



Importance of Prudent Rate Planning

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**Rate setting “is as
much an art as it is a
science”**

Why Complete a Rate Study?



Rate Study Goals and Objectives

Determine the adequacy of existing rates

- Develop a revenue transition plan as necessary

Develop a cost-of-service analysis

- Equitable allocation of costs between customer classes

Review current rate structures

- Contemporary and cost-based

Develop cost-based rates

- Ensure there are no subsidies between rate classes

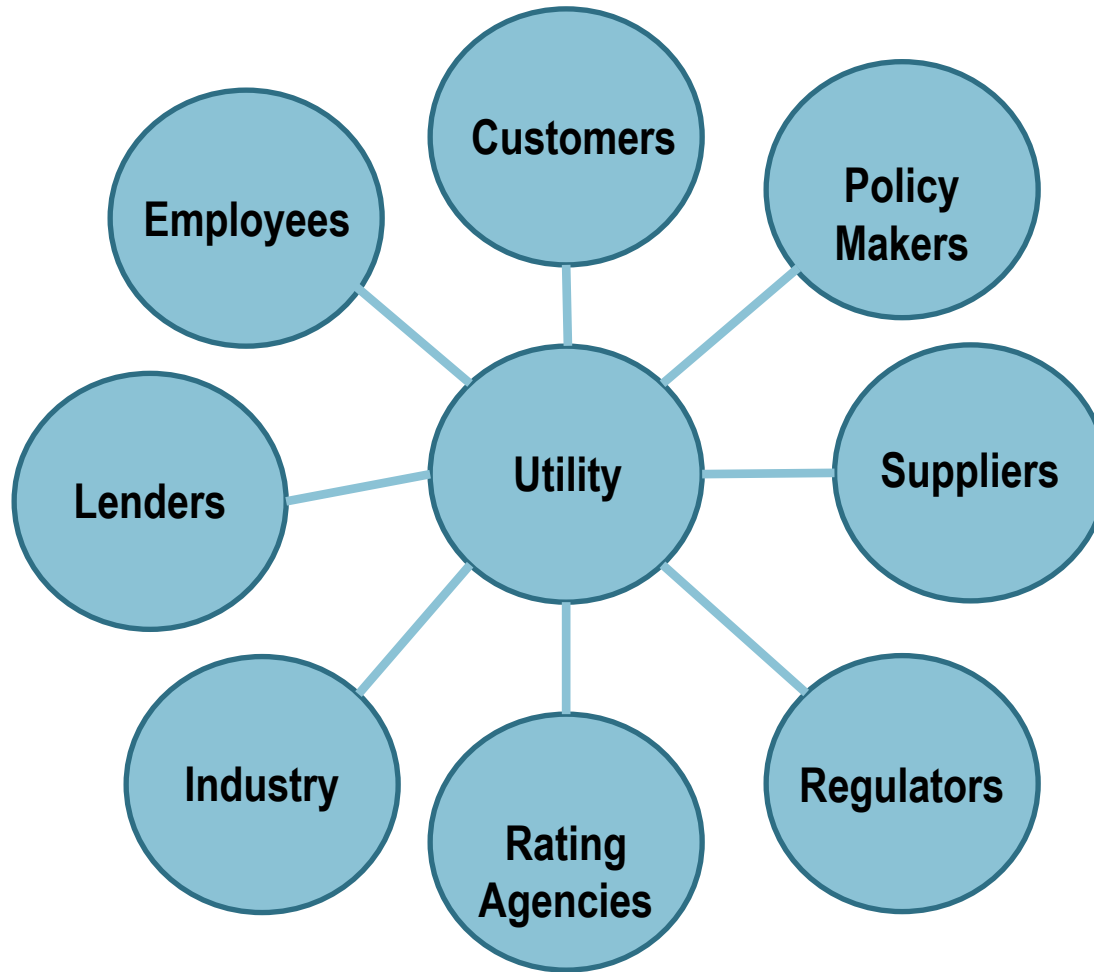
Maintain a financially healthy utility

