



Utility Rate Analysis Overview

A utility must ensure all the pieces of the puzzle are working together to:

- Serve customers
- Protect public health
- Stay in business

Evaluating rates regularly helps achieve long term sustainability.

Build capacity (or capability) in technical, managerial and financial areas. (TMF Capacity)

RATE SETTING STEPS

1. Identify budget “target” a.k.a. revenue requirement
2. Analyze usage patterns and rate policy
3. Set rates to achieve budget target

Don't call next door and charge what they charge. Each utility is unique and so should the rates be.

Revenue Requirement

- Operating Costs
- Debt Service
- Inflation
- Allocation to Reserves

Rate Design

- Customer Classes
- Usage
- Equity and Subside Issues
- Planning for Future

RATE GUIDING PRINCIPLES

What is the goal(s) for your rate structure? Unique to each community and may vary over time. May address financial sustainability, equity, community acceptance, stability, ease of implementation, conservation, affordability or others.

Do you have agreed upon principles? Are they written down? When you review your rates are there any specific principles you are seeking to address? If you have not created principles, *now may be the time* to have this discussion. Agreed upon principles can help guide the rate study process and direct the discussion to specific structures and rate options that best meet your goals.

NEXT STEPS

- Complete the TMF Capacity assessment – RCAC and Community Staff
- Gather information on utility – RCAC and Community Staff
- Prepare initial data to share – RCAC and Community Staff
- Draft data work session – RCAC, Staff and Decision Makers
- Revise/Update Analysis based on work session feedback – RCAC
- Prepare final recommendations – RCAC and Community Staff
- Presentation of final recommendations - All

Analysis process generally takes 3-6 months. Timing for the decision to adjust rates, implementation, and customer education process can vary greatly from one community to the next. Customer education can begin now by sharing that you are embarking on a review of your utility's rates.

To Ponder:

A gallon of water weighs 8.34 pounds. We each use about 70 gallons/day. We move 584 lbs of water miles and miles for each person every single day.