

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: September 14, 2011

Board Item: VI-B-2

Proposed 2012 Rates

Action by Consent

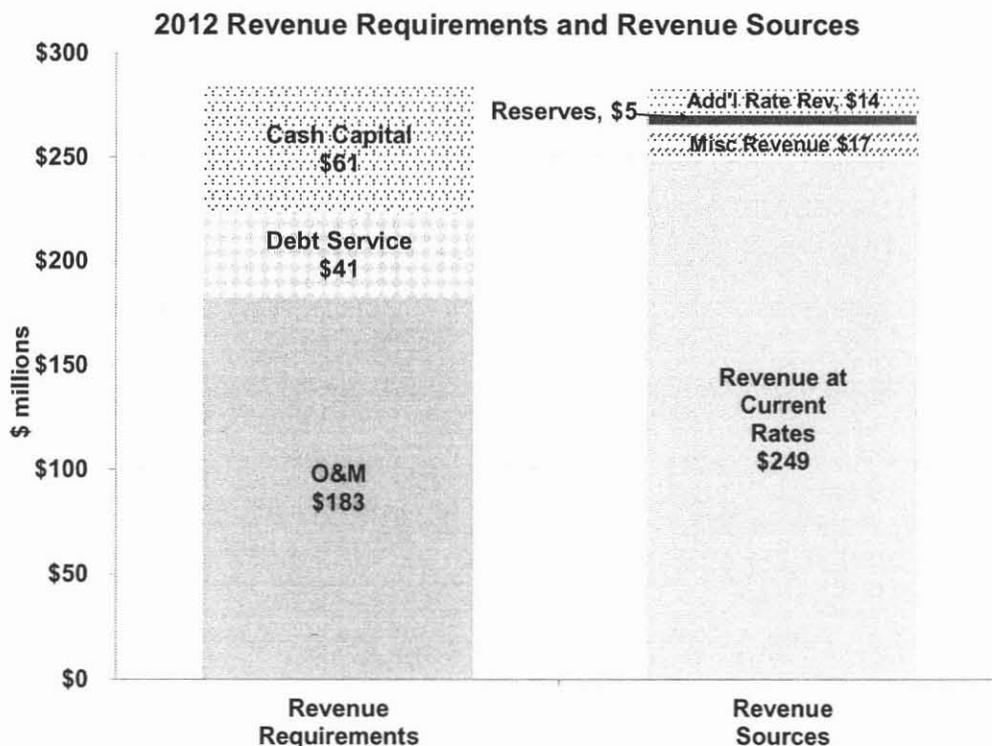
Action

Information

This Board information item provides background on the proposed 2012 rates. Staff will request approval of the 2012 rates at the September 28, 2011 Board meeting.

2012 Revenue Requirements

Staff presented four financial plan scenarios for consideration by the Board at the August 24, 2011 Board meeting. Staff received direction to develop two rate alternatives based on the financial plan that increased revenue by 5.5% in 2012. The chart below summarizes the sources of funds needed to meet revenue requirements under a 5.5% revenue increase.



2012 Rate Alternatives Discussion

Staff has developed two rate alternatives that produce revenue sufficient to meet annual revenue requirements, target reserves, debt service coverage, and desired debt-to-asset ratios. The two alternatives are described below.

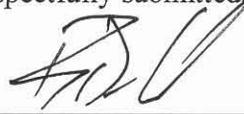
- **Alternative 1: Class-based rate increase.** Rate increases vary by customer class based on a cost of service analysis.
- **Alternative 2: Revenue requirements rate increase.** A 5.5% increase is applied to the existing 2011 customer class cost-of-service rates.

Both alternatives recover total revenue requirements for 2012.

Next Steps

In preparation for the September 28 meeting for adoption of the proposed rates, Staff will be reviewing all assumptions, calculations, and methodologies for accuracy.

Respectfully submitted,



for

James S. Lochhead
CEO/Manager

Approvals:



Angela Bricmont,
Director of Finance