



# Update on Treatment Fixed Charge Workgroup

Finance & Insurance Committee  
Item 6d

October 10, 2016

Dr. Chesnutt, A&N Technical Services

# Synopsis of April 2016 Proposal

- Objectives:
  - Comply with industry standard cost of service principles
  - Better align costs and cost recovery through revenues
  - Achieve a level of fixed revenue recovery
- Proposal: recover COS-based fixed demand and fixed standby costs, approximately 38% of Treatment costs, through fixed charges
  - Fixed standby costs apportioned based on TYRA
  - Fixed demand costs apportioned based on a three-year trailing maximum coincident peak day flow
- Remainder of Treatment costs, approximately 62%, recovered through a volumetric charge

**Board voted to define objectives of a new treated water charge and analyze alternatives for further discussion/possible recommendation**

# Executive Committee

- Policy Issues to be Addressed by Member Agency Workgroup
  - Define objectives of a fixed treated water charge
  - Determine costs to be included in fixed charge
  - Determine allocation methodology
  - Address issues related to implementation of a new charge
  - Consider implementation in January 2018 or as part of the next biennial budget
- Dr. Chesnutt (A & N Technical Services) brought on to provide technical facilitation

# Workgroup Process

- Member Agency driven
  - Define “success”
  - Provide opportunity to hear and be heard
  - Express concerns, issues and ideas
- Defining the sandbox
  - Use current Cost of Service analysis
  - Other considerations that may be limiting
- Member Agency objectives
  - What is the problem we are trying to solve?
- Others

# Treatment Fixed Charge Workgroup: Meeting #1, September 1, 2016

- Workgroup Purpose, Process, and Logistics
  - Feedback on Process and Schedule
- Treated Water Cost Recovery Background
  - Questions and requests for additional information (Metropolitan staff)
- Defining Objectives (What is the problem to be solved?)
  - Group Elicitation
    - Requested Input from Workgroup Before Meeting #2: Provide a definition of success and a Problem Statement
    - Facilitator compiled list of “Attributes of Success”

# Treatment Fixed Charge Workgroup: Meeting #2, September 29, 2016

- Information Items (in response to requests by Workgroup):
  - Financial Statement and Rate Impacts of Write-Down of Treatment Plants
  - Water Treatment Plant Flows
- Rate Design
  - Consensus Problem Statement – Group Process
    - Working with Workgroup's submitted Problem Statements to derive a consensus version – no single consensus reached
  - Attributes of a successful treated water rate design – collective review requested and input provided

# Treatment Fixed Charge Workgroup: Meeting #2 (continued)

- Requested Input from Workgroup Before Meeting #3:  
Rank in order the top ten attributes of success
- Facilitator to nominate a proposal for a consensus  
Problem Statement
  - To be reviewed and input/approval given in Meeting  
#3, scheduled for October 20

# Next Steps

- Workgroup is a Member Agency-driven Process
- Additional Information Requests
- Consensus Problem Statement
- Next Meeting October 20



# Workgroup Meeting Schedule, 2016

- Workgroup meeting dates:
  - September 1
  - September 29
  - **October 20**
  - **November 17**
  - **December 15**
- Member Agency Managers meeting dates:
  - September 16
  - **October 14**
  - **November 18**
  - **December 16**
- F&I Committee meetings in September, October, November and December

