

Analysis of Proposed C changes

- **Inflation**

- **Growth of income has lagged behind expenses**
 - **It will be 5 years since last rate increase (as of next increase in 2007)**
 - **15% raise in base rates for 2007 to “catch up”**
 - **Operating expenses have grown at an average of 9.9% over last 8 years**

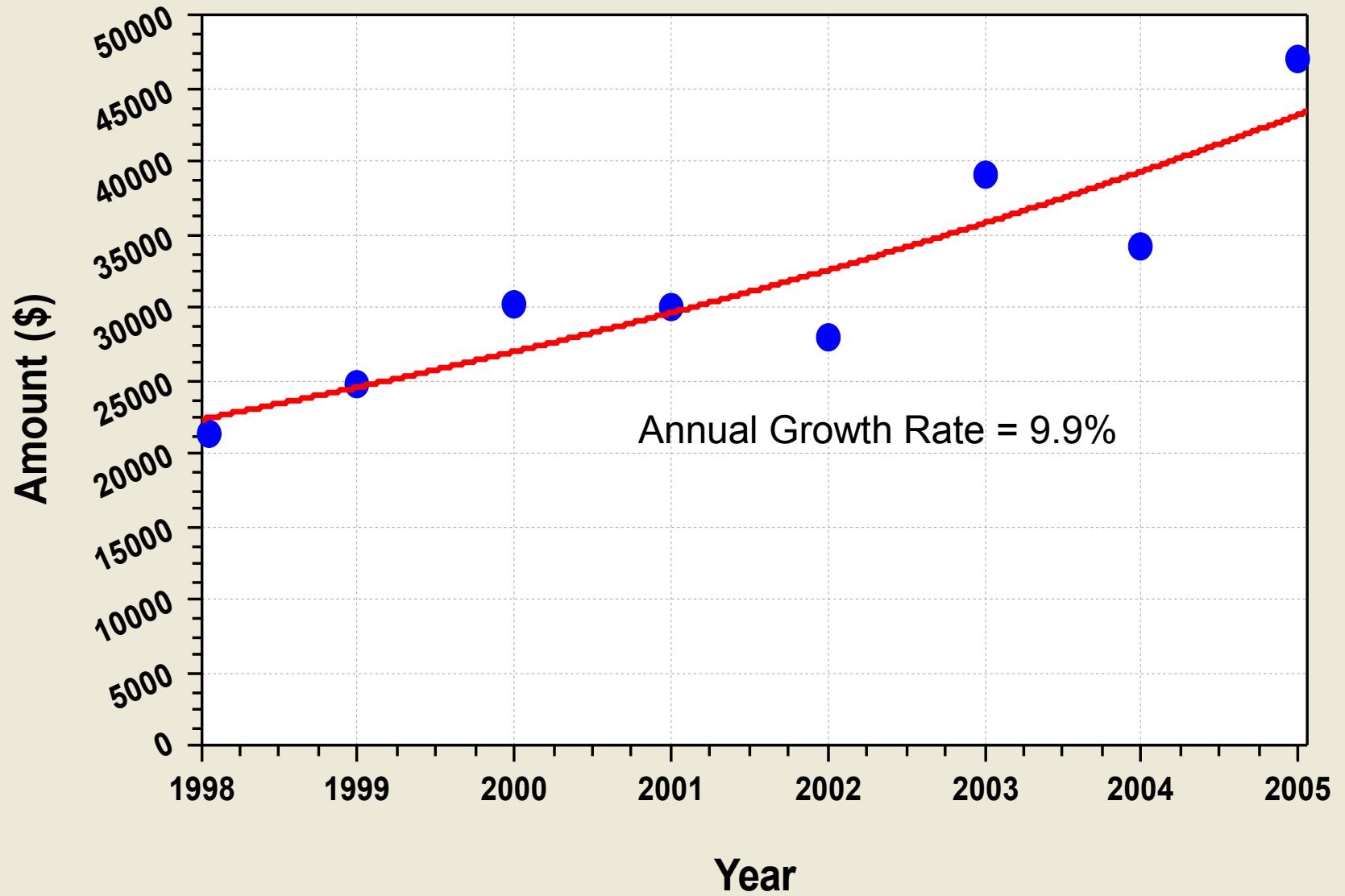
- **Summer Months**

- **36 % of total annual usage occurs in July/August**
- **Only SIX users account for 22-24% of July/August usage**
- **Impact on state approval for additional memberships is significant**

- **Conservation Rate (proposed reduction to 5,000)**

- **7,000 gal/mo used for both base allowance and conservation**
 - **Member A: 12 month average of 7,100 – not qualified**
 - **Member B: 6,900 for each of the 12 months – qualified**
 - **The difference is only 2,400 gal for entire year**

Operating Expenses



Example Calculation

Schedule A (Off-peak season, September 1 through June 30)

<u>If Average Monthly Use is</u>		<u>The Excess Fee is</u>		
<i>over -</i>	<i>But not over -</i>	<i>\$a + b times</i>	<i>×</i>	<i>the amount over -</i>
7,000	10,000	\$ 0.00 + .004	×	7,000
10,000	AND OVER	\$ 12.00 + .008	×	10,000

Example: An average usage of 13,800 gallons per month for the 10 month off-peak period results in a total excess fee of $[\$12.00 + .008 \times (13800 - 10000)] = \42.40

Proposed Excess Fees

