

Executive Summary

The Water Department is an enterprise fund, meaning that all expenses are paid for through revenues from customers of the utility. The department has operating expenditures just below \$1.3 million annually. Additionally, the department has a substantial amount of fixed assets with significant maintenance and replacement costs.

At the request of the Commission, staff has prepared multiple rate scenarios that the town may adopt to meet its current and forecasted revenue requirements in the Water Department.

Staff's key considerations for the new rate structure are:

- 1) Creating a rate that is equitable and justifiable for town residents
- 2) Providing water at a rate comparable to nearby municipalities
- 3) Making the process more transparent and comprehensible to ratepayers

In response to the Commission's directive of a monthly billing cycle, staff recommends:

A) That the town adopts a simplified rate structure that contains the following characteristics:

- 1) a universal base fee that everyone pays,
- 2) three rate tiers,
- 3) a structure that makes basic water needs affordable and
- 4) a structure that sends a conservation price message to high consumers.

B) The following rate structure

i. Residential:

- A universal base fee of \$12.37 for all residential customers
- A rate charge of \$1.86 per 1,000 gallons for consumption between 0 and 4,000 gallons
- A rate charge of \$6.21 per 1,000 gallons for consumption between 4,001 and 25,000 gallons
- A rate charge of \$7.45 per 1,000 gallons for consumption of 25,001 gallons and above

ii. Commercial:

- A universal base fee of \$24.74 for all commercial customers
- A rate charge of \$6.21 per 1,000 gallons for consumption between 0 and 25,000 gallons
- A rate charge of \$7.45 per 1,000 gallons for consumption of 25,001 gallons and above

Current Rate Structure

Staff has included a summary of the Town's current bimonthly rate structure as a comparison for the other rate scenarios. The rates and increments are shown below:

Table 1

Fee Type	Tier Range		Fee Amount
Base	0	9,000	\$ 20.04
Rate Tiers	Tier Range		Rate/1,000 gal
TIER 1	9,001	36,000	\$ 3.04
TIER 2	36,001	60,000	\$ 5.06
TIER 3	60,001	100,000	\$ 6.73
TIER 4	100,001	150,000	\$ 8.95
TIER 5	150,001		\$ 11.91

This is a bimonthly billing system. The base covers usage from 0-9,000 gallons and any usage above 9,000 is charged at a volumetric rate.

Proposed Rate Structure

The Commission directed staff to move billing from a bimonthly schedule to a monthly schedule. This schedule is possible due to efficiencies realized by the Commission with the implementation of automated meter reading. Furthermore, citizens have expressed interest in monthly billing and the additional cost of postage would be minimal.

Staff also recommends that the town adopt a simplified rate structure that contains the following characteristics:

- 1) **A universal base charge that everyone pays.** This will provide greater revenue stability to the water fund as consumption varies throughout the year.
- 2) **Three rate tiers.** This, in addition to a monthly billing schedule, will allow consumers to more easily understand the connection between their charges and consumption. Moreover, a three tier system will mitigate effects of watering restrictions and decreasing consumption.
- 3) **A structure that makes basic water needs affordable.** As explained on page 4, in the subsection titled "Tier 1", the basic water needs of consumers in Belleair can be met with 4,000 gallons per month.
- 4) **A structure that sends a conservation price message to high consumers.** This provision is intended to help the town preserve its most vital natural resource. This is also a requirement by state regulatory agencies in Florida.

