

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: October 8, 2014

Board Item: II-B-1

2015 Proposed Revenue Requirement and Rates

Action by Consent

Action

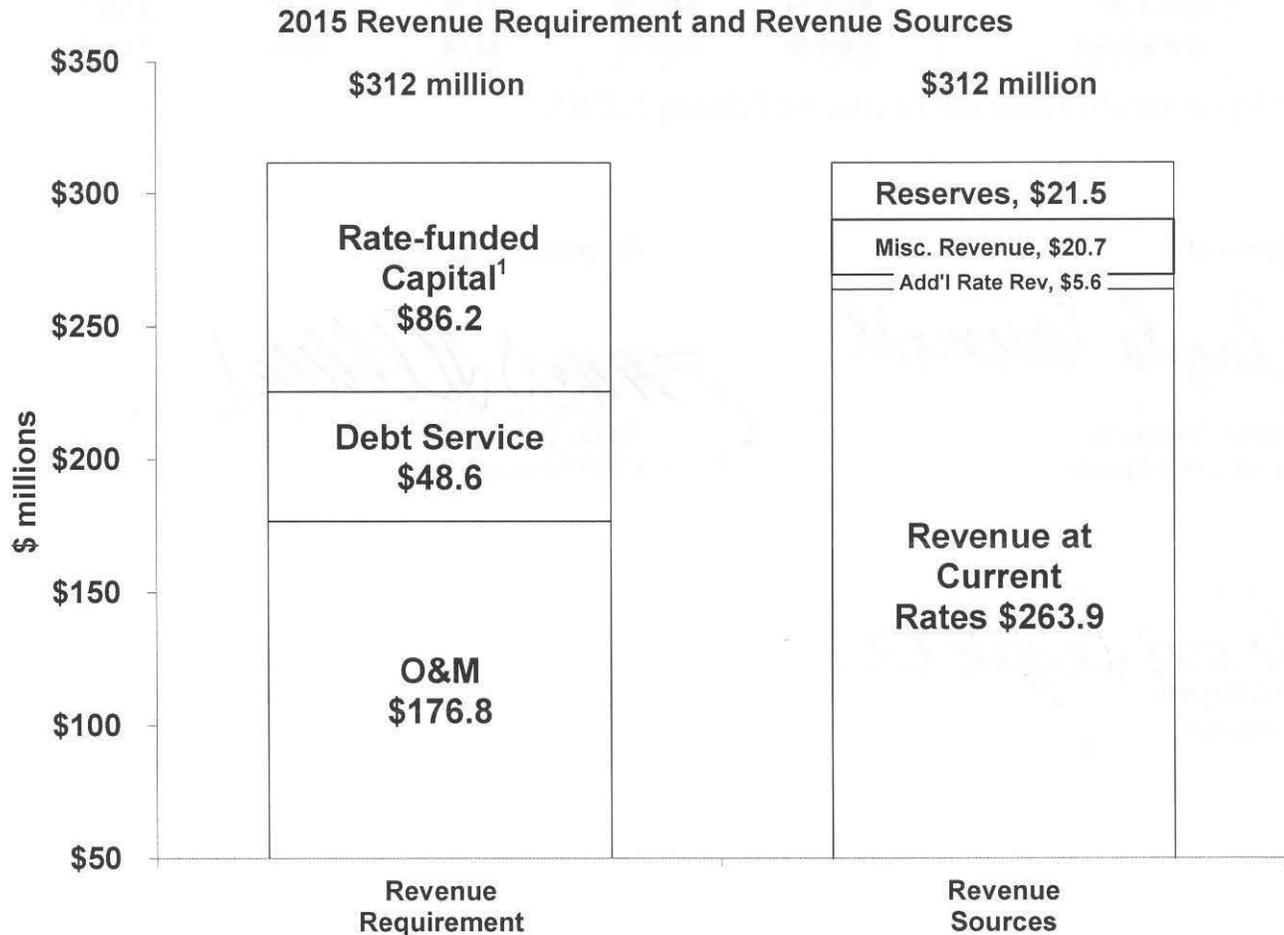
Information

Staff will present for the Board's consideration and action, the following items:

- Discussion of the level of rate revenue required to meet annual revenue requirements.
- Results of the 2015 cost-of-service rates analysis
- Comparison of Denver Water and Front Range utilities' single family bills

2015 Revenue Requirements

The 2015 revenue requirement totals \$312 million and consists 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 rate revenue increase of 2.2% in 2015 is requested in order to meet these requirements. A 2.2% increase generates approximately \$5.8 million of additional rate revenue. The 2015 revenue required from rates is \$269.5 million. The chart below summarizes the revenue requirement and revenue sources.



1. Rate-funded capital includes all repair and replacement capital cost and the portion of expansion capital costs not funded by bonds and SDCs and

2015 Cost-of-Service Rates

The cost-of-service analysis developed for 2015 are based on the cash basis rate methodology. The 2015 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. 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.

2015 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	2014	2015	\$ Annual Change	\$ Change per month	% Change
Inside City	\$443.44	\$454.88	\$11.44	\$0.95	2.6%
Read & Bill	\$450.24	\$464.40	\$14.16	\$1.18	3.1%
Total Service	\$489.68	\$494.32	\$4.64	\$0.39	0.9%

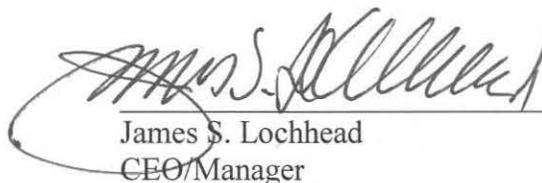
If adopted, the 2015 rates will be effective February 1, 2015.

Approvals:

Respectfully submitted,



Angela Bricmont,
Director of Finance



James S. Lochhead
CEO/Manager



Terri Bryant
Controller