

2016-2017 BUDGET QUESTION

Response to Request for Information

DEPARTMENT: Austin Water

REQUEST NO.: 3

REQUESTED BY: Gallo

DATE REQUESTED: 5/11/16

DATE POSTED: 6/1/16

REQUEST: Please provide historical data on the rate structure/tiered rates by gallons for the previous 5 years.

RESPONSE: Austin Water's current residential 5 tier inclining volumetric rate block structure (shown below) is one of the most aggressive rate designs in the nation as a means to encourage conservation through water pricing. The rate design methodology follows the business model changes recommended by the 2012 and 2014 Joint Committee on Austin Water's Financial Plan (Joint Committee) and subsequently approved by Austin City Council.

Background:

Subsequent to the FY 2012 Budget approval, the Austin City Council passed Resolution No. 20110922-052 which directed the City Manager to work with a Joint Committee of the Water and Wastewater Commission, Resource Management Commission, and the Impact Fee Advisory Committee, with input from the public, to develop recommendations for short-term and long-term financial plans to strengthen the financial stability of Austin Water.

The 2012 Joint Committee recommendations approved by City Council included changing the 5-tier inclining volumetric rate block intervals, establishing fixed fee targets by customer class, and the creation of a water revenue stability reserve fund. The 2012 Joint Committee also recognized the inherent volatility in the steep inclining volumetric rates in the residential customer class and, in an attempt to balance revenue stability with water conservation, recommended that Austin Water collect 20% of revenue through fixed charges and maintain or minimize an \$11.00 variance between volumetric rate blocks 1 and 5 in future rate increases. Water rates implementing these recommendations, including a tiered fixed fee, went into effect in February 2013.

The City Manager authorized the reconvening of the Joint Committee in 2014 to assist Austin Water in reviewing its financial and rate forecasts for 2015, develop recommendations on additional financial and rate policies, and to further strengthen Austin Water's financial stability. The 2014 Joint Committee recommendations approved by City Council included \$30 million in cost reductions from the FY 2014 Budget, lower consumption projections associated with Stage 2 water restrictions, implementation of drought rate surcharges, and increasing the tiered fixed fee dollar variance between blocks 1 and 5 in FY 2015. Water rates implementing these recommendations went into effect in January 2015.

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Historical rate structures/tiered rates by gallons for the previous 5 years are provided below.

Austin Water 5-year Historical Residential Rates

Minimum Meter Charge (5/8") \$7.10	FY11		
Tier	Gallons	Tiered Minimum Charge	Volumetric Rate/1000 gallons
Tier 1	0 - 2,000	N/A	\$1.06
Tier 2	2,001 - 9,000	N/A	\$2.78
Tier 3	9,001 - 15,000	N/A	\$7.15
Tier 4	15,001 - 25,000	N/A	\$9.88
Tier 5	25,001- over	N/A	\$10.99

Minimum Meter Charge (5/8") \$7.10	FY12		
Tier	Gallons	Tiered Minimum Charge	Volumetric Rate/1000 gallons
Tier 1	0 - 2,000	N/A	\$1.17
Tier 2	2,001 - 9,000	N/A	\$3.08
Tier 3	9,001 - 15,000	N/A	\$7.92
Tier 4	15,001 - 25,000	N/A	\$10.95
Tier 5	25,001- over	N/A	\$12.19

Minimum Meter Charge (5/8") \$7.10	FY13		
Tier	Gallons	Tiered Minimum Charge	Volumetric Rate/1000 gallons
Tier 1	0 - 2,000	\$2.00	\$1.25
Tier 2	2,001 - 6,000	\$4.50	\$2.80
Tier 3	6,001 - 11,000	\$7.45	\$5.60
Tier 4	11,001 - 20,000	\$12.55	\$9.40
Tier 5	20,001- over	\$12.55	\$12.25

Minimum Meter Charge (5/8") \$7.10	FY14		
Tier	Gallons	Tiered Minimum Charge	Volumetric Rate/1000 gallons
Tier 1	0 - 2,000	\$2.00	\$1.84
Tier 2	2,001 - 6,000	\$4.50	\$3.39
Tier 3	6,001 - 11,000	\$7.45	\$6.20
Tier 4	11,001 - 20,000	\$12.55	\$9.95
Tier 5	20,001- over	\$12.55	\$12.84

Minimum Meter Charge (5/8") \$7.10	FY15		
Tier	Gallons	Tiered Minimum Charge	Volumetric Rate/1000 gallons
Tier 1	0 - 2,000	\$1.05	\$2.93
Tier 2	2,001 - 6,000	\$3.00	\$4.49
Tier 3	6,001 - 11,000	\$7.60	\$7.29
Tier 4	11,001 - 20,000	\$23.75	\$11.03
Tier 5	20,001- over	\$23.75	\$13.93

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The combination of Austin Water's aggressive rate structure, strong conservation programs and drought conditions have contributed to declining residential consumption per account since FY 2011. The tables below illustrate the change in residential consumption and billed customer accounts by block since FY 2011.

As shown below, residential consumption in tiers 1 & 2 has increased from 56.2% of total consumption in FY 2011 to 72.4% of total consumption in FY 2015. During the same timeframe, consumption in tiers 4 & 5 has decreased from 24.5% of total consumption in FY 2011 to 12.7% of total consumption in FY 2015. The percent of customer bills by tier has experienced a similar increase in tiers 1 & 2 and corresponding decrease in tiers 4 & 5.

Residential Water Consumption by Block (MGs)

	Block 1	Block 2	Block 3	Block 4	Block 5	Total
FY 2011	4,292 23.5%	6,176 32.7%	3,998 19.3%	3,208 14.3%	2,406 10.2%	20,080
FY 2012	4,305 26.9%	5,893 35.4%	3,400 18.6%	2,326 11.9%	1,514 7.1%	17,438
FY 2013	4,345 28.0%	5,754 36.5%	3,040 18.6%	1,841 10.9%	1,011 5.9%	15,991
FY 2014	4,081 31.8%	4,952 38.1%	2,228 16.5%	1,229 8.8%	672 4.8%	13,162
FY 2015	4,416 34.2%	5,089 38.2%	2,168 14.9%	1,241 7.8%	813 4.9%	13,727

Total Annual Billed Customers by Block

	Block 1	Block 2	Block 3	Block 4	Block 5	Total
FY 2011	271,429 11.9%	879,006 38.6%	556,910 24.4%	358,728 15.7%	212,111 9.3%	2,278,18
FY 2012	291,476 12.7%	976,181 42.7%	567,345 24.8%	312,720 13.6%	140,600 6.1%	2,288,32
FY 2013	320,106 13.8%	1,044,186 45.0%	574,844 24.8%	278,756 12.0%	104,108 4.5%	2,322,00
FY 2014	356,110 16.0%	1,099,405 49.4%	484,192 22.2%	196,752 9.2%	67,882 3.2%	2,204,34
FY 2015	427,958 17.8%	1,238,063 51.5%	478,436 19.9%	185,923 7.7%	72,850 3.0%	2,403,23