Residential

Base

AWWA standards recommend a universal base fee for municipalities to charge all customers. Staff has calculated a base charge by doing the following:

- 1) **Establishing a base by allocating specific functions of the water utility to the rate.** Functions are determined by grouping the Water Department's expenditures amongst pre-determined categories; source transmission & plant, distribution, billing & meters, management, working capital, depreciation, and return on equity. For further breakdown of functions, refer to tables 13 and 14 (pages 10 and 11). Billing & meters and management expenses were chosen as components for the base. Both of these costs were selected because they are associated with service to customers under average load conditions, without the elements of cost incurred to meet water-use variations and resulting peaks in demand. The total revenue requirements for the billing & meters and management functions are shown below:

Table 2

Base Calculation	
Billing & Meters	\$165,400
Management	\$197,700
Total	\$363,100

- 2) **Dividing this amount by the total number of annual residential users.** This calculation is displayed in tables 3 and 4 below:

Table 3

Residential Users Per Month	
Single Family Residential	1550
Multi-Family Residential	897
Total Billable Units	2,447

The amount calculated as a monthly base charge is \$12.37. The table below shows the assumptions for this calculation:

Table 4

Breakdown of Base Charge	
Management	\$197,800
Billing & Meters	\$165,497
Total	\$363,297
Annual Residential Users (excludes commercial)	29,364
Base Charge	\$12.37

Tier 1

In developing tier 1, staff created a structure that is associated with basic water needs and is set at an affordable rate. These basic water needs comprise of showering, flushing, laundry and dishwashing.

Staff has reviewed studies by the American Water Works Association (AWWA) and concluded that basic indoor water needs range from 45 to 80 gallons per day (gpd). Because of the variability of estimates, staff used an assumption of 80 gpd to estimate an average basic household consumption in Belleair of 126 gpd. Staff then multiplied this amount by 31 to evaluate a basic monthly household consumption of 3,906 gallons. The town would provide each unit of 1,000 gallons at a volumetric rate. Staff recommends that the lowest “economy” rate tier apply to the first four units purchased.

Table 5

Average Monthly Usage	
Population	3,867
SFR Users	1,550
MF Users	897
Total	2,447
Average Users per Household	1.5803
Daily Usage	126
Monthly Usage	3,919

In addition to creating a tier based on basic water consumption, staff set the tier 1 rate solely on infrastructure and basic operating expenses. These elements include specific functions and expenses, listed below:

Table 6

Tier 1 Breakdown			
Function	Units	Rate	Revenue
Working Capital (1/8th) of O&M	88,881	\$ 0.58	\$ 1,551
Depreciation Rate		\$ 0.48	\$ 42,663
Return on equity Rate		\$ 0.50	\$ 44,441
Electricity and Chemicals		\$ 0.30	\$ 26,664
Total		\$ 1.86	\$ 165,319

Tier 2

In selecting an intermediate rate tier, staff recommends that the town adopt a rate that, when combined with the base rate, meets the revenue requirement based on average consumption throughout town. Consumption in this tier is normally attributed to basic irrigation, pools, and water softeners. The tier 2 rate is set at \$6.21, which is also reflective of the unitary rate because there is no subsidy at this level of consumption. This rate was established by calculating the remaining revenue after setting the base and tier 1 rate. Below is the breakdown of the rate:

Table 7

Tier 2 Breakdown			
Function	Units	Rate	Revenue
Source, Transmission & Plant	105,319	\$ 2.30	\$ 242,234
Distribution		\$ 2.35	\$ 247,500
Working Capital (1/8th) of O&M		\$ 0.58	\$ 61,085
Depreciation Rate		\$ 0.48	\$ 50,553
Return on equity Rate		\$ 0.50	\$ 52,660
Total			\$ 6.21

Tier 3

Tier 3 consumption is generally a result of high irrigation in addition to pools and water softeners. The tier 3 rate is set at a 20% increase from tier 2 to recover usage demands on infrastructure and increases in water flows. Staff recommends that the final tier be set higher than the unitary rate to send both a price signal to high volume users, as well as, a conservation message to protect and retain the Town's water resource. Furthermore, implementation of a third tier would also meet the state requirement of setting a conservation message. A breakdown of the rate is represented below:

Table 8

Tier 3 Breakdown			
Function	Units	Rate	Revenue
Source, Transmission & Plant	29,394	\$ 2.76	\$ 81,127
Distribution		\$ 2.82	\$ 82,891
Working Capital (1/8th) of O&M		\$ 0.70	\$ 20,458
Depreciation Rate		\$ 0.58	\$ 16,931
Return on equity Rate		\$ 0.60	\$ 17,636
Total			\$ 7.45

Commercial

Commercial was designed without establishing the tier 1 rate at \$1.86 and setting the base at double the residential rate. This was done to create a more equitable structure, due to commercial users not requiring an affordable rate for basic water needs. Furthermore, the base was doubled to eliminate the need for a backflow fee. The rates are presented below and a breakdown is displayed in table 17 (pg. 14).

Table 9

Commercial Rate			
Fee Type	Tier Range		Fee Amount
Base			\$ 24.74
Rate Tiers	Tier Range		Rate/1,000 gal
TIER 1	0	4,000	\$ 6.21
TIER 2	4,001	25,000	\$ 6.21
TIER 3	25,001		\$ 7.45

Utility Bill Comparison

Staff has prepared two alternative water rate scenarios to meet its revenue requirements. For each scenario, staff has shown the rate necessary for the town to meet its forecasted revenue requirements in 2014. Additionally, staff has calculated the minimum across-the-board increases needed to maintain a balanced budget, expressed both as a percentage as well as a dollar increase. Finally, staff has provided a breakdown of gallonage and revenue by consumption tier. For purposes of this forecast staff is using only the 2012 data for billed consumption. In staff's view, changing consumption patterns in the town would be best captured by utilizing the most recent year of data for purposes of forecasting future trends. The watering restrictions imposed by Southwest Florida Water Management District (SWFWMD) and increases in efficiency are likely to continue affecting consumption in Belleair. There was a slight decline in consumption between 2011 and 2012 and it is staff's view that using 2012 data is the more conservative and accurate forecasting approach for water consumption in the town.

Modified Current Rate Structure (Billed Monthly and Meeting Revenue Requirements)

For comparison purposes, staff has created a rate scenario using the current tiers and dividing the increments in half, then rounding to the nearest thousand. Furthermore, the rate structure is based on a monthly billing cycle instead of the current bi-monthly system. Table 10 displays a breakdown of the monthly rates:

Table 10

Residential Rate Structure			
Fee Type	Tier Range		Fee Amount
Base	0	5,000	\$ 16.13
Rate Tiers	Tier Range		Rate/1,000 gal.
TIER 1	5,001	18,000	\$ 4.89
TIER 2	18,001	30,000	\$ 8.15
TIER 3	30,001	50,000	\$ 10.84
TIER 4	50,001	75,000	\$ 14.41
TIER 5	75,001		\$ 19.18
Commercial Rate Structure			
Fee Type	Tier Range		Fee Amount
Base	0	5,000	\$ 47.32
Rate Tiers	Tier Range		Rate/1,000 gal.
TIER 1	5,001	18,000	\$ 4.89
TIER 2	18,001		\$ 8.15

Alternative Structure: \$8.57 Base

Similar to the recommended rate structure a base was calculated by allocating specific functions. These functions include; working capital and depreciation. Tier 1 was based on the functions; source transmission & plant, distribution, billing & meters, and management. Tiers 2 and 3 contained all the functions of tier 1 and also included a return on equity.

Table 11

Residential Rate Structure			
Fee Type	Tier Range		Fee Amount
Base	FLAT CHARGE	FLAT CHARGE	\$ 8.57
Rate Tiers	Tier Range		Rate/1,000 gal.
TIER 1	0	4,000	\$ 3.72
TIER 2	4,001	25,000	\$ 5.46
TIER 3	25,001		\$ 7.73
Commercial Rate Structure			
Fee Type	Tier Range		Fee Amount
Base	FLAT CHARGE	FLAT CHARGE	\$ 17.14
Rate Tiers	Tier Range		Rate/1,000 gal.
TIER 1	0	4,000	\$ 5.15
TIER 2	4,001	25,000	\$ 5.15
TIER 3	25,001		\$ 6.44

Conclusion

Staff has considered many possible rate structures in conducting analysis of the consumption and operational patterns of the water utility. It is the view of staff that the recommended rate structure will provide the funds necessary to maintain solvency and meet the capital needs of the department in the coming years. It is also staff's recommendation that the town reassess the water rate structure at least every two years to understand demand, cash flows, capital needs and revenue requirements.

