

# Discussion of Possible Rate Structure Changes

Rates Advisory Committee

March 12, 2009

Presented by:  
Harold Smith



**PRO-OPS, INC.**  
Professional Operations, Inc.

# Outline

## 1. Review of Pricing Objectives

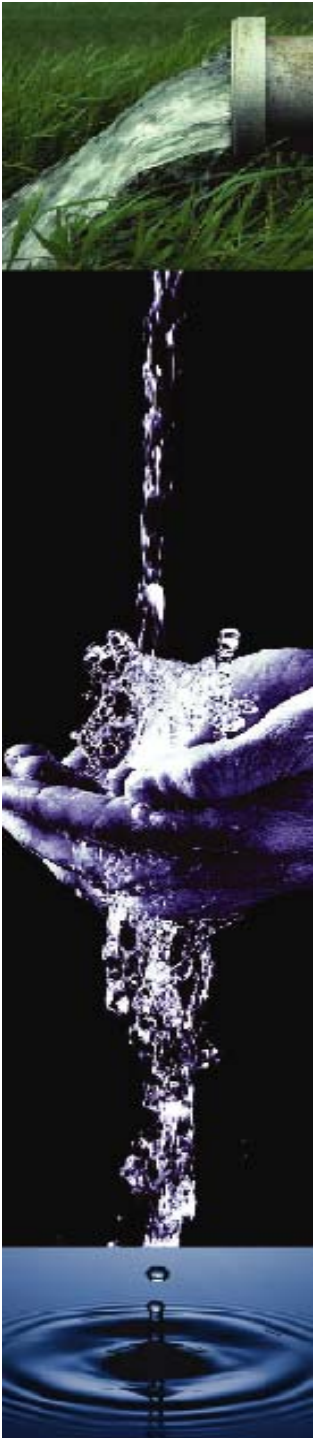
## 2. Rate Structures

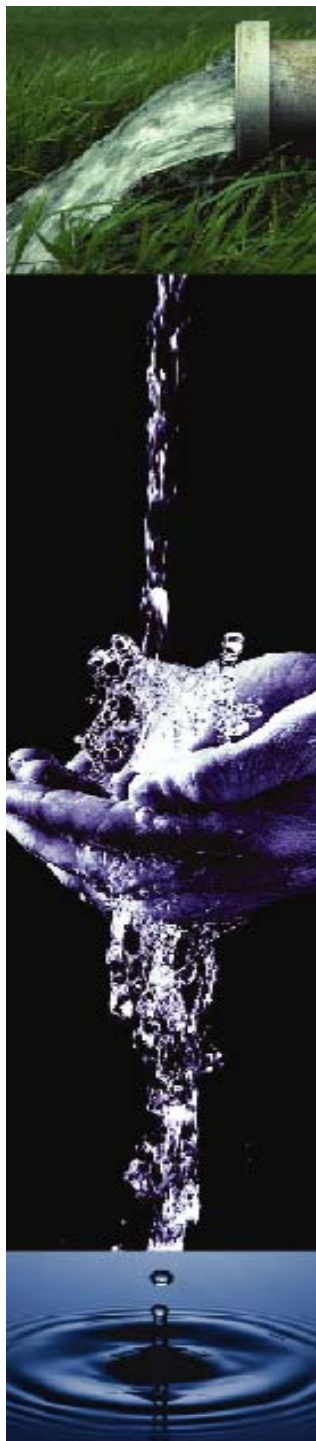
Water Delivery

Water Supply

Wastewater

## 3. Other System-Wide Rate Structure Issues



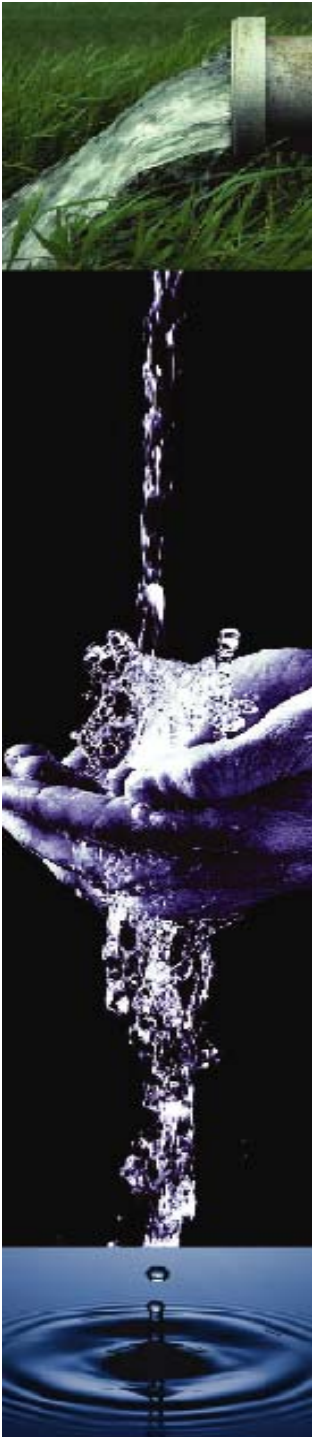


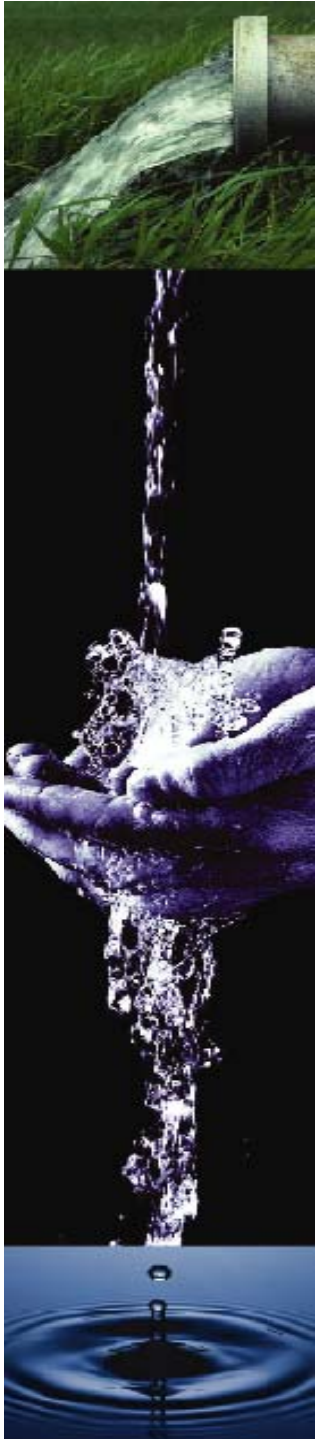
# Goal of Meeting

**To obtain input on rate structure changes under consideration**

# Results of Pricing Objectives Exercise

Classification	Rank	Objective	Score
Essential	1	Conservation/Demand Management	34
	2	Financial Sufficiency	33
	3	Rate Stability	27
Very Important	4	Revenue Stability	26
	5	Equitable Contributions from New Customers	25
	5	Affordability to Disadvantaged Customers	25
Important	7	Cost of Service Based Allocations	23
	8	Minimization of Customer Impacts	21
	9	Simple to Understand and Update	18
Least Important	10	Legality	16
	10	Ease of Implementation	16
	12	Economic Development	15