Overall Utility Pricing Goal

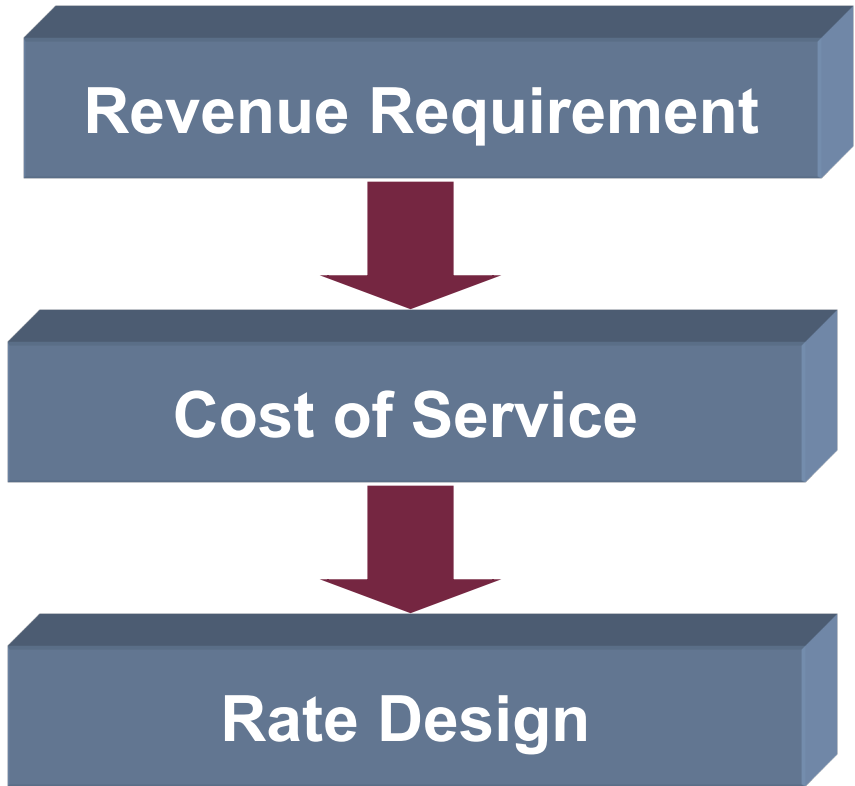
Design a rate structure that:

- Generates revenue sufficient to support the continued provision of high-quality service
- Is responsive to utility and stakeholder objectives
- Is consistent with industry best management practices

Who are Utility Stakeholders?



Setting Cost-Based Rates



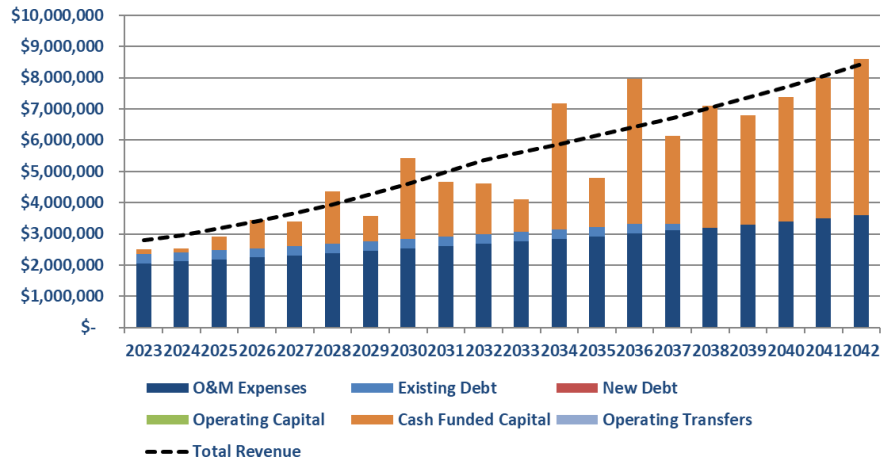
Compares the revenues to the expenses to determine the overall level of revenue needs, and rate transition plan

Equitably allocates the revenue requirement between the various customer classes of service (rate schedules)

