

**AUSTIN WATER COST OF SERVICE RATE STUDY
WHOLESALE INVOLVEMENT COMMITTEE
JANUARY 17TH, 2017 – 9:30 P.M.
WALLER CREEK CENTER – ROOM #104
625 E. 10TH STREET, AUSTIN, TEXAS**



AGENDA

For more information, please visit <http://www.austintexas.gov/departments/2016-cost-service-rate-study>

MISSION: The purpose of the Wholesale Involvement Committee (WIC) is to examine the methodology being developed to determine cost of service for all customer classes with a primary focus on the wholesale customer classes, discuss the impacts of key cost of service factors, and advise the Austin Water Executive Team in their decision-making process.

MEETING GOALS: Discuss the cost allocation process and the development of units of service for each customer class.

CALL TO ORDER

1. CITIZEN COMMUNICATION

The first 10 speakers signed up prior to the meeting being called to order will each be allowed a three-minute allotment to address their concerns regarding items not posted on the agenda.

2. DISCUSSION ITEMS

- a. Previous WIC Meeting Review
- b. Study Decision Points Review and Input
- c. Wastewater Allocation

3. COMMITTEE DISCUSSION

- a. WIC Member Questions and Discussion

4. FUTURE AGENDA ITEMS

5. PUBLIC COMMENT

6. ADJOURN



Presentation | WIC



Presentation | WIC



Presentation | WIC



Presentation | WIC

CITY OF AUSTIN

DECISION POINTS REVIEW AND WASTEWATER COS WIC Meeting #7 / January 17, 2017



TODAY'S WIC MEETING

1. Welcome
2. Citizen Comment (Standard Format – 3 Min)
3. Executive Team Recap
4. WIC comments from the last meeting
5. Continuation of review of Study Decision Points to date
6. Wastewater cost of service discussion
7. Summary of today's meeting and look ahead
8. WIC and Public Comments
9. Adjourn

CITIZEN COMMENT

EXECUTIVE TEAM RECAP

WIC COMMENTS FROM LAST MEETING

DECISION POINTS: REVIEW AND WIC INPUT

WASTEWATER COST OF SERVICE

Water vs. Wastewater COS

Water

- » Annual Revenue Requirement
- » Cost Functionalization
- » Retail Only (Distribution System)
- » Common to All
- » Allocation to Classes:
 - Base Demand
 - Max Day Demand
 - Max Hour Demand
 - Customer Account Metrics
- » **Key Issue**: Peaking Factors

Wastewater

- » Annual Revenue Requirement
- » Cost Functionalization
- » Retail Only (Collection System)
- » Common to All
- » Allocation to Classes:
 - Discharge Volumes
 - Discharge Strength
 - Customer Account Metrics
- » **Key Issues**: Strength Loadings and Inflow and Infiltration

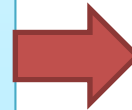
COST FUNCTIONALIZATION

O&M Cost Centers

- Wastewater Treatment Support
- Wastewater Treatment
- Collection System Operations
- Collection System Support
- One Stop Shop
- Support Services
- Conservation and Reuse (Environmental Lab)
- Billing and Customer Services
- Transfers & Other Requirements

Capital Expenses

- Dependent on methodology



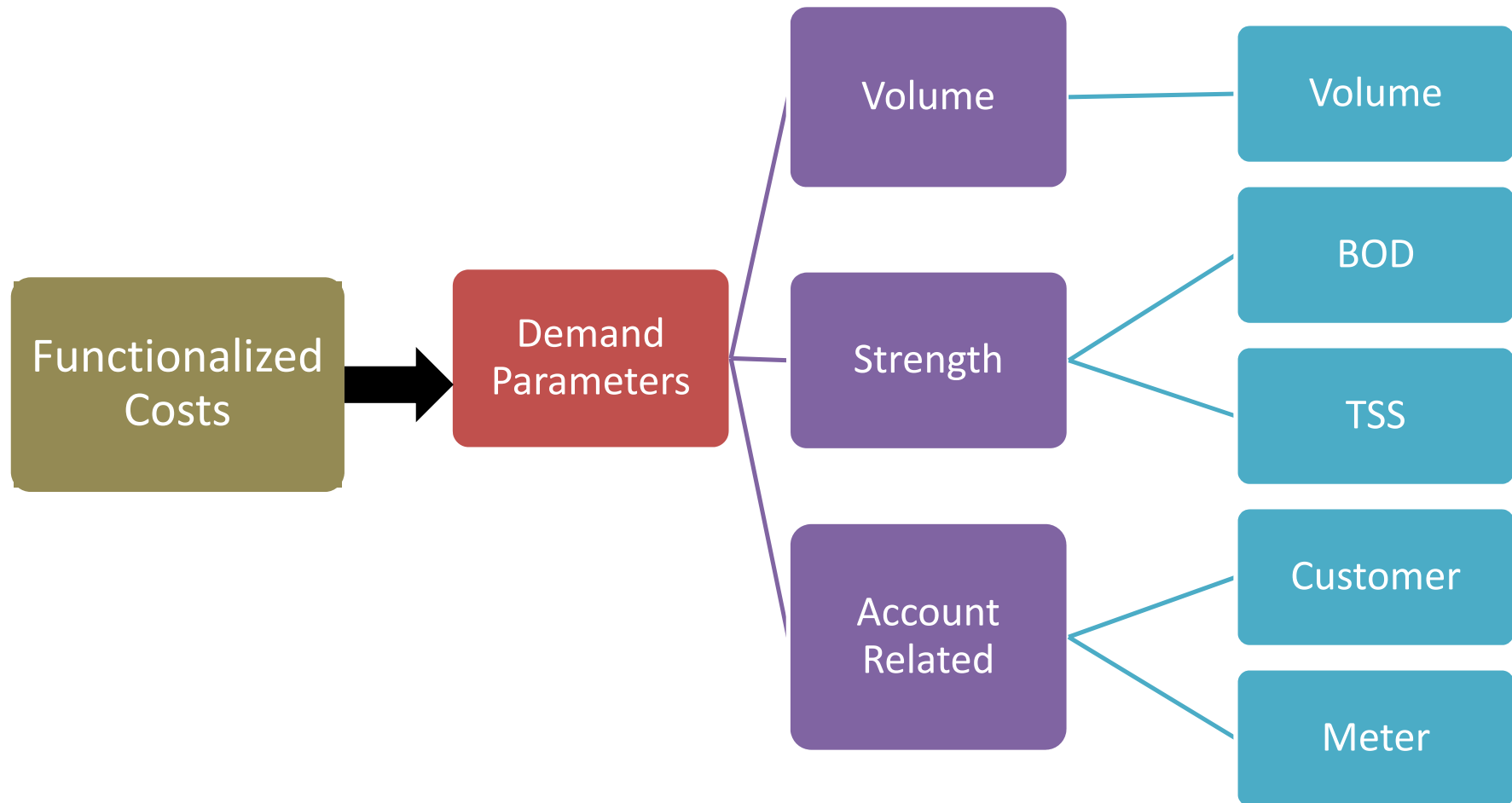
Key Wastewater Service Functions

- Collection
- Interceptors
- Lift Stations (Conveyance)
- Plant Raw WW Pumping
- Primary Clarifiers
- Aeration Basins
- Secondary Clarifiers
- Filters
- Disinfection and Outfall
- Sludge Thickening
- Biosolids Management
- Customer Service

COST ALLOCATIONS

Function	Common to All Costs (Retail and Wholesale)	Retail Only Costs	Wholesale Only Costs	Commercial and Industrial Monitoring	Surcharge Customers
Collection		X			
Interceptors	X				
Lift Stations (Conveyance)	X				
Plant Raw WW Pumping	X				
Preliminary Treatment	X				
Industrial Waste Control				50.0%	50.0%
Primary Clarifiers	X				
Flow Equalization Basins	X				
Aeration Basins	X				
Secondary Clarifiers	X				
Return Sludge Pumping	X				
Waste Sludge Pumping	X				
Filters	X				
Disinfection and Outfall	X				
Sludge Thickening	X				
Biosolids Management	X				
Customer Service	X				

ALLOCATION TO DEMAND PARAMETERS



DEMAND PARAMETERS

Volume

O&M expenses and capital costs associated with service to customers under average load conditions

BOD

Costs associated with treating biological oxygen demands (BOD)

TSS

Costs associated with treating total suspended solids (TSS)

Customer

Costs associated with serving customers, irrespective of the amount or strength of demand

Meter

Maintenance and capital costs related to meters

Inflow and Infiltration (I/I)

- » Inflow results from rainfall that enters the system thru direct connections (catch basins, roof drains, manholes)
- » Infiltration seeps into the collection system from rainfall or high groundwater levels
- » Wastewater utility system must convey and treat actual wastewater discharges from customers plus I/I
- » There is a cost to convey and treat I/I
- » *How should I/I costs be allocated to customer classes?*

Inflow and Infiltration (I/I)

- » AW wastewater COS model assumes that I/I is equivalent to 10.5% customer contributed volumes
- » Three common methods for allocating I/I flows to customer classes:
 - Customer class contributed volumes
 - Customer class connections
 - Combination of customer class connections and volumes
- » AW wastewater COS model allocates I/I flows to customer classes based on 100% volume

Discharge Strength

- » AW wastewater COS model currently allocates costs based on:
 - Biochemical Oxygen Demand (BOD)
 - Total Suspended Solids (TSS)

- » Other strength parameters often used to allocate costs include:
 - Nitrogen
 - Phosphorus
 - Ammonia

Discharge Strengths

- » AW wastewater COS model assumes that most customer classes have the discharge strengths:
 - BOD of 200 mg/L and TSS of 200 mg/L
- » Some large customers (industrial and UT) and two wholesale are assigned unique discharge strengths based on sampling data
- » *Should AW consider adding one (or more) additional strength parameters*

Summary of Key Decision Points

- » Method used to allocate I/I to customer classes
- » The possible need for a new discharge strength cost parameter(s)

SUMMARY AND LOOK AHEAD

RECAP OF TODAY'S DISCUSSION

I. Decision Points: Review

II. Decision Points: WIC Input

III. Wastewater Cost of Service

WIC -SCHEDULE & TOPICS

<u>Meeting</u>	<u>Day</u>	<u>Date</u>	<u>Objective</u>
1	Tues	27-Sep	Orientation
2	Wed	5-Oct	Revenue requirements
3	Tues	8-Nov	Revenue requirements -- Cont'd
4	Tues	29-Nov	Revenue requirements
5	Tues	13-Dec	Water Cost Allocation
6	Wed	4-Jan	Decision Points
7	Tues	17-Jan	Decision Points/WW Cost of Service
8	Tues	31-Jan	Rates and Customer Impacts
9	Tues	21-Feb	Overview of Results and Wrap-up
10	Mon	6-Mar	Overview of Results and Wrap-up
11	Tues	21-Mar	TBD

ADDITIONAL COMMENTS

ADJOURN

**THANK
YOU**



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www.raftelis.com



Question & Answer Summary | WIC



Question & Answer Summary | WIC



Question & Answer Summary | WIC



Question & Answer Summary | WIC

Austin Water
 COS Rate Study 2016 - Q&A Summary
 As of 01/12/2017

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ID	Class	Topic	Requestor	Question	Status	Summary Response
956	Residential	General Cost of Service	Grant Rabon	Submitted: 01/04/2017 Please provide the recently released 2017 Fitch medians report.	InProgress	
951	All Classes	General Cost of Service	Lanetta Cooper	Submitted: 12/29/2016 "You" in these questions refer to Austin W/WW and its employees including the general manager, officers and consultants. "PIC" means Public Involvement Committee. "COS" means cost of service. "COA" means City of Austin. 1. How much O&M costs are related to the COA water utility's transmission mains? 2. How are the O&M costs related to the COA water utility's transmission mains allocated among the customer classes. In your response please include the \$ amount of costs assigned to each customer class, the methodology(ies) the utility relied upon in allocating the O&M costs among the customer classes, and the FY the utility used for its data. 3. How much of the O&M costs identified in No. 1 above are attributable to the "extra capacity costs" incurred by the COA water utility? In other words if the transmission main was constructed and maintained to handle only "base capacity" usage, what O&M costs would be avoided?	Posted	Posted: 1/11/2017 The FY 2017 Cost of Service (COS) model includes O&M costs for water Transmission Mains totaled at \$16,424,157. Austin Water allocates these costs in accordance with the Principles of Water Rates, Fees and Charges (American Water Works Association M1 Manual).
950	All Classes	Allocation Methodologies	Marcia Stokes	Submitted: 12/29/2016 Cost allocation: Please provide by meter size and customer class, the number of fire demand aka fire service meters which are 8x2"FD, 10x2"FD and 12x2"FD. In addition, for each fire service meter size and class, please provide how many meters are within each DOMESTIC USE equivalent meter size of 2",3",4",6"or 8". DOMESTIC USE equivalent meter size can be found by retrieving the CRF (capital recovery fee) paid and reverse lookup the service units and corresponding equivalent meter size. For example in 2007, a fire demand meter with domestic use of 8 service units which is equivalent to a 2" PD meter paid a \$5600 CRF in DDZ zone or \$12000 in a DWPZ zone; 16 service units (3" meter equivalent) paid a \$11,200 CRF (DDZ) or \$24,000 CRF (DWPZ); 25 service units (4" meter equivalent) paid a \$17,500 CRF (DDZ) or \$37,500 CRF (DWPZ), 50 service units (6" meter equivalent) paid a \$35,000 CRF (DDZ) or \$75,000 CRF (DWPZ).	InProgress	
949	All Classes	Customer Demand Characteristics	Marcia Stokes	Submitted: 12/29/2016 COS Model and Cost Allocation: Please provide the external pivot table 'C:\Rates and Charges\COS\FY 2009-10 & COS Study\Water\[Meter Size Pivot.xlsx]Sheet1' which is referenced in the COS model provided under: spreadsheet "Water Option_01 Budget submittal, Characteristics worksheet, Table 58, Equivalent Meter schedule, Equivalent Fire Services Column. Also, explain the methodology and formula used for the overridden values of equivalent fire services for 8", 10" and 12" meters changed May 7, 2012 by Michael Castillo.	Posted	Posted: 1/11/2017 The equivalent meter analysis was completed as part of the 2009 Cost of Service Study by the previous COS rate consultant (Red Oak). This analysis was prepared in order to determine the average monthly adjusted consumption by meter size. An external pivot table is provided in the attachment as referenced in the FY 2017 COS model. The overridden values included in the COS model, are the result of an executive decision to implement adjustments to the 8", 10" and 12" equivalent meters in order to reduce the fixed cost allocations.

