Cost of Service Study 2007-08
Executive Review / Decision Summary

#1	**Category / PIC Meeting Date:**	Public Involvement Committee Process and Schedule - 11/27/2007
	Decision Needed:	Release of the Cost of Service Model to the PIC
	Options Available:	Several Members of the PIC expressed interest in receiving copies of the COS model once it has been supplied by the consultants. Staff offered to model various alternatives for the committee members, but not release working copies of the model.
	Executive Decision:	The Utility decided not to release the model to PIC members or the general public. However, the Utility committed to provide a comprehensive overview of the model as part of a future PIC meeting. The Utility provided all PIC members and interested parties with an opportunity to view the model via online meetings to see the consultants walk through all of the components of the model. The Utility provided "what if" scenarios for the PIC members to compare impacts of various changes in model inputs, and provided full printouts of the model in .pdf format on compact disks.

#2	**Category / PIC Meeting Date:**	Public Involvement Committee Process and Schedule - 11/27/2007
	Decision Needed:	Whether or not to modify the PIC meeting schedule to hold multiple sessions to discuss Water/Wastewater Allocation Methodologies
	Options Available:	PIC members expressed concern over whether the current schedule allows enough time to adequately discuss the issue of Water/Wastewater Allocation Methodologies. They suggested that this topic is too large to be covered in a single evening. The current schedule calls for this meeting to be held on January 7, 2008.
	Executive Decision:	The Executive Team decided to separate this into two meetings. The first meeting on Water Allocations and Fire Charges was held on January 7, 2008, and Wastewater Allocation and Inflow and Infiltration workshop was held on January 22, 2008.

#3	**Category / PIC Meeting Date:**	Public Involvement Committee Process and Schedule - 11/27/2007
	Decision Needed:	Whether or not to solicit and use customer supplied data to support the analysis of peaking factors.
	Options Available:	At the first PIC meeting, the industrial class representative introduced the concept of having the consultant review meter information supplied by customers that monitor their water usage throughout the day. Later two other members of the PIC expressed support for this idea.
	Executive Decision:	The Executive Team decided toconsider only data collected by the City and not consider other data or information provided by third parties. Data produced by customers or classes cannot be controlled or verified by the City. Also, more specific data for one customer or class as compared to the other classes may introduce inconsistencies into the calculations.

#4	**Category / PIC Meeting Date:**	Executive Committee Review Process and Procedures - 11/27/2007
	Decision Needed:	Criteria Weighting Factors
	Options Available:	The consultants asked for the Executive committee to determine the relative importance of the evaluation criteria on a 1-10 (1=Not Important, 10=Very Important).
	Executive Decision:	The Executive Team provided weighting factors which were included in the appendices to later issue papers.

#5	**Category / PIC Meeting Date:**	Revenue Requirements -12/17/2007
	Decision Needed:	Which Method of determining revenue requirements is most appropriate?
	Options Available:	Cash basis Utility basis Utility basis with cash residual
	Executive Decision:	The Executive Team decided to use the cash basis method for determining revenue requirements.

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#6	**Category / PIC Meeting Date:**	Revenue Requirements -12/17/2007
	Decision Needed:	How should future O&M expenses be projected?
	Options Available:	Historical test year with adjustments for known and measurable changes Future budgeted O&M expenses
	Executive Decision:	The Executive Team decided to use future budgeted O&M expenses to calculate revenue requirements.

#7	**Category / PIC Meeting Date:**	Revenue Requirements -12/17/2007
	Decision Needed:	How should the Rate of Return be determined?
	Options Available:	Weighted average cost of capital Indexed return Fixed return N/A if use cash basis
	Executive Decision:	N/A since the Executive Team decided to use the cash basis.

#8	**Category / PIC Meeting Date:**	Revenue Requirements -12/17/2007
	Decision Needed:	How should construction work in progress be treated?
	Options Available:	Capitalize the interest during construction Include CWIP in the rate base N/A if use cash basis
	Executive Decision:	N/A since the Executive Team decided to use the cash basis.

#9	**Category / PIC Meeting Date:**	Water Cost Allocations - 01/07/2008
	Decision Needed:	Which method of determining water cost allocations is most appropriate?
	Options Available:	Commodity / Demand Base / Extra-Capacity *# Rubottom "Hybrid" method
	Executive Decision:	The Executive Team selected the Base / Extra-Capacity method for determining water cost allocations.

#10	**Category / PIC Meeting Date:**	Water Cost Allocations - 01/07/2008
	Decision Needed:	What are the appropriate Time Steps?
	Options Available:	Peak-day and peak-hour demands *# Peak-season, peak day, and peak-hour demands
	Executive Decision:	The Executive Team decided to continue using the peak-day and peak-hour demand methodology.

