

Wyoming RATES Program

Summary

The Wyoming Association of Rural Water Systems (the Association), <https://www.warws.com/> and GettingGreatRates.com (GGR) collaborate to help utilities get adequate and fairly structured rates.

- The Association calculates rates for simple situations for free.
- GGR does comprehensive rate analysis for more complex situations for a fee. The Association supervises GGR's work, so GGR must provide great service and results at reasonable cost. Among the results, GGR's clients average a five-year income increase of 300 dollars for each dollar paid in fees. And those who wanted them got fairly structured rates, too.

"RATES" stands for Rate Analysis and Training for Environmental Systems.

You should contact the Association. Tell them your situation. They will advise you about how to get rates that are adequate and fair, plus how to solve other problems. That is enough information to get you started, but if you want to know more about the RATES Program now, read on.

Introduction

The Association provides many services, including basic rate calculations for member systems. Since 2005, GGR has specialized in utility rate analysis and rate setting. In 2013, the two partnered to provide the "Wyoming RATES Program" to help you get on track to great rates, do it dependably and do it at a reasonable and known-in-advance cost. This paper primarily describes how GGR's part of the Program works.

"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 will be modeled, too.

Rate Analysis Service Procurement

To get rate analysis, you must "solicit" it – tell somebody you want analysis. (Of course, check out that "somebody" before soliciting them to make sure they are a rate analyst and would serve you well. It would be counter-productive to solicit someone you would not hire anyway.)

Solicitation is risky. A utility might have a rate analysis done once every five years, or maybe only once in twenty years. You may do this just once, or a few times in your entire career. Do something foreign to your experience once or a few times in your life and it just is risky.

Solicitation "Cliff's Notes:"

Rate analysis should be very accurate but fairly quick and cheap to do. To achieve that, you need to let rate analysts use their time-honed templates for proposals, rate calculation model, and report. The more roadblocks you put in our way – long and cumbersome RFPs, contracts, extraneous deliverables and meetings, bureaucracy, and such – the higher you run up the fees. Throw a lot of hurdles in our way and you will double or triple the fees you pay with no reduction in risk or improvement in outcome.

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When I am solicited, I scope the utility's needs, then propose services and fees. The requester accepts one or more services, if they have the authority. If that person cannot approve the proposal themselves, they ask their board or council to approve it. Pretty simple. Nearly all my 350 client systems so far have done it this way.

A common way to solicit "personal services," which includes rate analysis, is to issue a "Request for Proposals" or a "Request for Qualifications." That works well for engineering but poorly for rate analysis. It is a lot of work for you, a lot of work for responders, it drives up fees for rate analysis, yet it does not assure you will be well served.

For more tips on how to set rates well, download the "Rate Setting Best Practices Guide" from the Freebies page <https://gettinggreatrates.com/Freebies>.

Whether you keep the process simple or make it hard, there are more things to know and do. All are covered in the "Rate Setting Best Practices Guide" on the "Freebies" web page above. That said, the RATES Program makes getting rate analysis simple and economical.

Full Description of "RATES"

The RATES Program protects you from most risks, like unknowingly hiring a non-analyst, the wrong analyst, someone who will not serve you well, or an analyst that is simply too expensive.

The Association monitors the communications, fees, and work of GGR. It is uniquely positioned to do that for you! Thus, GGR works under the watchful eye of the Association. GGR is conducting five to ten rate analyses most of the time. Two to five of those are in the RATES Program, so several Associations are seeing GGR's work simultaneously. The Associations know what GGR does, how, and for what fees. If GGR had treated Association member systems that came before you badly, it would have already been fired.

The Association also knows a lot about each system's situation, needs and opportunities. They share information with GGR, making each analysis that much better.

Beyond supervision and collaboration, you are protected by GGR's no-recourse guarantee:

"If you are not satisfied with our work, don't pay us."

After hundreds of rate analyses, no client has felt the need to exercise the guarantee.

GGR's Credentials:

- Mr. Brown has completed 350 rate analyses as of this writing (12/12/2022).
- 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 thing Association member systems notice is the 25 percent discount off GGR's regular fees. GGR's undiscounted 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 benefits!

To summarize, GGR aims to please, the Association will make sure that happens, and if you are not pleased, don't pay.

