



CITY OF AUSTIN D/B/A AUSTIN WATER'S RESPONSE TO

UNDINE, LLC'S PROPOSAL TO INCREASE WATER AND WASTEWATER RATES

The City of Austin (City) d/b/a Austin Water (AW or Austin Water) Under Texas Water Code Chapter 13, the Council has the regulatory authority with exclusive original jurisdiction to review rates charged to water and wastewater customers within the City's corporate limits who are served by non-City utilities. The Council has authority to determine that the rates are just and reasonable and that in all other respects, the rates meet State and local law. City Code Chapter 15-4 sets out the City's process for reviewing non-City utility rate filings. Austin Water Director will hold a formal meeting with Undine, LLC on July 9, 2024.

Background/Introduction

Undine, LLC (Undine), an investor-owned utility with customers in the area known as Greenshores on Lake Austin, filed a Statement of Intent to Change Rates to increase water and wastewater rates for its Greenshores customers, including a few that reside in Austin's corporate limits. Of Undine's affected 167 water customers and 100 wastewater customers, only a few (approximately six) are within Austin's full purpose corporate limits. The remaining customers rates fall within the regulatory jurisdiction of the Public Utility Commission of Texas (PUCT). Undine is simultaneously seeking the PUCT's approval for the rate increase affecting its Greenshores customers. Undine's filing indicates that each affected customer has been provided written notice of the proposed rate changes.

Undine, LLC is seeking recovery of \$1,130,662 in total revenue requirements on a system-wide basis, for the test year ended March 31, 2023.

The current filing will increase residential drinking water rates by 15.9% as follows:

- For block 3 volume (25,001-50,000 gallons) from \$12.00 to \$13.91 per 1,000 gallons
- For block 4 volume (50,001 and up gallons) from \$14.00 to \$16.22 per 1,000 gallons

Undine, LLC submitted an original filing and subsequently submitted an amended filing for wastewater. The amended filing will increase residential wastewater rates by 66.7% as follows:

- For a 5/8-inch meter, from \$70.00 to \$116.72
- For a 3/4-inch meter, from \$105.00 to \$175.08
- For a 1-inch meter, from \$175.00 to \$291.80
- For volume charges, from \$12.00 to \$20.01 per 1,000 gallons

Water Proposed Rate Increase Recommendation

The staff recommends approving Undine LLC's proposed water rate increase. Greenshores' 15.9% increase is deemed reasonable. The proposed increase does not impact the base rates (fixed charges) and is applicable only to block 3 (25,001-50,000 gallons) and block 4 (50,001-over gallons) in terms of volume rates. Block 3 accounts for only 18% of the total volume, whereas Block 4 constitutes 9% of the total volume. Specifically, only 27% of the total volume is likely to incur the higher rate, signifying that 73% of the volume generated by lower-use customers will remain unaffected by the proposed rate increase.



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Wastewater Proposed Rate Increase Recommendation

The staff recommends denial of the amended proposed wastewater rate increase due to its projected significant impact on ratepayers. The suggested 66.7% rise in Greenshores' wastewater rates, encompassing both the base rate and the volume charges, is deemed unreasonable to implement in a single year. While the invested capital improvements and associated costs may provide a rationale for the proposed rate increase, such a substantial increase should be spread over a minimum of 3 years.

Formal Meeting with Austin Water Director

Austin Water Director Shay Ralls Roalson held a formal meeting with Undine, LLC on July 9, 2024 at 1pm to discuss Austin Water's recommendations with Undine. The following is a list of attendees:

Austin Water/City of Austin:

- Shay Ralls Roalson, Austin Water Director
- Joseph Gonzales, Austin Water Assistant Director, Financial Services
- Christina Romero, Austin Water, Financial Manager
- Clark Cornwell, City of Austin, Assistant City Attorney
- Heather Cooke, Austin Water Chief Administrative Officer

Undine, LLC:

- Jamie Mauldin, Lloyd Gosselink Attorneys at Law
- Rosyln Dubberstein, Lloyd Gosselink Attorneys at Law
- Jack Klug, Lloyd Gosselink Attorneys at Law
- Benny Wilkinson, Undine, LLC