Summary of Presentation

- Overview of small water systems
- NARUC best practices resolution
- Methods
- Trends
- State websites
- Topics for future consideration
### Water Systems

<table>
<thead>
<tr>
<th>System Ownership</th>
<th>&lt;=500</th>
<th>501-3,300</th>
<th>3,301-10,000</th>
<th>10,001-100,000</th>
<th>&gt;100,000</th>
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<tr>
<td>Public</td>
<td>7,602</td>
<td>10,188</td>
<td>4,323</td>
<td>3,419</td>
<td>367</td>
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<tr>
<td>Public-Private</td>
<td>559</td>
<td>524</td>
<td>127</td>
<td>54</td>
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<tr>
<td>Private</td>
<td>19,827</td>
<td>2,849</td>
<td>504</td>
<td>399</td>
<td>58</td>
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<td><strong>Total</strong></td>
<td><strong>27,988</strong></td>
<td><strong>13,561</strong></td>
<td><strong>4,954</strong></td>
<td><strong>3,872</strong></td>
<td><strong>431</strong></td>
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</tbody>
</table>

Challenges Facing Small Water Systems

- Reluctance to raise rates
- Discomfort/lack of knowledge about appearing before state utility commissions
- Lack of solvency → use of own money to subsidize systems
- Challenges in using technology for electronic filing
- Challenges with using technology to communicate

- Simplified rate applications
- Electronic filing
- Use of annual reports for cost recovery in lieu of lengthy rate cases
- Commission staff assistance in rate cases
- Simplified Rate of Return mechanisms
- Cost of living adjustments
- Rate mechanisms to facilitate emergency infrastructure funds
- Operating ratio rate mechanisms where there is very limited rate base
- Limitation of Contributions In Aid of Construction (CIAC) so rates are sustainable
- Combining water and wastewater revenue requirements for the purpose of rate cases, as appropriate
Methodology

- Complete review of commission websites and rules
- Document “best practices used” and other helpful practices not directly identified by NARUC resolution
- Phone interview with Commission Staff using prepared script to:
  - confirm findings,
  - identify any missing information, and
  - ask about most popular support mechanisms
- Document findings
Which Best Practices are Most Commonly Used? (1 droplet = 1 state utilizing best practice)

Best Practices Initial Survey

- E-filing (28)
- Simplified Rate Application (15)
- Use of Annual Report for Cost Recovery (9)
- Staff Assistance for Rate Cases (9)
- Simplified RoR Mechanisms (7)
- Emergency Infrastructure Fund Rate Mechanisms (4)
- Cost of Living Adjustments (4)

Chart represents initial survey findings, for updated numbers see final report

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Other Practices for Supporting Small Water Systems

- Utilizing existing water pages on Commission website:
  - Handbook with detailed instructions for Filing Rate Cases
  - Frequently Asked Questions for industry
  - Links to relevant codes/forms
- Inviting SWS to contact staff directly for help
- Providing webinars on Small Water System issues
- Encouraging prudent acquisitions
- Establishing rules to discourage the creation of new small water systems when other options are available
Example: Indiana

- Specific Small Utility Resources Section
- Rate filing/Administrative forms easily accessible
Example: Arizona

Arizona Corporation Commission
Utilities Division

Small Water Ombudsman Office

Mission Statement: To assist small water companies in interpreting and navigating the Corporation Commission rate case, financing and compliance processes, and to help small water companies in the evaluation of long-term infrastructure and acquisition planning.

Small Water Ombudsman Office Function: To educate, provide guidance and assistance regarding recordkeeping, assembly of information for rate case and financing applications and to provide technical review of water system needs and compliance requirements for safe, effective small water company operation and maintenance.

Some of the ways the ACC Ombudsman Office can assist you include:

- ACC/ADEQ/ADWR compliance issues
- Filing a rate or financing application
- Identifying and recommending corrective action for engineering issues
- Planning of long-term infrastructure needs
- Billing and operational improvements

Call or email the ACC Small Water Ombudsman Office for more information.
(602) 542-2556
accombuds@azcc.gov
Other Considerations

- What resources are easily accessible for small water systems?
- What resources are challenging for small water systems to access?
- Where is there overlap in policy that should be recognized? (e.g. emergency rate case mechanisms vs. emergency funds)
- What non-commission resources are available to support small water systems?
Topics for Future Research

- Review of acquisition methods
- Deep dive into alternative rate mechanisms for small water systems
- Process review of small water system rate application process
Small Water System Opportunities:
Surveying State Utility Commission Best Practices

Spring 2017