

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 chart below shows the calculation using 2014 data.

Index	2014	Weight	Weighted Average
Labor Index ECI	2.30%	0.4751	1.09%
Industrial Electric Power PPI	7.02%	0.1053	0.74%
Industrial Chemicals PPI	-3.29%	0.027	-0.09%
CPI	1.60%	0.3926	0.63%
<b>Weighted Index</b>			<b>2.37%</b>

Based on the chart, the Commission will use 2.37% as the annual cost index for 2015 filings.

