

**CITY OF SAN ANTONIO**  
**Finance Department**  
**Interdepartmental Correspondence Sheet**

AGENDA ITEM NO. 42

**TO:** Mayor and City Council  
**FROM:** Ben Gorzell Jr. CPA, Public Utilities Supervisor/Assistant Director, Finance Department; Eugene E. Habiger, General, USAF (Ret.), President/Chief Executive Officer, San Antonio Water System  
**THROUGH:** Terry M. Brechtel, City Manager  
**COPIES:** Melissa Byrne Vossmer, Assistant City Manager; File  
**SUBJECT:** An Ordinance Authorizing the Establishment of the San Antonio Water System's Chilled Water and Steam Rates at KellyUSA  
**DATE:** November 21, 2002

**SUMMARY AND RECOMMENDATION**

This Ordinance amends Chapter 34 of the City Code to establish rates for chilled water and steam service provided by the San Antonio Water System (SAWS) to customers at KellyUSA effective beginning with billings in December 2002.

Approval of this Ordinance is recommended.

**BACKGROUND INFORMATION**

Through the utility divestiture process in 1999, the Chilled Water and Steam plant at KellyUSA was operated under a reimbursement contract and transferred to SAWS. Since that time, SAWS has charged chilled water and steam customers at KellyUSA based on estimates as historical costs of operation and metered consumption were not available.

During this period, SAWS made infrastructure repair and improvements to the system as well as performed analysis of operations to identify improvements resulting in improved efficiency in customer consumption. As such, adequate historical information is now available which can be utilized to formally establish rates for chilled water and steam customers at KellyUSA. Based on this information, SAWS has developed proposed chilled water and steam rates which include the following: costs to maintain and operate the system; pass-through of utility costs (electricity, gas, water, etc.) incurred to provide chilled water and steam service; funding requirements of the operating budget; and financing of required capital improvements to the existing system. Billings for service will occur on a monthly basis and include both a capacity charge and a commodity charge.

The proposed rate schedules for chilled water and steam service at KellyUSA are included as Attachment I. The following is a brief summary of the proposed rates:

Capacity charge for Chilled Water: \$15.85 / ton  
Capacity charge for Steam: \$79.39 / (100 lbs. per hour)  
Commodity Charge applied to monthly metered consumption based upon the following formula:

Commodity Charge = Actual Monthly Utility Costs / Total Monthly Production (units in 1,000 lbs. for Steam or Ton Hours for Chilled Water) plus Payment to the City's General Fund plus Payment to GKDA.

These proposed rates generate revenues for SAWS comparable to the revenues from current billings based upon the initial estimates. SAWS has provided briefings on the proposed rate schedule for all chilled water and steam customers at KellyUSA. Major customers at Kelly USA include Boeing, Lockheed Martin, GKDA, and the Air Force. It is also important to note that SAWS manages the Chilled Water and Steam System as a separate core business. Additionally, for rate purposes, the chilled water and steam system at KellyUSA is accounted for separately from the chilled water and steam system which services the downtown area.

**FISCAL IMPACT**

Revenues generated from the proposed rates closely approximate the revenues currently being generated from billings based on the initial estimates being utilized. As such, no significant change in the City's payment from SAWS (2.7% of gross revenues) related to the chilled water and steam system at KellyUSA is anticipated. SAWS projects annual revenues under the proposed rates at KellyUSA as follows:

**KellyUSA**

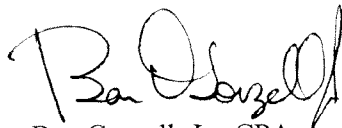
	<b><u>Demand</u></b>	<b><u>Commodity</u></b>	<b><u>Total</u></b>
Steam	\$ 827,080	\$ 805,000	\$ 1,632,080
<u>Chilled Water</u>	<u>\$ 1,273,199</u>	<u>\$ 1,500,821</u>	<u>\$ 2,774,020</u>
Total	\$ 2,100,279	\$ 2,305,821	\$ 4,406,100

**COORDINATION**

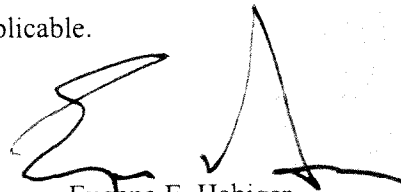
This item has been reviewed and approved by the Board of Trustees of the San Antonio Water System with the passage of a Resolution on September 10, 2002. SAWS has provided briefings for all customers at KellyUSA on the proposed rates.