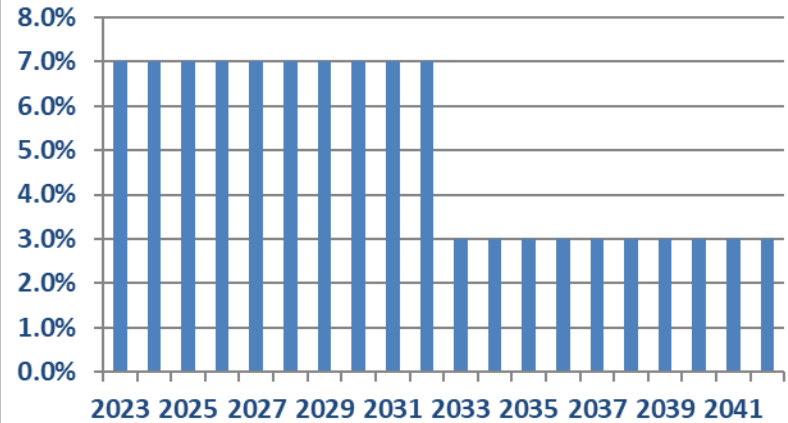
Design rates for each class of service to meet the revenue needs of the utility, rate design goals and objectives, and legal requirements

Revenue Requirements

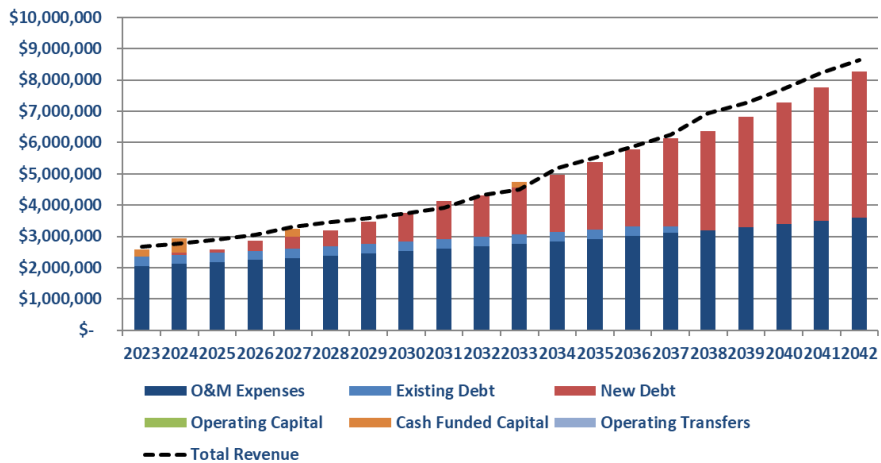
Water Revenue Requirement Summary



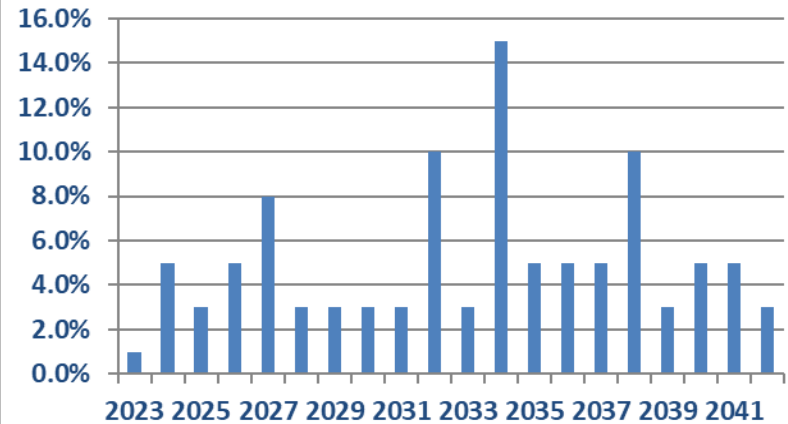
Water - Proposed Rate Adjustment



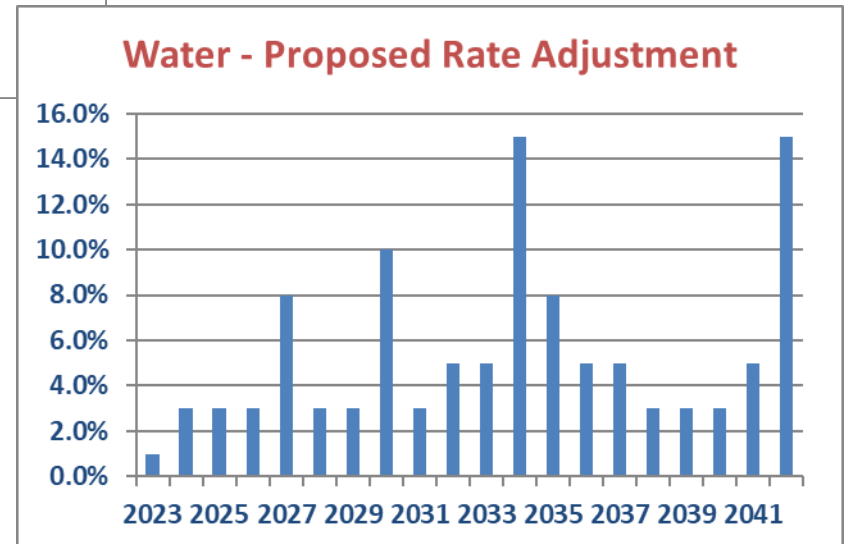
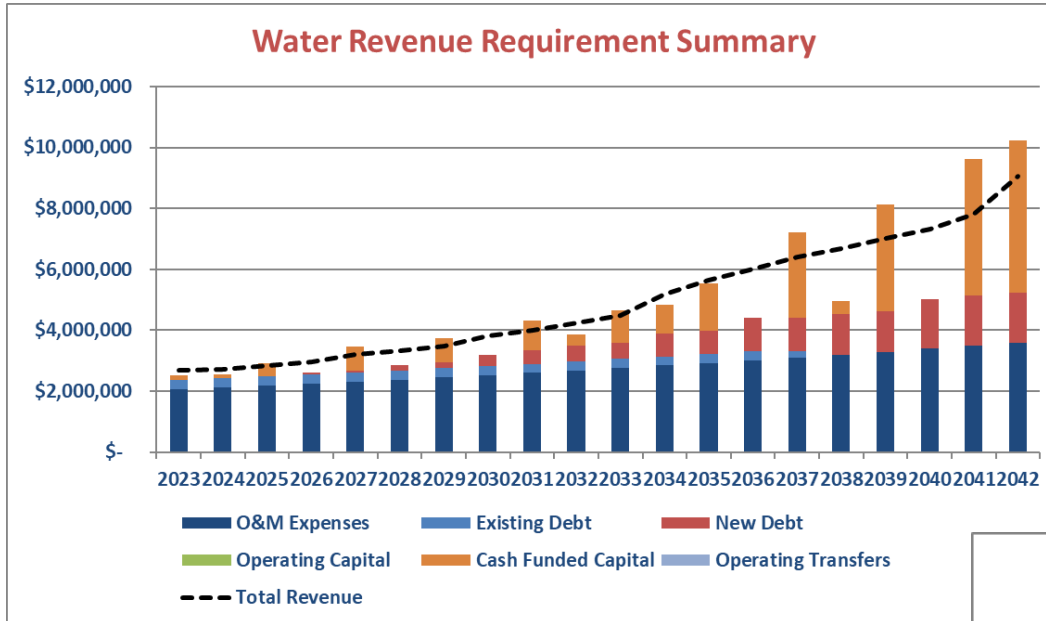
Water Revenue Requirement Summary



Water - Proposed Rate Adjustment



Revenue Requirements



Identify Financial and Pricing Objectives

- Financial Sufficiency
- Customer Equity
- Revenue Stability
- Minimize Customer Impacts
- Simple to Understand and Update
- Affordability
- Ease of Implementation
- Rate Stability
- Demand Management

Identify rate structures that meet objectives

Discussion

