



Item 8  
# 23-3781

Water & Wastewater Commission: January 18, 2023  
Council: January 26, 2023

**Posting Language:**

Recommend approval to negotiate and execute a contract to conduct an Austin Water cost-of-service rate study 2023 with NewGen Strategies and Solutions, LLC, for a term of two years in an amount not to exceed \$400,000.

**Lead Department:**

Austin Water

**Client Department:**

Austin Water Assistant Director of Financial Services, Joseph Gonzales

**Fiscal Note:**

Funding in the amount of \$200,000 is available in the Fiscal Year 2022-2023 Operating Budget of Austin Water. Funding for the remaining contract term is contingent upon available funding in future budgets.

**Council Committee, Boards and Commission Action:**

January 18, 2023 – to be reviewed by the Water and Wastewater Commission.

**Additional Backup Information:**

The contract will provide services to conduct a cost-of-service analysis and development of service rates for Austin Water (AW). AW will utilize the results of the study to design and implement cost-based rates for service. Revisions to water, wastewater, and reclaimed service rates are anticipated to be effective January 1, 2024.

Four cost of service rate studies have been conducted previously. Each study contained extensive cost analysis, public involvement programs, and specific cost-of-service methodologies in order to develop water, wastewater, and reclaimed rates. The first study was conducted in 1992 as a condition of a rate settlement with the City's wholesale customers. In 1999, a detailed cost-of-service rate study developed a multi-class rate structure that equitably distributed costs to each customer class. A subsequent study was conducted in 2007 which developed cost of service methodologies that covered issues regarding cost-of-service variances, promotion of water conservation, and inflow and infiltration cost allocation. In April 2013, AW rates were challenged and in October 2015, the Public Utility Commission established rates below the fiscal year 2012 rates. In 2017, AW completed a detailed cost-of-service rate study to update methods for determining fair and reasonable rates for utility services. The process included extensive public involvement to review the cost-of-service methodologies used to allocate costs amongst residential, multifamily, commercial, large volume, and wholesale customer classes. Council set new retail rates for AW customers. Then in 2018, AW implemented a 4.8% combined rate reduction for all retail customers. Since the 2018 rate reduction, AW has maintained stable rates with no subsequent rate increases from Fiscal Year 2019 to Fiscal Year 2023.

The study will evaluate AW's revenue requirements, costs of providing water, wastewater and reclaimed service, and rate design in accordance with recognized accepted industry standards. The study will be based on sound engineering and economic principles to ensure utility costs and rates are fairly apportioned to the customer classes, and rates are designed to equitably recover cost. An extensive public involvement process will be conducted throughout the study in conjunction with the residential customer rate advocate to incorporate outreach to community advocacy groups, which includes minority and economically disadvantaged customers. The contractor will provide consulting expertise and services to AW management and staff throughout the study.



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An evaluation team with expertise in this area evaluated the offers and scored NewGen Strategies and Solutions, LLC as the best to provide these services based on project concept and solution, proposer experience and personnel, project schedule, price, local business presence, and service-disabled veteran business enterprise.

This is a new contract for a recurring cost-of-service study which is conducted approximately every five to seven years. If a contract is not secured, AW's cost of service methodology will not be updated.

**Strategic Outcome(s):**

Government that Works for All.