

## Water Utility Economic Regulation 101

### Agenda for Discussion

*Learn the basics of water utility economic regulation. This 6-hour class is designed to de-mystify the economic regulation of water utilities and better prepare those involved in water regulation to address current and emerging water economic regulatory issues.*

#### **Day 1 – Setting the Stage**

1. Setting the stage
  - a. What is a water utility? (30 minutes)
    - i. Terminology (public vs. private, “regulated” vs “non-regulated,” utility vs. system).
    - ii. Services provided (drinking water treatment and distribution, wastewater collection and discharge).
    - iii. Environmental attributes
    - iv. Ownership (HOA, family businesses, privately held company, publicly traded company).
  - b. Hot issues (30 minutes)
    - i. State of infrastructure and assets
    - ii. Operation issues (small systems, operators, electricity use)
    - iii. Water quality concerns and contaminants of emerging concern (PFAS etc.)
    - iv. Affordability
  - c. Economic Regulation vs. Environmental Regulation (30 minutes)
    - i. Environmental Regulation
      1. National Laws
      2. EPA
      3. State Agencies
    - ii. Economic Regulation
      1. Some court cases are decided by federal courts, but no national economic regulator comparable to electricity (FERC).
      2. State level
        - a. Most PUCs regulate non-government owned utilities that seek to earn a profit/return.
        - b. A few PUCs are involved in regulating some governmental owned utilities (e.g. WI, KY, ME).
        - c. A very small number (GA?) do not engage in economic water regulation.
      - iii. Intersection of economic regulation and environmental regulation
        - a. Figuring out how to pay for dealing with evolving regulations (PFAS)
        - b. Figuring out how to pay for secondary contaminants (Iron and Manganese) that impact service quality without exceeding public health standards.

#### **Day 2 – Common Economic Regulation Activities**

2. State “show and tell” interactive exercise (e.g., interactive survey) (30 minutes)
  - a. What type of test year?
  - b. How many water systems, how many utilities
  - c. How many regulated water utilities
  - d. Fair market value authority?
  - e. Single or multi-year?
  - f. Emergency operator?
  - g. Small system rate case support?
  - h. Disconnection policies?

3. Types of matters commonly decided on by economic regulatory agencies (30 minutes)
  - a. General rate case (includes many sub-issues)
  - b. Emergency operators
  - c. Water System Sales and Acquisitions
  - d. Capital facility certification.
  - e. ??
4. General overview of issues/practices involved in setting revenue requirements (60 minutes)
  - a. Cover the basics without going into too much accounting.
  - b. O&M costs plus depreciation plus return on equity
  - c. Impact of Fair Market Value approach
  - d. Impact of multiyear vs. single year
  - e. Impact of historic vs future test year
  - f. Impact of performance-based regulation

### Day 3 – Rates and Billing

5. Rate Design (80 minutes)
  - a. Cost of Service
  - b. Cost of Service adjusted to Meet Policy Goals (affordability, water conservation)
  - c. Flat vs. metered
  - d. Fixed vs. variable.
  - e. Block structures
  - f. Uniform/Single tariffs vs. System Specific Tariffs.
  - g. Affordability
  - h. Riders
  - i. Decoupling
6. Billing Practices (30 minutes)
  - a. Late fees
  - b. Cut offs.
  - c. Billing frequency
  - d. AMI, AMR, traditional meters
  - e. Pre-paid
  - f. Budget based rates.
  - g. Paying with credit cards
7. Resources (10 minutes)
  - i. NARUC
  - ii. NAWC
  - iii. NASUCA
  - iv. USEPA
  - v. AWWA, RWA, RCAP, wastewater