

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: September 25, 2013

] Board Item 2-B-4

2014 Revenue Requirements

Action by Consent

Action

Information

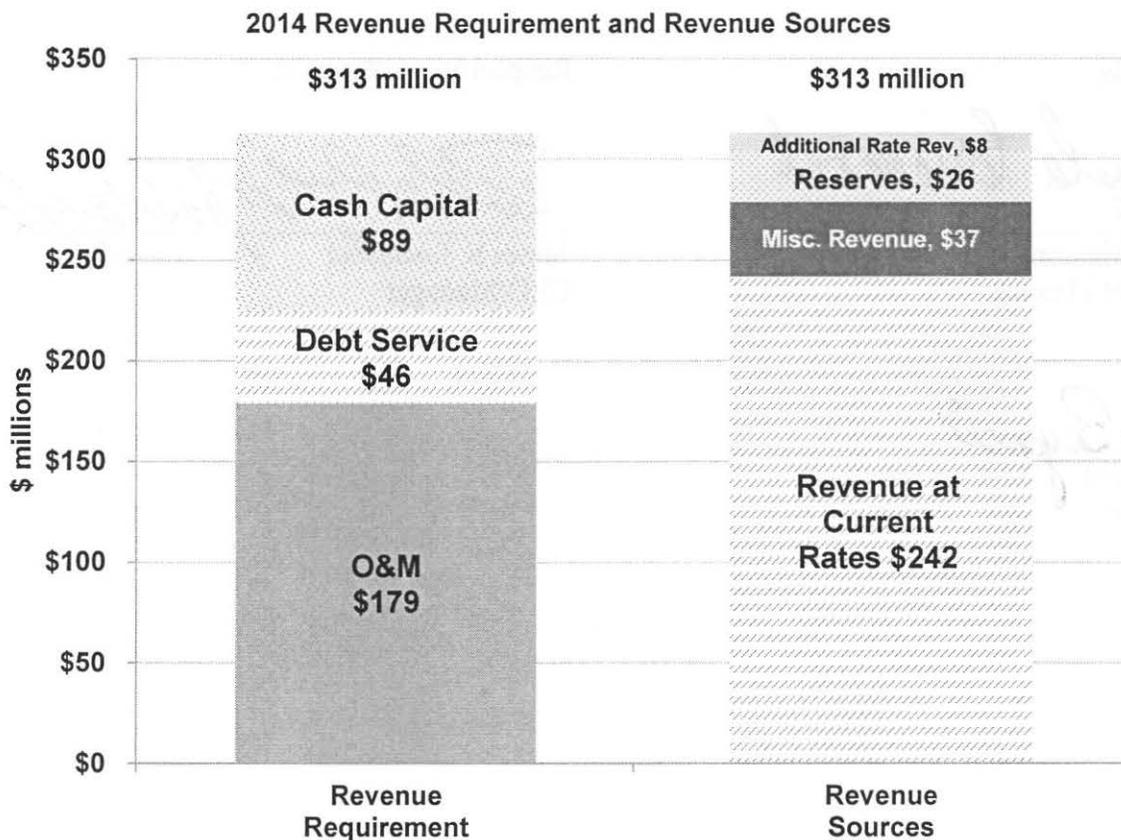
This action item summarizes the revenue requirements and proposed rates for 2014. Staff recommends the proposed rate revenue adjustment of 3.5% for customers meters read on or after January 1, 2014:

2014 Budget

The 2014 budget totals \$371 million which consists of \$246 million of operating expenses and \$125 million of capital costs. Of the \$246 million in operating costs, \$48 is reserved for debt service.

2014 Revenue Requirements

Revenue requirements for 2014 total \$313 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 cash reserves. A revenue increase of 3.5% in 2014 is requested in order to meet these requirements. A 3.5% increase would generate approximately \$8 million of additional revenue. The chart below summarizes the 2014 revenue requirements.



2014 Cost-of-Service Rates

The cost-of-service analysis developed for 2014 are based on the cash basis rate methodology. The 2014 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.

2014 Typical Monthly Residential Bills

The table below summarizes the annual increase for single family residential customers under existing and proposed rates based on an annual consumption of 115,000 gallons.

Customer Class	2013	2014	\$ Annual Change	\$ Change per month	% Change
Inside City	\$433.38	\$448.80	\$15.42	\$1.29	3.6%
Read & Bill	\$436.14	\$455.70	\$19.56	\$1.63	4.5%
Total Service	\$480.30	\$495.72	\$15.42	\$1.29	3.2%

The rates adopted on September 25 will be effective January 1, 2014.

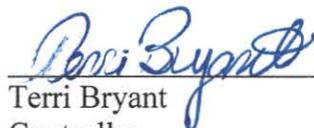
Approvals:


Angela Bricmont
Director of Finance

Respectfully submitted,



James S. Lochhead
CEO/Manager



Terri Bryant
Controller