**Section 655.40 Determination of Purchased Water/Sewage Treatment Surcharge**

a) For the recovery of purchased water costs, the water surcharge shall consist of a monthly fixed charge and a variable charge.

1) The monthly fixed charge shall recover costs that do not vary with the quantity of water purchased. Such fixed charges would include items such as depreciation for existing facilities and capital-related costs for new and existing facilities when such costs are billed by the supplier as a fixed monthly or annual amount. If there are no fixed charges from the supplier, all costs shall be recovered as a variable charge.

A) Fixed costs shall be distributed among customers on an equivalent meter basis. A ⅝-inch disk meter shall equal one equivalent billing unit. Equivalent billing units for meters of other sizes shall be based upon the following ratios:

|  |  |
| --- | --- |
| Meter Size |  |
|   |  |
| ⅝" disk | 1.0 |
| ¾" disk | 1.5 |
| 1" disk | 2.5 |
| 1½" disk | 5.0 |
| 2" disk | 8.0 |
| 3" disk | 15.0 |
| 4" disk | 25.0 |
| 6" disk | 50.0 |
| 8" disk | 80.0 |
| 10" disk | 115.0 |
| 12" disk | 168.0 |
| 3" turbine | 17.5 |
| 4" turbine | 30.0 |
| 6" turbine | 62.5 |
| 8" turbine | 90.0 |
| 10" turbine | 145.0 |

B) The fixed charge shall be calculated using the following formula:

|  |  |  |
| --- | --- | --- |
| FC | = | FSC + Rf + Of |
| EBU |

Where:

|  |  |  |
| --- | --- | --- |
| FC | = | Monthly fixed charge per equivalent billing unit to be billed to customers during the base period. |
| FSC | = | Estimated fixed charge from the supplier during the base period. |
| Rf | = | Utility-determined reconciliation component for the fixed charge. |
| Of | = | Commission-ordered adjustment component for the fixed charge. |
| EBU | = | Estimated equivalent billing units for the base period. |

2) The variable charge shall recover costs that vary by the quantity of water purchased plus the reconciliation component and the adjustment component and shall be charged to all customer classes based on the quantity of water used by each customer, regardless of meter size. The variable charge shall be calculated using the following formula:

|  |  |  |
| --- | --- | --- |
| VC | = | VSC + Rv+ Ov |
| VBU |

Where:

|  |  |  |
| --- | --- | --- |
| VC | = | Variable charge per variable billing unit to be billed to customers during the base period. |
| VSC | = | Estimated variable charge from the supplier during the base period. |
| Rv | = | Utility-determined reconciliation component for the variable charge. |
| Ov | = | Commission-ordered adjustment component for the variable charge. |
| VBU | = | Variable billing units for water to be billed to customers during the base period expressed in 1,000 gallon or 100 cubic feet increments. |

b) For the recovery of purchased sewage treatment costs, if the utility's cost for purchased sewage treatment does not vary based on the strength of waste treated, the sewage treatment surcharge shall consist of a monthly charge.

1) If all customers are residential, multi-unit residential, or small commercial customers, divide the total expected cost plus the reconciliation component and the adjustment component by the estimated monthly average number of customers for the base period and divide that amount by the number of months in the base period to obtain the monthly charge. For the purposes of subsection (b)(1), each multi-unit residential customer shall be counted as 85% of a residential customer. The charge for purchased sewage treatment will be calculated using the following formula:

|  |  |  |
| --- | --- | --- |
| SCm | = | PST + R+ O |
| NC x M |

Where:

|  |  |  |
| --- | --- | --- |
| SCm | = | Monthly charge per residential customer or small commercial customer for purchased sewage treatment to be billed during the base period. (The monthly charge for each multi-unit residential customer shall equal SCm x .85.) |
| PST | = | Estimated cost of purchased sewage treatment charges from the supplier for the base period. |
| R | = | Utility-determined reconciliation component. |
| O | = | Commission-ordered adjustment component. |
| NC | = | Estimated monthly average number of customers for the base period (each multi-unit residential customer is counted as .85 of one residential customer). |
| M | = | Number of months in the base period. |

2) If the system serves one or more large commercial customers, the sewage treatment surcharge shall be calculated in the following manner.

A) The sewage treatment surcharge for large commercial customers shall be computed by obtaining an average cost of sewage treatment per 1,000 gallons or per 100 cubic feet of water used by all customers. The large commercial customers shall have a minimum monthly bill equal to the residential monthly sewage treatment surcharge as determined under subsection (b)(2)(B). Any over-recovery of revenue resulting from the imposition of the minimum bill to large commercial customers shall result in a reduction of the cost of the large commercial rate so that the total revenue recovered equals the target revenue from large commercial customers.

B) The residential sewage treatment surcharge shall be a flat rate equal to the average cost per 1,000 gallons or per 100 cubic feet of water used multiplied by the total average monthly estimated water usage of the residential customer class divided by the number of residential customers. For purposes of subsection (b)(2), each multi-unit residential customer shall be counted as 85% of a residential customer.

C) The multi-unit residential sewage treatment surcharge shall be equal to the residential sewage treatment surcharge multiplied by .85.

D) The charges for purchased sewage treatment shall be calculated using the following formulae:

|  |  |  |
| --- | --- | --- |
| SCbu | = | PST + R+ O |
| BU |

|  |  |  |
| --- | --- | --- |
| CRSCbu | = | SCbu - AMC |

|  |  |  |
| --- | --- | --- |
| RMSC | = | SCbu x RAMU |
| NCr |

Where:

|  |  |  |
| --- | --- | --- |
| SCbu | = | Average charge for purchased sewage treatment per billing unit of water to be billed to residential and commercial customers during the base period.  |
| PST | = | Estimated cost of purchased sewage treatment charges from the supplier for the base period. |
| R | = | Utility-determined reconciliation component. |
| O | = | Commission-ordered adjustment component. |
| BU | = | Number of billing units to be billed to customers during the base period. |
| CRSCbu | = | Large commercial rate sewage treatment charge for purchased sewage treatment per billing unit of water to be billed. |
| AMC | = | Billing adjustment for the large commercial minimum charge. |
| RMSC | = | Residential monthly sewage treatment charge. (The multi-unit residential monthly sewage treatment charge is equal to RMSC x .85.) |
| RAMU | = | Total residential average estimated monthly water usage for the base period. |
| NCr | = | Number of residential and multi-unit residential customers (each multi-unit residential customer being equal to .85 of one residential customer). |

c) If the utility's cost varies based on the strength of waste treated, the appropriate formula for determination of the purchased sewage treatment surcharge will be included in the utility's purchased sewage treatment rider.