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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 like this:

1. You call the Association, or call GGR at (573) 619-3411, to talk about your overall situation. If your rates do not need comprehensive analysis right now, Association staff will help you with any other needs you have.
2. If your rates do need analysis now, and you desire it, Mr. Brown will scope your situation and needs when you call. Scoping is done by phone and usually takes about 30 minutes for each utility being considered. If you want to prep before that call, you can view the "Scoping Sheet" on the Freebies page. That way you will know what kinds of questions Mr. Brown will ask.
3. Based on scoping, GGR will determine what services you likely need and the fees for each of those services. That goes into a proposal e-mailed to you. Your proposal will probably look much like several on the Freebies page. When GGR proposes:
 - a. If your system is a member of the Association, you will get the 25 percent discount.
 - b. If your system is not a member, join. The discount will pay for several years of membership. Membership has benefits!
4. To accept one or more services from the proposal, just call or e-mail GGR. That, along with the proposal, the guarantee, and performance standards to follow become the "contract." (Actually, we think of the process as a roadmap for how the project will likely play out. And we think of our analysis and recommendations for your rates as your financial roadmap for the next 10 years.) If you want a separate contract, you can draw one up. Just realize, that is time consuming and might be more expensive than the analysis itself.
5. When you accept a service in the proposal, the project will get underway promptly. Assemble data and start sending it to us. Most of this is described in the "Data Needs Sheet" posted on the Freebies page. You may not know what some of this data is or how to get it. No problem. Like many other things in work and life, once you have done it a few hundred times, it gets a lot easier. GGR will guide you all the way.
6. Following your desires and using your input, GGR will perform the analysis and send one to several rounds of draft data sheets to you for proofing.
7. Once the analysis is essentially complete GGR will e-mail you a draft final report package. Drafts and feedback may go back and forth a time or two before the report is "final." Your report should look much like example reports on the Freebies page.
8. Once you have the final report, you should start the process to adopt new rates:
 - a. You can present rate recommendations to your board or council yourself and answer their questions, and questions from the public, if you feel up to it.
 - b. Otherwise, have Mr. Brown do that presentation in-person, or on-line, your choice. Who better to do that, plus "catch the arrows" than the analyst? At this point we usually call the rate analysis project "complete."

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9. The board or council should settle upon new rates and fees and adopt an ordinance, rule, or resolution to make them effective. This first set of new rates is called the “initial” rate adjustment. Now you are off and running with new, adequate and fair rates, if that is what you had requested.

When is the Project Complete?

When you say it is. Even then, things happen. Some issues simply will not occur to you until they just pop up a month, a year, or five years later. When you are not certain what to do, just call Mr. Brown and he can probably talk you through it for free.

10. As the year following the initial set of rate adjustments unfolds, you should track the system’s performance and compare that with what is in the report (your financial roadmap). If the system 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 performance with the corresponding year’s projections in the analysis report. If you are on course, you should raise all rates and fees incrementally as recommended in the report, so keep the report handy. If performance is NOT on track, follow Chapter 9 of Mr. Brown’s book, on the Freebies page, to make needed 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 probably totaling about 20 percent, the rate structure will likely have moved far enough away from the desired structure (become “unfair” enough) to make it worthwhile to start the rate analysis process over.

That is a brief description of one full cycle of rate analysis, initial adjustments, annual adjustments for a few years and back around to the next rate analysis – starting over.

Are your rates where they should be? Can you prove it? 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 is an important step, but only one step in rate setting. YOU must do the work of initially adjusting rates, developing budgets, planning, 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, conducts rate setting and related workshops for utility managers and decision-makers. Attend if you can. You and your ratepayers will be glad you did.

Next up: analyst performance standards.

Rate Analyst Performance Standards

Summary

These performance standards, offered by GGR and agreed to by the Association, require [GettingGreatRates.com](https://gettinggreatrates.com) (GGR) to behave in a certain way and deliver certain results. The core things you can expect from GGR are adequate and fairly structured rates, based on analysis, and rate analysis fees discounted by 25 percent for Association member systems. And if you are not satisfied, do not pay GGR. For details, read on.

