

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: September 6, 2012

Board Item: VI-B-1

Proposed 2013 Revenue Requirements

Action by Consent

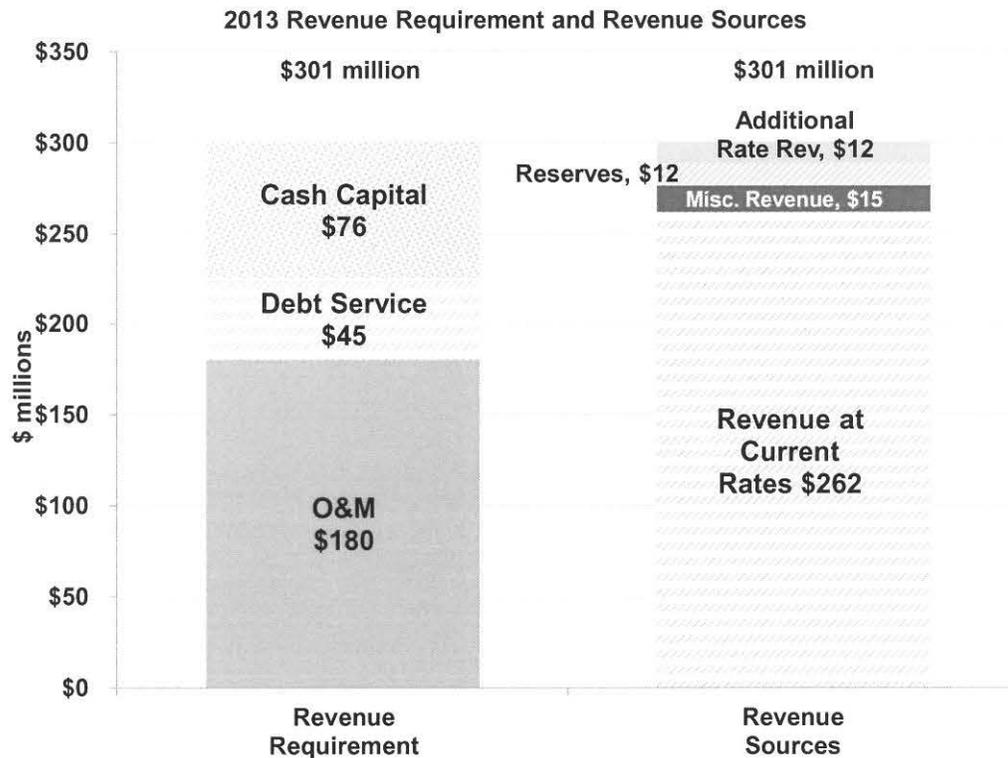
Action

Information

This Board information item provides background on the proposed 2013 revenue requirements.

2013 Revenue Requirements

Revenue requirements for 2013 total \$301 million and consist of operation and maintenance expenses, rate-funded expansion and repair and replacement capital, and debt service. These revenue requirements are met from rate revenue, miscellaneous revenue, and reserves. A revenue increase of up to 4.5% in 2013 is requested in order to meet these requirements. A 4.5% increase would generate approximately \$12 million additional revenue. The chart below summarizes the revenue requirements and revenue sources under a 4.5% revenue adjustment scenario.



2013 Cost-of-Service Discussion

The cost-of-service analysis developed for 2013 are based on the cash basis rate methodology. The Board adopted this methodology on May 23, 2012 following a year-long review process.

The 2013 revenue requirement is allocated to the various customer classes based on cost-causative rate making principles – i.e. those who cause the cost, pay the cost. These costs are allocated based on each customer classes' usage characteristics and number of accounts in each class. Usage characteristics include customer class average day, peak day and peak hour demands as well as fire flow requirements. Changes in customer class usage characteristics have a direct effect on the cost required to serve them. Usage characteristics vary annually and as a result, the rates for customer classes may vary as well.

Respectfully submitted,

Approvals:

Angela Bricmont

Angela Bricmont, Director of Finance

Jim Lochhead

Jim Lochhead, Manager