

Determining Utility Revenue Requirements

The amount you should recover from customers in the rates charged by the utility.

Determining revenue requirements is the most important financial target a utility can establish but often the least understood. Revenue requirements determine the amount and timing of rate adjustments which are often influenced by social and political factors. The utility's ability to achieve the revenue needed is dependent on several factors, including:

1. The rationale and foundation of revenue requirements
2. How rate adjustments are communicated to the governing body
3. Training and education provided to the governing body
4. Identifying the consequences of forgoing rate adjustments
5. The three financial factors considered in determining rate adjustments
6. How revenue requirements are determined, and which methods are appropriate
7. The negative consequences of looking at cash flows and cash reserves for the utility