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948	All Classes	General Cost of Service	Lanetta Cooper	Submitted: 12/22/2016 (Question received via email on 12/22/16) 2. Does the COA W/WW department have a fiscal policy(ies) relating to debt levels, including debt equity ratios? If so please list each such policy.	Posted	Posted: 1/5/2017 Austin Water does not have a financial policy related to debt levels. Response provided a listing of Austin Water's debt related financial policies.
947	All Classes	General Cost of Service	Lanetta Cooper	Submitted: 12/22/2016 (Question received via email on 12/22/16) You” in these questions refer to Austin W/WW and its employees including the general manager, officers and consultants. “PIC” means Public Involvement Committee. “COS” means cost of service. How do you derive your level of budgeted revenues for purposes of setting water and wastewater rates for the FY budget year? (In other words, what calculations, assumptions, formulas, and such other methods do you rely upon in deriving the amount of revenues you estimate will be realized during the budget FY). In your explanation, please address how the calculated revenues are normalized, if at all, for weather.	InProgress	
944	All Classes	General Cost of Service	Lanetta Cooper	Submitted: 12/19/2016 General fund transfer A. How is it considered in the COS? B. Should the current General Fund formula continue to apply to all revenues or should some revenues arising from certain costs be exempted because the costs incurred relate to the public good such as conservation lands or from costs related to excess capacity	Posted	Posted: 1/12/2017 The General Fund Transfer is set at 8.2% of the three-year average of Austin Water operating revenues. This three-year average is calculated using the year-end estimate at March 31st for the current year and the previous two years of actual revenue. Each customer class for Retail and Wholesale is allocated a proportionate share of the General Fund Transfer based on the percentage of revenue each customer class contributes in revenue.
943	All Classes	General Cost of Service	Lanetta Cooper	Submitted: 12/19/2016 How are grants and such other non-rate revenue infusions addressed in COS?	Posted	Posted: 12/29/2016 Non-rate revenue, including grants, is subtracted from the gross revenue requirement in the COS model in order to determine the net revenue requirement.
942	All Classes	General Cost of Service	Lanetta Cooper	Submitted: 12/19/2016 How is debt accounted for? A. d/s coverage ratio i.) What are the bond covenant requirements ii.) What are the COA financial policy requirements iii.) How is the COA's bond covenant requirements related to the general fund transfer, if at all? B. debt/equity ratio	Posted	Posted: 12/29/2016 AW's bond covenant requirements for debt service is to maintain a 1.25x coverage. AW's financial policy requirements for debt service is to target 1.50x coverage. The COA's bond covenant requirements are not related to the general fund transfer. The debt to equity ratio is calculated using the City's CAFR and reported at the combined utility basis. Debt service and debt/equity information as FY 15 was provided.

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941	All Classes	General Cost of Service	Lanetta Cooper	Submitted: 12/19/2016 Who can appeal a council decision on w/ww rates? A. What is the process? B. What is the regulatory standard applied by PUC on appeal? C. What is the status of customer refunds and/or surcharges should the PUC adjust the COA's revenue requirement and/or its COS on appeal?	Posted	Posted: 12/29/2016 Inside city customers can appeal their water and wastewater rates by contacting the Water and Wastewater Commission, City of Austin Public Utilities Committee, and the Austin City Council. Outside city and wholesale customers can appeal directly to Public Utility Commission of Texas (PUCT) .
940	All Classes	General Cost of Service	Lanetta Cooper	Submitted: 12/19/2016 Continued from above... D. How should prudence be considered when an investment is proposed that is replacing a current investment not fully depreciated? E. Should COS and/or the rate effect that is related to the timing of the financial commitment to investment be considered? In other words, should some investments be deferred or fast tracked because of the COS and rate effects of the investments? Is this a component of prudence?	Posted	Posted: 12/29/2016 Replacement of current investments/assets is based on operational needs and service demands as part of Austin Water's (AW's) Capital Improvement Project (CIP) program. Rate impact is considered to the extent that AW manages its CIP Spending Levels to balance asset and infrastructure needs with the fiscal impact on AW's budget and rates.
939	All Classes	General Cost of Service	Lanetta Cooper	Submitted: 12/19/2016 How does COA relate its investment decisions to the used and useful regulatory standard-in other words, is the COA prudent in its investment decisions to ensure that it is not creating excess capacity? A. Is COA investment decisions driven by customer demand or by utility supply? i.) What is the long term and short term cost/benefit analysis of marketing and acquiring wholesale water contracts to retail base customers? Should a different COA approach be used to ensure retail base customers are not harmed? ii.) How does our current policy of entering into wholesale water contracts or serve retail customers outside our city limits affect: 1. Affordable housing 2. Environment 3. Sprawl and other growth concerns 4. How does this tie in to COS B. What should be the regulatory standard to determine whether an investment is a prudent utility decision? C. How should the effect on utility rates affect if at all an investment decision?	Posted	Posted: 1/3/2017 Austin Water's infrastructure investments are based on operational needs and service demands as part of Austin Water's (AW's) Capital Improvement Project (CIP) program. Rate impact is considered to the extent that AW manages its CIP Spending Levels to balance asset and infrastructure needs with the fiscal impact on AW's budget and rates.
938	All Classes	General Cost of Service	Lanetta Cooper	Submitted: 12/19/2016 What is the amount of capital investment that is used and useful?	Posted	Posted: 1/11/2017 Response provided the Capital Plant in Service information from the Water and Wastewater Cost of Service Models. The net capital plant in service is \$1,607,078,593 for Water and \$1,435,204,022 for Wastewater.

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937	All Classes	General Cost of Service	Lanetta Cooper	<p>Submitted: 12/19/2016 How are new service connections addressed in COS?</p>	Posted	<p>Posted: 12/29/2016 New service connections (i.e. Capital Recovery Fees) are considered non-rate revenue and are not based on the volume of water and wastewater sold in the COS analysis. Capital recovery fees are used to reduce debt service requirements associated with growth related projects, which reduces rate revenue required to cover revenue requirements.</p>
936	All Classes	Allocation Methodologies	Lanetta Cooper	<p>Submitted: 12/19/2016 What is the range of alternate COS methodologies? A. How was the range determined? B. How were the COS methodologies relied upon by consultants for residential customer classes determined? (what kind of vetting process was used to ensure the consultants that are relied upon for COS methodologies represented residential customer class in rate cases?).</p>	InProgress	
935	All Classes	General Cost of Service	Lanetta Cooper	<p>Submitted: 12/19/2016 How does the water conservation program factor into rates? Into the cost of service?</p>	Posted	<p>Posted: 12/29/2016 In the current COS model, the Water Conservation Program is allocated as a common to all (retail and wholesale) administrative cost. Costs associated with this indirect cost category are allocated based on the projected volume by customer class.</p>
934	All Classes	General Cost of Service	Lanetta Cooper	<p>Submitted: 12/19/2016 Does the COA have any customers who are not either within the city limits of Austin or within the service territory of AE?</p>	Posted	<p>Posted: 12/29/2016 Austin Water (AW) provides water and/or wastewater services to outside city and wholesale customers that are not within the city limits or within the service territory of Austin Energy (AE). A map is provided showing the current service territory for AW and AE.</p>
933	Residential	General Cost of Service	Lanetta Cooper	<p>Submitted: 12/19/2016 How can we hold low income customers harmless for potential rate increases with the goal of maintaining affordability?</p>	Posted	<p>Posted: 12/29/2016 The volumetric rates for the water and wastewater CAP participants are designed to collect 60% of the revenue requirements for the class. Residential CAP participants receive an average combined bill discount of 34.9% compared to the Residential Non-CAP customers.</p>
931	All Classes	General Cost of Service	Lanetta Cooper	<p>Submitted: 12/19/2016 How consistent, if at all, is the w/ww reserve policies with AE's reserve policies? A. What are all of COA's reserves and what is the policy behind each reserve? B. Are nontraditional expenses such as specialized reserves considered O&M expenses for purposes of determining the needed level of COA reserves such as the amount needed for cash working capital?</p>	Posted	<p>Posted: 12/29/2016 Austin Water's (AW's) reserve policies are only consistent with AE's reserve policies as it pertains to debt service, specifically, the Combined Utility Reserve Fund which is a debt service reserve fund shared by both AE and AW. Other reserve funds are specific to each utilities master debt ordinance or financial policies adopted by City Council.</p>

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927	Residential	General Cost of Service	Lanetta Cooper	Submitted: 12/19/2016 What is the current low income bill discount program?	Posted	Posted: 12/29/2016 The City of Austin's Customer Assistance Program (CAP) provides waived water and wastewater customer charges to enrolled customers. In addition, volumetric rates are reduced for CAP participants.
926	Residential	Customer Demand Characteristics	Lanetta Cooper	Submitted: 12/19/2016 What is the amount of wastewater used for families meeting basic needs?	Posted	Posted: 12/29/2016 Austin Water (AW) considers the "winter average" of water consumption for residential customers, currently 4,000 gallons per month, as the amount of wastewater flows for families to meet basic needs since this period generally reflects the lowest level of residential consumption during the year.
925	Residential	Customer Demand Characteristics	Lanetta Cooper	Submitted: 12/19/2016 What is the amount of water needed for families meeting basic needs?	Posted	Posted: 12/29/2016 Austin Water considers the "winter average" of water consumption for residential customers, currently 4,000 gallons per month, as the amount of water needed for families to meet basic needs since this period generally reflects the lowest level of residential consumption during the year.
924	Residential	General Cost of Service	Lanetta Cooper	Submitted: 12/19/2016 Except for low income customers participating in bill discount programs, are residential customers treated alike in w/ww rates? A. Do some residential customers have more than one meter that affects their usage characteristics for purposes of billing-that is do customers avoid conservation high tier rates by having a 2nd meter? If this is so, how are these customers billed for their water consumption and for "customer costs". B. How are tenants in multi-family structures charged for water/wastewater? I. If LL charges tenants a monthly amount for water, is the system fair? How does COA monitor? What utility costs are involved in providing w/ww to these tenants? II. If tenants water usage is individually metered, are there some COS savings?	Posted	Posted: 12/29/2016 All residential water and wastewater customers that do not participate in the Customer Assistance Program (CAP) are treated alike and pay the same fixed fees and volumetric rates for water and wastewater service.
923	All Classes	General Cost of Service	Lanetta Cooper	Submitted: 12/19/2016 What conservation studies have been done to justify conservation rates adopted by COA? What are their results? What reports have been done to verify estimated amounts of water conservation occurring as a result of rate structures?	Posted	Posted: 12/29/2016 Recent research indicates that the effect could be higher but due to the variability of rate structures, weather, and conservation measures between cities, it is difficult to specifically determine the impact of conservation based on customer consumption. A 2014 report produced by the UNC Environmental Finance Center and the Sierra Club provides a good summary of the issue specific to Texas, and links to available national research.