Table 12

Bay Area Comparison of Residential Water Bills for Varying Consumptions (Base is included in Bill Amount)												
Municipality	Base (universal fee)	1,000	2,000	3,000	4,000	5,000	8,000	12,000	15,000	20,000	25,000	50,000
TOB Current Rate (Monthly)	\$ 10.02	\$10.02	\$10.02	\$10.02	\$10.02	\$13.06	\$22.18	\$ 34.34	\$ 40.42	\$ 59.66	\$ 84.96	\$244.86
TOB Staff's Recommendation- (12.37 Base)	\$ 12.37	\$14.23	\$16.09	\$17.95	\$19.81	\$26.02	\$44.65	\$ 69.49	\$ 88.12	\$119.17	\$150.22	\$336.52
TOB Current Rate Monthly Meets Rev Req	\$ 16.13	\$16.13	\$16.13	\$16.13	\$16.13	\$16.13	\$30.82	\$ 50.39	\$ 65.08	\$ 96.05	\$136.79	\$394.22
TOB Alternative Rate- (8.57 Base)	\$ 8.57	\$12.29	\$16.01	\$19.73	\$23.45	\$28.90	\$45.25	\$ 67.05	\$ 83.40	\$110.65	\$137.90	\$344.40
Pinellas County	\$ 6.35	\$11.13	\$15.91	\$20.69	\$25.47	\$30.25	\$44.59	\$ 63.71	\$ 78.05	\$101.95	\$125.85	\$245.35
City of Safety Harbor	\$ 13.53	\$15.56	\$17.59	\$19.62	\$21.65	\$23.68	\$33.27	\$ 60.95	\$ 85.88	\$148.14	\$226.05	\$615.55
City of St. Petersburg	\$ 9.76	\$12.12	\$14.48	\$16.84	\$19.20	\$21.56	\$31.47	\$ 49.19	\$ 62.48	\$102.29	\$181.91	\$579.91
City of Dunedin	\$ 13.08	\$16.92	\$20.76	\$24.60	\$30.36	\$36.12	\$53.40	\$ 82.24	\$108.22	\$151.52	\$194.82	\$411.32
City of Oldsmar	\$ 12.25	\$12.25	\$17.72	\$23.19	\$28.66	\$34.13	\$50.54	\$ 74.28	\$ 96.27	\$132.92	\$169.57	\$352.82
City of Gulfport	\$ 11.04	\$11.04	\$11.04	\$16.56	\$22.80	\$29.04	\$50.01	\$ 79.41	\$102.54	\$144.80	\$187.05	\$398.30
City of Clearwater	\$ 17.03	\$17.03	\$17.03	\$17.03	\$23.93	\$30.83	\$51.53	\$ 84.53	\$110.63	\$154.13	\$197.63	\$415.13
City of Pinellas Park	\$ 20.04	\$26.72	\$33.40	\$40.08	\$46.76	\$53.44	\$73.48	\$102.78	\$125.34	\$167.12	\$211.02	\$430.52
AVERAGE COST OF SAMPLE BILL	\$ 12.89	\$15.35	\$18.49	\$22.33	\$27.35	\$32.38	\$48.54	\$ 74.64	\$ 96.18	\$137.86	\$186.74	\$431.11
TOB Tier Breakdown	Base	Tier 1			Tier 2			Tier 3				
Residential Percentage of Gallonage per Tier		40%			47%			13%				
Overall Percentage of Gallonage per Tier		38%			46%			16%				

The "Heat Map" is a graphical tool that sorts the water bills from least to most expensive. Dark green represents the least expensive bills paid while dark red represents the most expensive bills paid for varying levels of consumption. The bottom row shows the average cost of water bills among the sample selected. Staff recommends the town adopt a rate structure that will allow Belleair to remain competitive with other municipalities in the bay area while meetings its revenue requirements in an equitable and sustainable manner.