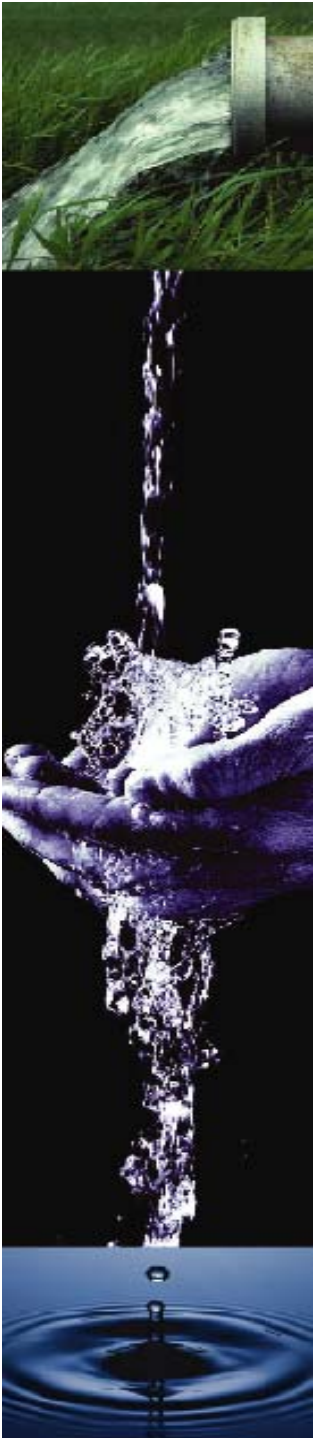


# Water Delivery

# Existing Water Delivery Rate Structure

## Residential Class:

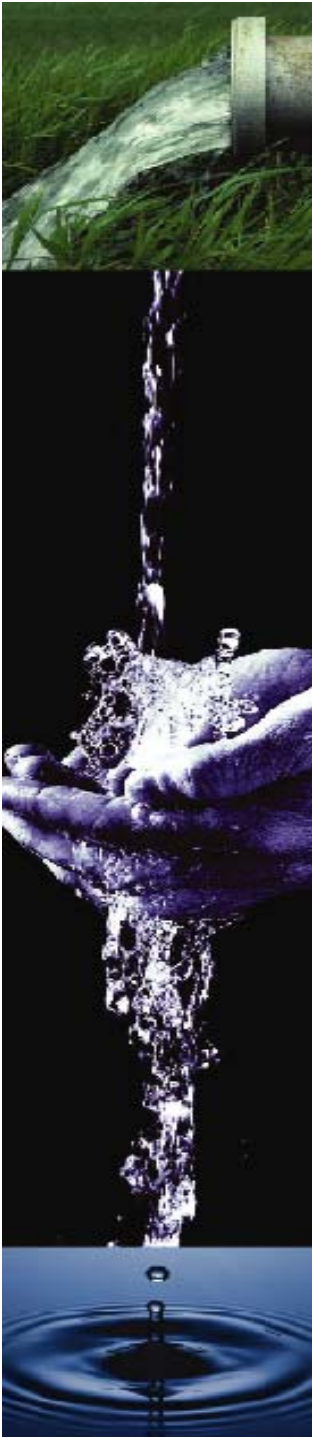
- ❑ Fixed component - monthly charge that varies by meter size
- ❑ Volumetric component - Increasing block rate structure with 4 blocks
  - Seasonal rates apply to volumetric component



# Existing Water Delivery Rate Structure

## General and Wholesale Class:

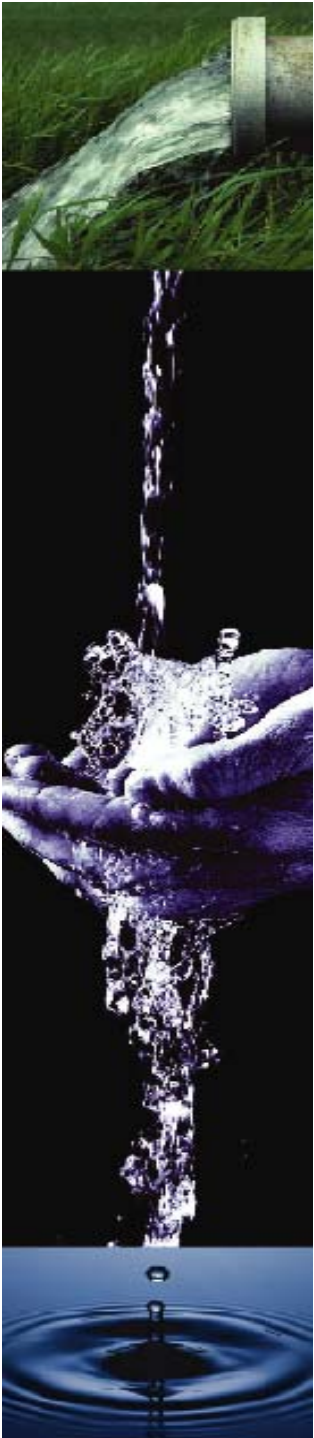
- ❑ Fixed component - monthly charge that varies by meter size
- ❑ Volumetric component - Increasing block rate structure with 5 blocks
  - Usage based on 90% of average annual consumption



# Existing Water Delivery Rate Structure

## Irrigation Class:

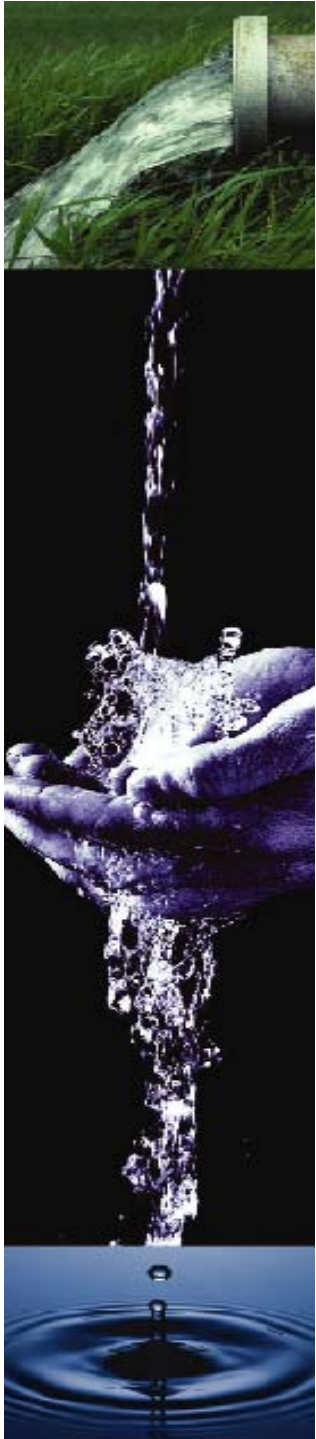
- Fixed component - monthly charge that varies by meter size
- Volumetric component - Increasing block rate structure with 3 blocks





