

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	13388	Agenda Number	2.
Meeting Date:	4/12/2012		Department:	Austin Water Utility
Subject				
<p>Approve an ordinance regarding the revised rates and tariff proposed by Aqua Texas, Inc. in its Statement of Intent dated December 21, 2011 for water service provided to its customers in two areas within the City of Austin known as Rivercrest and Morningside.</p>				
Amount and Source of Funding				
<p>There is no unanticipated fiscal impact.</p>				
Fiscal Note				
<p>A fiscal note is not required.</p>				
Purchasing Language:				
Prior Council Action:	September 30, 2004 - Council approved prior rate increase; March 1, 2012 (suspending the implementation of proposed rates for a 90-day period)			
For More Information:	Bart Jennings, 972-0118; Denise Avery, 972-0104			
Boards and Commission Action:	To be reviewed by the Water and Wastewater Commission on April 11, 2012			
MBE / WBE:				
Related Items:				
Additional Backup Information				
<p>Under Chapter 13 of the Texas Water Code, the Austin City Council is the local regulatory authority with exclusive original jurisdiction over rates for water and sewer utility services provided by non-City utilities serving areas within the City's limits. Aqua Texas, Inc. ("Aqua") is a water utility with customers in two areas within the City known as Rivercrest and Morningside. On December 21, 2011, Aqua filed a Statement of Intent to Change Rates ("Statement of Intent") that will affect its in-City customers. As the local regulatory authority, the City Council has approval authority over Aqua's rates to determine that they are just and reasonable and that, in all other respects, the rates meet state and local law.</p> <p>Of the 270 customers residing in Aqua's certified water utility service area, approximately 250 are within the Austin City limits. These customers receive only water service from Aqua. As required by law, Aqua provided each affected customer 60-days prior written notice of the proposed rate changes and has advertised public notice concerning this matter.</p>				

Under its authority in Section 13.187 of the Texas Water Code, the City Council suspended Aqua's proposed rate increase for 90 days in order to allow the City's utility staff to thoroughly review and analyze the factors necessary for making a final recommendation on the proposed rate change. As the local regulatory authority, City Council is authorized by Chapter 13 of the Texas Water Code and Chapter 15-4 of the Austin City Code to approve, deny, or modify Aqua's proposed rate change. Austin Water Utility staff has completed its review and analysis of the rates, considering all supporting documentation, and has determined that the changed rates as proposed by Aqua's Statement of Intent are just and reasonable for its customers within the City of Austin. Austin Water Utility staff recommends approval of the rates and tariffs as proposed by Aqua in its Statement of Intent.

Below are highlights of the results and conclusions of the analysis by Austin Water Utility staff:

- Aqua's revenues have not been adequate to recover costs from increased operations and maintenance, and capital infrastructure fully while maintaining a sufficient rate of return.
- Aqua's system-wide operations and maintenance costs have increased by 0.7% since the 2004 rate filing.
- Since 2004, Aqua has invested over \$ 31.7 million in capital related costs to improve water quality, service, and reliability for its customers in its Southwest Region that includes the Austin residents.
- Aqua is proposing a rate of return of 8.59% for its Southwest Region, comparable to its existing rate of return of 8.44% approved in 2008 by the Texas Commission on Environmental Quality.