Performance Standards

1. GGR will copy to the Association important submittals made to you. This includes at least the following: the service and fee proposal, invoice(s), and the final rate analysis report package. (When in doubt, we copy the Association on many more things. We want them to learn as much about rate analysis, rate setting, and us, as they care to know. We are always in training mode.)
2. GGR will perform promptly. Proposals will be offered within one week of request. Analyses and reports will be turned around promptly after we receive the needed data.
 - A. Proposals include a current reference contact list of all clients for the past four-plus years (no cherry picking) with fees paid and enough information so you can tell which clients were in situations like yours and how much they paid.
 - B. Proposals include, by reference, rate analysis reports like a dozen or so example reports posted on the Freebies page <https://gettinggreatrates.com/Freebies>.
3. If you have specific goals for your system(s), tell us. GGR can develop rates to achieve them if that is financially possible. Analysis will show you if it is not possible.
4. Most GGR fees are proposed on a lump-sum basis. For example: \$XX for the water rate analysis, \$YY for the sewer rate analysis, \$ZZ for each visit made to your location to present to the board or council, etc. This lets you know what your final cost will be before signing on.
 - A. Your fee for a rate analysis will be based on the time and cost to address your situation, but we use the same calculation method for all lump-sum fees, so we are consistent.
 - Association member systems get a 25 percent discount on GGR's rates and fees. GGR does not and will not "jack up" fees to recoup the discount. This program is how we market our services in these states – it enables us to spend less time marketing and more time analyzing.
 - B. On rare occasions we work on an hourly basis. If you are considering entering into a wholesale supply agreement, you are being sued over rates, or there is

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another issue where the work to analyze it cannot be quantified beforehand, hourly work is appropriate. But we only do hourly work at your direction.

5. GGR provides the following guarantee:

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

No one has exercised the guarantee to-date. We work to keep it that way.

6. If your situation is the usual rate analysis project, the services and “receivables” we give you can be summarized as follows:

Unusual situations, like lawsuit support, wholesale supply agreement advisement and the like call for special services. But those normally result in most of what is described here, too.

- A. The final rate analysis report package (the financial roadmap) we e-mail to you will include a narrative report plus a printout of the analysis model(s) involved, all in Portable Document Format (pdf). The rate model(s) do the complex math. You will not receive the actual model(s), but you will get printouts of the data and results tables and charts. The narrative report describes the key math in words, the resulting rates and recommendations, and all key considerations that went into the analysis. Drilling down, the report includes:
 - A projection of rates; incomes; costs; capital improvement program (CIP) costs; equipment repair, refurbishment, and replacement costs (R&R); and all other issues that could markedly affect the system’s rates and finances. R&R projections cover 20 years. All other costs, revenues and other criteria are projected for ten years.
- B. If you desire, Mr. Brown will present the results and recommendations to your board, council, or commission and to the public so everyone can understand why rates and fees should be adjusted as recommended. Quite importantly, he will demonstrate how rate adjustments will affect various ratepayers. This demonstration usually shows that the recommended adjustments, almost always increases, will not be as hard to absorb as ratepayers feared.
 - This presentation may be done in-person (which is usually most effective), or by conference call or video connection into your meeting, as you prefer. COVID-19 taught us all that we can accomplish many things by remote video conference that we thought could only be done in-person.
- C. Back to unusual situations, not all problems can be solved by making a rate analysis report publicly available. Sometimes you need confidential advisement. In those cases, we still do analysis, but we give you those results, and other information and guidance by phone. That way, you can maintain the problem-solving advantage and not give it away to those causing the problem.

These are minimum standards. We always aim to exceed them. Next up, results.

RATES Program Results

Summary

Rate analysis yields results – fairer rates (if you want them) and almost always more revenue. Through the RATES Program, client systems have or will gain a return on investment averaging 30,000 percent over five years. In simpler terms, on average, when a client gave us \$1, they gained \$300 in extra revenue over the next five years. Several results of GettingGreatRates.com (GGR) rate analyses, as of 11/30/2022, are given here.

Fees paid to GGR are investments that usually generate a financial return, which is more revenue. Thus, return on investment (ROI) comes into play when considering a rate analysis.

Table 1 summarizes some RATES Program results. The bottom line is, for each dollar paid to GGR, these utilities have or will net an additional \$300. As Wall Street would like to say, “We gave you a 30,000 percent ROI.” Wall Street cannot say that. We can.

