

# **AWE Sales Forecasting and Rate Model Example Case Study**

# Case Study Background

Half Dome Water District (HDWD) is using the AWE Sales Forecasting and Rate Model to evaluate a rate adjustment to address an increase in its cost of service. In addition to increasing revenue, the District would like to analyze a potential change from a uniform rate structure to an IBR, and design rates for each of its four stages of drought.



# Summary of Goals

- Modify rates to recover an increase in cost of service
  - \$62.6 Million to \$69.8 Million (11.6%)
- Evaluate a change from a uniform rate structure to an increasing block rate structure
  - Send a price signal to customers to promote efficient water use
  - Lower peak season water demand
- Leave fixed charges unchanged if fixed charges provide ~20 percent of HDWD revenue target under proposed rates
- Create revenue neutral rates for each of the four drought stages
  - Stage 1 - 10% reduction target
  - Stage 2 - 20% reduction target
  - Stage 3 - 30% reduction target
  - Stage 4 - 40% reduction target

# Questions Asked During Analysis

- ▶ HDWD will use the AWE Sales Forecasting and Rate Model to gain insight into the following questions:
  - Will a tiered rate structure help HDWD meet its increasing revenue requirement?
  - How will the proposed rate change impact water demand?
  - How will a change in rates affect the affordability of water service for HDWD customers?

# Questions Asked During Analysis

- What rate structures will allow HDWD to remain revenue neutral during its four drought stages? What impact will these rate structures have on demand?
- What is the likelihood HDWD will meet its revenue target over the next five years?
- Is the HDWD's reserve fund sufficient to support potential revenue volatility?

# Let's Dive In