# Water Delivery Options

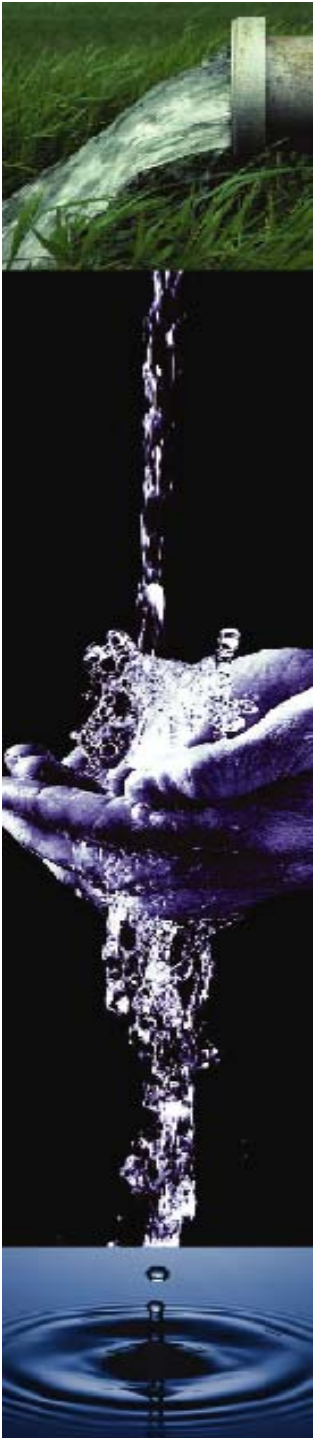
- Leave rate structure unchanged
- Modify number of blocks
- Modify block cut-offs
- Increase rate differentials between blocks
- Increase differentials between seasonal and non-seasonal rates
- Increase base to volumetric cost allocation
- Increase residential meter fee for conservation funding