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922	All Classes	Cost Recovery Basis	Lanetta Cooper	<p>Submitted: 12/19/2016 Are the current rate designs reasonable and equitable? A. Do the rate designs include riders or surcharges? B. What are the policies behind the rate designs for each customer class and for each rider or surcharge that exist, if any? C. Are there differentials in rates based on geographic location? D. Fixed vs volumetric charges</p>	Posted	<p>Posted: 12/29/2016 Under the current rate design, water rates for the residential customer class do not fully recover the costs of providing service, while wastewater rates for the residential customer class are designed to recover the full revenue requirements. In addition, current water and wastewater rates for the Wholesale customer class are also below the calculated cost of providing the services, while rates for commercial, multifamily and large volume customers recover over 100% of the calculated cost of service for those classes.</p>
921	All Classes	Allocation Methodologies	Lanetta Cooper	<p>Submitted: 12/19/2016 How should excess capacity be addressed?</p>	Posted	<p>Posted: 12/29/2016 Excess capacity (i.e. Base Demand versus Max Day Demand and Max Hour Demand) costs are allocated based on the water demand parameters and usage characteristics of each customer class.</p>
920	All Classes	Allocation Methodologies	Lanetta Cooper	<p>Submitted: 12/15/2016 1. Do you have any debt service costs relating to facilities that have been decommissioned and are no longer used and useful in providing service? 2. If the answer is yes, please identify each facility and for each facility provide the following: a. The total amount of debt and the annual debt service requirement. b. How the costs were allocated, if at all, among the customer classes and please explain the methodologies along with the supporting reasoning utilized for the cost allocations.</p>	Posted	<p>Posted: 12/29/2016 Austin Water is not aware of any outstanding debt related to decommissioned facilities.</p>
919	All Classes	Allocation Methodologies	Lanetta Cooper	<p>Submitted: 12/15/2016 How were construction work in progress related costs allocated among the customer classes? In your answer, please explain the methodologies along with the supporting reasoning utilized for the cost allocations.</p>	Posted	<p>Posted: 1/3/2017 Austin Water includes construction work in progress in rates as debt service payments for either Revenue Bonds, Commercial Paper, Water District Bonds or Cash Funding. This is first allocated to "Key Water Service Functions" then each function is assigned to either common to all costs (both retail and wholesale), retail only, or wholesale only. The functioned costs are then allocated to demand parameters.</p>
918	All Classes	Allocation Methodologies	Lanetta Cooper	<p>Submitted: 12/15/2016 How were the capital and O&M costs relating to overhead and office costs for general plant executives and staff allocated in the FY 2017 COS</p>	Posted	<p>Posted: 1/11/2017 O&M overhead and office costs for general plant executives and staff are itemized as Administrative Support in the FY 2017 COS. These costs are allocated as "Common to All" expenditures that are jointly shared among the retail and wholesale customer classes based on their projected volumes. Capital overhead and office costs for general plant executives and staff is a part of the annual debt service.</p>

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917	All Classes	General Cost of Service	Lanetta Cooper	Submitted: 12/15/2016 Please identify when the load assumptions for planning identified in the previous question were developed.	InProgress	
916	All Classes	General Cost of Service	Lanetta Cooper	Submitted: 12/15/2016 Please provide the load assumptions for planning a residential subdivision and for a multifamily building. To the extent load assumptions include recognition of water appliance assumptions, home size assumptions, and land assumptions, please include an explanation of all assumptions relied upon in developing the load assumptions for planning.	InProgress	
915	All Classes	Allocation Methodologies	Lanetta Cooper	Submitted: 12/15/2016 1. How were, if any, extra capacity costs allocated to fire protection. Please explain why or why not extra capacity costs were allocated to fire protection. 2. How were the fire protection costs identified and quantified for the FY 2017 COS study the PIC is reviewing? 3. Please provide the load factors (base, extra day and extra hour) for fire protection for the three year interval studies for the FY 2016 COS and for the FY 2017 COS.	Posted	Posted: 12/29/2016 Fire demand costs are not allocated based on peak day or peak hour demands, consequently Austin Water does not maintain load factor information for fire protection.
914	Residential	Customer Demand Characteristics	Lanetta Cooper	Submitted: 12/15/2016 1. What is the total number of CAP customer relied upon in the cost of service study the PIC is reviewing? 2. For those customers identified in no. 1, please provide the bill frequency distribution for the CAP customers for each FY identified in the load data provide the PIC. (By this I mean the number of bills at the different rate levels of consumption by month and by year.) (If the request calls for inconsistent data - that is CAP customer come and go, please provide the data based on the CAP customers for the relevant requested FYs data) 3. What research, if any, have you performed or been provided that explains any large water consumption for any of the CAP customers including: peak day and peak hour consumption, if possible. 4. How many CAP customers had a consumption level for any month of the fiscal year used for the COS that were in the third tier, in the fourth tier, in the fifth tier?	Posted	Posted: 1/3/2017 Provided requested information related to number of CAP customers, including bill distribution detail based on consumption and number of accounts
913	All Classes	General Cost of Service	Lanetta Cooper	Submitted: 12/15/2016 Please identify and list each cost you have identified as non-volume related in your COS the Public Involvement Committee (PIC) is reviewing. For each cost identified, please provide the following: a. Whether the cost is customer, meter, or fire b. What amount you identified for that cost; and c. How that cost was allocated among the customer classes. Please explain the allocation method used.	InProgress	

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912	Residential	Allocation Methodologies	Lanetta Cooper	<p>Submitted: 12/15/2016 Please explain how you developed your peaking factors for the residential class. In your explanation, please identify how the load research was developed including: the number of accounts used in the sample; how the sample was determined for sampling and for the accuracy of the sample to the whole customer class load characteristics.</p>	Posted	<p>Posted: 12/29/2016 Customer class peaking factors are calculated as follows: "Class Peak Day Factor" = ((Class Peak Month Demand/Class Average Month Demand) X (System Peak Day Demand/System Peak Month Demand)) "Class Peak Hour Factor" = ((Class Peak Month Demand/Class Average Month Demand) X (System Peak Hour Demand/System Peak Month Demand))</p>
909	Residential	General Cost of Service	Lanetta Cooper	<p>Submitted: 12/07/2016 Questions relating to W/WW Cost of Service Submitted by Lanetta Cooper December 7, 2016, Prt.6 "You" in these questions refer to Austin W/WW and its employees including the general manager, officers and c16. Please provide you estimated typical monthly water consumption for each of the following residential family sizes including water used for a washing machine but not for lawn irrigation: a. Single member household b. Two person household c. Four person household d. Six person household e. Eight person household f. Ten person household g. 16 person household 17. Please provide a copy of your chart of accounts. 18. Is your chart of accounts consistent with the National Association of Regulatory Commissioners' Uniform System of Accounts? Please explain why or why not your consultants</p>	Posted	<p>Posted: 12/29/2016 Austin Water does not maintain customer household size information, consequently consumption forecasts are based on average consumption per account for each customer class, not on family size. Provided AW's chart of account elements. AW uses the City of Austin's standardized chart of accounts, which is not consistent with the National Association of Regulatory Commissioners' Uniform System of Accounts.</p>
908	Residential	General Cost of Service	Lanetta Cooper	<p>Submitted: 12/07/2016 Questions relating to W/WW Cost of Service Submitted by Lanetta Cooper December 7, 2016, Prt.5 "You" in these questions refer to Austin W/WW and its employees including the general manager, officers and consultants. 15. In your response to Grant Rabon requested on 10/18/2016 you provided the peaking factors by customer class. However, the residential customers apparently list both residential customers residing within Austin's city limits and residing outside Austin's city limits. Please break down the peaking factors for the residential class by inside the city limits and outside the city limits relying upon the same data, if able, you relied upon in your response to Mr. Rabon.</p>	Posted	<p>Posted: 12/29/2016 Separate NCP factors for the inside city and outside city customers are not calculated in the COS model and Austin Water currently does not maintain separate peaking factor information for outside city customers.</p>

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907	Residential	General Cost of Service	Lanetta Cooper	<p>Submitted: 12/07/2016 Questions relating to W/WW Cost of Service Submitted by Lanetta Cooper December 7, 2016, Prt.4 "You" in these questions refer to Austin W/WW and its employees including the general manager, officers and consultants. 11. For the FY where the most recent data is available, what is the total amount of water treated on your peak day? On your peak hour day? 12. For each FY for the next ten years, please provide your estimates of water consumption during your peak day and during your peak hour. 13. In developing your peaking factors used to allocate costs, do you normalize the data for weather? Please explain. 14. How much reserve capacity do you have with your water treatment plants?</p>	Posted	<p>Posted: 12/29/2016 Provided FY15 peaking factor information used in the FY17 Cost of Service model.</p>
906	Residential	General Cost of Service	Lanetta Cooper	<p>Submitted: 12/07/2016 Questions relating to W/WW Cost of Service Submitted by Lanetta Cooper December 7, 2016, Prt.3 "You" in these questions refer to Austin W/WW and its employees including the general manager, officers and consultants. 7. Please provide documents in your possession, care, or control you are aware of that support your position that W/WW needs the level of reserves you have identified in No. 6 above. 8. Please identify each non rate-related revenue source you have. 9. For each source identified in No. 8 above, please provide the following: a) Description of the source; b) The amount budgeted for FY 2017; c) How the revenues realized from that source were incorporated into your cost of service. 10. What is the total capacity of water treatment W/WW has involving its water treatment plants currently; projected for FY 2017; projected for FY 2018; and projected for each FY over the next five years and over the next ten years?</p>	Posted	<p>Posted: 12/29/2016 Separate NCP factors for the inside city and outside city customers are not calculated in the COS model and Austin Water currently does not maintain separate peaking factor information for outside city customers.</p>
905	Residential	General Cost of Service	Lanetta Cooper	<p>Submitted: 12/07/2016 Questions relating to W/WW Cost of Service Submitted by Lanetta Cooper December 7, 2016, Prt.2 "You" in these questions refer to Austin W/WW and its employees including the general manager, officers and consultants. 4. Please explain how the revenue stability reserve costs were allocated among the various customer classes for FY 2017 or for the most recent FY available. 5. For each fiscal year since the creation of the revenue stability reserve to the present, please provide the amount of revenues W/WW realized from each customer class. 6. Please provide the total level of reserves W/WW opines it needs to maintain fiscal responsibility.</p>	Posted	<p>Posted: 12/22/2016 Provided the amount of Revenue Stability Reserve Fund revenues realized from each customer class and Joint Committee recommendations related to reserve fund targets.</p>

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904	Residential	General Cost of Service	Lanetta Cooper	<p>Submitted: 12/07/2016 Questions relating to W/WW Cost of Service Submitted by Lanetta Cooper December 7, 2016, Prt.1 "You" in these questions refer to Austin W/WW and its employees including the general manager, officers and consultants. 1. Please answer the questions I provided to you through the PIC meeting on September 27, 2016 and that are posted on your website. 2. Please provide the formula, calculation, model, and./or such other procedure you have/are using to determine what amount of revenue stability reserves is necessary to maintain the utility's fiscal soundness. 3. Please identify what water systems you are aware of operating in Texas that have revenue stability reserves.</p>	Posted	<p>Posted: 1/6/2017 The 2012 Joint Committee on Austin Water's (AW) Financial Plan (2012 Joint Committee) recommended that AW create a Revenue Stability Reserve Fund (Reserve Fund) with a funding target of 120 days of budgeted Water operating requirements by implementing a new volumetric surcharge. AW is not aware of any other water systems in Texas that has a revenue stability reserve fund or similar reserve.</p>
900	Residential	General Cost of Service	Grant Rabon	<p>Submitted: 12/01/2016 Please provide the following data for each of the last five (5) fiscal years and the estimates for the current budget by utility (i.e., water, reclaimed water and wastewater). a) Dollar amount of cash funded capital expenditures b) Dollar amount of total capital expenditures c) Total debt service (principal and interest) d) Debt to equity ratio e) Debt service coverage ratio f) Total cash reserves g) Days cash on hand</p>	Posted	<p>Posted: 12/29/2016 Provided 5 year history and FY17 budget for cash funded capital expenditures, total capital expenditures, debt service payments, debt to equity ratio, debt service coverage, total cash reserves and days cash on hand by utility (water, wastewater and reclaimed).</p>
899	Residential	General Cost of Service	Grant Rabon	<p>Submitted: 12/01/2016 Please indicate if the \$900,000 per year currently budgeted by Austin Water to support the Barton Springs/Edwards Aquifer Conservation District is a cost that has been specifically assigned to Austin Water by the Texas Legislature or, rather, was assigned to the City of Austin and the City decided that it should be paid by Austin Water.</p>	Posted	<p>Texas law under Chapter 8802 of the Texas Special Local Laws Code assesses the District fee to the City of Austin. Austin Water pays the annual fee.</p>
896	Outside	General Cost of Service	Chuck Loy	<p>Submitted: 11/30/2016 Regarding the current consideration of calculating the "Outside" rates using the Utility Method. Does AW have detailed records to be able to identify the plant that is providing service to outside customers? Or alternatively, can reasonable allocations be developed such as inch-feet, water produced or transferred, etc.? How would shared production facilities be allocated?</p>	Posted	<p>Austin Water operates a integrated system which serves all customers. We do not identify specific plant or assets serving each customer class.</p>
891	Wholesale	General Cost of Service	Jay Joyce	<p>Submitted: 11/22/2016 8. [Wholesale] According to the COA Purchasing Office's Scope of Work for the current COS study (Solicitation #RFP CDL2002), the consultant will have up to three meetings with PUC staff to assist AW in developing the wholesale rate filing package. Please describe how AW or the consultant is engaging the PUC and provide any documentation submitted to any PUC personnel on this topic. If the PUC has responded, please describe their response and provide all documents given to AW or its consultants by the PUC in their response(s).</p>	InProgress	

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890	Wholesale	General Cost of Service	Jay Joyce	Submitted: 11/22/2016 7. [Wholesale] According to the COA Purchasing Office's Scope of Work for the current COS study (Solicitation #RFP CDL2002), the consultant will "develop written process documentation of PUC rate filing requirements learned from any meetings with PUC staff." Please provide that document when available.	InProgress	
889	Wholesale	General Cost of Service	Jay Joyce	Submitted: 11/22/2016 6. [Wholesale] If AW changes the rate methodology for the wholesale customers from the current cash basis to a utility basis, how does AW propose to compensate or credit these customers for their historical debt service contributions used to retire principal on debt? How will AW avoid double-collecting since most assets have shorter debt repayment schedules than the corresponding depreciable lives for the same assets?	InProgress	
888	Wholesale	General Cost of Service	Jay Joyce	Submitted: 11/22/2016 5. [Wholesale] If AW changes the rate methodology for the wholesale customers from the current cash basis to a utility basis, how does AW propose to compensate or credit these customers for their historical contributions to cash-funded capital to avoid double-collecting?	InProgress	
887	Wholesale	General Cost of Service	Jay Joyce	Submitted: 11/22/2016 4. [Wholesale] Provide the contract (as defined in COA Purchasing Office's Standard Purchase Definitions) for AW's Impartial Hearing Examiner related to the current AW cost of service study.	InProgress	
886	Wholesale	General Cost of Service	Jay Joyce	Submitted: 11/22/2016 3. [Wholesale] Provide the solicitation (as defined in COA Purchasing Office's Standard Purchase Definitions) for AW's request for an Impartial Hearing Examiner related to the current AW cost of service study.	InProgress	
885	Wholesale	General Cost of Service	Jay Joyce	Submitted: 11/22/2016 2. [Wholesale] According to the procedural schedule adopted for Austin Energy's 2016 cost of service and rate review (shown in Impartial Hearing Examiner's Memorandum No. 8) the parties submitted prefiled direct written testimony, conducted discovery, submitted prefiled rebuttal testimony, participated in a four-day hearing, and filed closing arguments in a manner similar to those used in a contested case at the PUC. Does AW envision using substantially the same process as AE? If not, what is expected to be different, and why?	InProgress	