#11	**Category / PIC Meeting Date:**	Water Cost Allocations - 01/07/2008
	Decision Needed:	Should private fire connections be charged for direct and indirect fire costs?
	Options Available:	No separate charge for private fire connections * Charge private fire connections for direct fire costs only # Charge private fire connections for direct and indirect fire costs
	Executive Decision:	The Executive Team decided to continue with the current methodology - no separate charges for private fire connections.

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#12	**Category / PIC Meeting Date:**	Water Cost Allocations - 01/07/2008
	Decision Needed:	How should public fire cost be recovered?
	Options Available:	Recovered indirectly * Fixed charge based on property value Fixed charge based on fire customer class Fixed charge based on water meter size #
	Executive Decision:	The Executive Team selected the fixed charge based on water meter size.

#13	**Category / PIC Meeting Date:**	Wastewater Cost Allocations - 01/22/2008
	Decision Needed:	Which is the most appropriate overall method for allocating costs?
	Options Available:	Design basis * Functional basis Hybrid, where O&M costs are allocated based on function, and capital costs based on design #
	Executive Decision:	The Executive Team decided to use the Hybrid method, allocating O&M costs based on function and capital costs based on design.

#14	**Category / PIC Meeting Date:**	Wastewater Cost Allocations - 01/22/2008
	Decision Needed:	What are the appropriate customer service characteristics to use for the cost allocation process (e.g., flow, BOD, TSS, etc.)?
	Options Available:	Flow, BOD, and TSS only *# Add Total Kjeldahl Nitrogen (TKN) # Add Phosphorus#
	Executive Decision:	The Executive Team decided to use flow, BOD, and TSS only as customer service characteristics for wastewater cost allocation. The model was built with the capability to add TKN allocations in the future. AWU will not implement a sampling protocol to gather TKN data until future regulations require it.

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#15	**Category / PIC Meeting Date:**	Wastewater Cost Allocations - 01/22/2008
	Decision Needed:	How should I/I be allocated in the cost allocation process?
	Options Available:	Combined connections and volume * Contributed wastewater volume # Number of connections Land area
	Executive Decision:	The Executive Team decided to allocate inflow and infiltration (I/I) as a system cost (based on contributed volume).

#16	**Category / PIC Meeting Date:**	Customer Classification - 02/19/2008
	Decision Needed:	Should the large-volume customer class be disaggregated?
	Options Available:	Maintain one class* Separate classes for each large-volume customer #
	Executive Decision:	The Executive Team decided to disaggregate the large-volume (industrial) customer class.

#17	**Category / PIC Meeting Date:**	Customer Classification - 02/19/2008
	Decision Needed:	Should the threshold for inclusion in the large-volume class be adjusted?
	Options Available:	Maintain 85 MG per year as the threshold *# Increase the threshold to 100 MG per year Reduce the threshold to 50 MG per year (or 30 MG per year per request from Industrial PIC member)
	Executive Decision:	The Executive Team decided to maintain the 85 MG per year threshold.

#18	**Category / PIC Meeting Date:**	Customer Classification - 02/19/2008
	Decision Needed:	Should an irrigation class be created?
	Options Available:	Do not implement an irrigation class *# Implement an irrigation class
	Executive Decision:	The Executive Team decided not to implement an irrigation class and to further investigate the implementation of an excess-use rate design for commercial and multifamily customers.

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Note: Irrigation issues from 03/17/08 meeting shown before Rate Structure issues from 03/03/08 meeting since 02/19/08 issues discusses irrigation class.

#19	**Category / PIC Meeting Date:**	Rates for Irrigation Customers - 03/17/2008
	Decision Needed:	If AWU implements higher rates for irrigation services, how should the excess revenue generated by the higher rates be used?
	Options Available:	Use the excess revenues to reduce the rate for indoor water use for irrigation customers Use the excess revenues to reduce the rates for all customers Set the irrigation rate at the cost of service to eliminate excess revenues Set the excess revenues aside for other designated purposes Do not establish an irrigation rate *#
	Executive Decision:	The Executive Team decided not to establish an irrigation rate.

#20	**Category / PIC Meeting Date:**	Rates for Non-residential Irrigation Customers - 03/17/2008
	Decision Needed:	What is an appropriate level for the non-residential irrigation rates?
	Options Available:	Set the irrigation rate equal to the highest residential block rate Set the rate equal to the cost-of-service rate for irrigation # Do not establish an irrigation rate *#
	Executive Decision:	The Executive Team decided not to establish an irrigation rate.