# Water Supply

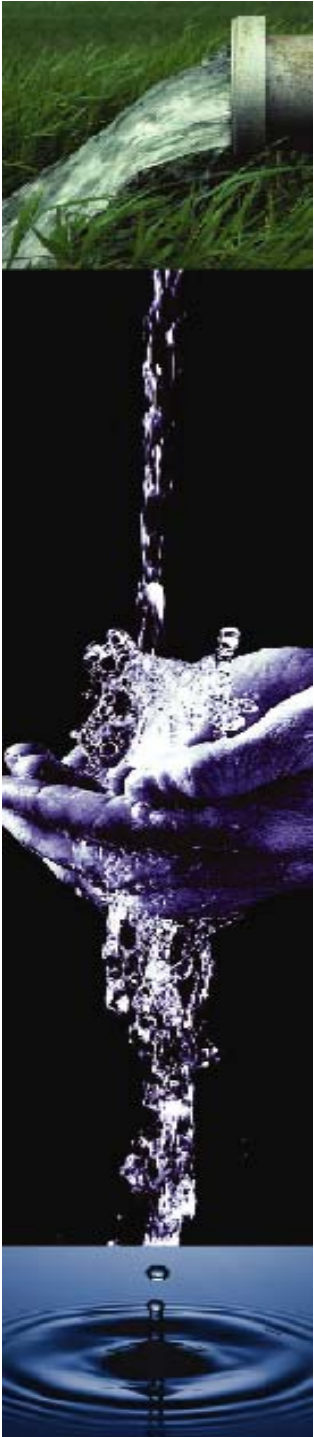
# Existing Water Supply Rate Structure

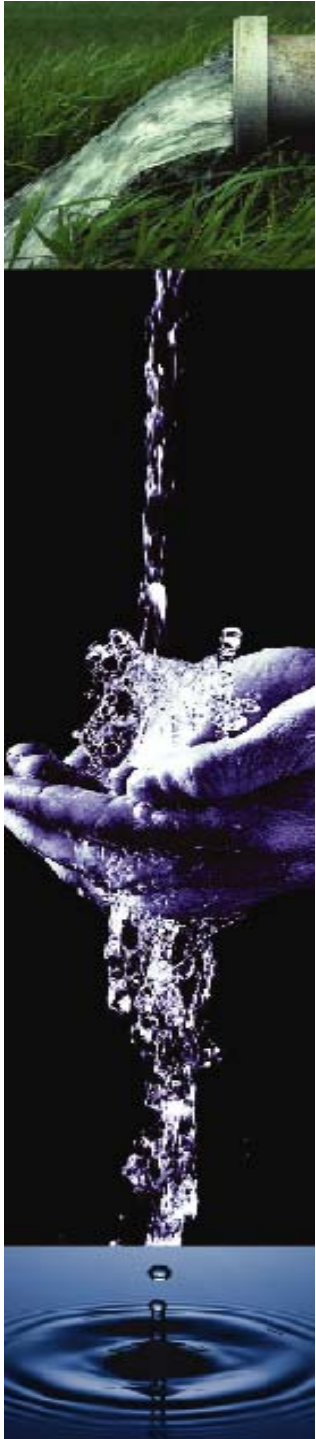
- Uniform volumetric rate applied to all water usage**



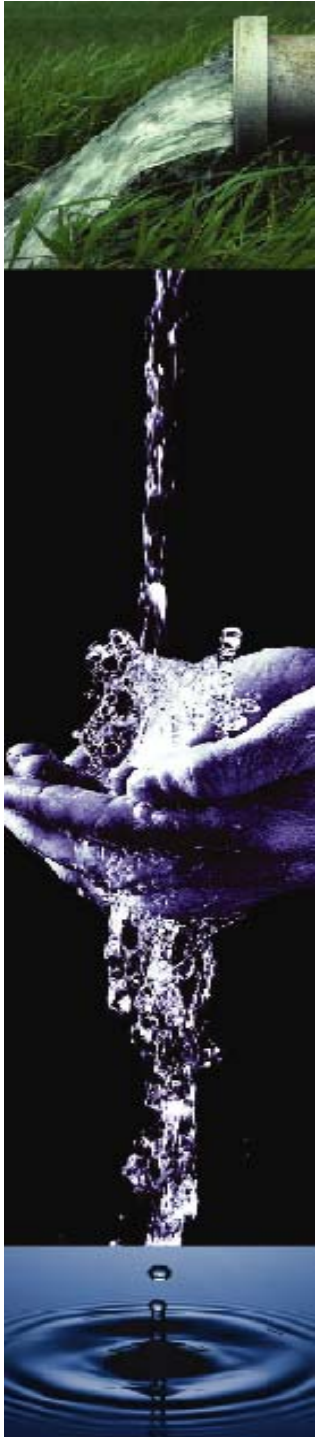
# Water Supply Rate Options

- Leave rate structure unchanged
- Different rates for each customer class
- Develop increasing block rate structure
  - Number of blocks
  - Block cut-offs based on:
    - Individualized usage
    - Winter average
- Make water supply self-sufficient



