

Water Charge Methodology Review
Subgroup Status
Prepared March 21, 2023



The Water Charge Methodology Review Subgroup is charged with reviewing the current methodology and developing recommended changes to the current methodology for consideration by water Member Partners and the GLWA Board of Directors. The goal is to implement any changes as part of GLWA's fiscal year 2025.

The Subgroup has been meeting approximately twice monthly since June 2022 to:

- Build their understanding of the current water charge methodology,
- Develop guiding principles for the review, and
- Identify and analyze potential methodology changes.

The Subgroup articulated the following guiding principles to serve as decision-making filters for consideration of possible changes:

- **Stable:** We know what to expect, year over year
- **Simple:** We can explain it to our stakeholders
- **Impartial:** We pay based on data that reasonably aligns with our system use
- **Sustainable:** We grow the system to benefit members and the region broadly

The following potential methodology changes are currently **under discussion**:

1. Allocating power costs to better align with how the system uses power
2. Eliminating the smallest cost pools to reduce complexity
3. Potentially modifying the use of distance and elevation in allocating transmission costs, including possibly:
 - a. Measuring from the water intakes instead of the Water Treatment Plants
 - b. Dividing the system into two delivery zones
 - c. Adjusting elevation to recognize hydraulic grade line (HGL) and its impact on pumping costs
 - d. Other creative approaches, including creating an adjustment factor to account for transmission costs that represents the current distance and elevation measures
4. Possible approaches for uniquely situated members who pay significantly more on a per unit basis than the average

The following topics have been discussed and ultimately **discarded**:

1. Reallocating costs using a base-extra capacity approach rather than the current commodity-demand approach
2. Eliminating distance and elevation
3. Eliminating Northeast Water Treatment Plant from the distance and elevation calculation

4. Measuring distance and elevation from the plant closest to a community, rather than from the centroid of the five water treatment plants
5. Measuring distance and elevation for a community from the plant that most routinely serves that community, rather than from the centroid of the five water treatment plants
6. Replacing distance and elevation with pressure or HGL districts

The Subgroup has also agreed that changes to GLWA's optimization framework¹, water model contract, and the contract negotiation process are **out of scope** for this review. This means that the following ideas will not be included in the review:

- Creating incentives for good operational processes by member communities and/or in coordination with GLWA for the benefit of the regional system
- Expanding or changing the exclusionary period
- Reducing or changing the exceedance penalty or process
- Timing of units of service updates

The Subgroup will begin consideration of water charge methodology alternatives this Spring. One factor in considering alternatives will be the impact to individual Member Partner charges.

¹ The framework that allows GLWA to negotiate costs for local and regional system improvements that benefit the respective systems