Comparison of Projected Revenue Breakdowns by Alternative

Table 13

	TOB Rates (Monthly Meeting Revenue Requirement)			Staff's Recommendation: Base 12.37, T1 1.86			Base At 8.57		
2014 Revenue Requirement	\$1,467,951			\$1,467,951			\$1,467,951		
Base Comparison									
Base	Rate	Users	Revenue	Rate	Users	Revenue	Rate	Users	Revenue
	0-5,000 incl								
Residential	\$ 16.13	29,364	\$ 473,641	\$ 12.37	29,364	\$ 363,233	\$ 8.57	29,364	\$ 251,649
Commercial	\$ 47.32	564	\$ 26,688	\$ 24.74	564	\$ 13,953	\$ 17.14	564	\$ 9,667
Base Revenue Subtotal	\$ 500,330			\$ 377,186			\$ 261,316		
Tier Comparison									
Tier 1	Rate	Gallons	Revenue	Rate	Gallons	Revenue	Rate	Gallons	Revenue
Single Family Residential	4.89	78,947	\$ 386,051	1.86	58,515	\$ 108,838	3.72	58,515	\$ 217,676
Multi-Family Residential	4.89	2,224	\$ 10,875	1.86	30,366	\$ 56,481	3.72	30,366	\$ 112,962
Commercial	4.89	2,834	\$ 13,858	6.21	1,215	\$ 7,545	5.15	1,215	\$ 6,257
		84,005	\$ 410,784		90,096	\$ 172,864		90,096	\$ 336,895
Tier 2									
Single Family Residential	8.15	24,625	200,694	6.21	101,691	\$ 631,501	5.46	101,691	\$ 555,233
Multi-Family Residential	0	-	-	6.21	3,628	\$ 22,530	5.46	3,628	\$ 19,809
Commercial	8.15	8,612	70,188	6.21	4,056	\$ 25,188	5.15	4,056	\$ 20,888
		33,237	\$ 270,882		109,375	\$ 679,219		109,375	\$ 595,930
Tier 3									
Single Family Residential	10.84	12,946	140,335	7.45	29,394	\$ 218,985	7.73	29,394	\$ 227,216
Multi-Family Residential	0	-	-	7.45	-	\$ -	7.73	-	\$ -
Commercial	0	-	-	7.45	7,520	\$ 56,024	6.44	7,520	\$ 48,429
		12,946	\$ 140,335		36,914	\$ 275,009		36,914	\$ 275,644
Tier 4									
Single Family Residential	14.41	4,110	\$ 59,225						
Multi-Family Residential	0	-	\$ -						
Commercial	0	-	\$ -						
		4,110	\$ 59,225						
Tier 5									
Single Family Residential	19.18	4,778	\$ 91,642						
Multi-Family Residential	0	-	\$ -						
Commercial	0	-	\$ -						
		4,778	\$ 91,642						
Volumetric Revenue Subtotal	\$ 972,868			\$ 1,127,092			\$ 1,208,469		
Revenue Total	236,385 \$ 1,473,198			236,385 \$ 1,504,278			236,385 \$ 1,469,786		

