gallons
  - 1,869.9 acre feet
  - This is decrease of 1.5 GPCD in year and big drop in peak demand

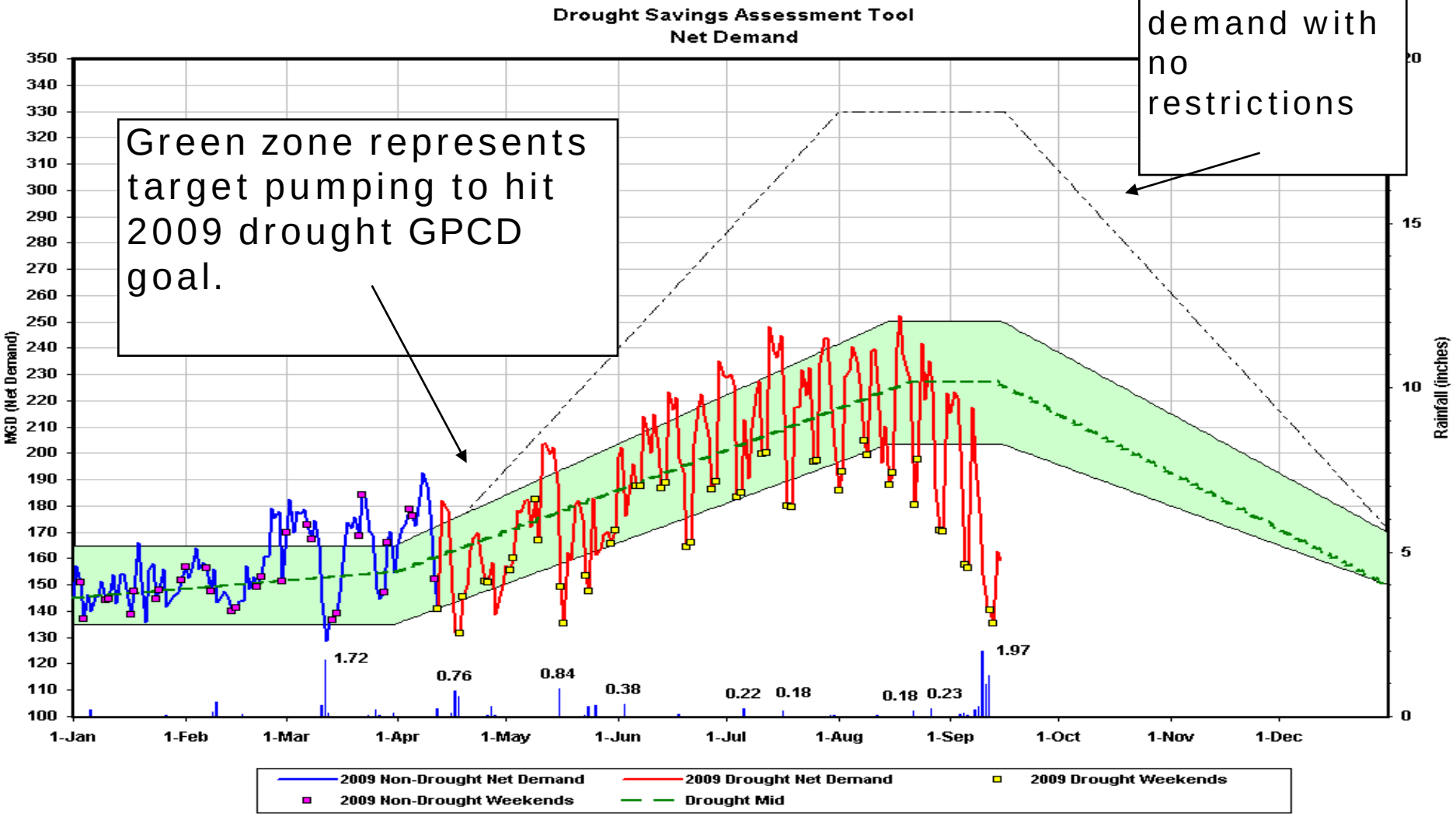
Solutions?

- There is no silver bullet answer:
  - Home owners often over-water WaterSaver/xeriscape landscapes
  - “Smart” irrigation controllers are too generous in water application
- We need to motivate a change in irrigation settings
  - Even at 4th block rates it costs only about $10 to run an irrigation cycle for 2000 gallons
- How to motivate change?