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884	Wholesale	General Cost of Service	Jay Joyce	Submitted: 11/22/2016 1. [Wholesale] AW is required to submit a rate filing package to the PUC in order to change the rates of the four wholesale customers who were parties to the rate case (PUC T Docket No. 42857), and the COA Purchasing Office's Scope of Work for the current COS study (Solicitation #RFP CDL2002) states that the COS consultant will be designing a working model for the PUC rate filing package concurrent with the preparation of this COS Study. Please provide this model when it is available.	InProgress	
881	All Classes	General Cost of Service	Grant Rabon	Submitted: 10/26/2016 Related to the FY 2017 Proposed O&M budget, for each line-item below please indicate what is driving the significant increase in this cost for the combined utilities (from the FY 2015 Actual) AND if the cost is expected to persist at the FY 2017 level into the future. a) Temporary Employees (acct 5006) b) Security Services (acct 5675) c) Other Services (acct 5860) d) Interdepartmental Charges (acct 6203) e) Legal Claims/Damages (acct 6355) f) Pipeline Maintenance (acct 6396) g) Commercial Incentives (acct 6811) h) Household Efficiency (acct 6813) i) Irrigation Efficiency (acct 6814)	Posted	Response provides explanations for significant increases to the requested budget line items.
880	Large Volume	General Cost of Service	Jay Joyce	Submitted: 10/26/2016 (This question was originally submitted as a comment on 10/24/16) Industrial/Large Volume: Please provide the proposal and the agreement with Raftelis Financial Consultants, Inc. to conduct this COS Study. How does AW propose to recover this cost from customers?	InProgress	
878	Large Volume	General Cost of Service	Jay Joyce	Submitted: 10/26/2016 (This question was originally submitted as a comment on 10/24/16) Industrial/Large Volume: Please provide the following information pertaining to the sale(s) in FY 13, FY 14, FY 15, or FY 16 of any large AW assets (original cost greater than \$1,000,000): • original cost • net asset value when sold • gross and net proceeds from sale, and • explanation of difference in gross and net proceeds (e.g., decommissioning cost, remediation, etc.).	Posted	Response provides information on the sale of the Lime Creek Quarry in September 2015 for \$4,100,000.

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875	Wholesale	General Cost of Service	Randy Wilburn	<p>Submitted: 10/25/2016 Why are the Wholesale and Out-of-City customers being excluded from the PIC? ALL customers, including wholesale and out-of-City customers, should be part of the PIC process.</p>	Posted	<p>Posted: 1/5/2017 Austin Water decided to hold separate meetings for its retail and wholesale customers to provide all interested wholesale customers an opportunity to participate in the public involvement process given recent wholesale rate challenges. In prior COS studies, wholesale customers were limited to two Public Involvement Committee representatives.</p> <p>Although, Austin Water decided to hold separate PIC and WIC meetings, all meetings are open public meetings. As such, all interested parties, including wholesale customer representatives, are invited to attend and participate in the Public Involvement Committee process.</p>
874	All Classes	General Cost of Service	Randy Wilburn	<p>Submitted: 10/25/2016 The Texas Public Utility Commission has already declared the following costs illegal for the COA to collect through water and wastewater rates: • General Fund Transfers; • rate case expenses; • reclaimed water (capital and O&M costs); • City's reclassification of SWAP and commercial paper administration costs from capital to expense; • drainage fee; • allocation of O&M expenses to the reclaimed water utility; • depreciation; • Green Water Treatment Plant capital costs; • Revenue Stability Reserve Fund; • Barton Springs/Edwards Aquifer Conservation District; • Govalle Wastewater Treatment Plant (capital costs/O&M costs); • utility-wide contingency; • Water Treatment Plant No. 4; and • Green Choice electricity When will AWU reduce all customers revenue requirements and rates in accordance with PUC Order?</p>	Posted	<p>Posted: 1/5/2017 The PUC Order made findings of fact based on evidence relating to the 2013 rates charged to four specific wholesale customers; the PUC Order did not declare these costs illegal. It is incorrect and misleading to imply that the PUC's order from the specific case, with its particular facts and particular parties, must be applied more broadly. It is also important to note that the PUC Order is on appeal.</p>
871	Large Volume	General Cost of Service	JAY JOYCE	<p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference p. 16 of the September 27, 2016, PIC meeting Agenda and Backup document (Slide #19) which indicates that AW has 1,170.00 FTE positions in FY 2017. Please separate this into water, wastewater, and reclaimed water. How many of these positions are vacant today, and what are the revenue requirements (budgeted payroll and benefits) associated with these vacancies? Please also separate vacancy count and revenue requirements into water, wastewater, and reclaimed water.</p>	Posted	<p>Table provides breakdown of 2017 Budget full time positions by utility, vacant positions, and vacant position budgeted salaries.</p>
869	Large Volume	General Cost of Service	JAY JOYCE	<p>Submitted: 10/24/2016 Industrial/Large Volume: Please provide the anticipated level of capital spending for each of the next ten fiscal years (or as many years as possible if ten years' data is not available) for each of the water, wastewater, and reclaimed water utilities.</p>	Posted	

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868	Large Volume	General Cost of Service	JAY JOYCE	Submitted: 10/24/2016 Industrial/Large Volume: Please provide the complete detailed wastewater asset listing (including original cost, accumulated depreciation, annual depreciation expense, and net asset value) that will be used in the FY 17 wastewater COS model.	Posted	Wastewater asset listing available electronically upon request.
867	Large Volume	General Cost of Service	JAY JOYCE	Submitted: 10/24/2016 Industrial/Large Volume: Please provide the complete detailed water asset listing (including original cost, accumulated depreciation, annual depreciation expense, and net asset value) that will be used in the FY 17 water COS model.	Posted	Water asset listing available electronically upon request.
866	Large Volume	General Cost of Service	JAY JOYCE	Submitted: 10/24/2016 Industrial/Large Volume: Please provide a listing of all of the revenue requirements inputs to the FY 17 wastewater COS model and compare those amounts to the same categories of input amounts in the FY 13 wastewater COS model.	Posted	Schedule includes FY 2013 and FY 2017 wastewater cost of service model revenue requirements.
865	Large Volume	General Cost of Service	JAY JOYCE	Submitted: 10/24/2016 Industrial/Large Volume: Please provide a listing of all of the revenue requirements inputs to the FY 17 water COS model and compare those amounts to the same categories of input amounts in the FY 13 water COS model.	Posted	Schedule includes FY 2013 and FY 2017 water cost of service model revenue requirements.
863	Large Volume	General Cost of Service	JAY JOYCE	Submitted: 10/24/2016 Industrial/Large Volume: Please verify that AW has properly booked the net proceeds of the sale of the Green Water Treatment Plant (\$34,765,000) into a capital account for future use in capital projects for AW as ordered by the PUCT in Docket No. 42857. How much of the \$34,765,000 booked amount will AW utilize for capital projects FY 17?	Posted	Response includes details of proper accounting for the resolution of the Green Water Treatment Plant decommissioning and sale of property.
862	Large Volume	General Cost of Service	JAY JOYCE	Submitted: 10/24/2016 Industrial/Large Volume: Please verify that AW is properly removing from the COS all amounts transferred to the capital infrastructure fund relating to the Capital Management Department (\$2.6 million in water O&M in FY 13 and \$1.4 million in wastewater O&M in FY 13) as ordered by the PUCT in Docket No. 42857. What are the amounts in AW's FY 17 budget for the Capital Management Department?	Posted	Capital Projects Management Fund budget for FY 2017 is \$1,173,937 for water, \$602,536 for wastewater and \$37,076 for reclaimed.
861	Large Volume	General Cost of Service	JAY JOYCE	Submitted: 10/24/2016 Industrial/Large Volume: What are the legal fees in the FY 17 budget associated with appeals of PUCT decisions or future PUCT rate cases?	Posted	No FY 2017 budget was included for the appeal of wholesale rate case as internal City Law Department is handling.
860	Large Volume	General Cost of Service	JAY JOYCE	Submitted: 10/24/2016 Industrial/Large Volume: Please provide a listing of all legal fees in the FY 17 budget and the purpose of each.	Posted	FY 2017 budget includes \$860,000 for outside legal services, without any specific purpose. A contract for \$700,000 for outside legal services for the Shady Hollow

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859	Large Volume	General Cost of Service	JAY JOYCE	<p>Submitted: 10/24/2016 Industrial/Large Volume: Does AW agree that simply because an expenditure may be considered by some to be “good for society” does not mean that it is reasonable and necessary to recover the cost in utility rates?</p>	Posted	<p>Posted: 1/10/2017 Austin Water believes that its’ revenue requirements are made up entirely of costs necessary to provide water and wastewater services to customers, to ensure long-term water supply adequacy and to maintain a high water quality water source.</p>
858	Large Volume	General Cost of Service	JAY JOYCE	<p>Submitted: 10/24/2016 Industrial/Large Volume: Has AW quantified the difference in rate case expenses required to defend a cash basis approach vs. a utility basis approach at the PUCT? The utility basis will require qualified outside experts to conduct and defend depreciation studies, cost of capital analyses, and cash working capital amounts. If yes, how much is that difference, and how much is included in the FY 17 budget? If not, why not, since AW has indicated that it is considering submitting a utility basis approach to the PUC.</p>	Posted	<p>Posted: 1/3/2017 Austin Water has not quantified the difference in rate case expenses required to defend a cash basis approach versus a utility basis approach at the Public Utility Commission of Texas (PUCT). Austin Water intends to select the method that best provides a fair and equitable allocation of costs between retail and wholesale customers irrespective of the outcome of the approach or the costs associated with defending the selected allocation basis.</p>
857	Large Volume	General Cost of Service	JAY JOYCE	<p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 25 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #39 and #40). In PUCT Docket No. 42857, AW spent over \$1.3 million in legal and consulting fees in order to defend its positions before the PUCT and convince the PUCT of the validity of its costs: (SEE LIST IN COMMENTS SECTION) In addition to incurring the outside legal and consulting expenses, AW spent considerable unquantified internal resources working on the case. According to AW staff at the October 5 PIC meeting, AW “may come back” and attempt to convince the PUCT that the PUCT’s decisions were wrong and that the previously disallowed items should be included in cost of service. Please quantify the cost of this effort that is included in the FY 17 budget.</p>	Posted	<p>Posted: 12/29/2016 Other than COS expenses, budgeted at \$494,000 for the duration of the study, and staff salaries, no other costs have been budgeted to support the COS and PUCT rate approval process. However after the start of the new fiscal year, Shady Hollow Municipal Utility District filed a new rate challenge. On November 10, 2016, City Council approved a contract for outside legal service related to the Shady Hollow rate case in amount not to exceed \$700,000.</p>
853	Large Volume	General Cost of Service	JAY JOYCE	<p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 25 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #39 and #40). Listed on those slides are the following PUCT revenue requirement disallowances with their FY 13 amounts added below: 1. Green Water Treatment Plant Costs (\$12,073,835 capital) 2. Revenue Stability Reserve Fund (\$5,516,300 O&M) 3. Barton Springs/Edwards Aquifer Conservation District (\$900,000 O&M) 4. Govalle Wastewater Treatment Plant (\$835,516 O&M and \$1,368,571 capital) 5. Utility-wide Contingency (\$176,175 O&M) 6. Green Choice Electricity (\$4,622,644 O&M increase vs. normal electricity costs) What are the FY 17 amounts for the above items? How are these being allocated among customer classes?</p>	Posted	<p>Response includes FY 2017 budget for all requested items and the allocation by customer class.</p>

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852	Large Volume	General Cost of Service	JAY JOYCE	<p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 25 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #39 and #40). Listed on those slides are the following PUCT revenue requirement disallowances with their FY 13 amounts added below: 1. General Fund Transfer (\$34,524,366 O&M) 2. Rate Case Expenses (\$641,811 O&M in FY 13 budget, \$1.3 million actual) 3. Reclaimed water system (\$960,000 O&M and \$960,000 capital) 4. Reclassification of SWAP and commercial paper costs from capital to operating expense (\$4,000,000 O&M) 5. Allocation of O&M expense to Reclaimed Water (\$4,857,528 O&M) What are the FY 17 amounts for the above items? How are these being allocated among customer classes?</p>	Posted	Response includes FY 2017 budget for all requested items and the allocation by customer class.
851	Large Volume	General Cost of Service	JAY JOYCE	<p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 24 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #37 and #38) which indicates that costs associated with the City Hall water feature will be allocated 100% to retail customers. In FY 13, capital costs for the City Hall water feature were \$450,000. What is the amount in FY 17? Is the City Hall water feature currently running? If AW sold the City Hall water feature, could AW still provide water, wastewater, and reclaimed water service?</p>	Posted	Austin City Hall water feature was cash funded by Austin Water in FY 2006. There are no ongoing operating or capital costs included in retail or wholesale revenue requirements.
850	Large Volume	General Cost of Service	JAY JOYCE	<p>Submitted: 10/24/2016 Industrial/Large Volume: What other costs on page 24 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #37 and #38) that are classified as "Budget Reduction" have simply been reclassified, renamed, or otherwise changed such that they remain in the FY 17 budget despite AW's statements that they should be and have been removed?</p>	Posted	311 System Support costs were not eliminated, only reduced. Transfer to Economic Incentive Reserve fund was eliminated. Austin Water began funding a portion of the Economic Development Fund.
849	Large Volume	General Cost of Service	JAY JOYCE	<p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 24 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #37 and #38) which indicates that costs for 311 System Support has been classified as "Budget Reduction," which AW staff indicated in the PIC meeting meant that these costs were entirely eliminated from AW's FY 17 budget because they did not relate to AW. Page 30 of the October 5, 2016, PIC meeting Agenda and Backup document shows \$169,190 for Interdepartmental Charges for FY 17. According to the Austin Water Fund Line Item Description at the end of the same document, Interdepartmental Charges indicates that "...this requirement is AW's allocation to fund the 311 System Support..." Will this amount be eliminated from the Cost of Service as not necessary for AW to provide service?</p>	Posted	Schedule provides actual costs for 311 System Support for FY 2013 to FY 2016. FY 2017 budget for 311 System Support is \$169,190.

