



# City of San Antonio

## Agenda Memorandum

**File Number: 15-1511**

**Agenda Item Number:** 49.

**Agenda Date:** 6/18/2015

**In Control:** City Council A Session

**DEPARTMENT:**

Finance

**DEPARTMENT HEAD:**

Troy Elliott

**COUNCIL DISTRICTS IMPACTED:**

City Wide

**SUBJECT:**

San Antonio Water System (SAWS) proposed modification to the Wholesale Class Water Rates Base Use Definition

**SUMMARY:**

The proposed Ordinance authorizes the SAWS Board of Trustees to enter into take or pay wholesale water agreements that may not define base use as 100% of Average Annual Consumption.

**BACKGROUND INFORMATION:**

In addition to serving its own retail customers, SAWS also provides wholesale water supplies to smaller utility systems within this area. Excluding sales to the District Special Project (formerly BexarMet), SAWS recorded revenues of approximately \$425,000 from wholesale water sales to the City of Elmendorf and the East Central Special Utility District during its FY 2014.

The proposed ordinance authorizes a modification to the Wholesale Class Water Rates Base Use definition. Currently, for Wholesale Class Water Rates, “The Base Use is defined as 100% of Annual Average Consumption.” This volume is used to define the initial block of water for which wholesale water customers are billed. The following table identifies the current monthly volume rates charged to wholesale water customers.

**2015 MONTHLY VOLUME CHARGE**

USAGE BLOCKS	RATE PER 100 GALLONS	
	INSIDE CITY LIM	OUTSIDE CITY LI
Base*	\$0.0845	\$0.1098
> 100-125% of Base	0.1269	0.1650

> 125-175% of Base	0.1833	0.2383
> 175% of Base	0.2592	0.3369

\*-Base use is defined as 100% of the Average Annual Consumption

The proposed Ordinance would modify the definition of base use to read “Base use is defined as 100% of Average Annual Consumption or as agreed to by the wholesale customer and approved by the SAWS Board of Trustees.” SAWS believes that the approval of the definition modification will provide it with more flexibility to renegotiate wholesale agreements with existing customers on a take or pay basis. SAWS will enter into take or pay agreements that will require wholesale customers to pay for all contracted water unless the volume is reduced as a result of cut-backs imposed due to drought restrictions. This will provide more consistency with regard to both the quantity of water to be supplied to the existing wholesale customers and the amount of revenues received from those customers which may help to mitigate potential rate increases that would otherwise be passed on to its retail customers.

The proposed changes to the Wholesale Class Water Rate schedule shall not apply to any customers outside of Bexar County that want to connect solely to the transmission main related to the Vista Ridge water project. SAWS will present a recommended tariff to Council at a later date which will be more closely aligned with the cost of new water supplies.

The change in the wholesale base use definition would be effective immediately upon adoption by the City Council.

**ISSUE:**

SAWS is requesting a change in the definition of base use for its wholesale water customer class. This change would provide it with additional flexibility to enter into take or pay wholesale water agreements.

**ALTERNATIVES:**

Council could elect not to approve this proposed change or could opt to approve any SAWS wholesale contract that does not define the base use as 100% of Annual Average Consumption.

**FISCAL IMPACTS:**

The City receives approximately 2.7 % of SAWS gross revenues.

**RECOMMENDATION:**

Staff recommends approval of the proposed ordinance.