Residential Impact
Staff Recommendation: Standard Charges



More Evidence of Outdoor Impact



Conclusions

- Smart reductions by all top users results in significantly lower GPCD
- Small changes in commercial irrigation usage also result in significantly lower GPCD
  - currently water is very low on overhead cost
- Can reflect residential GPCD goals in rates
  - Use it in education to teach “water footprint”
  - Go beyond “efficiency” to “conservation ethic”
- On cost of service model going up on top tier means going down on lowest tier
  - Conservation & Affordability hand in hand

Additional Resources

- Presentation by SAWS CFO Doug Evanson outlines why he supports conservation as smart financial move
- SAWS Rate Advisory Committee is working on review of rate structure
  - Within a few months public information on this may be ready for review
  - Should include reasoning for additional tiers for conservation impacts.

Water Delivery Rates

Residential Inside-City Charges

	Existing Rates	Conceptual Design	Staff Recommendation
Block	Usage Range	Usage Range	Usage Range
1	0 - 7,481	0 - 5,985	0 - 5,985
2	7,482 - 12,717	5,986 - 12,718	5,986 - 12,717
3	12,718 - 17,205	12,719 - 19,451	12,718 - 17,205
4	> 17,205	> 19,451	> 17,205
5			

Block	Standard	Seasonal	Standard	Seasonal	Standard	Seasonal
1	$ 0.0906	$ 0.0906	$ 0.0923	$ 0.0923	$ 0.0897	$ 0.0897
2	$ 0.1309	$ 0.1423	$ 0.1325	$ 0.1441	$ 0.1298	$ 0.1412
3	$ 0.2058	$ 0.2217	$ 0.1866	$ 0.2012	$ 0.1831	$ 0.1974
4	$ 0.3288	$ 0.4246	$ 0.3499	$ 0.4519	$ 0.3206	$ 0.4141

General Inside-City Charges

	Existing Rates	Conceptual Design	Staff Recommendation
Block	Usage Range	Usage Range	Usage Range
1	Base	Base	Base
2	> 100% - 125%	> 100% - 125%	> 100% - 125%
3	> 125% - 150%	> 125% - 175%	> 125% - 175%
4	> 150% - 200%	> 175%	> 175%
5	> 200%		

Block	Standard Rates	Standard Rates	Standard Rates
1	$ 0.1086	$ 0.0975	$ 0.1086
2	$ 0.1257	$ 0.1298	$ 0.1298
3	$ 0.1633	$ 0.1821	$ 0.1821
4	$ 0.2138	$ 0.2666	$ 0.2666
5	$ 0.3160		

History of San Antonio Conservation

1991 — Sierra Club files a lawsuit against the Department of Interior alleging violations of the Endangered Species Act at San Marcos and Comal Springs.

May 1992 — San Antonio City Council creates the San Antonio Water System through consolidation of the City Water Board, the City Wastewater Department, and the Alamo Water Conservation and Reuse District.

Conservation department strategically located in the Planning and Water Resources department to emphasize water conservation as a viable method of addressing water resource challenges.

Nov 1993 — SAWS adopts its first Conservation and Reuse Plan.

Jun 1994 — City Council approves a residential water rate structure that encourages conservation and establishes dedicated funding for water conservation programs.

Nov 1994 — SAWS institutes its first direct program: Plumbers to People. This program provides leak repair services to low-income households.

1996 — SAWS Community Conservation Committee (CCC) is established. This advisory group provides staff and the Board of Trustees with citizen feedback on conservation policies and programs.

1997 — SAWS holds the first WaterSaver Awards, recognizing local companies who have taken a leadership role in water conservation efforts.

History of San Antonio Conservation

Jan 1998 — San Antonio City Council approves a fee on all commercial water accounts in support of commercial conservation programs.

Mar 1998 — Texas Water Development Board (TWDB) appoints SAWS representative to the South Central Texas Regional Water Planning Group (Region L). Region L is one of 16 regional planning groups in Texas, tasked with the development of a 50-year water plan for inclusion in the state water plan.