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848	Large Volume	General Cost of Service	JAY JOYCE	<p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 24 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #37 and #38) which indicates that costs for the Radio Communications Fund will be allocated 100% to retail customers. In FY 13, revenue requirements for the Radio Communications Fund were \$192,470 water and \$192,470 wastewater. What are the amounts in FY 17? If AW eliminated the costs for the Radio Communications Fund, could AW still provide water, wastewater, and reclaimed water service? If not, how much could AW reduce the expenditures relating to the costs for the Radio Communications Fund and still continue to provide water, wastewater, and reclaimed water service?</p>	Posted	Regional Radio System budget for FY 2017 is \$253,605 for water and \$0 for wastewater.
847	Large Volume	General Cost of Service	JAY JOYCE	<p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 24 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #37 and #38) which indicates that costs for Accounts Receivable Leak Adjustment will be allocated 100% to retail customers. In FY 13, revenue requirements for the Accounts Receivable Leak Adjustment were \$785,000 water and \$97,100 wastewater. What are the amounts in FY 17? What is the breakout of bad debt expense for each retail class?</p>	Posted	Accounts Receivable Leak Adjustments budget for FY 2017 is \$976,000 for water and \$60,100 for wastewater. Allocation by customer class is included in the schedule.
846	Large Volume	General Cost of Service	JAY JOYCE	<p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 24 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #37 and #38) which indicates that costs for Bad Debt Expense will be allocated 100% to retail customers. In FY 13, revenue requirements for the Bad Debt Expense were \$925,000 water and \$917,500 wastewater. What are the amounts in FY 17? What is the breakout of bad debt expense for each retail class?</p>	Posted	Bad debt expense budget for FY 2017 is \$2,508,825 for water and \$1,850,456 for wastewater. Allocation by customer class is included in the schedule.
845	Large Volume	General Cost of Service	JAY JOYCE	<p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 24 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #37 and #38) which indicates that costs for Reicher Ranch O&M and capital costs will be allocated 100% to retail customers. In FY 13, revenue requirements included \$105,770 in O&M and \$818,704 in capital costs. What are the amounts in FY 17? If AW sold Reicher Ranch, could AW still provide water, wastewater, and reclaimed water service?</p>	Posted	Reicher Ranch budget for FY 2017 is \$81,088.

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844	Large Volume	General Cost of Service	Jay Joyce	<p>Submitted: 10/24/2016 Industrial/Large Volume: Please reference page 24 of the October 5, 2016, PIC meeting Agenda and Backup document (Slides #37 and #38) which indicates that costs for the Land Management Division will be allocated 100% to retail customers. In FY 13, revenue requirements for the Land Management Division were \$1,458,750. What is the amount in FY 17? If AW eliminated the Land Management Division, could AW still provide water, wastewater, and reclaimed water service? If not, how much could AW reduce the expenditures relating to the Land Management Division and still continue to provide water, wastewater, and reclaimed water service?</p>	Posted	Land Management budget for FY 2017 is \$1,446,357.
840	All Classes	General Cost of Service	Grant Rabon	<p>Submitted: 10/17/2016 Related to the FY 2017 Proposed O&M budget: a. The program costs for Water Resources Management in the water and wastewater budgets have increased significantly between FY 2014 (Actual) and FY 2017 (Proposed). Can you explain what is driving this increase? b. Were the transfers to Administrative Support in the FY 2017 budget formerly captured within the line item for transfers to Support Services Fund in the FY 2014 and FY 2015 actuals? c. Why is there a transfer to the Economic Development in the FY 2017 budget? Wasn't this a cost no longer to be recovered from Austin Water or did we misunderstand this treatment? d. The program costs for Utility Billing System Support in the wastewater budget have increased significantly between FY 2014 (Actual) and FY 2017 (Proposed). Can you explain what is driving this increase?</p>	Posted	Responses related to FY 2017 Proposed Operating Budget costs.
839	All Classes	General Cost of Service	Grant Rabon	<p>Submitted: 10/17/2016 What is the current cash balance for the water, reclaimed water, and wastewater utilities, segregated by purpose (e.g., Rate Stability Reserve, Operating Reserve, etc.)? Please identify any restricted amounts.</p>	Posted	Current restricted and non-restricted cash balances as of September 30, 2016 is \$256,611,614.
838	All Classes	General Cost of Service	Grant Rabon	<p>Submitted: 10/17/2016 Please provide the currently outstanding principal amount for any debt that will be repaid by the water, reclaimed water, or wastewater utilities, by series. For shared debt (e.g., General Obligation issues), please identify the percentage of the issue that is allocated to water, reclaimed water, or wastewater.</p>	Posted	Outstanding principal as of August 1, 2016 is \$2,325,094,000.
837	Residential	General Cost of Service	Grant Rabon	<p>Submitted: 10/17/2016 For the allocation of Customer Care costs between electric, water, wastewater, ARR (solid waste), drainage, transportation and code compliance, please explain the rationale for the following organization costs being allocated to electric, water and wastewater only. Please also provide a brief explanation for each cost. a. Bill Production (Org 8807) b. Revenue Measurement and Control (Org 8811) c. Bill Support (Org 8817) d. Quality Management (Org 8818) e. CCC-Small Commercial (Org 8820) f. Multi-Family Partnership Program (Org 8824)</p>	Posted	Response includes explanations for each of the requested Customer Care costs and why they were allocated to only electric, water and wastewater only.

Austin Water
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	Information not yet available
	New responses posted since last PIC/WIC
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ID	Class	Topic	Requestor	Question	Status	Summary Response
836	All Classes	Cost Recovery Basis	Grant Rabon	Submitted: 10/17/2016 Given that only monthly water consumption data is available, please provide the underlying assumptions that will be used to develop the peak day and peak hour water demands by customer class, as well as the basis for these assumptions, if this methodology is pursued.	Posted	Summary of peak day and peak hour calculation methodology.
834	Residential	General Cost of Service	Grant Rabon	Submitted: 10/17/2016 With as many specifics as possible, please provide Austin Water Utility's plans to address residential rate affordability and the disproportionate cost of water and wastewater service for residential customers as a percentage of MHI (as reported by Fitch).	Posted	Response provides historical cost reductions and debt management strategies to minimize rate increases.
833	Residential	Customer Demand Characteristics	Grant Rabon	Submitted: 10/17/2016 Currently, how much is the average annual residential wastewater bill for Austin Water Utility customers in dollars per month and as a percentage of MHI?	Posted	Average FY 2017 residential water bill of \$41.60 per month which is estimated to be 0.74% of adjusted MHI.
832	Residential	Customer Demand Characteristics	Grant Rabon	Submitted: 10/17/2016 Currently, how much is the average annual residential water bill for Austin Water Utility customers in dollars per month and as a percentage of median household income (MHI)?	Posted	Average FY 2017 residential water bill of \$41.59 per month which is estimated to be 0.74% of adjusted MHI.
830	All Classes	General Cost of Service	Dave Yanke	Submitted: 10/12/2016 Question submitted via 09/27/16 PIC meeting. "Can staff provide information as to what other cities are using as a policy for 'Operating Cash Reserves'. Top 30 cities for example."	Posted	Posted: 1/12/2017 Response provides reserve and debt service coverage policies and results where available for the top 35 cities ranked by population as of July 2014.
829	Wholesale	Revenue Requirements	Robert Anderson	Submitted: 10/12/2016 Question submitted via 9/27/2016 WIC meeting. "Please provide a listing of the 'Peaking Factors' for all customer classes".	Posted	Schedule showing FY 2013, FY 2014, FY 2015 and 3-year average peaking factors by customer class.
828	All Classes	General Cost of Service	Karyn Keese	Submitted: 10/12/2016 09/28/16 PIC Meeting questions submitted Via written document.	Posted	Posted: 1/12/2017 Response provides requested information related to expenditure cost categories, transfers, capital program funding, Public Utility Commission of Texas (PUCT) disallowed wholesale expense items and cash versus utility basis revenue requirement calculation.
827	All Classes	General Cost of Service	Amenity Applewhite	Submitted: 10/11/2016 How have you notified Austin residents about the series of public meetings? I polled 22 residents/customers in my neighborhood and 100% had not heard about the Service Rate Study and public participation options. Additionally, I would like information on how you recruited the Public Involvement Committee Members. Thank you.	Posted	Summary of Austin Water's cost of service rate study communication initiatives.

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ID	Class	Topic	Requestor	Question	Status	Summary Response
820	All Classes	Cost Recovery Basis	Jim Schaffrath	Submitted: 09/30/2016 Why is it we always approach City utility rates from the revenue side of the ledger? Since we are going to computerized meters are we going to lay off the meter readers? If not, why not? Are there any other cost reducing measures that have been considered? Why haven't we an opportunity to comment on those? I do not want my water bill increased for any reason until we have exhausted cost saving measures.	Posted	Summary of Austin Water's cost reduction efforts over the past several years and impact on meter reading costs when changing to advanced metering infrastructure.
818	All Classes	General Cost of Service	Phil Howry	Submitted: 09/30/2016 Does the AWU pay a tiered-rate structure for water pumped from the LCRA system and by reason of the city's historic "riparian rights" to river water, at what extaction volume does the AWU begin paying the LCRA for water? Does the per unit water treatment costs rise or fall with volume? Please explain. How can AWU funds transferred per annum to the city's general fund be deemed a legitimate AWU "rate matrix expense"?	Posted	Summary of City of Austin water rights, Austin Water firm contract with LCRA, \$100M prepaid reservation and water use and the 201,000 acre feet trigger.
817	All Classes	General Cost of Service	Marcia Stokes	Submitted: 09/30/2016 Can staff provide an updated history of fixed & volumetric charges by customer class as provided in AWU 2012 Joint Subcommittee Financial Plan website question 208 2/24/2012?	Posted	Schedules showing historical fixed and volumetric charges by customer class for the first and final year of the previous cost of service model use time periods.
816	All Classes	Customer Demand Characteristics	Dan Wilcox	Submitted: 09/29/2016 Question submitted at 09/27/16 PIC meeting. "Can staff provide the revenue by customer class for FY 2015 in the same format as the consumption/flows by customer class?"	Posted	Schedule showing number of customers for August 2016, consumption/flows for FY 2015, and Actual Revenue for FY 2015.
815	Multifamily	Customer Demand Characteristics	Marcia Stokes	Submitted: 09/29/2016 Requested information during the 09/27/16 PIC meeting. "What are the population percentages for 'single-family' residential and 'multi-family' residential water and wastewater customer of Austin Water?"	Posted	Current population estimates include 56% single family and 44% multifamily
814	All Classes	General Cost of Service	Lanetta Cooper	Submitted: 09/28/2016 Water and Wastewater Cost of Service meeting questions to cover over the course of the study. Submitted by Lanetta Cooper during the Public Involvement Committee on Tuesday, September 27, 2016.	Posted	Questions submitted by Lanetta Cooper were subsequently separated into questions 921 to 944.
805	Wholesale	General Cost of Service	Clay Collins	Submitted: 09/27/2016 There was some mention at today's Wholesale Cost of Service meeting about the PUC settlement with some of the wholesale customers. My understanding is that part of this case dealt with costs that were included in the current cost of service model that were determined not to be applicable to wholesale customers. Can the costs that were disallowed by the PUC be identified and discussed at one of the next two Committee meetings? And can we be informed as to which of these costs COA intends to include in the 2017 Revenue Requirements for Wholesale Customers?	Posted	Revenue requirements disallowed by the PUC were discussed at the October 5, 2016 PIC and WIC meetings. Subsequent discussion took place at the November 29, 2016 PIC and WIC meetings and Raftelis provided their perspective.

