

1 **RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES**
2 **AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

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4 **PA-XIII-1.** Reference the PWD’s rate model (WCOS17_19.xls), tab “Wpltallo,” cells H:110
5 and H:165. Please identify all references relied upon by B&V in the AWWA’s
6 Water Rates Manual (M-1) that supports the use of 2 different maximum hour
7 extra-capacity factors when utilizing the Base Extra-Capacity class cost of service
8 method.

9 **RESPONSE:**

10 Black & Veatch relies on the following references in AWWA’s Manual M-1: Principles of
11 Water Rates, Fees, and Charges (7th edition):

12 Preface

- 13 • *“As with the other manuals prepared by the Rates and Charges Committee and*
14 *AWWA in general, this manual will not prescribe a solution. Rather, it is intended to*
15 *provide guidance and advice. The examples presented are used only to demonstrate*
16 *the generally accepted methodologies discussed in this manual. The underlying data*
17 *and assumptions are not endorsed or recommended either by AWWA or the Rates and*
18 *Charges Committee for use elsewhere. The purpose of this manual is to describe and*
19 *present issues associated with developing water rates, fees, and charges; to enumerate*
20 *the advantages and disadvantages of various alternatives; and to provide information*
21 *to help users determine water rates, fees, and charges that are most relevant to a*
22 *particular situation.”*

23 Page 62

- 24 • *“Extra capacity costs are expenses associated with meeting peak-demand rate-of-use*
25 *requirements in excess of average (base) use and include O&M expenses and capital*
26 *costs for system capacity beyond that required for average rate of use. These costs*
27 *may be subdivided into costs necessary to meet maximum-day extra demand,*
28 *maximum-hour demand in excess of maximum-day demand, or other extra demand*

1 *criteria (such as the maximum five-day demand) that may be appropriate for a*
2 *particular utility”.*

3 Page 63

- 4 • *“It is important to note that the examples presented in this manual are for*
5 *demonstration purposes only, and each utility needs to conduct appropriate analyses*
6 *regarding its own situation”.*

7 Pages 66-67

- 8 • *“Expenses other than power, chemical, and customer-related costs can be allocated to*
9 *cost components on the basis of operating considerations or the design capacity*
10 *requirements of each facility.”*

11
12 Based on PWD’s system-wide raw water pumping and treated water delivery data, as
13 previously provided in response to PA-VII-11, the raw water pumping and treatment system
14 experiences a higher maximum day demand (1.40 peaking factor) than the treated water
15 delivery system (1.30 peaking factor). The raw water pumping and treatment experiences a
16 higher maximum day factor than treated water delivery as PWD pumps more raw water
17 pumping during off-peak to optimize power costs. In other words, the 1.40 peaking factor of
18 raw water pumping and treatment reflect the effect of PWD’s operations optimization. The
19 1.30 peaking factor of treated water delivery reflects the effect of customer side demand and
20 available capacity within the system. Hence, consistent with these inherent differences in the
21 peaking factors, we use two distinct maximum day demand factors in determining the extra
22 capacity costs attributable to each system due to the functional differences in those systems.
23 This approach is consistent with prior rate proceedings and the base extra capacity
24 methodology.

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28 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC