

# Alt #2 – Modified COS Methodology

	Cost Recovery Component	Approx. % of DM Costs (1)	Charge / Rate
Alt #2	T1 Supply	25%	\$/AF
	System Access Rate	50%	\$/AF
	System Power Rate	13%	\$/AF
	Readiness-to-Serve Charge	10%	\$/M
	Capacity Charge	2%	\$/cfs

Demand Management Costs recovered under variable and fixed rates and charges.

(1) Using hypothetical revenue requirement share

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Functionalized DM costs recovered from variable and fixed charges and rates

- Considerations

- › Consistent with WaterDM recommendation, i.e., functionalization of DM costs
- › DM costs are recouped via charges and rates associated with average and peak demands, and standby capacity
- › Can be consistently repeated using a standardized process
- › Minimal administrative burden
- › Change from current cost of service approach – this Alt would add DM costs to System Power Rate, Capacity Charge and Readiness-to Serve Charge
  - Unique O&M costs incurred to avoid capital costs and variable power costs