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804	All Classes	General Cost of Service	Martin Hodell	Submitted: 08/24/2016 Could you please share the historical rates and % change by year from ~1995 to 2016. Please indicate what level of consumption is assumed (e.g., 10k gallons/mo, 15k gallons...)	Posted	Schedule showing average monthly water bills at 10,000 and 15,000 gallons usage from 1995 to 2016 with % increase from prior year.

Total Number of Questions Submitted: 100
Total Number Posted: 84
Total Number InProgress: 16



Decision Point Handout | WIC



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Decision Point Handout

January 4, 2017

PIC and WIC Meetings



Issue #1: Revenue Requirement Determination for Wholesale Customers						
Issue	Change? (Yes or No)	If Yes, Option for Change	Cash Basis		Utility Basis (Option for Change)	
			Pros	Cons	Pros	Cons
<p>How should the revenue requirement for wholesale customers be determined?</p> <p>Status Quo: Cash Basis Revenue Requirement Determination</p>		Utility Basis	<ol style="list-style-type: none"> Historically used – “generally” accepted by all customers Simple, easy to understand, determine, update and administer All customers treated the same; same methodology used for everyone Matches City’s budget and accounting methodology, i.e., cash method 	<ol style="list-style-type: none"> O/C customers start paying for assets before placed into service No explicit return to I/C customers for investment and risk to serve O/C customers Potential for material rate changes based on capital financing decisions (e.g., debt vs. cash funding) 	<ol style="list-style-type: none"> Provides explicit return to I/C customers for investment and risk to serve O/C customers (O/C rates are higher for the same level of service) Fairness and equity in terms of return provided to I/C customers (O/C rate are higher for the same level of service) Fairness and equity for O/C customers in terms of elimination of subjective decisions by AW regarding method of capital financing which can cause material rate changes Enhanced level of rate stability for O/C customers O/C customer do not pay a return on assets or depreciation until assets are in service Consistent with methodology used by PUCT in the regulation of investor-owned utilities Widely used by other local government utility providers across the US in O/C service arrangements The PUC is currently considering a Notice of Proposed Rulemaking that would require municipal/local government electric utilities to use the Utility Basis for O/C customers. This may indicate a preference that municipal water utilities will also be required to employ the Utility Basis for O/C customers. 	<ol style="list-style-type: none"> New approach for customers to understand Absent an agreed upon methodology, potential exists for extensive debate regarding determination of the cost of equity capital Requires the determination of the used and useful rate base – potential for debate regarding in-service date and “usefulness” for assets under construction Represents costs in a manner different than the City’s current cash budget methodology Transitioning to the Utility Basis for O/C customers may raise questions regarding the recovery of capital-related costs. During WIC meeting discussions, concern was raised of “paying for assets twice”, based on the disconnect between financing periods and asset life, on which depreciation and rate of return is paid under the Utility Basis. When considering fairness of utility rates, PUC ruling guidelines may favor the consistency of method applied, regardless of the method in use. This “fairness” concern is a consideration when evaluating a move from the Cash to the Utility Basis.
PIC Meeting Dates:	PIC Meeting #2 on October 5, 2016 / PIC Meeting #3 on October 25, 2016					
WIC Meeting Dates:	WIC Meeting #2 on October 5, 2016 / WIC Meeting #3 on November 8, 2016					
Consultant Recommendation:	AW should use the utility basis method to determine the revenue requirement for wholesale customers (see consultant Technical Memorandum dated October 17, 2016)					
PIC & WIC Comments:	<p>Chuck Loy (PIC-Multifamily): Yes, supports utility basis because it is most equitable and aligns with industry standards, and would better position Austin Water with PUCT filings. It is a method that the Texas PUC is most familiar with and understands and it will allow for some flexibility with the Rate Of Return to cover any subsidies that could occur as a result of the recent PUC case.</p> <p>Marcia Stokes (PIC-Multifamily): Yes, supports utility basis. I prefer the path of least resistance. How many times do you want to go back to the PUCT for the same issues? I agree with previous comments by residential rate advocate and multifamily PIC rep that the utility basis be used for wholesale and outside city customers while inside city remain cost basis.</p> <p>Jay Joyce (WIC): Since there’s no guarantee that either cash or utility basis will result in increase or decrease of cost of service, it will be tough for customer classes to decide without a rough estimate. Would need to see both cash and utility basis results before making a decision.</p> <p>Gary Rose (WIC-Southwest Water Co.): Preference for utility basis with caveats: capital expenses, used and useful, and reasonable rate of return concerns</p> <p>Howard Hagemann (WIC-Wells Branch MUD): It seems the utility basis is used by a number of utilities and AW seems to be leaning that way, but I’m on the fence because precedent seems to say utility basis will be difficult to implement and transparency can be an issue with respect to handling assets</p> <p>Don Conklin (WIC-North Austin MUD #1): Concerned because Utility basis is more complicated than the cash basis. Also, worried that Austin Water continues to discuss disallowed allocations from the PUCT, but is encouraged by the transparency of the process.</p> <p>Lanetta Cooper (PIC-Residential/Low Income): Yes, recommends utility basis for wholesale. However, I can’t intervene in PUCT cases therefore I want clear delineation of wholesale vs retail costs.</p>					

	<p>Dave Yanke (PIC- Residential Rate Advocate): Conditional yes, for utility basis but it depends upon the methodology assumptions so it's hard to be absolute. Utility basis for wholesale is not atypical; Fort Worth does it for wastewater, too.</p> <p>Grant Rabon (PIC-Residential Rate Advocate): Concur with Dave Yanke.</p> <p>Todd Davey (PIC-Industrial/Large Volume): Conditional yes because of concerns of additional policy for wholesale and retail (i.e. capital expenses funding vs debt funding). What is the rate of return? Less flexibility with utility basis equals less equitability for cash basis. Have concern with how any new rules will impact the retail side. Utility basis puts the onus on Austin Water to manage the rate of return. Cash is more flexible, susceptible to swings in costs, etc.</p> <p>Dan Wilcox (PIC-Industrial/Large Volume): Last PIC, the wholesale and retail customers were in the same room. Some data showed that there was very little impact with two methods (UB and CB). There are potential costs with depreciation study borne by utility, with very little benefit. Utility basis has benefit, but not sure if there is a return. Probably Cash Basis.</p> <p>Mary Guerrero-McDonald (Commercial): I'm neutral. Find what's best for commercial. I agree with Todd Davey. This issue is between Austin Water and wholesale customers. I only care how it impacts retail customers.</p> <p>Jesse Penn (PIC-W/WW Commissioner): I'm neutral/lean towards utility basis. Rate of return is a way to mitigate investment risk due to concern with Wholesale not paying for assets till they are in place and rate of return. It's more business-like and straightforward.</p> <p>Luke Metzger (PIC-Environmental): I'm neutral.</p> <p>Chien Lee (PIC-W/WW Commissioner): Keep it simple and straightforward. Utility basis seems more predictable, less risky.</p> <p>Jay Joyce (WIC - via e-mail on 1/10/17): Given the lack of information on how rates will be calculated, we have no position at this time regarding changing methods from cash to utility basis; however, we would note that changing methods will result in massive rate case expenses for both sides.</p>
Executive Team Decision:	

Issue #2: Revenue Requirement Determination for Outside City Retail Customers						
Issue	Change? (Yes or No)	If Yes, Option for Change	Cash Basis		Utility Basis (Option for Change)	
			Pros	Cons	Pros	Cons
How should the revenue requirement for outside city retail customers be determined? Status Quo: Cash Basis Revenue Requirement Determination		Utility Basis	Same as Issue #1	Same as Issue #1	Same as Issue #1	Same as Issue #1
PIC Meeting Dates:	PIC Meeting #2 on October 5, 2016 / PIC Meeting #3 on October 25, 2016					
WIC Meeting Dates:	WIC Meeting #2 on October 5, 2016 / WIC Meeting #3 on November 8, 2016					
Consultant Recommendation:	AW should use the utility basis method to determine the revenue requirement for outside customers (see consultant Technical Memorandum dated October 17, 2016)					
PIC & WIC Comments:	<p>Grant Rabon (PIC-Residential Rate Advocate): Concerned that assets are not segregated between inside and outside, so you would be blind how to allocate the assets for rate making. There is more investment to service outside customers than inside city due to lot sizes and fewer customers per line mile</p> <p>Chuck Loy (PIC-Multifamily): The multifamily recommends the outside rates be determined by the utility method. For two reasons. 1) It is a method that the Texas PUC is most familiar with and understands and 2) it will allow for some flexibility with the Rate Of Return to recover other costs. Also, what are the costs differences between inside and outside customers?</p> <p>Marcia Stokes (PIC-Multifamily): I agree with previous comments by residential rate advocate and multifamily PIC rep that the utility basis be used for wholesale and outside city customers while inside city remain cost basis.</p> <p>Gary Rose (WIC-Southwest Water Co.): I agree that wholesale and Outside City should probably be the same (Utility basis), but have a hard time making a decision for another rate class.</p> <p>Lanetta Cooper (PIC-Residential/Low Income): The PUCT generally looks at rates on a system wide basis, so you will need to justify a change between Outside City and Inside City. Austin Energy rate payers appealed at the PUCT by using system-wide data. Will Outside City customers become Inside City customers? Can you leave O/C as cash basis? I'm on the fence. Keep a bright line and regulatory rate distinction. I share same concerns as Todd Davey regarding changing to utility basis ie factoring reserves, etc. Can those be recovered in the utility basis model? We need to clarify that what we're really talking about is preventing residual dumping on retail. I have no strong feelings but utility basis has clearer guidelines.</p>					
Executive Team Decision:						

Issue #3: General Fund Transfer in Wholesale Revenue Requirements			
Issue	Change? (Yes or No)	If Yes, Option for Change	Reduce or Eliminate the General Fund Transfer (Option for Change)
			Pros
<p>Should the General Fund Transfer be a part of the revenue requirement for wholesale customers?</p> <p>Status Quo: Maintain General Fund Transfer in the Wholesale Revenue Fund Requirement</p>		Reduce or eliminate the General Fund Transfer and/or consider other forms of justification, e.g., PILOT, Franchise Fee, and/or Street Rental Fee	<p>1. Wholesale customers received no benefit from the inside city governmental services funded by the transfer.</p> <p>1. It is standard practice for municipal governments to earn a "profit" or "dividend" from the operation of municipal utilities. Payments to the General Fund can be structures in several ways:</p> <ul style="list-style-type: none"> a. Direct transfer such as that made by Austin Water and Austin Energy b. Payment in lieu of taxes that is conceptually similar to the property taxes paid by investor-owned utilities c. Franchise fee that is conceptually similar to the fee also paid by investor-owned utilities <p>2. Austin Energy makes an annual General Fund Transfer to the City of Austin - there is no reason for Austin Water to be different</p> <p>3. The General Fund Transfer is a cost of doing business that would be incurred by a private company providing water and wastewater services in the City and as such is a "cost of doing business" that should also be paid by wholesale customers</p> <p>4. The amount of the General Fund Transfer (8.2% of Gross Revenues) is a policy decision appropriately made by the Austin City Council. Council does not need to justify their reasoning for this or any other level of General Fund Transfer.</p>
PIC Meeting Dates:	PIC Meeting #4 on November 8, 2016		
WIC Meeting Dates:	WIC Meeting #5 on November 29, 2016		
Consultant Recommendation:	General Fund Transfers, regardless of how they are structured or what they labeled, are a valid operating expense incurred by many municipal utilities and should be included in the revenue requirement of the wholesale customers. There is the possibility of restructuring the General Fund Transfer as a payment-in-lieu of taxes and/or a Franchise Fee. In the meantime, the Austin Water General Fund Transfer should continue in the amount specified by Austin City Council.		
PIC & WIC Comments:	<p>Gary Rose (WIC-Southwest Water Co.): it seems rate of return and General Fund Transfer is double dipping under a utility basis.</p> <p>Jay Joyce (WIC-Wells Branch MUD): if General Fund Transfer is profit, then it's not cost of service; I can't imagine the PUCT would allow both a rate of return and General Fund Transfer.</p> <p>Howard Hagemann (WIC-Wells Branch MUD): PUCT does not allow the general fund transfer, as discussed in previous meetings. It should be disallowed.</p> <p>Robert Anderson (WIC-Northtown MUD/Wells Branch MUD): General fund should be disallowed as ruled by PUCT</p> <p>Don Conklin (WIC-North Austin MUD #1): City has had multiple opportunities to defend the general fund transfer to the PUCT. Frustrated that this continues to be an issue because it has already been ruled upon.</p> <p>Charles Winfield (WIC-City of Rollingwood): Preference to not include the general fund transfer. In addition customers are already paying Austin Energy indirectly for its general fund transfer. Response: Austin Water is an inside city customer, so it must pay approved rates.</p> <p>Luke Metzger (PIC-Environmental): They need to pay their fair share for doing business with the city of Austin.</p> <p>Lanetta Cooper (PIC-Residential/Low Income): Strongly support the general fund transfer - The Texas Supreme Court has already addressed this. City has a right to a profit, but would not call it a general fund transfer. Over and above the cost of investment risk/reward, there are some expenses (police protection, right of way, street rental fees) that maybe there should be an additional cost to be recovered through rate of return. For inside city customers, no feeling of change. Under utility basis, there should be a rate of return/profit. Certain costs that general fund transfer should not apply, such as CWIP and CIP equity funding. AE made general fund transfer less volatile by removing the fuel adjustment factor and increasing the general fund transfer percentage.</p> <p>Todd Davey (PIC-Industrial/Large Volume): Agrees with Lanetta. They're different jurisdictions (city of Austin and PUCT). Set up those rates of return in another fashion. I don't think the city of Austin should mandate General Fund Transfer by wholesale. The city should recover funds that hit operating expenses. How does wholesale get their voice heard? General Fund Transfer and city of Austin don't apply to them.</p> <p>Chuck Loy (PIC-Multifamily): I agree. Those costs should be recovered in some way such as rate of return or PILOT to explain to PUCT</p> <p>Dave Yanke (PIC-Residential Rate Advocate): I agree with Chuck Loy that General fund transfer should be allocated to wholesale customers such as in other cities. There are other mechanisms such as Franchise fee or PILOT. Under Utility basis, there is a rate of return embedded along with a PILOT. This needs to be fair and defensible.</p> <p>Jesse Penn (PIC-W/WW Commissioner): What did the WIC say?</p> <p>Karyn Keese (PIC-Residential): You need some formula/mechanism other than a flat 8.2% and it should be part of wholesale revenue requirements. Look at some of the other ways to transfer money to the general fund. PILOT, Franchise Fee, something that you can actually calculate.</p>		
Executive Team Decision:			

