

IURC Water Rate Design Committee
Inaugural Meeting
10:00 – 11:30 a.m. October 9, 2008

Curt Gassert, director of the Water/Sewer Division of the Commission, began the meeting by discussing the IURC Water Rate Design Committee's Mission Statement. Next, he asked participants to discuss their issues, goals, and objectives, which are detailed below.

- Is there an efficient way to change the rate structure without a full COSS (Scott Bell)
- How rate structures are evaluated (Jack Wittman)
- No single rate structure will fit all (Scott Miller)
- Water and Wastewater are linked – do away with minimums – the cost of a COSS has kept Mishawaka from pursuing this issue. The current rate structure started 1983, which is no longer valid. The utility does not want to spend a lot of money on rate cases. (Jim Schrader)
- Wholesale supplies/global approach (John Skomp)
- Idea that the State has an approach (Jack Wittman)
- Constraints from statutes and case law (Terre Haute case) (Kerry Heid)
- How do we address the lack of fixed asset records (Curt Gassert)
- Problematic areas include: peak day demand factor, capacity factors and fixed assets. Each utility's capacity factors are unique (Kerry Heid)
 - ✓ Default meter ratios, default capacity factors – would have to be exact for that utility or the costs will not be properly allocated to those causing the costs.
- Economic Development Tools are running thin, sewer utilities have so much pressure on them regarding compliance and CSO (John Skomp)
- Water conservation is John's concern. The IURC should be coordinating its efforts with the DNR in drought planning (John Hardwick)
- Regulatory lag is an issue – can look to implement rate increase subject to refund, pending the outcome of a case. Many jurisdictions allow this approach including FERC. (Kerry Heid)
- The problem will be that regardless of the outcome, will need to get council member and board member's to buy-in to the need to look at their rates. Will need to educate the members about the records needed and the costs associated with their existing rate design. (Dana Lynn)
- Need flexibility. An Aqua system located in Illinois has commission approval for a take or pay rate, which is ½ the lowest block rate offered to a base user (Tom Bruns)
- Cost of plant drives rates, not cost of water. Straight- fixed- variable rates built into the service charge, utilities will look to be made whole on their fixed costs (Kerry Heid)
- Need to look at the price signals that are sent to customers, and how utilities secure financial interest if customer conserves (Kerry Heid)
- Challenges that Municipal Utilities face to look into their rate design (Phil Smith)

- Need to look at cost of different rates in times of drought or times of shortage as opposed to just conservation rates based on costs. Surface water systems are more vulnerable than ground water. Utilities should look to have a pricing tool in the toolkit for times of drought. Georgia this year required an inclining block rate structure and everyone panicked. Seasonal rates are the blunt object. It is like the annual form of electrical rates that are cheaper to use at night. (Jack Wittman/Carl Seals)
- Operational Flow Orders (OFO) – the utility can call an OFO, but the problem is meter readings are monthly, thus you would have to call it monthly, which could be a problem. It is usually the utility's call on an OFO and when it is in place revenues increase. It then becomes an issue of whether the utility needed to call an OFO or was it a strategy used to increase revenues. (Kerry Heid)
- Consumer education will also be a part of this paper (Curt Gassert)
- Another area of concern is the funding gap in infrastructure replacement Senator Gard is studying. (John Hardwick)
- Utilities must remain financially sound. (?)
- Other considerations should include System Development Charges and Outside City Surcharges. (Kerry Heid)

IURC Staff will develop an outline of the report and send it to participants. The next meeting will be used to discuss the outline.