

In Cause No. 44203 (March 14, 2013), the Commission approved an Alternative Regulatory Plan (“ARP”) for small water and wastewater utilities. The ARP required the calculation of a cost index based on the following formula (see Exhibit A, page 4):

$$\text{Cost Index} = [(W * \text{Labor ECI Index}) + (X * \text{Electric Power PPI Index}) + (Y * \text{Chemical PPI Index}) + (Z * \text{CPI})]$$

The table below shows the calculation using 2015 data.

Index	2015	Weight	Weighted Average
Labor Index ECI	1.90%	0.4751	0.90%
Industrial Electric Power PPI	2.57%	0.1053	0.27%
Industrial Chemicals PPI	-15.92%	0.027	-0.43%
CPI	0.10%	0.3926	0.04%
Weighted Index			0.78%

Based on the table, the Commission will use 0.78% as the annual cost index for 2016 filings.