Issue #4: Rate Recovery of Costs Incurred to Meet Financial Benchmarks

Issue	Change? (Yes or No)	If Yes, Option for Change	Reduce or Eliminate the Cost of Meeting Financial Benchmarks in Rates (Option for Change)	
			Pros	Cons
<p>Is it appropriate for Austin Water to continue to include in rates the costs incurred to meet financial benchmarks related to items such as Debt Service Coverage; Cash Reserves, and specific target levels of debt in the Austin Water capital structure?</p> <p>Status Quo: Continue to include the cost of meeting financial benchmarks in the rates paid by both retail and wholesale customers</p>		Reduce or eliminate the cost of meeting financial benchmarks in the rates paid by both retail and wholesale customers.	<ol style="list-style-type: none"> 1. Austin Water should only include in rates the absolute minimum costs necessary to maintain contractually mandated debt service coverage requirements (nothing more), the minimum possible cash reserve levels. Austin Water CIP financing decisions should be made solely on the basis of what results in the lowest rates today. Consideration of long-term capital structure issues and the reduced risks of have lower amounts of debt should not be considered in CIP financing decisions. 	<ol style="list-style-type: none"> 1. Financially stable utilities must maintain debt service coverage and cash reserve levels above the bare minimum. This is the only way to protect ratepayers from emergency rate increases due to unforeseen events such as severe and prolonged drought and major infrastructure failures. 2. Financially stable utilities must engage in CIP financing strategies that move toward an optimal capital structure with the appropriate balance of debt and equity. Such a capital structure limits the financial risk of too much debt and minimizes the rate increases cause by the use of too much cash funded CIP. 3. Austin Water must compete for funds and issue debt in the capital markets. Including in rates the costs incurred to meet reasonable financial benchmarks is prudent because it lowers Austin Water's borrowing costs and ensures unfettered access to the debt markets.
PIC Meeting Dates:	PIC Meeting #3 on October 5, 2016 / PIC Meeting #5 on November 29, 2016			
WIC Meeting Dates:	WIC Meeting #2 on October 5, 2016 / WIC Meeting #4 on November 25, 2016			
Consultant Recommendation:	The costs incurred to meet reasonable financial benchmarks should be included in rates and allocated to both retail and wholesale customers.			
PIC & WIC Comments:	<p>Jay Joyce (WIC-Wells Branch MUD): Concerned how cash reserves would be incorporated into utility basis. Response: AW would incorporate into the rate of return.</p> <p>Howard Hagemann (WIC-Wells Branch MUD): How will would cash reserves be allocated to wholesale customers?</p> <p>Gary Rose (WIC-Southwest Water Co.): Is Austin Water's bond rating separate from the city of Austin's and Austin Energy's bond ratings? Response: Yes, Austin Water is an Enterprise fund.</p> <p>Don Conklin (WIC-North Austin MUD #1): What is debt service requirement? Would like to see backup information. Are the reserves blocked from the City taking? Response: Reserves are locked and not available to be taken by the city.</p> <p>Luke Metzger (PIC-Environmental): It's absolutely appropriate because of the drought Austin Water had to improve its financial metrics.</p> <p>Grant Rabon (PIC-Residential Rate Advocate): Must comply with debt convents, but current levels are above convents. What level is the appropriate level? And Why? Need to substantiate that amount/target necessary to operate the utility Please share the Fitch 2017 medians report.</p> <p>Karyn Keese (PIC-Residential): I totally agree with Grant Rabon. Certainly debt service coverage is important but at what level? I would like a more formalized policy. I would like to see a sampling of other debt service coverage plans.</p> <p>Todd Davey (PIC-Industrial/Large Volume): I don't believe you should recover any more than what is needed to operate the utility. I have concerns about pre-collecting for future rate increases. Your stated targets are way out of line. Austin Water's rates are already high. Operate more efficiently. They were able to find equitable rates/levels in the Austin Energy settlement. I contacted the Fitch analyst and there are more parts to a bond rating than what Austin Water is benchmarking. My baseline is how do your rates compare to others. Right now your benchmarks are out of alignment. Council is making decisions impacting your revenue and demand, more so than with Austin Energy. Austin Water should have an affordability goal like Austin Energy does.</p> <p>Lanetta Cooper (PIC-Residential/Low Income): I don't know if the PUCT would allow it under utility basis. Depreciation would have to cover these costs. I think Austin Water will have difficulty squeezing debt service coverage and reserves into a utility basis model. These are covered by the rate of return. Look at it as a rate design issue especially Revenue Stability Reserves. I share Todd and Grant's concerns for I/C – why do you need such a big piggy bank?</p> <p>Dave Yanke (PIC-Residential Rate Advocate): Debt service coverage and reserves are critical. If you want them to grow, provide a detailed longer term analysis on how you will incrementally get there without significant rate increases. The challenge is to define what are adequate levels.</p>			
Executive Team Decision:				

Issue #5: Allocation of a Portion of Rate Case Expenses to Wholesale Customers				
Issue	Change? (Yes or No)	If Yes, Option for Change	Allocate a Portion of Rate Case Expenses to Wholesale Customers (Option for Change)	
			Pros	Cons
<p>The PUCT disallowed Austin Water's allocation of a portion of rate case expenses to the wholesale customers. Should Austin Water seek to include these costs in the wholesale customer revenue requirement in its next rate case?</p> <p>Status Quo: If Austin Water incurs rate case expenses in the future, they should continue to be excluded from the wholesale customer revenue requirement.</p>		<p>If Austin Water incurs rate case expenses in the future, a portion of these costs should be allocated to the wholesale customer revenue requirement.</p>	<p>1. Rate case expenses are a valid operating cost that benefit all customers, retail and wholesale.</p>	<p>1. As the petitioning party challenging Austin Water's rates, wholesale customers should not pay any rate case expenses.</p>
PIC Meeting Dates:	PIC Meeting #5 on November 29, 2016			
WIC Meeting Dates:	WIC Meeting #4 on November 29, 2016			
Consultant Recommendation:	Rate case expenses are a natural outcome of the regulatory process that benefits both retail and wholesale customers. If incurred in the future, wholesale customers should be allocated a portion of Austin Water's rate case expenses.			
PIC & WIC Comments:	<p>Grant Rabon (PIC-Residential Rate Advocate): Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p> <p>Don Conklin (WIC-North Austin MUD #1): I don't think allowing any of these is a something we would support. Why do you repeatedly try to include costs that have been repeatedly disallowed by the PUCT? Best case scenario, negotiations result in agreement and a rate case is not necessary. Our concession would be what's included in rate case expenses. I/C elects the Council who sets rates, they have redress, O/C doesn't.</p> <p>Gary Rose (WIC-Southwest Water Co.): Rate case expenses can be included but you're not guaranteed to recover them; the PUCT occasionally disallows.</p> <p>Robert Wood (WIC-City of Westlake Hills): Inside city should pay all of the rate case expenses. If the argument for rate of return is that they bear the risk, then inside city bear the risk of rate case expenses. Shareholders assume a risk, just like a private company shareholders.</p> <p>Charles Winfield (WIC-City of Rollingwood): Exclude them.</p> <p>Robert Anderson (WIC-Norhtown MUD/Wells Branch MUD): Exclude them.</p> <p>Howard Hagemann (WIC-Wells Branch MUD): Exclude them.</p> <p>Jay Joyce (WIC-Wells Branch MUD): Yes, of course done properly evidence will be deliberated through judge and a decision will be reached</p>			
Executive Team Decision:				

Issue #6: Allocation of a Portion of Reclaimed Water Costs to Wholesale Customers			
Issue	Change? (Yes or No)	If Yes, Option for Change	Allocate a Portion of Reclaimed Water Costs to Wholesale Customers (Option for Change)
			Pros
<p>The PUCT disallowed Austin Water's allocation of a portion of reclaimed water costs to the wholesale customers. Should Austin Water seek to include these costs in the wholesale customer revenue requirement in its next rate case?</p> <p>Status Quo: Continue to exclude reclaimed water costs from the wholesale customer revenue requirement.</p>		Allocate a portion of Austin Water's reclaimed water costs to the wholesale customer revenue requirement.	<p>1. Reclaimed water is a cost effective source of supply that diversifies Austin Water's water supply portfolio and enhances the total amount of water available to all customers (retail and wholesale). Specifically, if more reclaimed water used, more of Austin Water's existing sources of supply are available for potable water customers, retail and wholesale. For this reason, both retail and wholesale customers should be allocated a portion of reclaimed water costs.</p> <p>1. Even though reclaimed water increases the overall amount of water available to all customers (retail and wholesale), wholesale customers do not use reclaimed water and therefore should not be allocated a portion of reclaimed water costs.</p>
PIC Meeting Dates:	PIC Meeting #2 on November 5, 2016 / PIC Meeting #3 on November 25, 2016 / PIC Meeting #5 on November 29, 2016		
WIC Meeting Dates:	WIC Meeting #2 on November 5, 2016 / WIC Meeting #3 on November 8, 2016 / WIC Meeting #4 on November 29, 2016		
Consultant Recommendation:	Reclaimed water is a valid source of supply that benefits the entire system. A portion of reclaimed water costs should be allocated to wholesale customers.		
PIC & WIC Comments:	<p>Grant Rabon (PIC-Residential Rate Advocate) Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p> <p>Jay Joyce (WIC-Wells Branch MUD): I oppose based on testimony in the case. What circumstances have changed since the ruling in this case? Are there any EPA or regulatory obligations?</p> <p>Robert Anderson (WIC-Norhtown MUD/Wells Branch MUD): I agree with Jay. The PUCT has already ruled. This is an unnecessary expense to Northtown and Wells Branch.</p> <p>Howard Hagemann (WIC-Wells Branch MUD): I agree and oppose and we don't use any reclaimed water.</p> <p>Don Conklin (WIC-North Austin MUD #1): I recommend disallowing. The return is very low and there is not a significant contribution to the overall system. If the City of Austin has a policy to support these types of initiatives, then they should pay for it. We have no standing to address those choices.</p> <p>Charles Winfield (WIC-City of Rollingwood): I agree and oppose. Disallow. Does the PUCT give any reasons for disallowances?</p>		
Executive Team Decision:			

Issue #7: Allocation of a Portion of the Reclassified SWAP and Commercial Paper Costs to Wholesale Customers				
Issue	Change? (Yes or No)	If Yes, Option for Change	Allocate a Portion of SWAP and Commercial Paper Costs to Wholesale Customers (Option for Change)	
			Pros	Cons
<p>The PUCT disallowed Austin Water's allocation of a portion of SWAP and commercial paper costs to the wholesale customers.</p> <p>Status Quo: Continue to exclude SWAP and commercial paper costs from the wholesale customer revenue requirement</p>	.	Allocate a portion of Austin Water's SWAP and commercial paper costs to the wholesale customer revenue requirement	<ol style="list-style-type: none"> SWAP and commercial paper costs are valid debt issuance costs that are incurred by Austin Water to fund CIP projects that provide service to all customers. These costs were previously amortized over the life of each debt instrument. The Governmental Accounting Standards Board now requires these costs to be expensed in the year incurred. It is appropriate for all customers, both retail and wholesale, to be allocated a portion of SWAP and Commercial paper costs. 	<ol style="list-style-type: none">
PIC Meeting Dates:	PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016			
WIC Meeting Dates:	WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016			
Consultant Recommendation:	SWAP and commercial paper costs are a valid operating cost. A portion of drainage fees should be allocated wholesale customers.			
PIC & WIC Comments:	<p>Grant Rabon (PIC-Residential Rate Advocate) Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p>			
Executive Team Decision:				

Issue #8: Allocation of a Portion of the Green Water Treatment Plant Capital Costs to Wholesale Customers				
Issue	Change? (Yes or No)	If Yes, Option for Change	Allocate a Portion of Green Water Treatment Plant Capital Costs to Wholesale Customers (Option for Change)	
			Pros	Cons
<p>The PUCT disallowed Austin Water's allocation of a portion of Green Water Treatment Plant costs to the wholesale customers. Green Water has been decommissioned by Austin Water for treatment service. However, the plant is still used for training activities and a small amount of debt service costs associated with the plant remaining outstanding. Should Austin Water seek to include these costs in the wholesale customer revenue requirement in the next rate case?</p> <p>Status Quo: Continue to exclude the Green Water Treatment Plant costs from the wholesale customer revenue requirement.</p>	.	Allocate a portion of Green Water Treatment Plant costs to the wholesale customer revenue requirement.	1. Although the Green Water Treatment Plant has been decommissioned, it is still being used for training purposes to the benefit of all customers, both retail and wholesale.	1. The Green Water Treatment Plant does not pass the "used and useful" test.
PIC Meeting Dates:	PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016			
WIC Meeting Dates:	WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016			
Consultant Recommendation:	A portion of these costs should be allocated to wholesale customers.			
PIC & WIC Comments:	<p>Grant Rabon (PIC-Residential Rate Advocate) Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p>			
Executive Team Decision				

