

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: October 26, 2010

Board Item: VI-B-3

Cost Allocation Review Process Summary

Action by Consent

Action

Information

This Board information item summarizes the approach for revising the cost allocation portion of our rate model.

Introduction

Staff started an outreach program in April 2011 with the Distributors to revise the cost-of-service model cost allocations. The goal of the cost allocation process is to update assumptions used in the current model, and to revise the model to improve flexibility, rate stability, transparency and simplicity.

This review of Denver Water's rate methodology deals only with capital cost allocations between inside- and outside-city customers. Other areas of rates, such as peaking factors or the difference between residential and other customers [or other easily understood examples], are not being evaluated under this process.

Stakeholder Outreach

Staff has developed a preliminary schedule of meetings with stakeholders. The stakeholder groups include the Board, Distributors, and the Citizens Advisory Committee (CAC), along with possibly a broader customer stakeholder group. The frequency of meetings will vary between the groups. A schedule of meetings is summarized on the following page.

1. Distributor Meetings

Staff will meet with Distributors using three (3) meeting formats; the Distributors Forum, Technical Advisory Committee (TAC) meetings, and detailed model review meetings. We will present the high-level issue summaries at the Distributor Forums. The TAC meetings will include discussions on the policy objectives and review of cost allocation scenarios. The detailed model review meetings are reserved for those Distributors who wish to review specific model calculations. We will attend the monthly Distributor Forum meetings as well as the monthly TAC meetings. It is anticipated that the detailed model review meetings will meet biweekly. These three levels of meetings allow Distributor's to be involved at a level of their choosing.

2. Board Meetings

DW staff will update the Board on the model review progress, methodology concerns, and present summary findings. These will occur monthly or more frequently if necessary.

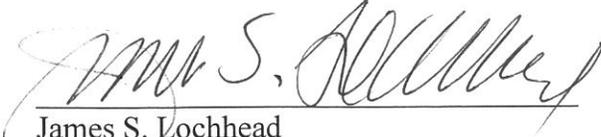
3. Customer Stakeholder Group

Preliminarily, it seems that the process should involve one presentation of options to the CAC, and one public input meeting hosted by the CAC. Other outreach efforts will be determined later.

Required Completion Date

The revised methodology requires final approval by April 30, 2012 in order to prepare for the 2013 financial planning and rate study process.

Respectfully submitted,


James S. Lochhead
CEO/Manager

Approvals:



Angela Bricmont,
Director of Finance