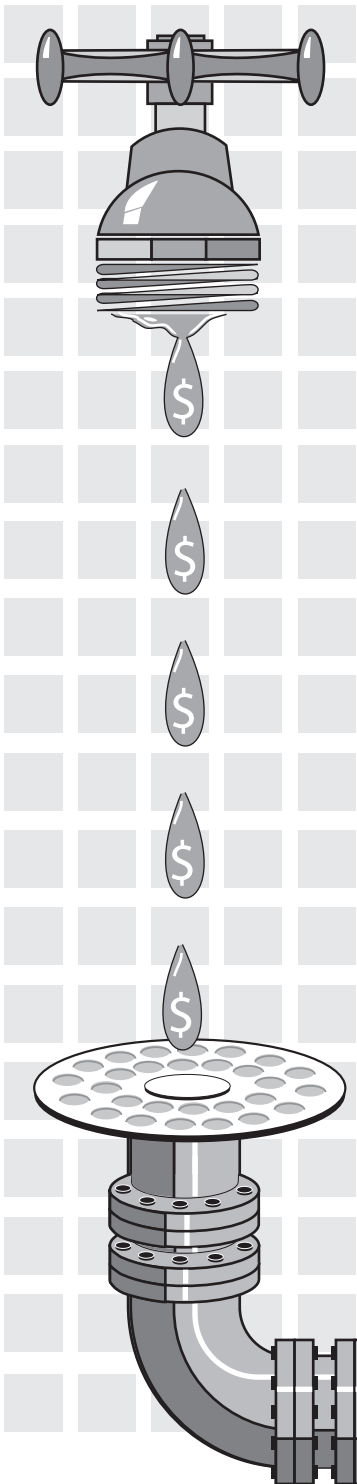


# RATE and COST of SERVICE STUDIES



Utility systems undertake rate studies for a number of valid reasons. The most common is to determine methods for increasing revenues in order to pay for higher operating costs or annual debt service. Other reasons include:

- Responding to challenges of current rates and rate structure
- Meeting requirements for projected capital improvement plans
- Satisfying requirements of service agreements
- Adhering to orders by the PUC
- Insuring equity among customer classes

Determining the underlying reason or reasons for undertaking a rate study along with proper planning for the study are keys to successful rate analysis. **Keystone Alliance Consulting** has experience with all aspects of rate studies, as well as, rate conversions from flat to metered rates. This experience has proven extremely valuable to our water and wastewater clients.

Rate analysis can take many forms depending on the situation and the client's requirements. Common variations include the following:

- Cost of Service Studies
- Revenue Requirement Studies
- Flat Rate Conversion Studies

Our general philosophy in setting rates, and particularly cost of service allocations, is to keep it simple. It is important to us that both the rate setting body and the customer understand the logical basis underlying the rate-setting methodology and implementation. Our approach ties the revenue requirement to the system's projected cash needs, including depreciation. The cash-basis method is straightforward and, in our opinion, more appropriate for non-regulated utilities.

Whatever the reason for completing a rate study or the method chosen, **Keystone Alliance Consulting** has a track record of success in meeting the needs of both large and small utilities.

**Keystone Alliance Consulting** often creates computer models as part of the rate study process. The models have proven to be very valuable to our clients, providing great insight to the sensitivity of different variables while conducting "what if" analysis. In addition to providing clients with a state of the art tool for the current rate analysis, the computer models can be updated periodically, thereby saving time and money on future rate analysis.



## Keystone Alliance Consulting

1200 New Church Court  
Ambler, PA 19002

Phone (215) 840-0934 Fax (215) 643-3190

Toll Free (877) 883-6800

[www.Keystone-Alliance.com](http://www.Keystone-Alliance.com)