Issue #9: Allocation of Revenue Stability Reserve Fund Costs to Wholesale Customers				
Issue	Change? (Yes or No)	If Yes, Option for Change	Allocate a Portion of Revenue Stability Reserve Fund Costs to Wholesale Customers (Option for Change)	
			Pros	Cons
<p>The PUCT disallowed Austin Water's allocation of a portion of Revenue Stability Reserve Fund costs to the wholesale customers. Should Austin Water seek to include these costs in the wholesale customer revenue requirement in the next rate case?</p> <p>Status Quo: Continue to exclude Revenue Stability Reserve Fund costs from the wholesale customer revenue requirement.</p>	.	Allocate a portion of the Revenue Stability Reserve Fund costs to the to the wholesale customer revenue requirement.	<p>1. The Revenue Stability Reserve Fund protects the financial integrity of Austin Water caused by revenue fluctuations. This is a valid operating cost that accrues to the benefit of all customers, both retail and wholesale.</p>	<p>1. The entire risk of revenue fluctuations should be borne by Austin Water's retail customers. Therefore, no portion of these costs should be allocated to wholesale customers.</p>
PIC Meeting Dates:	PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016			
WIC Meeting Dates:	WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016			
Consultant Recommendation:	The maintenance of a Revenue Stability Reserve Fund is a valid operating cost that benefits all customers. Wholesale customers should be allocated a portion of these costs.			
PIC & WIC Comments:	<p>Grant Rabon (PIC-Residential Rate Advocate) Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p>			
Executive Team Decision:				

Issue #10: Allocation of a Barton Springs/Edwards Aquifer Conservation District Costs to Wholesale Customers				
Issue	Change? (Yes or No)	If Yes, Option for Change	Allocate a Portion of Barton Springs/Edwards Aquifer Conservation District Costs to Wholesale Customers (Option for Change)	
			Pros	Cons
<p>The PUCT disallowed Austin Water's allocation of a portion of Barton Springs/Edwards Aquifer Conservation District costs to wholesale customers. Should Austin Water seek to include these costs in the wholesale customer revenue requirement in the next rate case?</p> <p>Status Quo: Continue to exclude Barton Springs/Edwards Aquifer Conservation costs from the wholesale customer revenue requirement</p>	.	Allocate a portion of Barton Springs/Edwards Aquifer Conservation District costs to the wholesale customer revenue requirement.	<ol style="list-style-type: none"> The fee paid by Austin Water for the Barton Springs/Edwards Aquifer Conservation District was mandated by State of Texas legislation. The Conservation District's Land Management Program contributes to Austin's water quality by absorbing rainfall which helps alleviate flooding and maximizes inflows of water to area creeks and lakes. This is a valid operating cost incurred by Austin Water to provide service and is a benefit to all customers, both retail and wholesale. 	<ol style="list-style-type: none">
PIC Meeting Dates:	PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016			
WIC Meeting Dates:	WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016			
Consultant Recommendation:	The Barton Springs/Edwards Aquifer Conservation District costs are a valid operating expense that benefit all customers. Wholesale customers should be allocated a portion of these costs.			
PIC & WIC Comments:	<p>Grant Rabon (PIC-Residential Rate Advocate)</p> <p>Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p>			
Executive Team Decision				

Issue #11: Allocation of a Portion of the Govalle Wastewater Treatment Plant O&M and Capital Costs to Wholesale Customers				
Issue	Change? (Yes or No)	If Yes, Option for Change	Allocate a Portion of Govalle Wastewater Treatment Plant O&M and Capital Costs to Wholesale Customers (Option for Change)	
			Pros	Cons
<p>The PUCT disallowed Austin Water's allocation of a portion of Govalle Wastewater Treatment Plant costs to the wholesale customers. Should Austin Water seek to include these costs in the wholesale customer revenue requirement in the next rate case?</p> <p>Status Quo: Continue to exclude the Govalle Wastewater Treatment Plant costs from the wholesale customer revenue requirement</p>	.	Allocate a portion of Govalle Wastewater Treatment Plant costs to the wholesale customer revenue requirement.	1. Although the Govalle Wastewater Treatment Plant has been decommissioned, it is still being used for purposes that benefit all customers, both retail and wholesale. This includes various treatment support functions, emergency wastewater flow diversion, and for storage of treatment plant and infrastructure assets.	1. The Govalle Wastewater Treatment Plant does not pass the "used and useful" test and should not be allocated to wholesale customers.
PIC Meeting Dates:	PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016			
WIC Meeting Dates:	WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016			
Consultant Recommendation:	The Govalle Wastewater Treatment Plant capital should be allocated to wholesale customers.			
PIC & WIC Comments:	<p>Grant Rabon (PIC-Residential Rate Advocate) Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p>			
Executive Team Decision				

Issue #12: Allocation of a Portion of the Utility-Wide Contingency to Wholesale Customers				
Issue	Change? (Yes or No)	If Yes, Option for Change	Allocate a Portion of the Utility-Wide Contingency to Wholesale Customers (Option for Change)	
			Pros	Cons
<p>The PUCT disallowed Austin Water's allocation of a portion of its utility-wide contingency to the wholesale customers. Should Austin Water seek to include these costs in the wholesale customer revenue requirement in the next rate case?</p> <p>Status Quo: Continue to exclude the Utility-Wide Contingency from the wholesale customer revenue requirement</p>		Allocate a portion of the Utility-Wide Contingency to the wholesale customer revenue requirement.	<ol style="list-style-type: none"> The utility revenue requirement item designed to provide funds in case of emergency repair or other unplanned contingency. This is a valid operating cost that benefits all customers, both retail and wholesale. 	<ol style="list-style-type: none"> Austin Water maintains other reserve funds and the use of a utility-wide contingency cost is redundant. Austin Water must ensure that the amount of the contingency included in its revenue requirement is appropriate based on its actual history of expenditures.
PIC Meeting Dates:	PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016			
WIC Meeting Dates:	WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016			
Consultant Recommendation:	Austin Water must demonstrate why its requested contingency is appropriate to be included in the revenue requirement. If justified, a portion of this cost should be allocated to wholesale customers.			
PIC & WIC Comments:	<p>Grant Rabon (PIC-Residential Rate Advocate)</p> <p>Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p>			
Executive Team Decision				

Issue #13: Allocation of Water Treatment Plant No. 4 Costs to Wholesale Customers				
Issue	Change? (Yes or No)	If Yes, Option for Change	Allocate a Portion of Wastewater Treatment Plant No. 4 Costs to Wholesale Customers (Option for Change)	
			Pros	Cons
<p>The PUCT disallowed Austin Water's allocation of a portion of Water Treatment Plant No. 4 costs to the wholesale customers. Should Austin Water seek to include these costs in the wholesale customer revenue requirement in the next rate case?</p> <p>Status Quo: Continue to exclude Water Treatment Plant No. 4 costs from the wholesale customer revenue requirement</p>	.	Allocate a portion of Water Treatment Plant No. 4 costs to the wholesale customer revenue requirement.	<p>1. At the time of Austin Water's 2013 rate case, Water Treatment Plant No. 4 was not in service. Water Treatment Plant No. 4 is now in service. Austin Water operates a fully integrated utility system and all customers, including both retail and wholesale, benefit from Water Treatment Plant No. 4.</p>	<p>1. Water Treatment Plant No. 4 is not specifically dedicated to wholesale customer service. Therefore, no portion of these costs should be allocated to wholesale customers.</p>
PIC Meeting Dates:	PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016			
WIC Meeting Dates:	WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016			
Consultant Recommendation:	Water Treatment Plant No. 4 related costs are a valid and benefits all customers. Wholesale customers should be allocated a portion of these costs.			
PIC & WIC Comments:	<p>Grant Rabon (PIC-Residential Rate Advocate) Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p>			
Executive Team Decision				

Issue #14: Allocation of Green Power Costs to Wholesale Customers			
Issue	Change? (Yes or No)	If Yes, Option for Change	Allocate a Portion of Wastewater Treatment Plant No. 4 Costs to Wholesale Customers (Option for Change)
			Pros
<p>The PUCT disallowed Austin Water's allocation of a portion of Green Choice electricity costs to wholesale customers. Should Austin Water seek to include the cost of "green power" in the wholesale customer revenue requirement in the next rate case?</p> <p>Status Quo: Continue to exclude the cost of green power from the wholesale customer revenue requirement.</p>	.	Allocate a portion of green power costs to the wholesale customer revenue requirement.	<p>1. At the time of Austin Water's 2013 rate case, Austin Water purchased electric power from Austin Energy under the Green Choice electricity tariff. The PUCT disallowed the estimated cost of the Green Choice electricity in excess of standard Austin Energy electric rates. Austin Water is now purchasing electricity from Austin Energy under the Commercial Energizer rate. The Commercial Energizer rates are lower than the rates charged under the Green Choice program but are still in excess of standard Austin Energy rates.</p> <p>2. If the Austin City Council wishes Austin Water to purchase electricity produced by green power sources, this is a valid operating cost that should be allocated to all customers, both retail and wholesale.</p> <p>1. Wholesale customers should not be required to pay for green power costs in excess of standard electric rates because of the City of Austin's environmental/sustainability concerns. These excess costs should only be borne by retail customers located within the jurisdictional boundaries of the City of Austin.</p>
PIC Meeting Dates:	PIC Meeting #2 on November 5, 2016 / PIC Meeting #5 on November 29, 2016		
WIC Meeting Dates:	WIC Meeting #2 on November 5, 2016 / WIC Meeting #4 on November 29, 2016		
Consultant Recommendation:	Austin Water's purchase of green power electricity is a valid operating costs that benefits all customers. Wholesale should be allocated a portion of these costs.		
PIC & WIC Comments:			
Executive Team Decision			
PIC & WIC Comments:	<p>Grant Rabon (PIC-Residential Rate Advocate)</p> <p>Per our discussion at the PIC meeting on 11/29/16, I am formally indicating my strong belief that Austin Water should pursue the inclusion of previously disallowed costs into the revenue requirement allocated to wholesale customers. The only exception to this general statement would be if Austin Water opts to utilize the utility basis for these customers (which I support) and, then, Austin Water could exclude only those disallowed costs that are inconsistent with, or inappropriate for, inclusion under the utility basis.</p>		
Executive Team Decision			

Issue #15: Modify the Peaking Factor Methodology Used in the Water Cost of Service Model				
Issue	Change? (Yes or No)	If Yes, Option for Change	Modify the Peaking Factor Methodology Used in the Water Cost of Service Model (Option for Change)	
			Pros	Cons
<p>Representatives of large industrial customers have stated that the current method used by Austin Water to estimate customer class maximum day and maximum hour peaking factors does not adequately reflect the nuances of large industrial customer water use and results in an overstatement of the industrial class revenue requirement.</p> <p>Status Quo: Maintain the peaking factor methodology currently used in the water model.</p>		<p>Modify the peaking factor methodology currently used in the water model to reflect data provided by the industrial customers.</p>	<p>1. The current peaking factor methodology used in the water model does not reflect the actual daily or hourly water consumption of any customer in any retail customer class. To the extent customer-specific data is available it should be used; this would allow for customer-specific peaking factor determinations.</p>	<p>1. Austin Water uses an industry standard methodology to estimate customer maximum day and maximum hour peaking factors. This methodology is recommended in AWWA Manual M1, Principles of Water Rates, Fees, and Charges. This industry standard methodology is used for all retail and wholesale customer classes.</p> <p>2. Unless and until Austin Water installs advanced metering technology that records individual customer water consumption on an hourly basis, the peaking factor methodology used by Austin Water is a fair and equitable method for assessing customer class water consumption characteristics and allocating costs between customer classes.</p> <p>3. Modifying the current methodology to estimate peaking factors would inappropriately benefit large industrial customers by shifting costs to other retail and wholesale customer classes. In order to maintain fairness, the same peaking factor methodology should be used for all customer classes.</p>
PIC Meeting Dates:	October X, 2016			
WIC Meeting Dates:	October X, 2016			
Consultant Recommendation:	Continue to use the industry standard peaking factor methodology currently employed by Austin Water (do not modify the current methodology to estimate customer class peaking factors).			
PIC & WIC Comments:				
Executive Team Decision				
PIC & WIC Comments:				
Executive Team Decision				

Issue #16: Retail Small Multi-Family Customer Rate Design Issues				
Issue	Change? (Yes or No)	If Yes, Option for Change	Modify the Small Multi-Family Fixed Charge Rate Design	
			Pros	Cons
Retail small multi-family customers must currently pay fixed charges that contain a potentially high allocation of public fire protection costs. Status Quo: Maintain the current small multi-family fixed charge rate design.		Modify the current small multi-family fixed charge rate design.	This issue will be covered at a future meeting of the PIC in which rate issues are addressed.	
PIC Meeting Dates:				
WIC Meeting Dates:				
Consultant Recommendation:				
PIC & WIC Comments:				
Executive Team Decision				