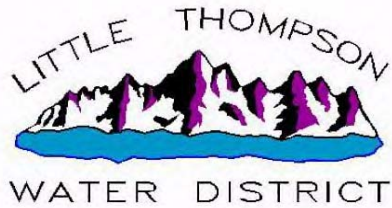


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## Memorandum

To: Ben Wade, Office of Water Conservation & Drought Planning CWCB

From: Erik Anglund, P.E., Little Thompson Water District  
Webster Jones, P.E., Water Consulting Group

Date: September 19, 2012

Subject: 50% Progress Report for Little Thompson Water District Rate Study  
Water Efficiency Grant #PO 13000000029

This memorandum has been prepared to provide the status of work performed to date on the water rate study for Little Thompson Water District. The water rate study is being partially funded by a Water Efficiency Grant administered by the Colorado Water Conservation Board (OE PDA 13000000029).

### **Task 1.1 - Data Collection and Development - September 4-5**

Data on customer accounts, meter sizes, monthly consumption, total rate revenue, capital projects and peaking characteristics was collected. Actual water use data from 2011 was selected as the basis for evaluating rates. Data from 2011 was chosen because that year had a fairly typical pattern of summer weather. Unlike the summer of 2012, last summer was not unusually hot and there were measurable rains scattered at regular intervals throughout the summer months.

The existing Five Year Financial Forecast was reviewed with staff and updated to reflect projected expenses developed during preparation of the 2013 Preliminary Budget. Existing customer categories and rate structures were discussed with staff. It was decided that the rate study will analyze the water use patterns of irrigation-only customers separately from the non-residential customer category to determine if a new classification is warranted.

It was determined that current wholesale rates are adequate. Those rates were the subject of a separate analysis completed in August, 2010. Revenue associated with the return-on- investment calculated in the wholesale rate analysis will be credited to retail customers. At this time, there is not sufficient data associated with residential conservation taps to analyze for cost-of-service.

**Task 1.2 – Evaluation of Current Policies, Goals and Objectives – September 6-7**

Policy issues and objectives were reviewed with District staff. Current rates appear to be adequate to meet the District's anticipated O&M expenses, cost of capital improvements and debt service obligations. No rate adjustment is currently anticipated to generate additional revenue. A rate adjustment to reflect cost-of-service calculated during the analysis may be needed. The consultant and staff discussed various rate alternatives that encourage conservation while preventing any class of customer from subsidizing another class of customer.

**Task 1.3 – Cost-of-Service Analysis – September 8-18**

A projection of revenues, expenditures, capital costs, debt service obligations, and reserve requirements from retail water customers was developed. Revenue requirements were allocated to the different types of customers based on their respective water use characteristics.

Using Microsoft Excel, the consultant developed a preliminary rate model. The model shows all pertinent financial data, water usage and customer account data, allocation methodology, unit costs and cost-of-service for all customer categories. The preliminary model has been provided to District staff for review and comment.

Preliminary results from the rate model indicate non-residential rates are higher than cost-of-service. To remedy the existing subsidy, an increase in residential rates will be recommended.

During the rate design phase of the project, the consultant will develop alternatives that modify rates to reflect cost-of-service and encourage water conservation.

**Remaining Tasks**

A preliminary draft of the rate study is scheduled for completion in early October. Preliminary results of the analysis will be presented to the Board on October 11. The 60-day public comment period will begin on October 12. All notifications and postings needed to solicit comments from District customers have been scheduled.

**Schedule**

The project is currently on schedule. At this time, no revisions to the schedule submitted with the CWCB Water-Efficiency Grant Application are anticipated.