Table 14

Water Department Function Allocation Based on 2014 Expenditure Forecasts									
Expenditure Items		Source,			Billing and Meters	Management	Total		
		& Plant	Distribution						
Salaries	\$	454,076							
Unused Medical	\$	1,195							
Overtime	\$	6,974							
Sick Leave	\$	5,581							
FICA	\$	39,378							
Retirement	\$	42,946							
Life/hospital Insurance	\$	80,517							
Medical Benefit	\$	13,731							
Unemployment	\$	-							
Physical Exams	\$	100							
Personnel Cost SubTTL		\$ 644,498	\$ 212,039	\$ 318,059	\$ 31,200	\$ 83,200	\$ 644,498		
Travel and Per Diem	\$	1,500				\$ 1,500	\$ 1,500		
Professional Services	\$	34,043	\$ 17,021	\$ 17,021			\$ 34,043		
Telephone	\$	1,552	\$ 1,552				\$ 1,552		
Postage	\$	1,457			\$ 1,457		\$ 1,457		
Electricity	\$	50,150	\$ 50,150				\$ 50,150		
Water	\$	308					\$ -		
Sanitation	\$	2,262	\$ 1,131	\$ 1,131			\$ 2,262		
Sewer	\$	206					\$ -		
Water (PINCNTY)	\$	500	\$ 500				\$ 500		
Equip. Rental	\$	213		\$ 213			\$ 213		
Maint. Meters	\$	16,243			\$ 16,243		\$ 16,243		
Maint. Vehicles	\$	5,000	\$ 1,000	\$ 4,000			\$ 5,000		
Maint. BLDG	\$	4,308	\$ 4,308				\$ 4,308		
Maint Equip.	\$	8,997	\$ 8,997				\$ 8,997		
Maint- Grounds	\$	2,216	\$ 2,216				\$ 2,216		
Bad Debt	\$	400	\$ 200	\$ 200	\$ -		\$ 400		
Office Supplies	\$	1,186	\$ 395	\$ 395		\$ 395	\$ 1,186		
Operating Supplies	\$	7,359	\$ 3,680	\$ 3,680			\$ 7,359		
Lab Test	\$	12,150	\$ 12,150				\$ 12,150		
Lab Supplies	\$	7,500	\$ 7,500				\$ 7,500		
Tools	\$	2,400		\$ 2,400			\$ 2,400		
Chemicals	\$	20,400	\$ 20,400				\$ 20,400		
Uniforms	\$	1,500	\$ 500	\$ 500		\$ 500	\$ 1,500		
Protect. Cloth	\$	1,205	\$ 603	\$ 603			\$ 1,205		
Memberships	\$	1,500				\$ 1,500	\$ 1,500		
Trainings	\$	3,800	\$ 1,900	\$ 1,900			\$ 3,800		
Lab Analyzer	\$	-	\$ -				\$ -		
Computer System	\$	-				\$ -	\$ -		
Misc	\$	4,260	\$ 4,260				\$ 4,260		
FEES SS	\$	177,500			\$ 106,500	\$ 71,000	\$ 177,500		
FEES PW	\$	29,600				\$ 29,600	\$ 29,600		
FEES-Mech	\$	14,901		\$ 14,901			\$ 14,901		
Loan Repayment	\$	40,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 40,000		
	\$	1,099,114	\$ 360,502	\$ 375,003	\$ 165,400	\$ 197,695	\$ 1,098,600		
Depreciation	\$	114,500	\$ 6,264.67	\$ 81,696.27	\$ 26,539.92		\$ 114,501		
			5%	71%	23%				
							\$ 1,213,101		