**SUPPLEMENTARY COMMENTS**

The requirements of the City's Ethics Ordinance are not applicable.

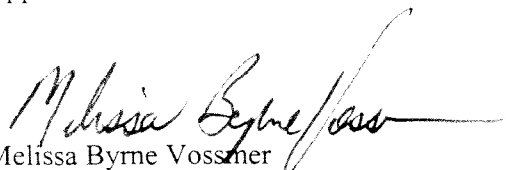


Ben Gorzell, Jr., CPA  
Public Utilities Supervisor/  
Assistant Director of Finance  
City of San Antonio



Eugene E. Habiger  
General, USAF (Ret.)  
President/Chief Executive Officer  
San Antonio Water System

Approved:



Melissa Byrne Vossmer  
Assistant City Manager



Terry M. Brechtel  
City Manager

SCHEDULE "A"  
CHILLED WATER SERVICE RATE SCHEDULE FOR KELLYUSA  
SAN ANTONIO WATER SYSTEM  
San Antonio, Texas  
Effective December 1, 2002

Billings for chilled water service shall be produced on a monthly basis and shall consist of both a capacity charge and a commodity charge as follows.

**CAPACITY CHARGE**

The capacity charge shall be \$15.85 per ton hour of demand. The demand shall be the largest number of tons of cooling demanded in any of the twelve months ending with the month next preceding the month in which the bill is dated or the demand amount specified in the contract or agreement with the customer, whichever is the greater of the two.

**COMMODITY CHARGE**

A commodity charge will be applied to the monthly metered consumption. The commodity charge will provide for the pass-through of the Utility Costs, including water and energy costs. No commodity charge shall be made if the metered use of the customer is zero (0) during the month.

The commodity charge will be computed as follows; all utility costs of the previous month will be recovered through an allocation to the consumption of the billing period. In addition, the Payment to the City's General Fund and to GKDA will be added where applicable.

$$\frac{\text{Utility Costs}}{\text{Consumption}} + \text{Payment to General Fund} + \text{Payment to GKDA} = \text{Commodity Charge}$$

**ADJUSTMENT FOR PAYMENT TO THE CITY GENERAL FUND AND TO GKDA**

The City of San Antonio may change the Percentage for payment to the City General Fund pursuant to City Ordinance No. 75686, which is currently established at 2.7% of Gross Revenues. At that time, the commodity and capacity charge will be revised to include the new Percentage of Payment to the City of San Antonio.

The San Antonio Water System has contracted with GKDA to pay 5% on all Chilled Water and Steam service revenues at KellyUSA unless the revenue is derived from services to the USAF on both the realigned portion of Kelly AFB and for the long-term leased-back facilities on the non-realigned portion of Kelly AFB, except for sales to the USAF that are billed to GKDA in connection with multi-tenant buildings in which USAF is one of the tenants.

**DEFINITIONS**

A ton is defined as 12,000 Btu's per hour.

An hour is defined as 60 consecutive minutes.

Gross Revenues is defined in City Ordinance No. 75686

SCHEDULE "B"  
STEAM SERVICE RATE SCHEDULE FOR KELLYUSA  
SAN ANTONIO WATER SYSTEM  
San Antonio, Texas  
Effective December 1, 2002

Billings for steam service shall be produced on a monthly basis and shall consist of both a capacity charge and a commodity charge as follows:

**CAPACITY CHARGE**

The capacity charge shall be \$79.39 per 100 pounds per hour of demand. The demand shall be the largest number of pounds of steam demanded in any hour of the twelve months ending with the month next preceding the month in which the bill is dated or the demand amount specified in the contract or agreement with the customer, whichever is the greater of the two.

**COMMODITY CHARGE**

A commodity charge will be applied to the monthly metered consumption. The commodity charge will provide for the pass-through of the Utility Costs, including water and energy costs. No commodity charge shall be made if the metered use of the customer is zero (0) during the month.

The commodity charge will be computed as follows; all utility costs of the previous month will be recovered through an allocation to the consumption of the billing period. In addition, the Payment to the City's General Fund and to GKDA will be added where applicable.

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**DEFINITIONS**

An hour is defined as 60 consecutive minutes.