



City of Austin

Recommendation for Action

File #: 25-2039, **Agenda Item #:** 27.

10/9/2025

Posting Language

Conduct a public hearing and consider an ordinance regarding water rates proposed by Aqua Texas, Inc., an investor-owned utility, for its Travis County customers located in the City's corporate limits in Council Districts 5, 8, and 10. Funding: This item has no fiscal impact.

Lead Department

Austin Water.

Fiscal Note

This item has no fiscal impact.

Prior Council Action:

July 24, 2025 - Council approved Ordinance No. 20250724-20 suspending water and wastewater rates proposed by Aqua Texas, Inc.

For More Information:

Vicky Addie, Austin Water Program Coordinator, vicky.addie@austintexas.gov, 512-972-0332.

Council Committee, Boards and Commission Action:

September 17, 2025 -Denial of Aqua Texas Inc.'s proposed rates recommended by Water and Wastewater Commission on a vote of 8-0 with three absences.

Additional Backup Information:

Pursuant to Texas Water Code Chapter 13, 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. This includes the 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. As required by City Code, Austin Water Director will hold a formal meeting with Aqua Texas, Inc. on September 29, 2025.

Background/Introduction

On June 20, 2025, Aqua Texas, Inc., an investor-owned utility, filed a Statement of Intent to Change Rates to increase water and wastewater rates for all its customers in the State of Texas, including those within the corporate limits of Austin. Aqua Texas, Inc., is proposing to consolidate its water and wastewater operations in Texas into one statewide system with uniform rates. Currently, the company operates over 440 water systems, 500 water treatment plants, more than 60 sewer treatment plants, and over 700 wells across Texas.

Aqua Texas, Inc. provides water services to 76,000 customers and wastewater services to 25,300 customers. About 197 of these are drinking water customers located within Austin's full-purpose corporate limits in Council Districts 5, 8, and 10. The company has indicated that all impacted customers have received written notice regarding the proposed rate changes.

Aqua Texas, Inc. is seeking to recover a total of \$29.2 million in revenue requirements. The request pertains to all of the company's water and wastewater operations in Texas for the test year that ended on December 31, 2024. The total revenue requirement includes a proposed capital structure of 47.00% long-term debt and 53.00% common equity. The proposed return on equity is 10.60%. The weighted cost rate for the return on equity being requested is 7.45%. Aqua Texas Inc.'s requests include the Southwest Water System (SW-W01), which impacts residents in Council Districts 5, 8, and 10.

The current filing will increase residential drinking water rates in Aqua Texas, Inc.'s Southwest Water System SW-W01 as follows:

Description	Current Rate	Proposed Rate	\$ Dollar Change	% Change
Southwest Region SW-W01 Rivercrest & Mooreland (Residential)				
Fixed Charges				
5/8"	\$ 44.85	\$ 34.90	\$ (9.95)	-22.2%
3/4"	\$ 44.85	\$ 52.35	\$ 7.50	16.7%
1"	\$ 112.13	\$ 87.30	\$ (24.83)	-22.1%
Volumetric				
Tier 1: 0 to 5,000 gals	\$ 2.85	\$ 5.50	\$ 2.65	92.9%
Tier 2: 5,001 to 10,000 gals	\$ 4.00	\$ 8.25	\$ 4.25	106.2%
Tier 3: 10,001 to 20,000 gals	\$ 5.50	\$ 13.75	\$ 8.25	149.9%
Tier 4: Over 20,000 gals	\$ 6.75	\$ 15.12	\$ 8.37	124.0%

The current filing will increase non-residential drinking water rates in Aqua Texas, Inc.'s Southwest Water System SW-W01 as follows:

Description	Current Rate	Proposed Rate	\$ Dollar Change	% Change
Southwest Region SW-W01 Rivercrest & Mooreland (Non-Residential)				
Fixed Charges				
5/8"	\$ 44.85	\$ 34.90	\$ (9.95)	-22.2%
3/4"	\$ 44.85	\$ 52.35	\$ 7.50	16.7%
1"	\$ 112.13	\$ 87.30	\$ (24.83)	-22.1%
Volumetric				
Tier 1: 0 to 5,000 gals	\$ 2.85	\$ 3.37	\$ 0.52	18.1%
Tier 2: 5,001 to 10,000 gals	\$ 4.00	\$ 4.04	\$ 0.04	1.0%
Tier 3: 10,001 to 20,000 gals	\$ 5.50	\$ 6.79	\$ 1.29	23.4%
Tier 4: Over 20,000 gals	\$ 6.75	\$ 7.40	\$ 0.65	9.7%

Water Proposed Rate Increase Recommendation:

For the customers within the City's original jurisdiction residing within the City in Aqua Texas, Inc.'s Southwest Region, specifically for system SW-W01, Austin Water recommends denial of the proposed rate changes, including a proposal to consolidate all customers into a single statewide rate structure. Austin Water's review identified concerns relating to the potential financial impact on residential customers, the adequacy of the capital structure, the proposed return on equity, and the rate case expenses. As noted above, Aqua Texas, Inc. is seeking a uniform statewide rate through its Public Utility Commission of Texas (PUCT) filing that would also impact customers within the City. Aqua Texas, Inc. made adjustments to the initial PUCT filing, but the information in those additional filings has not been communicated to Austin Water to include in this review as of the date of this report. Consequently, the proposed rates submitted for Austin Water's review do not reflect any corrections made to the statewide filing. Based on the record available, Austin Water recommends denial

of Aqua Texas Inc.'s rate filing package.

Rate Case Expense Recommendation:

Aqua Texas, Inc. is seeking to recover \$3.4 million in water expenses over the next 24 months through a surcharge. These expenses are associated with the PUCT dockets 53428 and 55777, which are previous cases related to System Improvement Charges. This proposed rate change filing also aims to incorporate updated expenses during the ongoing rate proceedings. Austin Water recommends excluding expenses from previous PUCT cases in the computation of the surcharge applicable to impacted City residents.