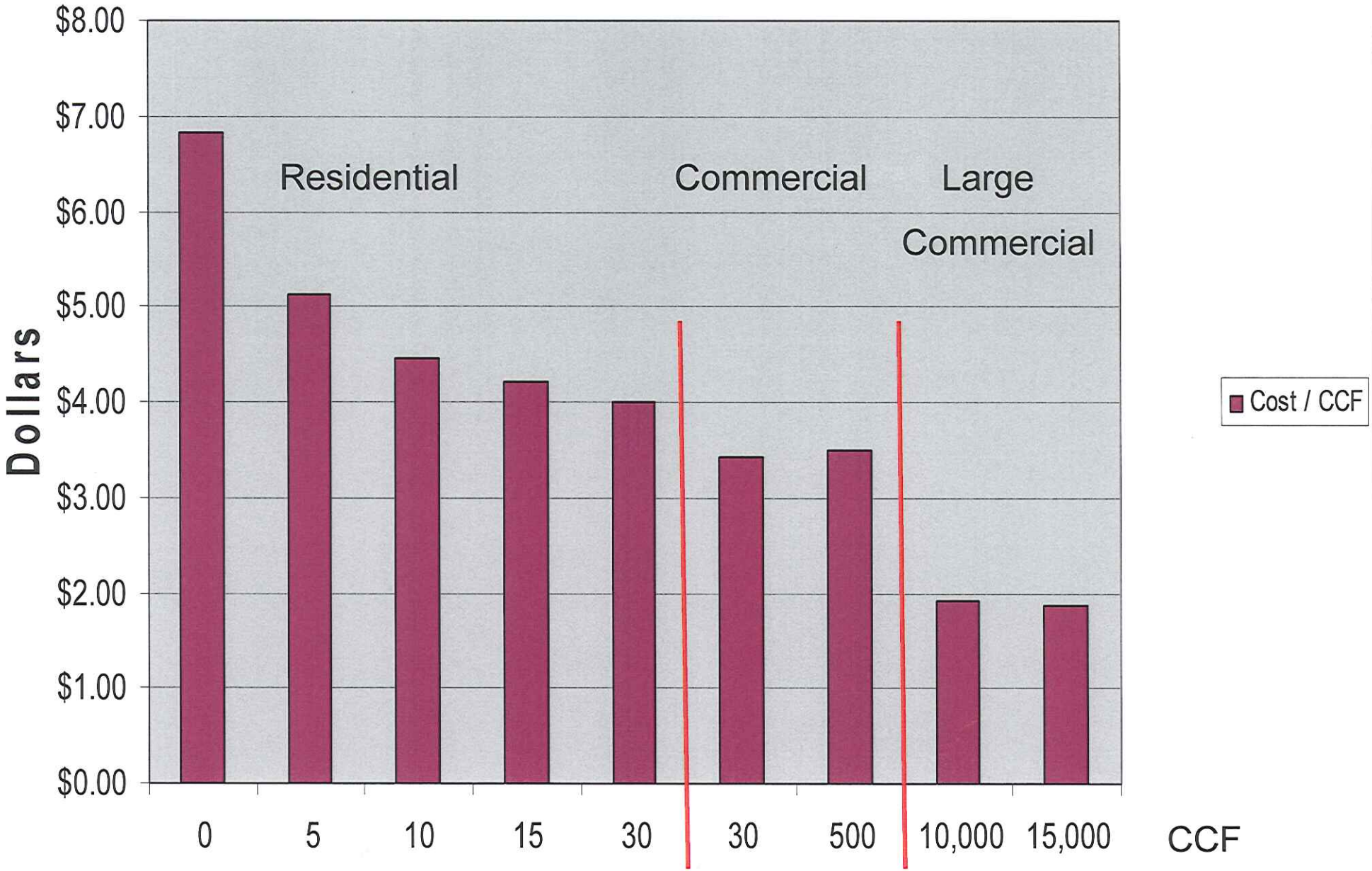
Principal Water Customers FY 2010

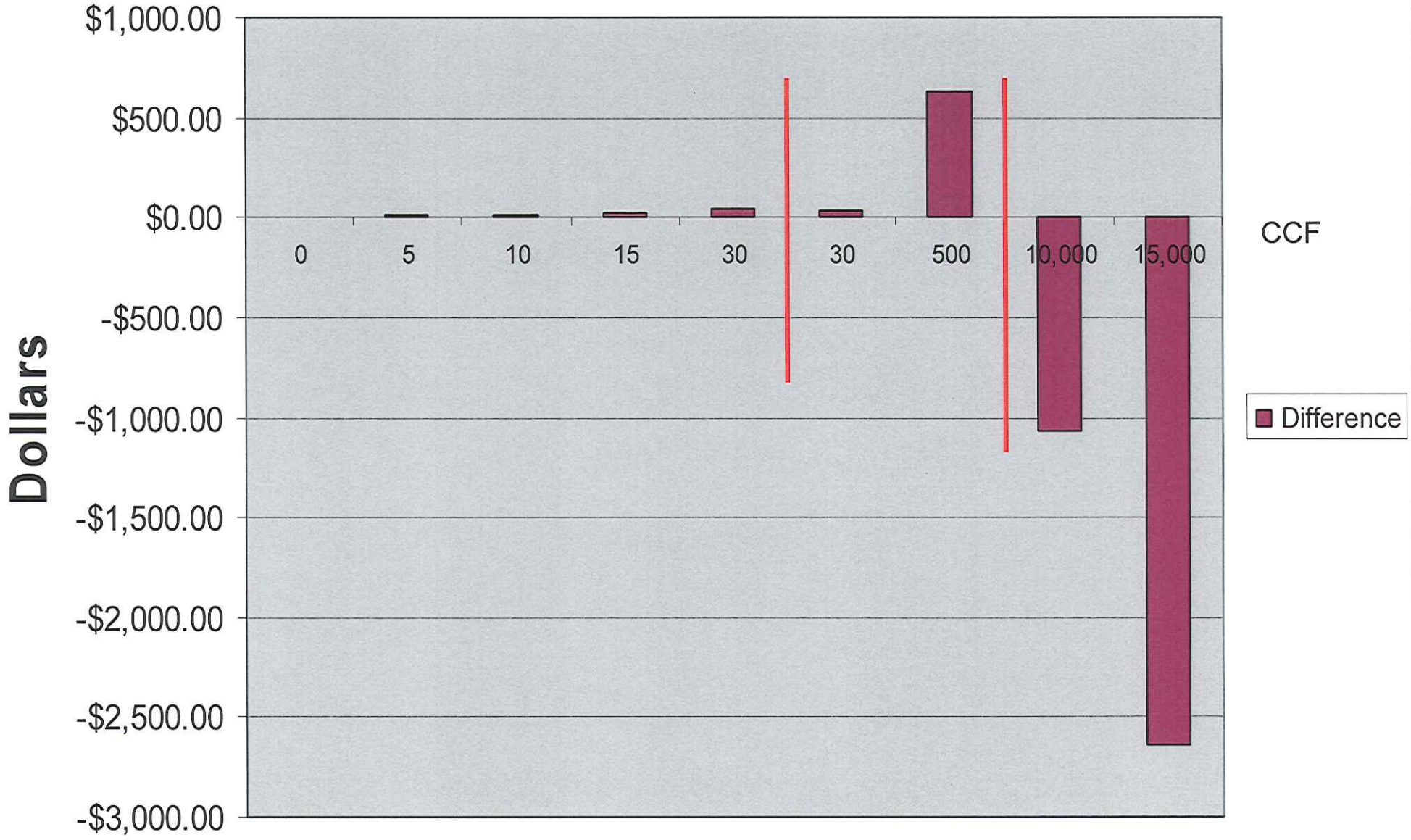
Based on dollars of revenue to Water Resources