Table 15

Base 12.37, 3 Tier Function Allocation and Unitary Rate Calculation					
Revenue Requirements Cost-Based Method	FUNCTIONS				
	Source, Transmission & Plant	Distribution	Billing and Meters	Management	Total
Annual Cost by Function	\$360,500	\$375,000	\$165,400	\$197,700	\$1,098,600
% of Total Cost	33%	34%	15%	18%	100%
Annual Water Sales (Metered Units)	236,385	236,385	236,385	236,385	236,385
Water Usage Per Year (1,000s of Gallons)					
Operating & Maintenance per 1000 Gallons	\$1.53	\$1.59	\$0.70	\$0.84	\$4.65
Working Capital (1/8th) of O&M	\$0.19	\$0.20	\$0.09	\$0.10	\$0.58
Subtotal Working Capital Function	\$45,063	\$46,875	\$20,675	\$24,713	\$137,325
Total O&M Rate	\$1.72	\$1.78	\$0.79	\$0.94	\$5.23
Capital Expense					
Depreciation Expense by Function	\$6,265	\$81,695	\$26,540	\$0	\$114,500
Depreciation Rate	\$0.03	\$0.35	\$0.11	\$0.00	\$0.48
Return on Equity Rate*	\$1.74	\$2.13	\$0.90	\$0.94	\$0.50
Total Cost Based Rate by Function					\$5.71
					\$6.21
Return on Equity					
Total Capital Assets (Net of Accumulated Depreciation)	\$ 2,372,970				
5% Rate of Return (ROR) Assumed	\$ 118,649				
ROR per thousand gallons	\$ 0.50				

*(Netbook value x Rate of Return.) Where Net book Value= cost of asset-accumulated depreciation
5%ROR assumed, page 23 of 2011 CAFR

Breakdown of Rate Structures

Staff's Recommendation

Table 16

Residential Tier Breakdown- Base at \$12.37				
Tier	Function	Units	Rate	Revenue
BASE	Billing & Meters	29,364	\$ 5.64	\$ 165,497
	Management		\$ 6.74	\$ 197,800
	Total		\$ 12.37	\$ 363,297
Tier 1	Working Capital (1/8th) of O&M	88,881	\$ 0.58	\$ 51,551
	Depreciation Rate		\$ 0.48	\$ 42,663
	Return on equity Rate		\$ 0.50	\$ 44,441
	Electricity and Chemicals		\$ 0.30	\$ 26,664
	Total		\$ 1.86	\$ 165,319
Tier 2	Source, Transmission & Plant	105,319	\$ 2.30	\$ 242,234
	Distribution		\$ 2.35	\$ 247,500
	Working Capital (1/8th) of O&M		\$ 0.58	\$ 61,085
	Depreciation Rate		\$ 0.48	\$ 50,553
	Return on equity Rate		\$ 0.50	\$ 52,660
	Total		\$ 6.21	\$ 654,031
Tier 3	Source, Transmission & Plant	29,394	\$ 2.76	\$ 81,127
	Distribution		\$ 2.82	\$ 82,891
	Working Capital (1/8th) of O&M		\$ 0.70	\$ 20,458
	Depreciation Rate		\$ 0.58	\$ 16,931
	Return on equity Rate		\$ 0.60	\$ 17,636
	Total		\$ 7.45	\$ 219,044
Total Projected Residential Revenue				\$ 1,401,691

Table 17

Commercial Tier Breakdown- Base \$24.74				
Tier	Function	Units	Rate	Revenue
BASE	Billing & Meters	564	\$ 11.28	\$ 6,362
	Management		\$ 13.46	\$ 7,591
	Total		\$ 24.74	\$ 13,953
Tier 1	Source, Transmission & Plant	1,215	\$ 2.30	\$ 2,795
	Distribution		\$ 2.35	\$ 2,855
	Working Capital (1/8th) of O&M		\$ 0.58	\$ 705
	Depreciation Rate		\$ 0.48	\$ 583
	Return on equity Rate		\$ 0.50	\$ 608
	Total		\$ 6.21	\$ 7,545
Tier 2	Source, Transmission & Plant	4,056	\$ 2.30	\$ 9,329
	Distribution		\$ 2.35	\$ 9,532
	Working Capital (1/8th) of O&M		\$ 0.58	\$ 2,352
	Depreciation Rate		\$ 0.48	\$ 1,947
	Return on equity Rate		\$ 0.50	\$ 2,028
	Total		\$ 6.21	\$ 25,188
Tier 3	Source, Transmission & Plant	7,520	\$ 2.76	\$ 20,755
	Distribution		\$ 2.82	\$ 21,206
	Working Capital (1/8th) of O&M		\$ 0.70	\$ 5,234
	Depreciation Rate		\$ 0.58	\$ 4,332
	Return on equity Rate		\$ 0.60	\$ 4,512
	Total		\$ 7.45	\$ 56,039
Total Projected Commercial Revenue				\$ 102,725