#21	**Category / PIC Meeting Date:**	Rates for Irrigation Customers - 03/17/2008
	Decision Needed:	Should single family residential customers with irrigation meter receive irrigation water at the block 1 & 2 rates?
	Options Available:	Provide block 1 and 2 discounted water * Price all water at the same rates for block 3 and above #
	Executive Decision:	The Executive Team decided to include irrigation accounts within the excess-use rate structure for the respective classes (commercial and multifamily) associated with each irrigation account.

#22	**Category / PIC Meeting Date:**	Rate Structures - 03/03/2008
	Decision Needed:	What is the best method for providing a subsidy to low-income customers?
	Options Available:	Discounted rates for Block 1 and Block 2 * Waive the fixed charge for qualified low-income residential customers #
	Executive Decision:	The Executive Team decided to waive the fixed charge for qualified low-income residential customers.

#23	**Category / PIC Meeting Date:**	Rate Structures - 03/03/2008
	Decision Needed:	How should AWU recover a subsidy to low-income customers?
	Options Available:	Recover the subsidy within the single family residential class* Recover the subsidy from all retail customer classes #
	Executive Decision:	The Executive Team decided to recover the low-income residential subsidy from all retail customer classes. AWU will extend the program to outside-city residential customers who qualify. The cost to administer the subsidy program will be identified and included in the allocation to the retail custome classes.

	Category / PIC Meeting Date:	Rate Structures - 03/03/2008
	Decision Needed:	Should AWU introduce a 5th block for single family residential customers?

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#24	**Options Available:**	Current 4-block structure* Create a 5-block structure Create a revised 4-block structure #
	Executive Decision:	The Executive Team decided to implement a 5-block structure for residential rates.

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#25	**Category / PIC Meeting Date:**	Rate Structures - 03/03/2008
	Decision Needed:	What conservation incentives should exist for wholesale customers?
	Options Available:	Uniform rates by wholesale class *# Seasonal rates Excess-use rates
	Executive Decision:	The Executive Team decided to continue the use of uniform rates for wholesale customers.

#26	**Category / PIC Meeting Date:**	Rate Structures - Not an original issue paper decision
	Decision Needed:	Should the Residential Class subsidy continue?
	Options Available:	Status quo * All at COS Transition to COS
	Executive Decision:	The Executive Team decided to transition all customers classes to cost of service. The transition will be done over several years in an effort to avoid "Rate Shock" for any particular class.

#27	**Category / PIC Meeting Date:**	Excess-Use Rate Structure - 03/03/2008 Issue Paper, but not identified as major decision issue
	Decision Needed:	Should AWU implement an excess-use rate design for its non-residential retail customers to meet the conservation objectives of the Water Conservation Task Force?
	Options Available:	Use the excess-use rate design to achieve the goals of the Water Conservation Task Force Do not establish an excess-use rate design *
	Executive Decision:	The Executive Team decided to pursue implementation of an excess-use rate structure to achieve the goals of the Water Conservation Task Force. The excess-use rate structure will be implemented at a later date, after the conversion and reprogramming of the existing billing system and development of a public information and outreach program.

#28	**Category:**	Customer Classification - No Issue Paper
	Decision Needed:	Should the Outside City and Inside City retail classes be combined?
	Options Available:	Maintain status quo - Inside City and Outside City retail customer classes separated * Combine the Inside City and Outside City retail customer classes
	Executive Decision:	The Executive Team decided to combine the Inside City and Outside City retail customer classes.

#29	**Category:**	General Fund Transfer Allocation
	Decision Needed:	Should the General Fund Transfer be allocated to customer classes based on revenues rather than allocated invested capital?
	Options Available:	Maintain status quo - General Fund Transfer allocated based on three year history of revenue by class Allocate General Fund Transfer based on invested capital
	Executive Decision:	The Executive Team decided to allocate the General Fund Transfer based on three years of historical revenues by class.

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#30	**Category:**	Rate Structures
	Topic	How should the wastewater strengths for large-volume customers be calculated?
	Options Available:	Maintain status quo - one year strengths 3-year average of historical sewage strengths
	Executive Decision:	The Executive Team decided to use a three-year average of historical samples to estimate sewage strengths for the large-volume customers.

#31	**Category:**	Allocation of Water Treatment Plant Maintenance Costs
	Decision Needed:	How should water treatment plant maintenance costs be allocated?
	Options Available:	Allocated to Base and Max Day Allocated to Base only
	Executive Decision:	The Executive Team decided to allocate the water treatment plant maintenance costs to Base only.

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