

Kansas RATES Program

Utilities need adequate and fairly structured rates. That is easy to say but hard to do.

The Kansas Rural Water Association (the Association), <https://krwa.net/TECHNICAL-ASSISTANCE/Rate-Reviews> has worked on this for years. [GettingGreatRates.com](https://gettinggreatrates.com) (GGR), a firm that specializes in utility rate analysis and rate setting, has been helping utilities set rates properly since 2005. In 2012, the two partnered and put together the “RATES Program” to help you get great rates, do it dependably and do it at reasonable and known-in-advance cost. This paper describes how the Program works. And there is more. Starting on page 5, are the performance standards GGR must live up to. Starting on page 7, are results past participants are enjoying.

“RATES” stands for Rate Analysis and Training for Environmental Systems.

RATES is a collaboration:

- The Association does many kinds of technical assistance, including rate setting assistance. All of that is free.
- GGR does comprehensive rate analysis, rate setting guidance and training. This work is not free, but for most utilities it ends up paying for itself from a few days’ worth of the increased revenues the utility collects.

“Comprehensive rate analysis” means that everything that might affect rates and fees, or that might be affected by rates and fees, is considered when doing rate calculations.

GGR uses the approach described in the American Water Works Association’s M1 Manual: Water Rates, Fees and Charges. The resulting rates are often called, “cost-to-serve” rates. If you want something different, that can be modeled, too.

How does GGR deliver rate analysis and related services? And how do you know you will be well-serve?

The Association supervises the work, contacts and fees of GGR to make sure its member systems are treated well, charged reasonable fees and they get great rate setting results. The Association knows a lot about each system’s situation, needs and opportunities. They share that information with us, so we can make each analysis better. Most folks just take that for granted.

GGR’s Credentials:

- Since 2005, Mr. Brown has completed 330 rate analyses as of this writing.
- He has trained thousands of rate setting practitioners.

See GGR’s references on the Freebies page <https://gettinggreatrates.com/Freebies> and call Mr. Brown at (573) 619-3411 for more.

The main Program feature Association member systems notice is the 25 percent discount off GGR’s regular fees. GGR’s regular fees normally place in the bottom third of its comparable competition. That means the discounted fees are the cheapest, or close to the cheapest you can pay for a comprehensive rate analysis. Membership has its benefits!

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At this fee level, some utilities may be able to have their executive (the city administrator or district manager) purchase these services within their authorized spending limit rather than go through a time-consuming and cost increasing acquisition process. Review your spending limit policy. If you must “solicit” such services, do it well by first reading the “Rate Setting Best Practices Guide,” available on the Freebies page.

Your results are also assured by GGR’s no-recourse guarantee:

“If you are not satisfied with our work, don’t pay us.”

After 330 rate analyses and counting, no client has exercised the guarantee and we intend to never cause a client to feel they should.

How Your Project Will Likely Proceed

From GGR scoping the project to you adopting new rates, your project will likely take six months to complete. You will take up about two-thirds of that time and GGR the rest. Your project will probably unfold following these steps, roughly in this order:

1. You call the Association, or call GGR at (573) 619-3411, to talk about your situation. If your rates do not need comprehensive analysis right now, Association staff will take care of whatever you do need.
2. If your rates do need analysis now, and you desire it, GGR will scope your project when you call. Scoping is done by phone and usually takes about 20 minutes for each utility being considered.
 - a. If your system is a member of the Association, you will get the 25 percent discount.
 - b. If the utility is not a member, join. The discount will pay for several years of membership. Then you will get a great rate analysis, the discount AND the great benefits of having your system be a member of the Association. Membership has lots of benefits!
3. Based on scoping information, we will determine what you likely need and the fees for each of those services and e-mail that to you in a proposal. Your proposal will probably look much like several on this Web page <https://gettinggreatrates.com/Freebies>. (Sample reports, references, Mr. Brown’s rate setting book, guides and capital improvement and repair and replacement scheduling spreadsheets are on the Freebies page, too.) Proposals usually go out within a day of the scoping call.
4. To accept one or more services from the proposal, you just call or e-mail GGR. Unless you desire otherwise, GGR will use its proposal, its guarantee, your acceptance and the performance standards that follow as the “contract.” If you want a contract, you are welcome to draw one up. However, rather than a separate contract (time consuming and expensive), it would be faster and simpler to use a letter of engagement. GGR’s letter of engagement template, in Microsoft Word format, is on the Freebies page.

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5. With your acceptance, the project is underway. Work will start by acquiring data and information. Most of this is described in the “Data Needs Sheet” on the Freebies page. You may not know what some of this data is or how to get it. Do not be concerned. GGR will guide you through everything. Every rate analysis client requires at least some data gathering help. Some require a lot. Like many other things in work and life, once you have done it a few hundred times, it gets a lot easier.
6. Following your desires and using your input, GGR will perform the analysis work.
7. Once the analysis is essentially complete GGR will e-mail you a proposed final report package. We may go back and forth a time or two until the report suits you.
8. You and GGR will arrive at a final report and rate recommendations, much like the reports on the Freebies page.
 - a. Using the report, you should present rate recommendations to your board or council and answer their questions, if you feel up to it.
 - b. Otherwise, you should have Mr. Brown do that presentation. Who better to present the analysis, recommendations and answer questions than the analyst? Or it may be sufficient to have Mr. Brown participate by speaker phone or video conference during your meeting – whatever works for you.
9. The board or council should soon settle upon new rates and fees and adopt an ordinance or rule to make them effective. This set of rates is called the “initial” rate adjustment. Now you are off and running with new rates.

By this time the rate analysis project is “complete.” But you may have need to ask questions that occur to you later, even years later. Few have been through this level of analysis before, so some issues simply will not occur to you until they surface later. When that happens, just call Mr. Brown and he can probably talk you through whatever you are concerned about. Once you have done it a few hundred times...
10. As the year following the initial set of rate adjustments unfolds, you should track the system’s financial performance. If it performs much like the analysis had predicted, and it probably will, no changes will be needed for the rest of that year. Otherwise, call GGR.
11. At budget preparation time for each successive fiscal year, you should compare the system’s financial performance with the corresponding year’s projections in the analysis report. If you are on track you should raise all rates and fees incrementally as recommended in the report, so keep the report handy. If you are NOT on track, follow Chapter 9 of Mr. Brown’s book to make the adjustments. If you are not sure of anything, just call.
12. Finally, about five years into the future, after several rounds of incremental rate increases totaling about 20 percent, the rate structure will likely have moved far enough away from the desired structure to make it worthwhile to start the rate analysis process over.

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Now it is time to find out if your rates are where they should be. If not, you need to find out what it will take to get them there. It is time for Step 1 above.

An important part of the RATES Program is the “training” piece. Rate analysis only goes so far. YOU must do the work of initially adjusting rates, developing budgets, planning and executing equipment repair and replacement and capital improvements, and doing future incremental increases each year. To help you do these things well, Mr. Brown, in cooperation with the Association, conduct rate setting and related workshops for utility managers and decision-makers. Attend if you can. We think you, and your ratepayers, will be glad you did.

Next up: performance standards.