

Cost Index

On March 14, 2013, in Cause No. 44203, 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 ARP Guidelines, 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 chart below shows the calculation for 2012.

<u>Index</u>	<u>2012</u>	<u>Weight</u>	<u>Average</u>
Labor Index ECI	1.9000%	0.4751	0.9027%
Industrial Electric Power PPI	2.9975%	0.1053	0.3156%
Industrial Chemicals PPI	-5.3588%	0.0270	-0.1447%
CPI	2.1000%	0.3926	0.8245%
Weighted Index			<u>1.8981%</u>

Based on the chart, the 2013 Cost Index is **1.90%**.