Table 1: RATES Program Results	
2,805	Average Number of Connections
\$1,983,941	Average Revenue Increase per Utility for First 5 Years After Analysis
\$6,610	Average Fee Paid by Each Utility
\$2,203	Average Discount Given to Each Utility
\$300	Average Extra Revenue Generated in the First Five Years by Each Fee Dollar Paid

We only recommend rate (revenue) increases when they are needed, but they are needed almost every time.

A caveat: The extra \$300 in revenue per fee dollar is based on the rates our clients wanted to pursue. GGR calculates the revenue each system needs, and designs rates to achieve that. But some utilities opted for lower rates, which we calculated for them. That lowered the average ROI to 30,000 percent.

Table 2: Increase in Revenues by Utility Type				
Utility Type	Number of Analyses	Revenue Increases		
		Annual Average per Utility	5-year Average per Utility	5-year Total, All Utilities
Water	51	\$372,681	\$1,863,403	\$95,033,559
Sewer	36	\$347,924	\$1,739,619	\$62,626,275
Stormwater	2	\$641,337	\$3,206,686	\$6,413,372
Electric	3	\$1,138,147	\$5,690,736	\$17,072,209
Trash	5	\$402,762	\$2,013,812	\$10,069,060
Landfill	1	\$642,352	\$3,211,762	\$3,211,762
Totals and Averages	98	\$396,788	\$1,983,941	\$194,426,237

Why calculate the revenue increase and ROI over five years? Simple. Five-years is about the shelf life of GGR’s rate and revenue projections. Rate analysis is not a “once and done” task. It is a cyclical maintenance process.

Size of clients in the RATES Program has ranged widely: 91 connections for the smallest (Ranchos de Placitas Water and Sanitation District, NM) to 30,733 for the largest (Manhattan, KS).

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Table 2 drills down into returns by type of utility. Inadequate water and sewer rates and revenue get top billing in the press. In our experience, those utilities are better funded than other utility types. Still, most of GGR’s small water and sewer utility clients have gained or will gain \$100,000 or more in net revenue over five years. That \$20,000 per year is a big deal to them.

Table 3: Results for Each Participating Rural Water Association						
Rural Water Association	Analyses	Total Fees Paid by Utilities	Total Discounts Given to Utilities	Revenue Increases		
				Annual Average per Utility	5-year Average per Utility	5-year Total, All Utilities
Colorado	5	\$31,444	\$10,481	\$236,331	\$1,181,656	\$5,908,279
Kansas	38	\$239,484	\$79,828	\$405,858	\$2,029,290	\$77,113,017
New Mexico	4	\$26,895	\$8,965	\$305,147	\$1,525,736	\$6,102,943
Nevada	0	\$0	\$0	\$0	\$0	\$0
North Dakota	0	\$0	\$0	\$0	\$0	\$0
Virginia	17	\$133,248	\$44,416	\$477,307	\$2,386,533	\$40,571,064
Wyoming	34	\$216,746	\$72,249	\$380,770	\$1,903,851	\$64,730,933
Totals and Averages	98	\$647,817	\$215,939	\$396,788	\$1,983,941	\$194,426,237

Table 3 slices the data based on sponsoring rural water association.

- Kansas started the first RATES Program in 2012. With thousands of water and other utility systems in Kansas, KRWA has the most systems in the program and the highest revenue increases.
- Wyoming joined in 2013. With only a few hundred utility systems in Wyoming, WARWS is a close second to Kansas.
- At the other end, Nevada just signed on in October 2022, so having zeros is understandable.
- Also with zeros is North Dakota. But there, Eric Volk, Executive Director of NDRWSA does rate studies himself. He only uses GGR as backup should he need help or advice.

You may think, “Wow, look at all the systems helped and extra revenue they are getting.” Yes, but... I estimate the number of analyses done should be 10 to 20 times higher, with commensurate extra revenues. All in all, in the United States we are way behind in the setting-proper-rates game. That is the basis for our infrastructure getting “C” and “D” grades.

Before signing off, Table 4 fills in a couple of blanks. As to the last one, some past clients have “come back” for a data and modeling update. For some, it turned out, surprisingly, that their hoped-for giant grant did not come through and now it’s all loan financing for that plant rebuild project. We pull out the model and revise, no big deal for us.

Table 4: Other Program Data	
4	Utilities Advised on Lawsuits, Disputes
7	Rate analysis model updates