- 1. Hospital
- 2. Government - Education
- 3. Leisure and Hospitality
- 4. Government
- 5. Housing and Urban Development
- 6. Wholesale
- 7. Food Processing – Manufacturing?
- 8. Leisure and Hospitality
- 9. Government - Education
- 10. Wholesale
- 11. Grocery
- 12. Hospital
- 13. Retirement Community
- 14. Textile – Manufacturing?
- 15. Wholesale

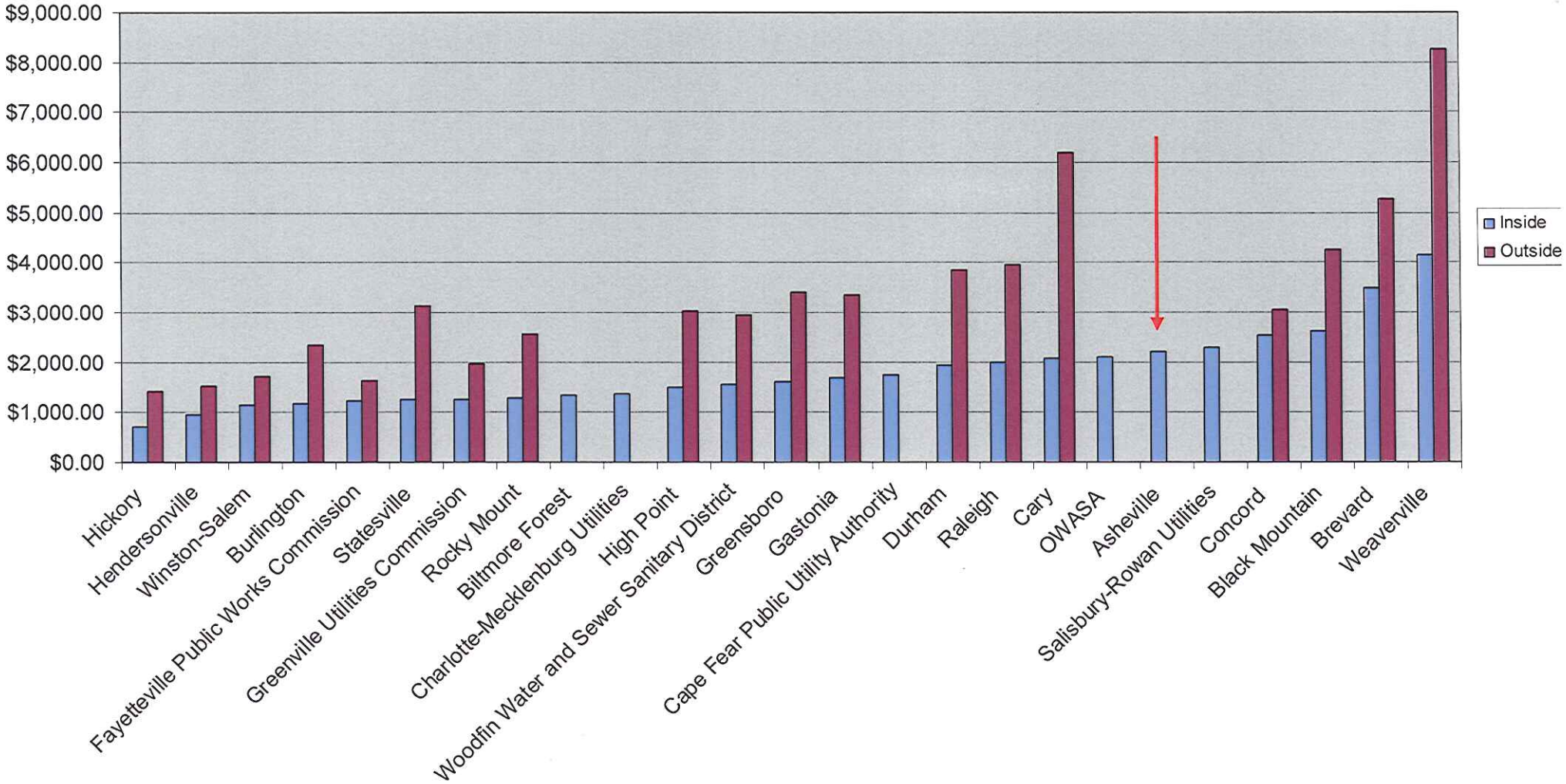
Cost / CCF by Class by Volume



Cost Comparison by Class by Volume (CCF)
National Median VS COA



2010 Commercial Monthly Water Cost for 500,000 Gallons; Sorted Increasing



UNC Environmental Finance Center

- Water Resources is implementing a number of cost-saving initiatives

- Examples are:
  - Energy efficient motors for pumps
  - Motor starters (variable speed or soft start) to reduce "across line" energy demands
  - New take home vehicle policy and on-call scheduling that have reduced our carbon footprint and expenses
  - Predictive maintenance to extend equipment life
  - Installation of automated meter reading devices to reduce carbon footprint, and improve customer service
  - Vacancies to reduce personnel costs

Define “Manufacturing”

- How do we define “manufacturing” as compared to other customers?
  - Volume of water used
  - % of water used in process
  - % of water used compared to water produced
  - Number of jobs sustained, payroll
  - Size and number of meter connections
  - Property tax value
  - Future payback potential

How Do We Implement a New Rate Class?

- Require operational data about process types, amount of water used, percent used for process, number of staff, financial data, SIC codes, etc. similar to Industrial Pretreatment requirements
- A written request with backup to be included in the Manufacturing class
- Automatic inclusion in the class based on meter size or volume of water consumed

Example #A

Company A used 74,400 CCF of water in 2010 or 6,200 CCF average per month

- Company A paid $165,099 for water used in 2010
- The rate increase in FY 2012 equates to an annual increase of $15,727 based on 2010 consumption (9.53%) or 0.05% of total expenses
- The FY 2012 cost for water based on 2010 consumption will be $180,826.

Example #B

- Company B consumed 52,884 CCF in 2010 or 4,407 CCF average per month
- Company B paid $108,491 for water used in 2010
- The rate increase in FY 2012 equates to an annual increase of $11,928 based on 2010 consumption (10.99%)
