



# Financing Sustainable Water – Rates, Revenue, Resources

## Building Better Water Rates in an Uncertain World

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**John Wright, Manager**  
**Glenwood Springs, CO**  
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# Colorado Water Rate Trends

- 1. Growing Interest in Individualized Rate Structures**
- 2. Major Concerns with Revenue Stability**
- 3. Increasingly Sophisticated Affordability Analysis**
- 4. Renewed Emphasis on Growth and SDCs to Finance Growth**
- 5. Increased Focus on Inclining TIER Rate Structure Cost Justification**



# Trend #1: Growing Interest in Individualized Rate Structures

- » Denver Water Implementation of AWC-Based Rates
  - Winter Average Consumption = TIER 1 Consumption
  - TIER 2 Allowance for Average Irrigable Area
  
- » Interest in Complex Water Budget Rate Structures
  - Benefit Cost Analysis of Implementation
    - Customer Outreach/Education
    - CIS Capabilities
    - How Much Water Will It Really Save?



# Trend #2: Major Concerns with Revenue Stability

- » Increased fixed revenue contributions from monthly service charges
  - Balancing Conservation Price Signal vs. Revenue Stability
- » Adequacy of Cash Reserves
  - Revised Credit Rating Agency Criteria
  - Days Cash-on-Hand
  - Credit Ratings vs. Rate Impacts



# Trend #2 - Continued: Major Concerns with Revenue Stability

- » Importance of Comprehensive Demand and Revenue Forecasting
  - Modeling demand and revenue volatility under multiple climate and economic change scenarios
  - When does the decline in consumption due to high efficiency fixtures plateau?
  - Estimates of price elasticity response



# Trend #3: Increasingly Sophisticated Affordability Analysis

- » Affordability Analysis beyond mere:
  - Customer bill impact analysis
  - EPA % of Median Household Income Guidelines
- » Affordability analysis at the census tract/zip code level of granularity
- » How do we reach multi-family customers who not pay water bills?
- » Western Slope Cost of Living Concerns



# Trend #4: Renewed Emphasis on Growth and SDCs to Finance Growth

## » Increasingly Expensive Supply Projects

- Colorado Springs Southern Delivery System
- Thornton “Northern Project”

## » Key SDC Issues

- Replacement cost of existing water rights
- SDCs based on lost size/irrigable area versus mere meter size size
- Recovery of costs when water usage exceeds original estimates (link to water budget rates)



# Trend #5: Increased Focus on Inclining TIER Rate Structure Cost Justification

## » California Issues Have Started to Seep Into the Awareness of Sophisticated Colorado Utility Managers

### – San Juan Capistrano:

- “tiers must still correspond to the actual cost of providing service at a given level of usage”

### – Proposition 218:

- “Fees shall not exceed the proportional cost of providing the service attributable to the parcel on which it is imposed”







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**CONTACT: JOHN WRIGHT**  
303.305.1139 / [jwright@raftelis.com](mailto:jwright@raftelis.com)