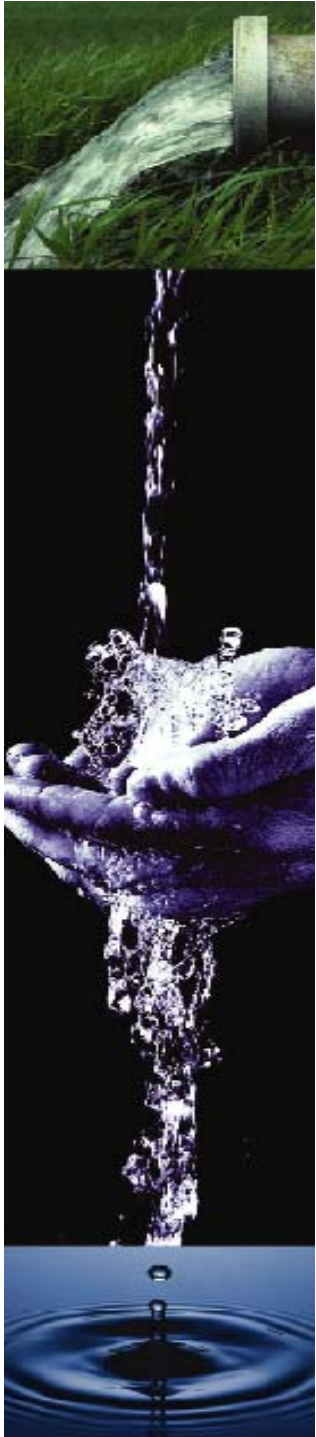


# Wastewater



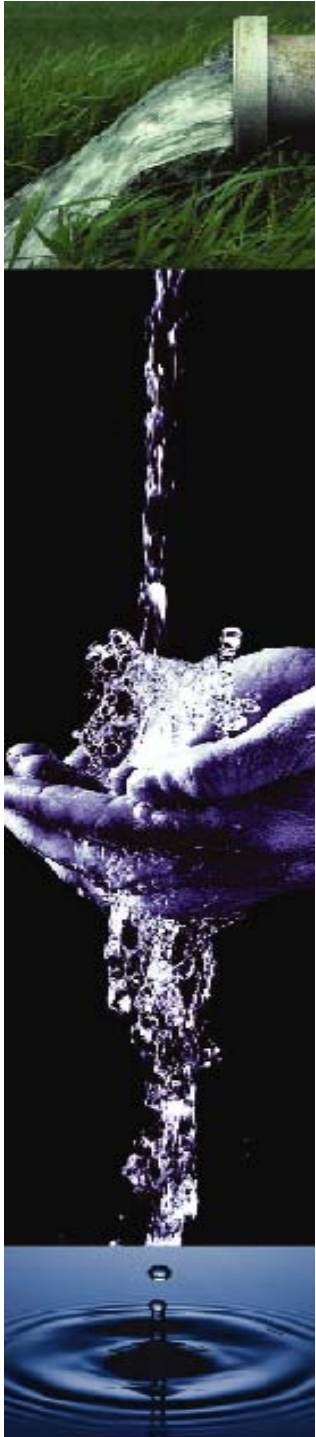
# Existing Wastewater Rate Structure

- Minimum charge for first 1,496 gallons of water usage**
- Volumetric uniform rate for all water usage above 1,496 gallons**
- Water usage is based on:**
  - **Average winter use for residential class**
  - **Actual water use for general/wholesale class**

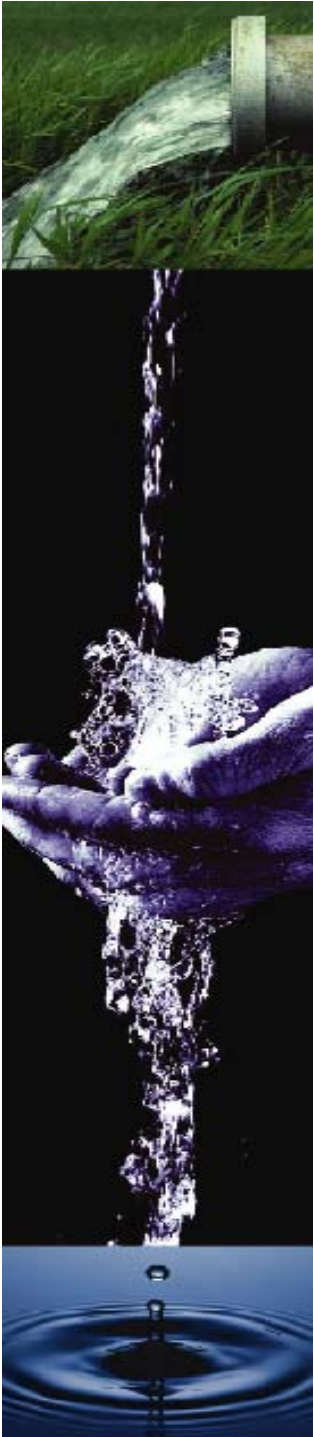


# Wastewater Rate Structure Options

- Leave rate structure unchanged
- Change basis for winter averaging for residential customers
- Eliminate minimum
- Establish Fats, Oils and Grease Charge (“FOG”)
- Develop lift station maintenance fee



# Other System- wide Rate Structure Issues



# Other System-Wide Issues

1. **Outside-City differentials**
2. **Separate rate for energy costs**
3. **Wholesale water/sewer rates**
4. **Institutionalize rates for affordability customers**
5. **Interconnect rates (emergency water provision to other water companies)**
6. **Recycled Water Rates**
7. **Special rates for customers over the Edwards Recharge Zone**
8. **Raw water rates**
9. **Fire Service Water Protection Lines**