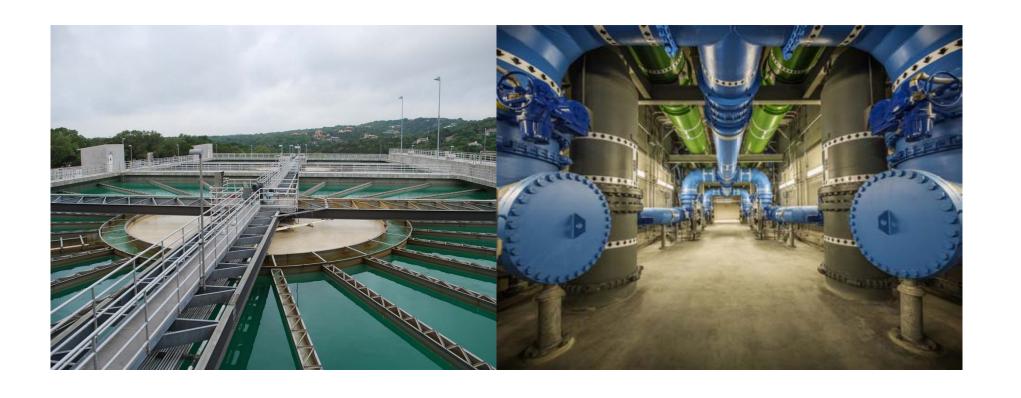


Cost of Service Rate Study Update

June 14, 2014

Joseph Gonzales, Financial Manager





 Purpose – To review the methodology used to allocate costs amongst customer classes and to update and improve the methods for determining fair and defensible rates of utility services.

Project Team

- Raftelis Financial Consultants
- AW Executive Team
- AW Project Team

Public Involvement

- 13 Public Involvement Committee (PIC) meetings
- 12 Wholesale Involvement Committee (WIC) meetings
- Discussion on key cost of service methodologies and decision points
- Obtained feedback from committees on methodologies and decision points
- Retail and wholesale involvement committees meetings completed in May



- Public Involvement Committee (Retail)
 - 9 customer class representatives (including Residential Rate Advocate) and 3 City Commission representatives
- Wholesale Involvement Committee
- Topics
 - Orientation
 - Revenue Requirements
 - Reclaimed System
 - Water Cost Allocation
 - Wastewater Cost Allocation
 - Financial Benchmarks and Other Issues
 - Decision Points
- Question and Comments website
 - 132 Questions
 - 31 Comments



Question Summary

Question Type	Questions	% of Total
Revenue Requirements	53	40.2%
Miscellaneous	20	15.2%
Customer Demand Characteristics	18	13.6%
Rates/Revenues	14	10.6%
Allocation Methodologies	14	10.6%
Financial Policies/Benchmarks	13	9.8%
Total	132	100.0%

 Over 95% of questions submitted by committee members and their representatives



Comments Summary

Question Type	Questions	% of Total
Rates/Revenues	13	41.9%
Allocation Methodologies	11	35.5%
Revenue Requirements	4	12.9%
Miscellaneous	3	9.7%
Total	132	100.0%

- 61% of comments submitted by committee members and their representatives
- Customers comments focused on rates
- Committee member comments focused on allocation methodologies/decision points



Decision Points

- Consultant Analysis / Alternatives / Pros and Cons
- PIC/WIC Comments
- AW Executive Team recommendations
- Key decision points/issues
 - Cash basis
 - Test year
 - PUC items
 - Customer Assistance Program/Community Benefit Charge
 - Commercial/Large Volume Subsidy
 - Outside city retail customers



Results and Reports

Cost of Service Results

- Comparison of FY 2017 revenue requirements at current cost of service method versus new cost of service methodology
- Presented to public involvement committees in late April

Reports timeline

- Consultant (Raftelis) draft report expected at end of June and finalized in July
- Residential rate advocate report expected approximately
 30 days following receipt of consultant report



Implementation/Next Steps

Implementation Timeline

- Fire demand meter fixed charge update in FY 17
- CAP Program Community Benefit Charge and enhanced wastewater volume discount in FY18
- Impartial Hearings Examiner (IHE) process to begin in October 2017 and end in April 2018
- Implementation of Council approved Cost of Service and IHE recommendations in FY 19



Impartial Hearings Examiner Process

Overview of process

- Voluntary open and transparent public rate review process
- Impartial Hearing Examiner (IHE) to review rate recommendation
- Residential rate advocate to represent residential
- PUC rate case type process
 - Stakeholders can file motions to intervene
 - "Pre-filed testimony" filed by participating parties
 - Discovery fielded over 1,100 questions
 - Live testimony during PUC style public hearing
- IHE Websites
 - AW website will provide a process overview
 - City Clerk website will serve as the official public record for all IHE filings



IHE Process Timeline

October 2017	Rate FilingIntervenor MotionsStatement of Issues
October- November 2017	Intervenor Presentations and Pre-trial Testimony
November- December 2017	Discovery
January 2018	Pre-Hearing
February- March 2018	Hearing
March- April 2018	Closing Briefs
April 2018	IHE Report and Review
May 2018	Commission and Council Review and Approval



Questions?

