



# Cost of Service Rate Study Update

June 14, 2014

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# Overview of Process

- **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



## Overview of Process

- **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**

# Overview of Process

- **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	<ul style="list-style-type: none"><li>• Rate Filing</li><li>• Intervenor Motions</li><li>• Statement of Issues</li></ul>
October- November 2017	<ul style="list-style-type: none"><li>• Intervenor Presentations and Pre-trial Testimony</li></ul>
November- December 2017	<ul style="list-style-type: none"><li>• Discovery</li></ul>
January 2018	<ul style="list-style-type: none"><li>• Pre-Hearing</li></ul>
February- March 2018	<ul style="list-style-type: none"><li>• Hearing</li></ul>
March- April 2018	<ul style="list-style-type: none"><li>• Closing Briefs</li></ul>
April 2018	<ul style="list-style-type: none"><li>• IHE Report and Review</li></ul>
May 2018	<ul style="list-style-type: none"><li>• Commission and Council Review and Approval</li></ul>

# Questions?

