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CITY OF SAN ANTONIO AGENDA ITEM NO. 30
PUBLIC UTILITIES DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM

TO: Mayor and City Council

FROM: Ben Gorzell Jr. CPA, Director, Public Utilities Department

SUBJECT: An Ordinance Authorizing Adjustments to the San Antonio Water System's Chilled Water and Steam Rates at KellyUSA

DATE: March 24, 2005

SUMMARY AND RECOMMENDATION

This Ordinance amends Chapter 34 of the City Code adjusting the rates for chilled water and steam service provided by the San Antonio Water System (SAWS) to customers at KellyUSA effective beginning with billings in May 2005.

Approval of this Ordinance is recommended.

BACKGROUND INFORMATION

SAWS operates three separate heating and cooling plants. The Downtown and KellyUSA systems are owned by SAWS and the Brooks City Base system is operated under a time and materials contract. This proposed rate adjustment is specific to the KellyUSA system.

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. Originally, SAWS charged chilled water and steam customers at KellyUSA based on estimates as historical costs of operation and metered consumption were not available. In November of 2002, rates for the KellyUSA chilled water and steam customers were established based on 2 years of historical information.

Since the transfer of the system, SAWS has made infrastructure repairs and improvements as well as performed analysis of operations to identify improvements resulting in improved efficiency in customer consumption. The current rates are based on past costs of maintaining and operating the system with the inclusion of a subsidy by the Greater Kelly Development Authority (GKDA) to help reduce costs for the KellyUSA tenants. In addition, the current rates do not provide adequate revenue for timely reimbursement of the cost of completed capital improvements. GKDA desires to reduce and, over time, eliminate its subsidy of the rates.

The proposed chilled water and steam rates include the following: updated costs to maintain and operate the system; a three year rolling average demand to reduce and ultimately eliminate GKDA's subsidy of the KellyUSA tenants; pass-through of utility costs (electricity, gas, water,

etc.) incurred to provide chilled water and steam service; financing of previously incurred capital expenditures over a six-year period; and, financing of required future capital improvements. Billings for service 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 in Attachment I. The following is a brief summary of the proposed rates:

Capacity charge for Chilled Water	\$20.52/ ton of demand
Capacity charge for Steam	\$95.06/ (100 lbs. per hour)

The Commodity Charge is designed to provide for the pass through of the utility costs, including electricity, gas, and water, and as such there is no proposed adjustment.

These proposed rates generate revenues for SAWS sufficient to cover the cost of service. SAWS staff has worked for the past year with GKDA and the KellyUSA tenants to develop the proposed rate adjustments. Major customers at KellyUSA include Boeing, Lockheed Martin, GKDA, and the Air Force. Based on information from KellyUSA, KellyUSA and its' tenants agree that the proposed rates are acceptable.

FISCAL IMPACT

The projected revenues under the proposed rates have increased to reflect the updated operating costs and recovery of the cost of completed capital projects. Total revenue for 2004 was approximately \$4.6 million. With the approval of the proposed rate adjustments, the projected revenues for a 12 month period are approximately \$5.2 million. SAWS pays the City 2.7% of gross revenues, as such, the increase in City payment is estimated at \$5,100 for FY2005, and \$15,300 for a full 12 month period.

Projected revenues for a 12 month period under the proposed rates are as follows:

KellyUSA

	<u>Capacity</u>	<u>Commodity</u>	<u>Total</u>
Chilled Water	\$ 1,599,135	\$ 1,572,195	\$ 3,171,330
<u>Steam</u>	<u>\$ 822,302</u>	<u>\$ 1,178,268</u>	<u>\$ 2,000,570</u>
Total	\$ 2,421,437	\$ 2,750,463	\$ 5,171,900

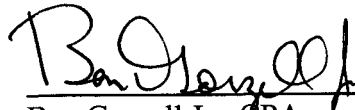
COORDINATION

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 February 15, 2005. SAWS has worked with GKDA and the KellyUSA tenants over the past year. Based on information from KellyUSA, KellyUSA and its tenants agree that the proposed rates are acceptable. In addition, this item has been coordinated with the City Attorney's Office, the Office of Management and Budget and the Finance Department.

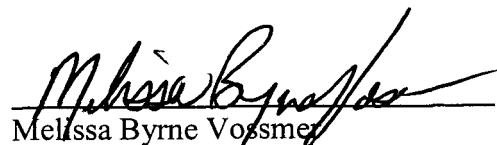
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SUPPLEMENTARY COMMENTS

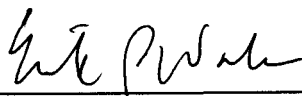
The requirements of the City's Ethics Ordinance are not applicable.



Ben Gorzell Jr., CPA
Director of Public Utilities



Melissa Byrne Vossmer
Assistant City Manager



J. Rolando Bono
Interim City Manager

ATTACHMENT I, page 1

SCHEDULE "A"
CHILLED WATER SERVICE RATE SCHEDULE FOR KELLYUSA
SAN ANTONIO WATER SYSTEM
San Antonio, Texas
Effective April 1, 2005

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 \$20.52 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.

ATTACHMENT I, page 2

SCHEDULE "B"
STEAM SERVICE RATE SCHEDULE FOR KELLYUSA
SAN ANTONIO WATER SYSTEM
San Antonio, Texas
Effective April 1, 2005

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 \$95.06 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.

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

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DEFINITIONS

An hour is defined as 60 consecutive minutes.

Gross Revenues is defined in City Ordinance No. 75686.