



General Class Analysis

Rates Advisory Committee

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RFC

RAFTELIS FINANCIAL
CONSULTANTS, INC.

Comprehensive Cost of Service and Rate Design Study



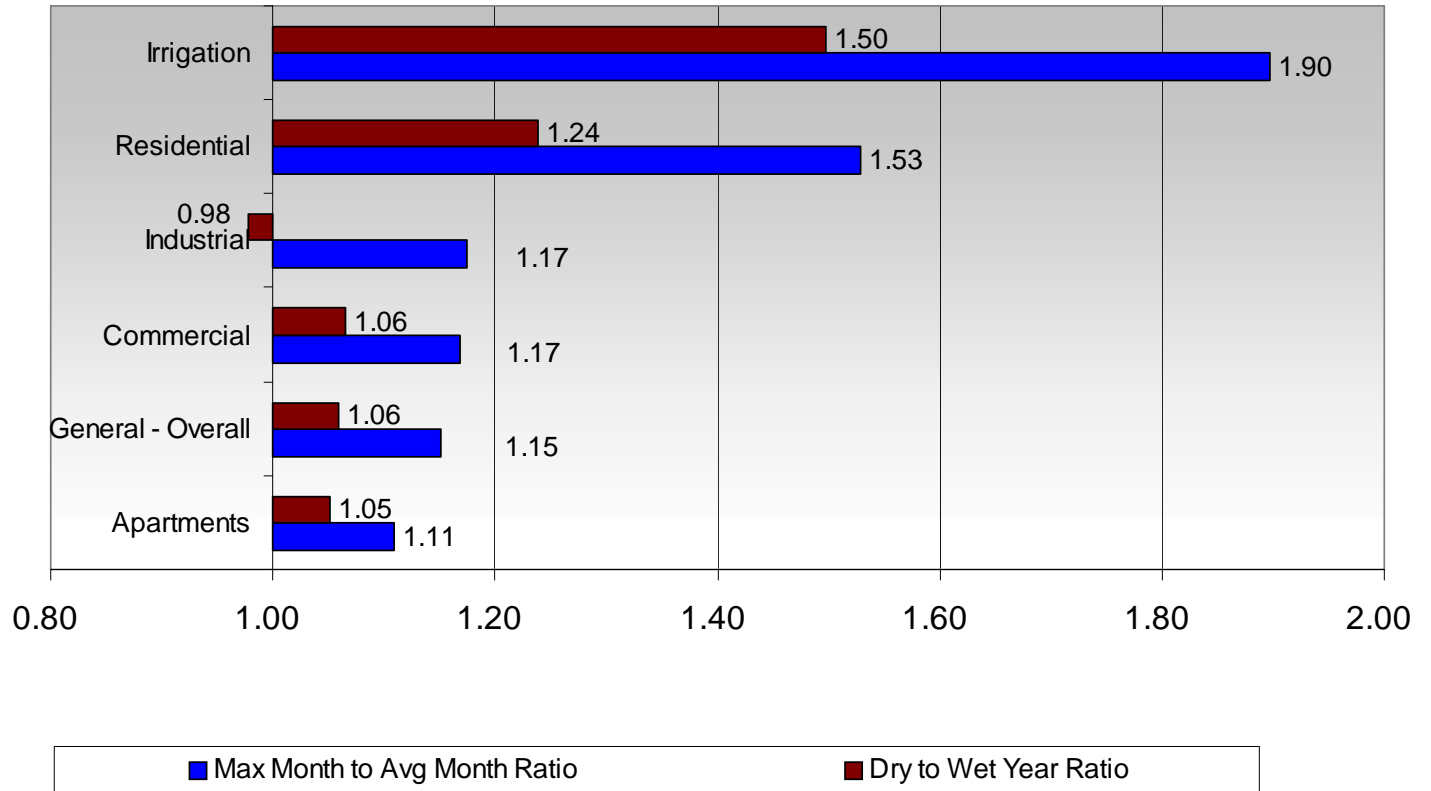
PRO-OPS, INC.
Professional Operations, Inc.



May 7th RAC meeting:

RAC requested staff to review business class demand patterns and determine if residential, non-discretionary protocol is applicable to certain General Class customers

Demand Patterns by Customer Class





Conclusion Of Demand Pattern Analysis

Commercial, Apartment, and Industrial customers have demand patterns similar to one another but not to the Residential Class



Further Subdivision of General Class

SAWS billing system does have ability to further classify general class customers based on SIC codes, **however, there are two issues:**

- Lack of verified data on defining customer characteristics
- Inconsistency of characteristic information provided by customers



Ability to Re-Set Base for Lower Rates by General Class Customers

1. Usage beyond base is for largely non-discretionary purposes
 - In 2007 and 2008, 85% of general class usage was within 125% of base consumption
 - While there are legal exemptions, all in-ground irrigation is captured through separate irrigation meters or an assumed percentage
2. Significant consumption change would require a substantial long-term benefit to justify short-term expense



Lower Average Rate for General Class Than Residential Class

- Cost of service for General Class is lower
- Economic benefit to community
 - Employment
 - Tax revenues
- Standard practice nationwide




Lower Average Rate for General Class Than Residential Class

	Residential 5/8" meter (1)	Commercial 2" meter (1)	Industrial 8" meter (1)
Average Water Bill (2)	\$ 23.38	\$ 1,010.81	\$ 28,702.67
Usage	7,480	374,000	11,220,000
Cost per 100 kgal	\$ 0.313	\$ 0.270	\$ 0.256

(1) Data was obtained from AWWA/RFC 2008 Rate Survey.

(2) Average water bill for 49 large utilities that sold > 75 mgd.



Shift to General Class Rate Structure with Static Block Cut-offs

- General class is not as homogenous as residential class
 - Individualized rate structure reflects lack of homogenous characteristics
- Large customers would be adversely and inequitably impacted



Conclusions

1. Demand patterns, and lack of defining customer characteristics, do not support the formation of new customer class(es) among General Class customers
2. Individualized rate structure for General Class customers is effective in promoting conservation while still acknowledging economic benefits provided by these customers