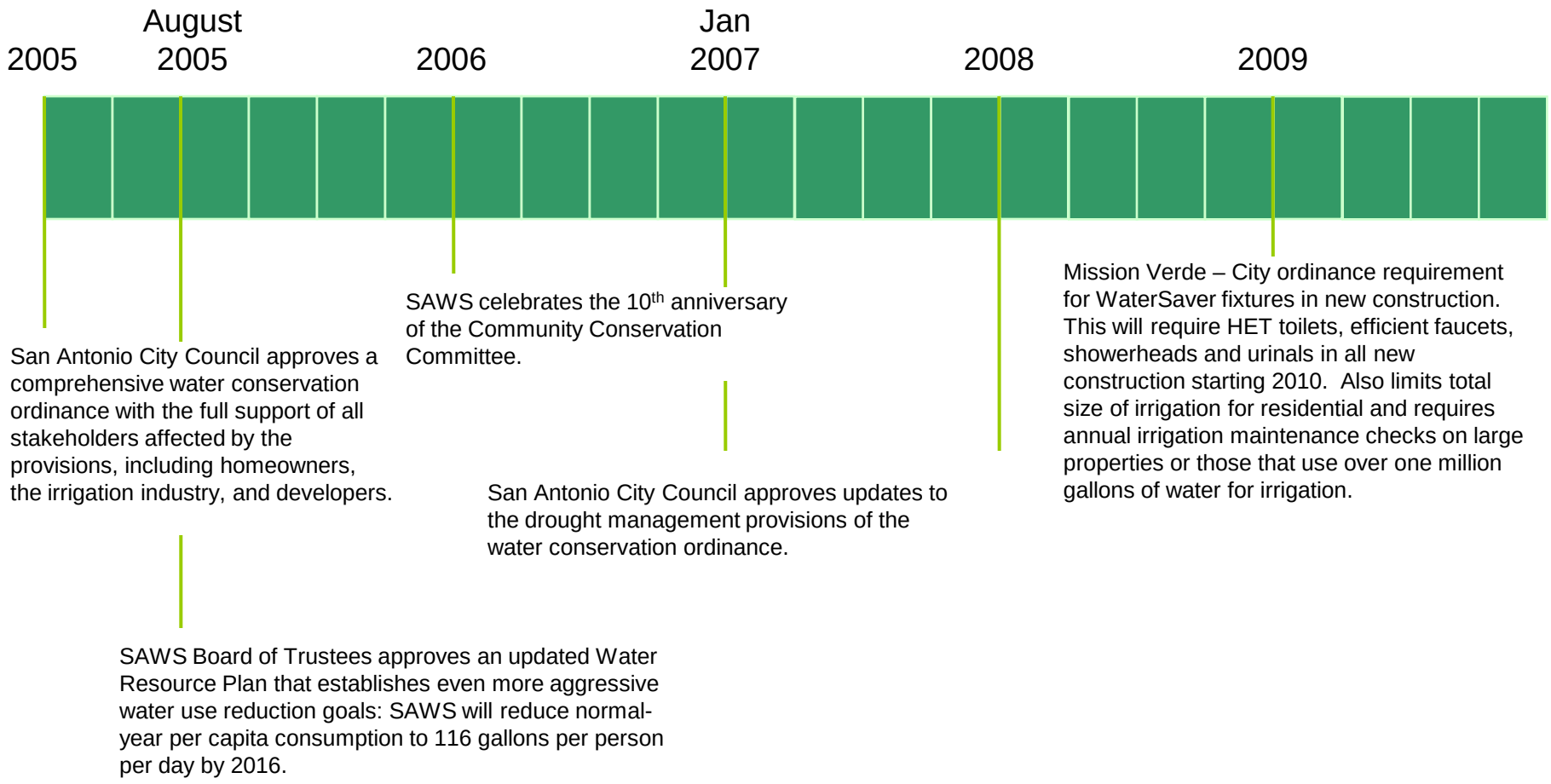
Oct 1998 — SAWS Board of Trustees approves the first Water Resource Plan, titled "Securing our Water Future Together." This plan identified methods for meeting future water needs through diversification of our water resources.

Jan 2001 — Water use reduction goals established in the 1993 Conservation and Reuse Plan for 2008 are achieved a full 7 years in advance.

Dec 2001 — With input from Region L and regional planning groups throughout the state, TWDB adopts the first state water plan. In this plan, the San Antonio region is the only area in the state that adopts "advanced conservation" as a significant resource option.

Jan 2002 — SAWS per capita consumption drops to 143 gallons per person per day.

History of San Antonio Conservation



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