Alternative for Comparison

Table 18

Residential Tier Breakdown- Base at \$8.57				
Tier	Function	Units	Rate	Revenue
BASE	Working Capital (1/8th) of O&M	29,364	\$ 4.67	\$ 137,263
	Depreciation Rate		\$ 3.90	\$ 114,501
	Total		\$ 8.57	\$ 251,764
Tier 1	Source, Transmission & Plant	88,881	\$ 1.53	\$ 135,988
	Distribution		\$ 1.58	\$ 140,432
	Billing & Meters		\$ 0.70	\$ 62,217
	Management		\$ 0.84	\$ 74,660
	Subtotal		\$ 4.65	\$ 413,297
	20% Rate Discount		\$ (0.93)	\$ 82,659
	Subtotal After Discount		\$ 3.72	\$ 330,637
Tier 2	Source, Transmission & Plant	105,319	\$ 1.53	\$ 161,138
	Distribution		\$ 1.58	\$ 166,404
	Billing & Meters		\$ 0.70	\$ 73,723
	Management		\$ 0.84	\$ 88,468
	Return on equity Rate		\$ 0.80	\$ 84,255
	Total		\$ 5.45	\$ 573,989
Tier 3	Source, Transmission & Plant	29,394	\$ 1.53	\$ 44,973
	Distribution		\$ 1.58	\$ 46,443
	Billing & Meters		\$ 0.70	\$ 20,576
	Management		\$ 0.84	\$ 24,691
	Return on equity Rate		\$ 0.80	\$ 23,515
	Total		\$ 5.45	\$ 160,197
	20% Conservation Modifier		\$ 2.81	\$ 82,597
	Overall Fee		\$ 8.26	\$ 242,794
Total Projected Residential Revenue				\$ 1,399,184

Table 19

Commercial Tier Breakdown- Base at \$17.15				
Tier	Function	Units	Rate	Revenue
Base	Working Capital (1/8th) of O&M	564	\$ 9.35	\$ 5,273
	Depreciation Rate		\$ 7.80	\$ 4,398
	Total		\$ 17.15	\$ 9,671
Tier 1	Source, Transmission & Plant	1,215	\$ 1.53	\$ 1,859
	Distribution		\$ 1.58	\$ 1,920
	Billing & Meters		\$ 0.70	\$ 851
	Management		\$ 0.84	\$ 1,021
	Return on equity Rate		\$ 0.50	\$ 608
	Total		\$ 5.15	\$ 6,257
Tier 2	Source, Transmission & Plant	4,056	\$ 1.53	\$ 6,206
	Distribution		\$ 1.58	\$ 6,408
	Billing & Meters		\$ 0.70	\$ 2,839
	Management		\$ 0.84	\$ 3,407
	Return on equity Rate		\$ 0.50	\$ 2,028
	Total		\$ 5.15	\$ 20,888
Tier 3	Source, Transmission & Plant	7,520	\$ 1.91	\$ 14,382
	Distribution		\$ 1.98	\$ 14,852
	Working Capital (1/8th) of O&M		\$ 0.88	\$ 6,580
	Depreciation Rate		\$ 1.05	\$ 7,896
	Return on equity Rate		\$ 0.63	\$ 4,700
	Total		\$ 6.44	\$ 48,410
Total Projected Commercial Revenue				\$ 85,227