

Alt #1 – Existing COS Methodology

	Cost Recovery Component	Approx. % of DM Costs (1)	Charge / Rate
Alt #1	T1 Supply	25%	\$/AF
	System Access Rate	75%	\$/AF

Demand Management Costs recovered under two volumetric rates.

(1) Using hypothetical revenue requirement share



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Functionalized DM costs recovered from only the Supply Rate and the System Access Rate

- Considerations
 - › Consistent with existing Metropolitan cost of service methodology – DM costs allocated like other fixed O&M costs and recouped through the Supply Rate and the System Access Rate
 - › Can be consistently repeated using a standardized process
 - › Minimal administrative burden
 - › Consistent with WaterDM recommendation, i.e., functionalization of DM costs
 - › DM costs are only recouped via rates associated with average system demands; not peak or standby