- The FY 2012 cost for water based on 2010 consumption will be $120,419 or roughly $2.28 per CCF.

Steve Shoaf

From: Lex Warmath [lwarmath@raftelis.com]
Sent: Thursday, June 09, 2011 3:50 PM
To: Steve Shoaf
Subject: RE: Meeting at ACE in Washington, DC

Steve:

You are correct. Given the current definition of your customer classes, our recommended rate adjustments, and potential future adjustments, provides for improved equity of cost recovery and more consistency with cost of service principles. I'm not sure if this qualifies as best practices, but it is definitely better practices. However, if Council elects to define a true industrial or manufacturing class of customers, based on type of business (SIC codes?) or some other criteria, then there may be some reason to have a separate (uniform) rate for that class of customers. Essentially, your current rate structure is trying to address the same objective by offering a lower rate for large users without defining a special customer class; and as we have discussed, this is not an unusual approach.

However, all that being said, given the low peaking factors exhibited by your system, it is (highly?) doubtful that a cost of service based rate for a separate manufacturing class would be lower than your current second tier rate for commercial customers. The larger volume customers would likely pay a higher total cost under a rate structure with a separate uniform volumetric rate for a manufacturing class, unless, as a matter of policy, that rate was set artificially low (i.e. below cost of service). In which case, you would still have residential and other customer classes subsidizing industrial/manufacturing customers to promote economic development. On the other hand, there might be some benefit to smaller volume "manufacturing" customers, that don't currently benefit from the second tier, if you implemented a uniform manufacturing rate, even if not artificially low. But this benefit would likely be very small for an individual customer, and the cumulative effect on your system would likely require raising other rates to compensate and to remain revenue neutral.

None of this is new or different than we have already discussed, maybe just a slightly different angle on the same ideas. Hope this helps. Please call me at your convenience if you'd like to discuss further.

Lex

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